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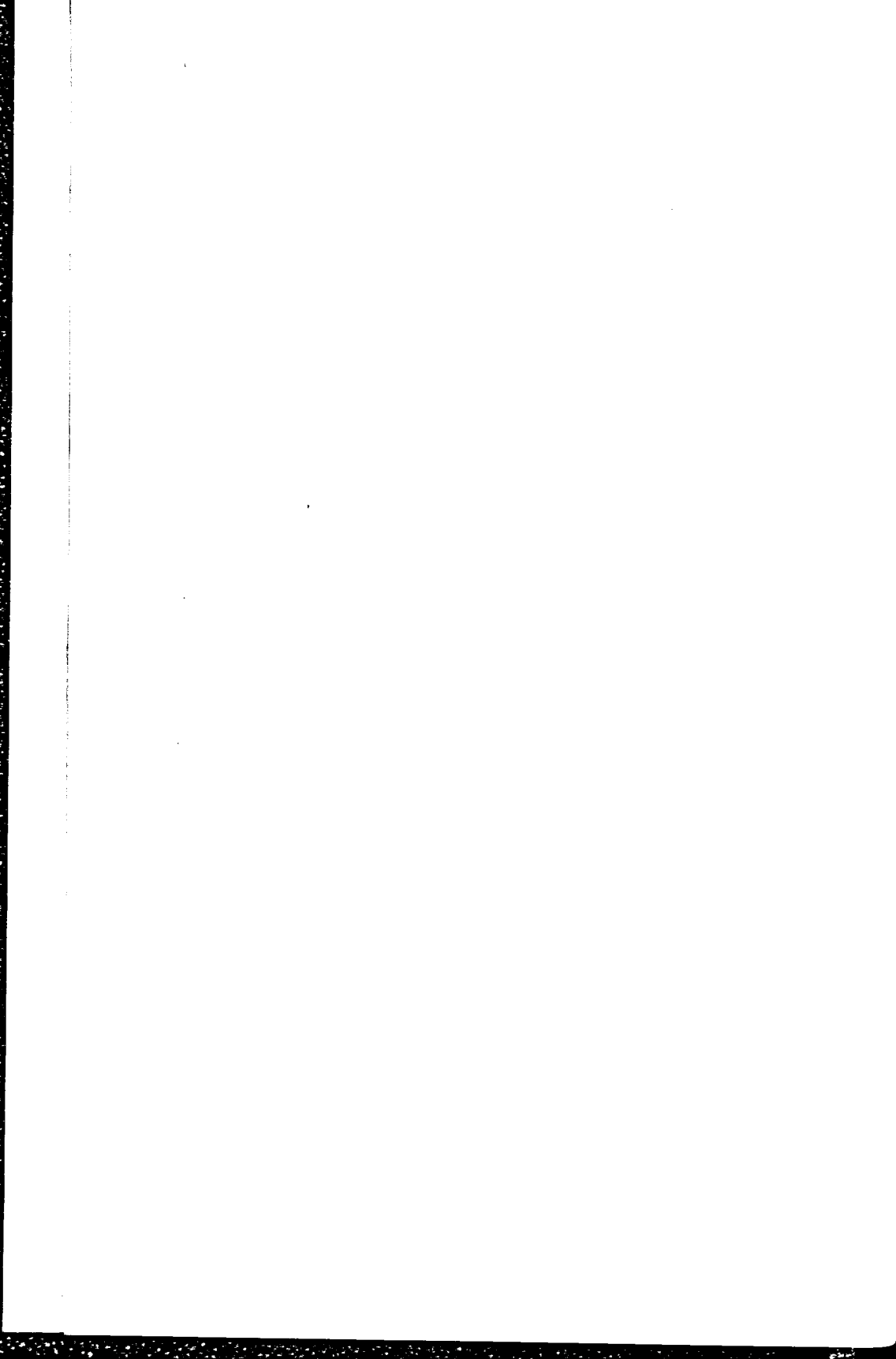
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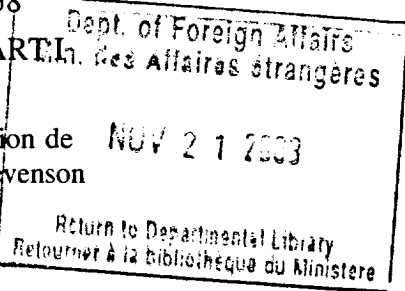
DOCUMENTS ON CANADIAN
EXTERNAL RELATIONS

VOLUME 24

1957-1958

TOME I/PARTIE I

Sous la direction de
Michael D. Stevenson
Editor



MINISTÈRE DES AFFAIRES ÉTRANGÈRES ET
DU COMMERCE INTERNATIONAL
DEPARTMENT OF FOREIGN AFFAIRS AND
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INTRODUCTION

INTRODUCTION

Le volume 24 des *Documents relatifs aux relations extérieures du Canada* est le premier des deux consacrés à la période allant du 10 juin 1957 au 31 décembre 1958 qui a suivi l'élection du gouvernement progressiste-conservateur minoritaire de John G. Diefenbaker. Ce volume contient des documents qui expliquent en détail la participation du Canada aux affaires des Nations Unies, de l'Organisation du Traité de l'Atlantique Nord (OTAN) et du Commonwealth. Il contient également des chapitres sur l'Europe occidentale et l'énergie atomique. Le volume suivant documentera les relations du Canada avec les États-Unis, le Moyen-Orient, l'Union soviétique et l'Europe de l'Est, l'Extrême-Orient et l'Amérique latine.

La victoire électorale des conservateurs en 1957 garantissait que les affaires du Commonwealth seraient traitées de façon plus prioritaire que sous les gouvernements libéraux précédents. Comme le révèle l'abondante documentation du chapitre trois, cependant, ce changement n'a pas toujours conduit à des orientations productives. Le premier ministre Diefenbaker s'envola pour Londres pour assister à la rencontre des premiers ministres du Commonwealth, décidé à obtenir leur appui pour une conférence commerciale et économique du Commonwealth, la première depuis 1952. Ses homologues accueillirent la proposition avec tiédeur, mais John Diefenbaker rentra au Canada avec la promesse qu'ils examineraient favorablement une demande de réunion des ministres des Finances du Commonwealth au Canada. À son arrivée à l'Aéroport d'Uplands, le 6 juillet 1957, John Diefenbaker annonça son intention d'acheter à la Grande-Bretagne 15 p. 100 des marchandises normalement achetées aux États-Unis, idée qui sera ensuite au centre des efforts déployés pour organiser la rencontre des ministres des Finances.

De hauts fonctionnaires avisèrent rapidement John Diefenbaker de ce qu'une telle préférence marquée pour les marchandises britanniques aurait de « graves répercussions sur les exportations et sur la prospérité générale du Canada ». [Document 345] Cependant, les Britanniques prirent John Diefenbaker au mot et allèrent même plus loin en proposant un accord de libre-échange entre le Canada et la Grande-Bretagne, projet politique qui, s'il se réalisait, serait désavantageux pour le Canada. [Document 351] Le 9 septembre, le ministre de l'Agriculture britannique, Derick Heathcote Amory, rencontra John Diefenbaker et le ministre des Finances, Donald Fleming, à Ottawa, pour demander que les Canadiens se décident rapidement au sujet du projet de libre-échange, tactique que Wynne Plumptre, sous-ministre adjoint des Finances, décrivit comme « purement scandaleuse ». [Document 354] Les propos échangés lors de pourparlers bilatéraux détaillés entre des ministres du Cabinet et de hauts fonctionnaires [documents 353 et 360] s'ébruitèrent avant et après la réunion des ministres des Finances du Commonwealth Finance qui eut lieu à Mont-Tremblant (Québec), du 28 au 30 septembre 1957, mais aucun accord de fond ne fut trouvé sur des mesures qui auraient permis d'accroître sensiblement les échanges commerciaux anglo-canadiens.

Malgré cette initiation éprouvante à la scène politique du Commonwealth, le gouvernement Diefenbaker reçut l'approbation nécessaire à Mont-Tremblant pour organiser une Conférence économique et commerciale du Commonwealth à Montréal, en septembre 1958. Les hauts fonctionnaires avaient compris dès le départ qu'il y avait au sein du Commonwealth « une discordance entre le fond et la forme » [Document 364], mais des préparatifs minutieux furent entrepris pour garantir le succès de la conférence. À la veille de celle-ci, toutefois, des membres du Cabinet reconnaissaient être « assez pessimistes » à son propos [Document 370], et leurs craintes s'avèrent

INTRODUCTION

Volume 24 in the *Documents on Canadian External Relations* series is the first of two covering the period from 10 June 1957 to 31 December 1958 following the election of John G. Diefenbaker's minority Progressive Conservative government. This volume contains documents detailing Canada's involvement in the affairs of the United Nations, the North Atlantic Treaty Organization (NATO), and the Commonwealth. It also contains chapters on Western Europe and atomic energy. The succeeding volume will document Canada's relations with the United States, the Middle East, the Soviet Union and Eastern Europe, the Far East, and Latin America.

The Conservative election victory in 1957 guaranteed that Commonwealth affairs would be granted a higher priority than they had enjoyed under previous Liberal governments. As the extensive documentation in Chapter Three reveals, however, this shift in emphasis did not always lead in productive directions. Prime Minister Diefenbaker travelled to the London meeting of Commonwealth Prime Ministers determined to gather support for a Commonwealth Trade and Economic Conference—the first since 1952. Although the response to this proposal was lukewarm, Diefenbaker returned to Canada with the promise that a request for a meeting of Commonwealth Finance Ministers in Canada in September would be considered favourably. Arriving at Uplands Airport on 6 July 1957, Diefenbaker announced his intention to divert fifteen percent of Canada's import purchases from the United States to Britain, a proposal that dominated the ensuing efforts to convene the Finance Ministers' meeting.

Senior bureaucrats quickly advised Diefenbaker that a marked shift in preference for British goods would have "severe repercussions on exports and on Canada's general prosperity" [Document 345]. British officials, however, took up Diefenbaker's offer and raised the ante by proposing a free trade agreement between Canada and Britain, a politically motivated scheme that, if implemented, would have been disadvantageous to Canada [Document 351]. The British Minister of Agriculture, Derick Heathcote Amory, met with Diefenbaker and Finance Minister Donald Fleming on 9 September in Ottawa to press for a quick Canadian decision on a free trade plan, a tactic Wynne Plumptre, the assistant deputy minister of finance, described as "absolutely outrageous" [Document 354]. Detailed bilateral discussions among Cabinet ministers and senior officials [Documents 353 and 360] did transpire prior to and following the meeting of Commonwealth Finance Ministers held at Mont Tremblant, Quebec, from 28-30 September 1957, but no substantive agreement could be reached concerning measures to significantly boost the level of Anglo-Canadian trade.

Despite this bruising initiation into the arena of Commonwealth politics, the Diefenbaker Government received the necessary approval at Mont Tremblant to host a Commonwealth Trade and Economic Conference in Montreal in September 1958. Senior officials realized from the outset that the Commonwealth itself "involved a clash between form and substance" [Document 364], but they undertook extensive preparations attempting to ensure the conference's success. On the eve of the conference, however, Cabinet members admitted that its prospects were "somewhat depressing" [Document 370], an assessment that proved to be largely correct in terms of substantive economic benefits for Canada. Nonetheless, important measures were adopted during the conference, including an agreement in principle to construct a

largement fondées quant aux avantages économiques en tant que tels pour le Canada. Cependant, des mesures importantes furent adoptées au cours de la conférence, y compris une entente de principe en vue d'installer un réseau de câble dans le Commonwealth et, point plus important encore, une décision visant le financement d'un système global de bourses d'études pour les étudiants du Commonwealth. [Documents 374-386]

Bien que la Conférence commerciale et économique se fût soldée par une déception, faute de réels progrès pour le Canada sur le plan économique, le lien avec le Commonwealth se révéla considérablement important dans d'autres domaines stratégiques. Les conservateurs de Diefenbaker restaient déterminés à ce que le Canada continue de contribuer avec une générosité exemplaire au Plan de Colombo. Le Canada continuait de financer des programmes d'investissement pour aider les pays bénéficiaires, mais les conservateurs choisirent également d'utiliser le Plan de Colombo pour se débarrasser d'une partie de l'excédent de blé considérable du Canada. [Documents 414-428] Le lien sentimental qui unissait de nombreux Canadiens au Commonwealth fut mis en évidence et renforcé par la longue série de visites officielles à l'étranger entreprise par le ministre Diefenbaker le 29 octobre 1958. Diefenbaker fit d'abord la tournée des capitales européennes, ce qui fut l'occasion de conversations importantes avec les dirigeants britanniques, français et allemands. Puis il se rendit dans des pays du Commonwealth en Extrême-Orient, pour rentrer au Canada à la mi-décembre, pleinement convaincu du succès retentissant de ces visites sur le plan publicitaire.

Malgré l'attention accrue prêtée aux questions relatives au Commonwealth, les représentants canadiens, comme le montre la documentation du chapitre premier, continuaient d'accorder une grande priorité aux dossiers des Nations Unies. De fait, l'initiative multilatérale la plus importante prise par le Canada au cours des dix-huit premiers mois du mandat de John Diefenbaker visait à obtenir la conclusion d'un accord codifiant le droit international de la mer, notamment en ce qui concernait la délimitation des eaux territoriales. Le gouvernement St-Laurent s'était d'abord déclaré favorable à une zone de douze milles marins, mais, sous les fortes pressions exercées par les États-Unis et la Grande-Bretagne, avait finalement adopté une politique appelant à opter pour des eaux territoriales allant jusqu'à trois milles au-delà des côtes, plus une zone contiguë de neuf milles dans laquelle l'État côtier exercerait un contrôle exclusif sur la pêche. En préparation à la première conférence des Nations Unies sur le droit de la mer, qui devait s'ouvrir à Genève le 24 février 1958, le nouveau gouvernement conservateur choisit d'accepter la formule des trois plus neuf comme position officielle du Canada pour ce qui était des eaux territoriales. [Documents 37, 40 et 43] Se fondant sur des consultations préalables à la conférence, qui eurent lieu à New York entre des représentants du Canada et leurs homologues britanniques et américains [Documents 39 et 42], la délégation canadienne s'attendait à une certaine coopération de la part de ses principaux alliés.

Cependant, cet espoir se révéla illusoire. Après que la position canadienne sur les eaux territoriales fut rendue publique à la conférence, le 17 mars 1958, le Royaume-Uni et les États-Unis abandonnèrent tous deux leurs positions rigides d'avant la conférence pour épouser la proposition de mer territoriale de trois milles sans zone de pêche contiguë. Le 2 avril, la délégation britannique déposa une résolution demandant que les eaux territoriales soient portées à six milles au-delà des côtes, sans zone de pêche contiguë. Peu après, la délégation américaine proposait que les eaux territoriales

Commonwealth cable system, and, of greatest significance, a decision to fund a comprehensive system of scholarships for Commonwealth students [Documents 374-386].

Although the Trade and Economic Conference proved to be a disappointment in terms of securing a dramatic economic breakthrough benefiting Canada, the Commonwealth link nonetheless proved to be of considerable importance in other policy areas. Diefenbaker's Conservatives remained committed to maintaining Canada's exemplary record of contributing generously to the Colombo Plan. Although Canada continued to fund capital programs to assist recipient countries, the Conservatives also chose to use Colombo Plan channels to aggressively dispose of portions of Canada's considerable wheat surplus [Documents 414-428]. The sentimental link many Canadians enjoyed with the Commonwealth was emphasized and reinforced by Prime Minister Diefenbaker's extensive world tour beginning 29 October 1958. Diefenbaker first toured European capitals and conducted important conversations with British, French, and German leaders. He then proceeded to tour Commonwealth countries in the Far East, returning to Canada in mid-December fully convinced that the tour had been an outstanding publicity success.

Despite the increased attention paid to Commonwealth issues, Canadian officials, as the documentation in Chapter One indicates, continued to place a high priority on United Nations matters. Indeed, Canada's most important multilateral initiative in the first eighteen months of Diefenbaker's mandate centred on efforts to broker an agreement codifying the international law of the sea, particularly in the delineation of the breadth of the territorial sea. The St. Laurent government had originally supported a twelve-mile territorial sea, but had ultimately adopted a policy, under strong pressure from the United States and Great Britain, calling for a territorial sea of three miles with an additional nine-mile zone contiguous to the territorial sea in which a coastal state would have exclusive control of the fisheries. In preparation for the first United Nations conference on the law of the sea, to be held in Geneva beginning 24 February 1958, the new Conservative government chose to accept the three plus nine formula as the formal Canadian position on the territorial sea [Documents 37, 40, and 43]. Based on pre-conference consultations that had occurred in New York between Canadian officials and their British and American counterparts [Documents 39 and 42], the Canadian delegation in Geneva assumed that some measure of cooperation from their primary allies would be forthcoming.

This hope, however, proved illusory. After the Canadian position on the territorial sea was unveiled at the conference on 17 March 1958, both the United Kingdom and the United States abandoned their rigid pre-conference positions embracing a three-mile territorial sea with no contiguous fishing zone. On 2 April, the British delegation tabled a resolution calling for a territorial sea of six miles with no contiguous fishing zone. Shortly thereafter, the American delegation introduced a proposal calling for a territorial sea of six miles with a six-mile contiguous zone in which a coastal state would exercise exclusive control over fisheries after a phasing out period of at least five years had elapsed for countries exercising traditional fishing rights. In light of the fact that the Canadian position had "steadily deteriorated," the chairman of the Canadian delegation, George Drew, concluded that the Canadian proposal stood "no hope whatever" of being accepted [Document 61]. Eventually, Drew sought and received approval from Ottawa to table another proposal that called for a six-mile

soient portées à six milles et que s'y ajoute une zone contiguë de six autres milles dans laquelle l'État côtier aurait le contrôle exclusif de la pêche après une période transitoire de cinq ans au moins pour les pays y exerçant des droits de pêche traditionnels. Voyant que la position canadienne « ne cessait de se détériorer », le président de la délégation du Canada, George Drew, conclut que la proposition du Canada n'avait « aucune chance » d'être retenue. [Document 61] Pour finir, il demanda et obtint l'autorisation d'Ottawa de déposer une autre proposition visant à porter les eaux territoriales à six milles au-delà des côtes, avec en plus une zone contiguë de pêche exclusive de six milles, ce qui revenait à copier la proposition américaine sans reconnaître les droits de pêche traditionnels.

Le 19 avril 1958, le comité de la conférence qui étudiait la question des eaux territoriales se prononça sur les nombreuses propositions qui lui avaient été présentées. Après quatorze votes, seul le deuxième paragraphe de la proposition canadienne, qui demandait une zone de pêche exclusive contiguë à la mer territoriale s'étendant au maximum à douze milles des côtes, fut approuvé par la majorité des membres. Peu troublée par le rejet de sa résolution par le comité, la délégation américaine réussit à représenter sa proposition en séance plénière de la conférence. Le 25 avril 1958, la proposition américaine et la portion de proposition canadienne adoptée au comité emportèrent la majorité des voix. Cependant, ni l'une ni l'autre n'obtinrent les deux tiers des voix nécessaires pour entrer dans le droit international. Dans son analyse rétrospective de la conférence, George Drew affirmait que les Américains et les Britanniques avaient menacé bon nombre de délégations de leur retirer leur aide économique si la position du Canada recueillait les deux tiers des voix en séance plénière. Il concédait, cependant, que le rejet de la résolution américaine, qui n'avait donc pas été intégrée dans le droit, constituait une « véritable victoire » dans la défense des intérêts halieutiques du Canada face à « l'impérialisme flagrant du dollar ». [Document 78] Il concluait également que la conférence avait été « un succès remarquable », puisque l'on y avait notamment « reconnu sans réserve » la nécessité d'une zone de pêche contiguë. Les États réunis s'étaient déclarés favorables à une nouvelle rencontre et, à sa XIII^e Session, l'Assemblée générale des Nations Unies (AGNU) réussit à s'entendre sur une deuxième conférence, qui se tiendrait à Genève au printemps de 1960. [Documents 81-86]

En plus du droit de la mer, deux questions qui avaient auparavant dominé l'ordre du jour de l'ONU occupent une place importante dans ce volume. Les efforts continus déployés pour créer un Fonds spécial des Nations Unies pour le développement économique (SUNFED) donnèrent enfin des résultats. [Documents 88 à 116] En juillet 1957, à la XXIV^e Session du Conseil économique et social, les pays en développement obtinrent l'appui des Pays-Bas et de la France dans l'adoption d'une résolution demandant la création du SUNFED. Comprenant qu'ils ne pouvaient plus retarder l'inévitable, les États-Unis formulèrent une version modifiée du SUNFED étroitement liée aux mécanismes de l'assistance technique onusienne. À la XII^e Session de l'AGNU, la délégation du Canada exerça une « influente modératrice importante » [Document 105] dans les efforts déployés pour rédiger la résolution qui serait adoptée en séance plénière le 14 décembre 1957 et qui portait création d'un fonds spécial en principe. Après qu'un comité préparatoire se fut réuni au printemps de 1958 pour définir les paramètres officiels du Fonds spécial, celui-ci fut officiellement établi en octobre 1958.

territorial sea and a six-mile contiguous exclusive fisheries zone, a proposal that mimicked the American plan without recognizing traditional fishing rights.

On 19 April 1958, the conference committee studying the territorial sea voted on the numerous proposals before it. After fourteen separate votes, only the second paragraph of the Canadian proposal calling for an exclusive fishing zone adjacent to the territorial sea extending out to a maximum distance of 12 miles from the coast secured a majority vote. Undaunted by the defeat of their resolution in Committee, the American delegation secured the reintroduction of their proposal into the plenary session of the conference. On 25 April 1958, both the American proposal and the portion of the Canadian proposal carried from the committee stage of the conference secured majority support. Both plans, however, failed to secure the necessary two-thirds support to be adopted as international law. In his post-mortem on the conference, Drew claimed that many delegations had been threatened by the Americans and the British with the withdrawal of economic aid if the Canadian position received two-thirds support in the plenary session. Drew reported, however, that the failure of the American resolution to be enshrined in law was a "real victory" in defence of Canadian fishing interests in the face of blatant "dollar imperialism" [Document 78]. He also concluded that the conference had been a "very outstanding achievement," with one of its most important outcomes being the "unqualified acceptance" of the need for a contiguous fishing zone. The conference had supported meeting again, and the thirteenth session of the United Nations General Assembly (UNGA) succeeded in scheduling a second conference to be held in Geneva in the spring of 1960 [Documents 81-86].

In addition to the law of the sea, two issues that had previously dominated the agenda of the United Nations are featured prominently in this volume. The perennial attempt to establish the Special United Nations Fund for Economic Development (SUNFED) finally yielded results [Documents 88 to 116]. In July 1957, at the twenty-fourth session of the Economic and Social Council, developing countries gained the support of the Netherlands and France in passing a resolution calling for the establishment of SUNFED. The United States realized that it could no longer postpone the inevitable, and it formulated a modified version of SUNFED that was closely linked with existing UN technical assistance machinery. At the twelfth session of the UNGA, the Canadian delegation exercised an "important moderating influence" [Document 105] in efforts to draft the resolution endorsed in plenary session on 14 December 1957 that established a Special Fund in principle. After a Preparatory Committee met in the spring of 1958 to set the official parameters of the Special Fund, it was formally established in October 1958.

While the creation of the Special Fund ended a decade of procedural wrangling between developed and developing nations, the question of disarmament remained unresolved [Documents 117-143]. The Sub-committee of the United Nations Disarmament Commission, meeting in London in the summer of 1957, failed to make any progress, despite the presentation of a comprehensive Western disarmament package [Document 117]. Charles Ritchie's account of the Sub-committee's deliberations [Document 123] cogently outlined the reasons for the unbridgeable chasm between East and West over the disarmament issue. At the twelfth session of the UNGA, efforts to secure propaganda victories followed their usual course, and the Soviet Union subsequently announced its intention to withdraw from participating further in UN-sponsored disarmament consultations [Document 134]. A poorly

La création du Fonds spécial mettait fin à une décennie de disputes procédurales entre les pays développés et pays en développement, mais la question du désarmement restait en suspens. [Documents 117-143] Le sous-comité de la Commission du désarmement des Nations Unies, réuni à Londres durant l'été 1957, ne marqua aucun progrès, malgré la présentation d'un plan de désarmement occidental détaillé. [Document 117] Dans son compte rendu des délibérations du sous-comité [Document 123], Charles Ritchie expose avec à-propos les raisons du clivage irrémédiable entre l'Est et l'Ouest au sujet du désarmement. À la XII^e Session de l'AGNU, les États s'efforcèrent de nouveau de remporter des victoires de propagande, après quoi l'Union soviétique annonça son intention de ne plus participer à des consultations onusiennes sur le désarmement. [Document 134] La piètre réaction occidentale à une plainte déposée par les Soviétiques auprès du Conseil de sécurité, en avril 1958, au sujet des vols du Commandement des forces aériennes stratégiques vers l'Union soviétique, amena Charles Ritchie à faire observer que le Conseil était « impuissant face aux risques réels qui pèsent sur la paix et la sécurité ». [Document 138]. À la XIII^e Session de l'AGNU, cette impuissance était manifeste, car aucune mesure constructive ne fut proposée pour relancer les négociations sur le désarmement sous l'égide des Nations Unies. Parallèlement, deux conférences indépendantes sur les attaques surprises et la suspension des essais nucléaires avaient lieu à Genève, et l'ONU en était tout simplement réduite à adopter des résolutions les appuyant.

Le chapitre deux du présent volume se penche sur la participation du Canada à l'Organisation du Traité de l'Atlantique Nord. Deux sujets présentaient un intérêt immédiat pour les représentants canadiens. Premièrement, l'OTAN formulait alors un document d'orientation important, appelé MC 70, qui fixait le nombre de soldats que chaque pays devait aligner entre 1958 et 1963. [Documents 181-204] Le Canada joua un rôle décisif pour ce qui est de convaincre le Conseil de l'OTAN d'inscrire la mise en œuvre du document MC 70 dans l'Examen annuel de 1958. [Document 193] Cependant, Ottawa refusa d'engager les ressources financières nécessaires pour remplir ses obligations aux termes du document MC 70, y compris l'acquisition d'un deuxième porte-avions et le rééquipement de sa division aérienne en Europe avec des avions d'attaque. Le besoin de repli financier du Canada était également évident dans les crédits votés pour l'aide mutuelle aux pays de l'OTAN [Documents 237 à 242], qui tombèrent à 90 millions de dollars pour l'exercice 1959-1960, après avoir atteint 290 millions de dollars en 1953-1954.

La deuxième décision stratégique fondamentale qui retint l'attention des responsables canadiens en ce qui concerne l'OTAN visait la question épineuse des réserves stratégiques d'armes nucléaires en Europe. [Documents 205 à 236] Le volume 25 de la présente série proposera quantité de documents sur l'élaboration de la politique sur le rôle des armes nucléaires dans la défense continentale nord-américaine. Ottawa ne s'en intéressait pas moins à la proposition américaine de fournir des armes nucléaires à ses alliés de l'OTAN, étant donné, notamment, qu'il était possible que l'on demande à la brigade d'armée canadienne stationnée en Europe de se doter d'armes nucléaires tactiques. Après que les chefs de gouvernement de l'OTAN réunis à Paris, en décembre 1957, eurent approuvé la proposition américaine concernant les réserves stratégiques, les responsables canadiens surveillèrent de près l'évolution des négociations entre Washington et les capitales européennes sur l'incorporation d'armes nucléaires dans les arsenaux de l'Europe occidentale. La

managed Western response to a Soviet complaint to the Security Council in April 1958 concerning Strategic Air Command flights toward the Soviet Union prompted Ritchie to note that the Council was "impotent in the face of real risks to peace and security" [Document 138]. At the thirteenth session of the UNGA, this impotence was manifestly evident, as no constructive measures were put forward to kick-start disarmament negotiations under the aegis of the UN. By this time, two independent conferences in Geneva dealing with surprise attack and nuclear test suspension were underway, and the UN was reduced to simply passing resolutions supporting these conferences.

Chapter Two of this volume examines Canada's participation in the North Atlantic Treaty Organization. Two topics were of immediate interest to Canadian officials. First, NATO was involved in formulating a major policy document—known as MC-70—that set the minimum force requirements for each member country between 1958 and 1963 [Documents 181-204]. Canada played a decisive role in convincing the NATO Council to incorporate the implementation of MC-70 into the 1958 Annual Review process [Document 193]. Ottawa, however, refused to commit the financial resources necessary to fulfil its MC-70 obligations, including the acquisition of a second aircraft carrier and the re-equipping of its air division in Europe with strike aircraft. Canada's need for fiscal retrenchment was also evident in its appropriations for mutual aid to NATO countries [Documents 237 to 242], which dropped to ninety million dollars for fiscal year 1959-1960, a substantial reduction from the figure of 290 million dollars in 1953-1954.

The second substantive policy decision capturing the attention of Canadian officials regarding NATO was the contentious issue of nuclear weapons stockpiles in Europe [Documents 205 to 236]. Volume 25 of this series will provide extensive documentation on the formation of policy concerning the role of nuclear weapons in North American continental defence. Ottawa nonetheless maintained an active interest in the American proposal to provide nuclear weapons to its NATO allies, especially in the light of the fact that Canada's army brigade in Europe might be called upon to arm itself with tactical nuclear missiles. After the NATO Heads of Government meeting in Paris in December 1957 endorsed the American stockpile proposal, Canadian officials maintained a careful watch on the progress of negotiations between Washington and European capitals concerning the incorporation of nuclear weapons into the arsenals of Western Europe. The possibility of the Federal Republic of Germany acquiring nuclear weapons was of particular concern, and a frank exchange of views between Secretary of State for External Affairs Sidney Smith and his American counterpart, John Foster Dulles, occurred in the spring of 1958 [Documents 221 and 226]. Department of External Affairs officials remained unclear about the command and control of nuclear weapons stockpiles throughout this period. A colourful exchange of letters between General Charles Foulkes, the Chairman of the Chiefs of Staff, and Under-Secretary of State for External Affairs Jules Léger in the summer of 1957 [Documents 206 and 207] revealed the "considerable difference of opinion" [Document 206] between civilian and military officials concerning the control of nuclear weapons. Foulkes believed that NATO military leaders had full authority to use nuclear weapons without seeking the assent of political leaders, while Léger categorically denied the supremacy of the military over their civilian counterparts. This debate took

possibilité que la République fédérale d'Allemagne acquière des armes nucléaires l'inquiétait tout particulièrement, et un échange de vues franc entre le secrétaire d'État aux Affaires extérieures Sidney Smith et son homologue américain, John Foster Dulles, se produisit au printemps de 1958. [Documents 221 et 226] Les représentants du ministère des Affaires extérieures restèrent vagues sur le commandement et le contrôle des réserves stratégiques d'armes nucléaires pendant toute cette période. Un échange fort intéressant de lettres entre le général Charles Foulkes, président du Comité des chefs d'état-major, et le sous-secrétaire d'État aux Affaires extérieures Jules Léger, pendant l'été 1957 [Documents 206 et 207], révéla la « divergence d'opinion profonde » [Document 206] entre les responsables civils et militaires au sujet du contrôle des armes nucléaires. Le général Foulkes estimait que les responsables militaires de l'OTAN avaient toute autorité pour utiliser l'arme nucléaire sans avoir à demander l'assentiment des dirigeants politiques, alors que Jules Léger refusait catégoriquement la suprématie de l'armée sur les pouvoirs civils. Ce débat prit un tout autre relief quand les accords négociés entre Washington et les pays membres de l'OTAN sur les réserves stratégiques d'armes nucléaires entrèrent en vigueur. À la fin de 1958, les hauts fonctionnaires canadiens étaient encore incapables de dire avec certitude à qui incombait en dernier ressort la responsabilité de déployer des armes nucléaires en cas de guerre. [Documents 228-236]

L'OTAN était également préoccupée par plusieurs autres questions importantes. La menace que les Soviétiques faisaient de nouveau planer sur le statut de Berlin, au risque de provoquer une nouvelle crise de Berlin, inquiétait fort la communauté internationale. La décision des États-Unis, de la Grande-Bretagne, de la France et de l'Allemagne d'organiser des pourparlers séparés pour trouver une réponse à l'initiative soviétique concernant Berlin déplaisait aux responsables canadiens. [Document 313] Le représentant permanent du Canada au Conseil de l'Atlantique Nord qualifia de « peu inspirés » et de « déprimants » les efforts que l'OTAN déploya ensuite pour rédiger des notes diplomatiques à l'intention de Moscou. [Document 320] Les événements qui se déroulaient en France absorbaient également l'attention des pays membres de l'OTAN. Le retour de Charles de Gaulle au pouvoir, en juin 1958, garantissait qu'il essaierait de faire admettre son point de vue sur la place et la position que la France devrait occuper au sein de l'Alliance. En septembre 1957, le général de Gaulle avait contacté le premier ministre britannique Harold Macmillan et le président américain Dwight Eisenhower afin de constituer un triumvirat au sein de l'OTAN, initiative que le premier ministre Diefenbaker rejeta en précisant qu'elle trahissait « le manque total de réalisme [du général de Gaulle] par rapport à la puissance de la France et à son influence dans les affaires de l'OTAN ». [Document 289] Cependant, les représentants canadiens se rendaient compte que le projet français reléguerait des pays membres de l'OTAN tels que le Canada au deuxième rang au sein de l'Alliance, et ils suivirent donc de près les entretiens diplomatiques entre les Français, les Américains et les Britanniques pendant les derniers mois de 1958.

Les faits et gestes des représentants de la France occupent une place importante dans deux sujets clés documentés au chapitre quatre du présent volume, qui porte sur la politique du Canada vis-à-vis de l'Europe occidentale. Ottawa continua de s'intéresser de près à la situation politique en France avant et après le retour de Charles de Gaulle au pouvoir, et les fonctionnaires canadiens étaient directement concernés par les politiques et les attitudes françaises par rapport à l'Algérie. Des représentants

on added importance once agreements between Washington and NATO countries concerning the stockpiling of nuclear weapons became final. At the end of 1958, senior Canadian bureaucrats still remained uncertain about who was ultimately responsible for deploying nuclear weapons in the event of war [Documents 228-236].

NATO was also preoccupied with a number of other important issues. Of great international concern was the renewed Soviet threat to alter the political status of Berlin and instigate a second Berlin crisis. Canadian officials were displeased with the decision of the United States, Britain, France, and Germany to hold separate talks to formulate a response to the Soviet initiative concerning Berlin [Document 313]. The subsequent NATO effort to draft diplomatic notes to be sent to Moscow was described by the Canadian permanent representative to the North Atlantic Council as "uninspiring and depressing" [Document 320]. Events in France further absorbed the attention of NATO members. Charles de Gaulle's return to power in June 1958 guaranteed that he would attempt to force his views on the proper place and position of France within the alliance. In September 1957, de Gaulle contacted British Prime Minister Harold Macmillan and American President Dwight Eisenhower seeking to establish a triumvirate within NATO, an initiative Prime Minister Diefenbaker dismissed as one that betrayed de Gaulle's "totally unrealistic assessment of France's power and influence in NATO affairs" [Document 289]. Nevertheless, Canadian officials realized that the French proposal would relegate NATO members such as Canada to second-class status within the alliance, and they carefully watched diplomatic discussions among French, American, and British officials that occurred during the final months of 1958.

The actions of French officials figured prominently in two important topics documented in Chapter Four of this volume, which deals with Canada's policy toward Western Europe. Ottawa maintained a keen interest in the domestic political situation in France before and after de Gaulle assumed power, and Canadian bureaucrats were directly affected by French policies and attitudes concerning Algeria. External Affairs officials incurred the wrath of Paris when they considered receiving a mission from various African nations to discuss the Algerian question. After the mission was abruptly cancelled in the face of French pressure, a departmental memorandum identified "lingering colonialism" [Document 505] as marking the French relationship with Canada. Perhaps more sensitive to potential criticism in the aftermath of this incident, Canada actively lobbied Commonwealth members to withhold recognition from the provisional government of Algeria formed by the Front de libération nationale (FLN), an initiative that was greatly appreciated by Paris [Document 516]. France also dominated the complex negotiations spearheaded by the United Kingdom to form a European Free Trade Area, a trade bloc that could have had a significant negative impact on Canadian trade with Europe. Throughout 1958, an inter-governmental committee headed by Reginald Maudling attempted to win the six members of the European Economic Community over to the idea of a wider continental free trade association. France, however, remained intransigent, and came precariously close to "wrecking the Common Market itself" [Document 491].

The final chapter in this volume provides a comprehensive examination of Canada's atomic energy policy. The application of controls and safeguards to uranium exports was one of the key policy issues facing Canadian officials from a number of government departments. Bilateral agreements with West Germany and Switzerland

des Affaires extérieures s'attirèrent les foudres de Paris en envisageant de recevoir une mission composée de divers pays africains afin d'examiner la question algérienne. Après la brusque annulation de cette mission sous les pressions françaises, un mémoire ministériel parlait de « colonialisme persistant » [Document 505] pour qualifier les relations de la France avec le Canada. Sans doute plus sensible à des critiques éventuelles après cet incident, le Canada exerça des pressions sur les pays membres du Commonwealth pour qu'ils ne reconnaissent pas le gouvernement provisoire algérien formé par le Front de libération nationale (FLN), initiative qu'apprécia beaucoup Paris. [Document 516] La France dominait également les négociations complexes menées par le Royaume-Uni en vue de former une zone européenne de libre-échange, bloc commercial qui aurait pu être lourd de conséquences pour le commerce canado-européen. Tout au long de 1958, un comité intergouvernemental dirigé par Reginald Maudling chercha à gagner les six membres de la Communauté économique européenne à l'idée d'une association de libre-échange continental plus vaste. Cependant, la France resta intransigeante et faillit bien « saboter le Marché commun lui-même ». [Document 491]

Le dernier chapitre du présent volume propose un examen détaillé de la politique du Canada en matière d'énergie atomique. L'application de contrôles et de garanties aux exportations d'uranium était une des principales questions stratégiques auxquelles les responsables de plusieurs ministères fédéraux canadiens étaient confrontés. L'Allemagne de l'Ouest et la Suisse négocièrent très facilement des accords, et le Canada travailla en étroite collaboration avec les États-Unis et le Royaume-Uni afin d'adopter une politique globale en matière de contrôles internationaux. Ces contrôles s'imposaient manifestement au vu des actions de pays producteurs d'uranium tels que l'Afrique du Sud, qui se montraient prêts à exporter ce produit sans appliquer de mesures de contrôle. L'attachement du Canada à la supervision internationale de l'énergie atomique était également évident dans son approche de l'Agence internationale de l'énergie atomique (AIEA). Bien que Max Wershof, représentant du Canada auprès de l'AIEA, se déclarât pessimiste quant aux capacités administratives de l'AIEA [Document 572], le Canada s'attacha à la soutenir sans relâche, par des contributions financières et par le don d'uranium métal que l'Agence revendrait au Japon. [Documents 583 et 585]

Pendant les trois premiers mois du mandat conservateur, John Diefenbaker s'occupa du portefeuille des Affaires extérieures, en plus de ses fonctions de premier ministre. Tout au long de son mandat, il s'intéressa de près aux affaires internationales et insista pour traiter personnellement les questions de politique étrangère délicates, écartant souvent ce faisant les représentants des Affaires extérieures. John Diefenbaker considérait avec une certaine méfiance les « Pearsonalités » du Ministère, à cause de leur allégeance apparente à leur ancien maître politique. En août 1957, Robert Bryce, greffier du Conseil privé, fit donc en sorte que H. Basil Robinson soit chargé d'assurer à plein temps la liaison entre le Cabinet du premier ministre et le Ministère, responsabilité dont H. Basil Robinson s'acquitta remarquablement. En septembre 1957, John Diefenbaker nomma Sidney Smith, recteur de l'Université de Toronto, au poste de secrétaire d'État aux Affaires extérieures. Administrateur et universitaire capable, Sidney Smith ne réussit pas à se distinguer dans ses nouvelles fonctions avant son décès soudain, en mars 1959. La documentation réunie dans le présent volume démontre amplement qu'il opta souvent pour la passivité dans son portefeuille, se

were negotiated with considerable ease, and Canada worked closely with the United States and the United Kingdom to adopt a comprehensive policy of international controls. These controls were manifestly necessary in the light of the actions of uranium producing countries such as South Africa, which displayed a willingness to export uranium without the application of control provisions. Canada's commitment to the international supervision of atomic energy was also evident in its approach to the International Atomic Energy Agency (IAEA). Although Max Wershof, the Canadian representative to the IAEA, expressed a pessimistic view of the administrative capabilities of the Agency [Document 572], Canada nonetheless remained firmly dedicated to supporting the IAEA through direct financial contributions and the donation of uranium metal to the Agency for resale to Japan [Documents 583 and 585].

For the first three months of the Conservative mandate, John Diefenbaker held the portfolio of External Affairs in addition to his duties as prime minister. Throughout his term in office, Diefenbaker maintained a keen interest in international affairs and insisted on personally handling critical foreign policy issues, often excluding External Affairs officials in the process. Diefenbaker viewed the department's "Personalities" with a certain degree of suspicion owing to their perceived allegiance to their former political master. As a result, Robert Bryce, the Clerk of the Privy Council, arranged in August 1957 to have H. Basil Robinson appointed as a full-time liaison between the Prime Minister's Office and the department, a responsibility that Robinson handled with distinction. In September 1957, Diefenbaker handpicked Sidney Smith, President of the University of Toronto, to fill the position of secretary of state for external affairs. An able academic administrator, Smith failed to carve out an independent niche for himself prior to his sudden death in March of 1959. The documentation in this volume provides ample evidence that Smith often adopted a passive stance toward his portfolio, content to let his departmental officials shape his views on many key issues. Smith was also overshadowed by other ministers with more clout at the Cabinet table such as Donald Fleming and Gordon Churchill, who played an active and prominent role in determining Canada's position on key international issues.

Both Diefenbaker and Smith were able to draw on the advice of a veteran group of senior External Affairs officials during the first eighteen months of the Conservative administration. Jules Léger served as Under-Secretary of State for External Affairs before Norman Robertson replaced him in October 1958. R.M. Macdonnell assisted Léger and Robertson as Deputy Under-Secretary from September 1958 (this position had been vacant from May 1957). The Department depended on the services of four Assistant Under-Secretaries during the period covered by this volume: John Holmes, Douglas LePan, W.D. Matthews, and Marcel Cadieux. Cadieux also served as the Department's Legal Adviser.

No major changes in representation occurred at Canada's major posts abroad until the autumn of 1958. Norman Robertson served as Ambassador in Washington until 10 October 1958 before he returned to Ottawa to assume his duties as under-secretary. A.D.P. Heeney replaced Robertson in Washington. In June 1957, Diefenbaker appointed George Drew as High Commissioner to the United Kingdom. Jean Déry served as Ambassador to France until July 1958 before being replaced by Pierre Dupuy. Prior to his retirement in July 1958, Dana Wilgress served as Permanent Representative to the North Atlantic Council and Representative to the Organization

contentant de laisser les fonctionnaires de son ministère dicter ses opinions sur de nombreuses questions clés. Il était aussi éclipsé par d'autres ministres plus influents au sein du Cabinet, comme Donald Fleming et Gordon Churchill, qui jouaient un rôle déterminant dans la définition de la position du Canada sur les grandes questions internationales.

Pendant les 18 premiers mois du gouvernement conservateur, John Diefenbaker et Sidney Smith purent tous deux profiter des conseils d'un groupe de vétérans des Affaires extérieures. Jules Léger servit comme sous-secrétaire d'État aux Affaires extérieures avant que Norman Robertson le remplace en octobre 1958. R.M. Macdonnell les assista tous les deux en qualité de sous-secrétaire d'État adjoint à partir de septembre 1958 (ce poste était vacant depuis mai 1957). Pendant la période couverte dans le présent volume, le Ministère compta quatre sous-secrétaires adjoints; à savoir : John Holmes, Douglas LePan, W.D. Matthews et Marcel Cadieux. Marcel Cadieux fut également juriste du Ministère.

Aucun changement majeur d'ambassadeur n'intervint dans les principales missions du Canada à l'étranger jusqu'à l'automne 1958. Norman Robertson représenta le Canada à Washington jusqu'au 10 octobre 1958, date à laquelle il regagna Ottawa pour prendre ses fonctions de sous-secrétaire. A.D.P. Heeney le remplaça dans la capitale américaine. En juin 1957, John Diefenbaker nomma George Drew haut-commissaire du Canada au Royaume-Uni. Jean Désy fut ambassadeur en France jusqu'en juillet 1958, après quoi il fut remplacé par Pierre Dupuy. Avant de prendre sa retraite en juillet 1958, Dana Wilgress fut représentant permanent du Canada auprès du Conseil de l'Atlantique Nord et représentant auprès de l'Organisation européenne de coopération économique. Jules Léger le remplaça à ces postes en septembre 1958.

Les documents présentés dans le présent volume ont été choisis principalement dans les archives du ministère des Affaires extérieures et du Bureau du Conseil privé. D'autres documents ont été choisis dans les dossiers du ministère des Finances et du ministère du Commerce, ainsi que dans les papiers personnels de ministres du Cabinet et de hauts fonctionnaires. J'ai bénéficié, pour préparer le présent volume, d'un accès illimité aux dossiers du ministère des Affaires extérieures et d'un accès généreux à d'autres collections. Une liste complète des archives consultées figure à la page xxvii.

Le choix des documents du volume 24 est guidé par les principes généraux énoncés dans l'introduction au volume 7 (pp. ix-xi), dans leur version modifiée dans l'introduction au volume 20 (p. xxiii). En bref, la série vise à présenter un « compte rendu indépendant des principales décisions de politique étrangère prises par le gouvernement du Canada », en se concentrant sur les relations bilatérales et multilatérales les plus importantes de celui-ci et sur les grands dossiers internationaux qui ont amené des membres du Cabinet et de hauts fonctionnaires à participer à la politique de fond.

Les signes typographiques employés dans le présent volume sont les mêmes que ceux décrits dans l'introduction au volume 9 (p. xix). Une croix (†) indique un document canadien qui n'est pas imprimé. Les suppressions rédactionnelles sont signalées par une ellipse (...). L'expression « groupe corrompu » signale des problèmes de décryptage dans la transmission du télégramme original. Les mots et passages qui ont été barrés par l'auteur, les notes marginales et les listes de distribution sont reproduits sous formes de notes de bas de page uniquement quand ils sont importants. Sauf indication contraire, il est entendu que les documents ont été lus

for European Economic Cooperation. Jules Léger replaced him in these positions in September 1958.

Documents in this volume were selected primarily from the records of the Department of External Affairs and the Privy Council Office. Additional documents were chosen from the files of the Departments of Finance and Trade and Commerce, and from the private papers of Cabinet ministers and senior government officials. In preparing this volume, I was given unrestricted access to the files of the Department of External Affairs and generous access to other collections. A complete list of the archival sources consulted to prepare this volume is found on page xxvii.

The selection of documents in Volume 24 is guided by the general principles outlined in the Introduction to Volume 7 (pp. ix-xi), as amended in the Introduction to Volume 20 (p. xxiii). In short, the series attempts to provide a "self-contained record of the major foreign policy decisions taken by the Government of Canada," by concentrating on Canada's most important bilateral and multilateral relationships and on the major international issues that directly involved Cabinet members and senior bureaucrats in substantive policy decisions.

The editorial apparatus employed in this volume remains identical to that described in the Introduction to Volume 9 (p. xix). A dagger (†) indicates a Canadian document that is not printed. Editorial excisions are shown by an ellipse (...). The phrase "group corrupt" indicates decryption problems in the transmission of the original telegram. Words and passages that were struck out by the author, marginal notes, and distribution lists are reproduced as footnotes only when important. Unless otherwise indicated, it is assumed that documents have been read by the intended recipient. Proper and place names are standardized. The editor has silently corrected spelling, capitalization, and punctuation, as well as transcription errors whose meaning is clear from their context. All other editorial additions to the documents are indicated by the use of square brackets. Documents are reprinted in either English or French, depending on their original language.

Many individuals collaborated in the preparation of this volume. The Historical Section continues to rely on the staff of the National Archives of Canada for help in locating relevant records. Paulette Dozois and Maureen Hoogenraad responded quickly to requests for help, and Loretta Barber allowed me to see certain files from the Donald Fleming papers. At the Privy Council Office, Ciineas Boyle, the director of the Access to Information and Privacy Division, and Herb Barrett facilitated access to classified Cabinet records for the period and declassified several documents that are printed in this volume. At the Diefenbaker Canada Centre, Bruce Shepard, the Director, Johnson Kong, and Rob Paul provided invaluable assistance during my stay in Saskatoon and responded quickly to many subsequent requests for information. Basil Robinson steered me toward important documentation contained in his personal papers. Finally, Father Jacques Monet, s.j., graciously granted permission for me to view the papers of Jules Léger.

Ted Kelly helped research portions of this volume and supervised the production process with great efficiency. Boris Stipernitz, Liz Turcotte, and Michael Carroll provided invaluable assistance in researching extensive sections of this volume. Christopher Cook conducted archival research and proofread the manuscript. Hector Mackenzie and Mary Halloran provided advice and moral support during the editing

par le destinataire prévu. Les noms propres et noms de lieu sont normalisés. Le rédacteur a corrigé discrètement les fautes d'orthographe, de majuscule et de ponctuation, ainsi que les erreurs de transcription dont le sens est clair d'après le contexte. Tous les autres ajouts rédactionnels aux documents sont indiqués par l'utilisation de crochets. Les documents sont reproduits en anglais ou en français, selon leur langue originale.

Beaucoup de personnes ont collaboré à la préparation du présent volume. La Section des affaires historiques continue de s'en remettre au personnel des Archives nationales du Canada pour localiser les archives recherchées. Paulette Dozois et Maureen Hoogenraad ont répondu rapidement aux demandes d'aide, et Loretta Barber m'a autorisé à consulter certains dossiers dans les papiers de Donald Fleming. Au Bureau du Conseil privé, Ciuneas Boyle, directeur de la Direction de l'accès à l'information et de la protection des renseignements personnels, et Herb Barrett ont facilité l'accès à des archives classifiées du Cabinet de l'époque et ont déclassifié plusieurs documents reproduits dans le présent volume. Au Centre Diefenbaker Canada, Bruce Shepard, le directeur, Johnson Kong et Rob Paul m'ont été d'une précieuse assistance pendant mon séjour à Saskatoon et ils ont répondu rapidement aux nombreuses demandes de renseignements que je leur ai ensuite adressées. Basil Robinson m'a dirigé vers une documentation importante faisant partie de ses papiers personnels. Enfin, le père Jacques Monet, s.j., m'a gentiment permis d'examiner les papiers de Jules Léger.

Ted Kelly a aidé à la recherche pour certaines parties du présent volume et supervisé le processus de production avec beaucoup d'efficacité. Boris Stipernitz, Liz Turcotte et Michael Carroll ont prêté un précieux concours dans la recherche nécessaire à de grands passages du présent volume. Christopher Cook a effectué des recherches dans les archives et corrigé le manuscrit. Hector Mackenzie et Mary Halloran ont dispensé des conseils et apporté un soutien moral pendant la mise en forme. Greg Donaghy m'a patiemment appris les subtilités de l'édition de documents, et son soutien tout au long de mes efforts est grandement apprécié. John Hilliker, éditeur général de cette série, a examiné soigneusement tout le manuscrit et a suggéré des idées constructives et détaillées pour l'améliorer. La série elle-même ne serait pas possible sans le soutien de l'ancien directeur de la Direction des programmes de communications et de sensibilisation, Gaston Barban, et de son successeur, Roger Bélanger, directeur de la Direction des programmes de sensibilisation et des communications électroniques. Je reste entièrement responsable de la sélection finale des documents présentés dans ce volume.

La Section des affaires historiques a fourni le texte supplémentaire et coordonné la préparation technique du présent document. Aline Gélneau a tapé et composé le manuscrit. Gail Kirkpatrick Devlin a corrigé le manuscrit et dressé la liste des personnes. Le Bureau de la traduction a fourni le français pour l'essentiel des légendes et des textes secondaires, qui ont été soigneusement revus par Francine Fournier de la Direction des services de communications.

Enfin, mon épouse, Robbie, a supporté patiemment une autre période de séparation prolongée pendant que je terminais le présent volume. Je la remercie de son soutien continu.

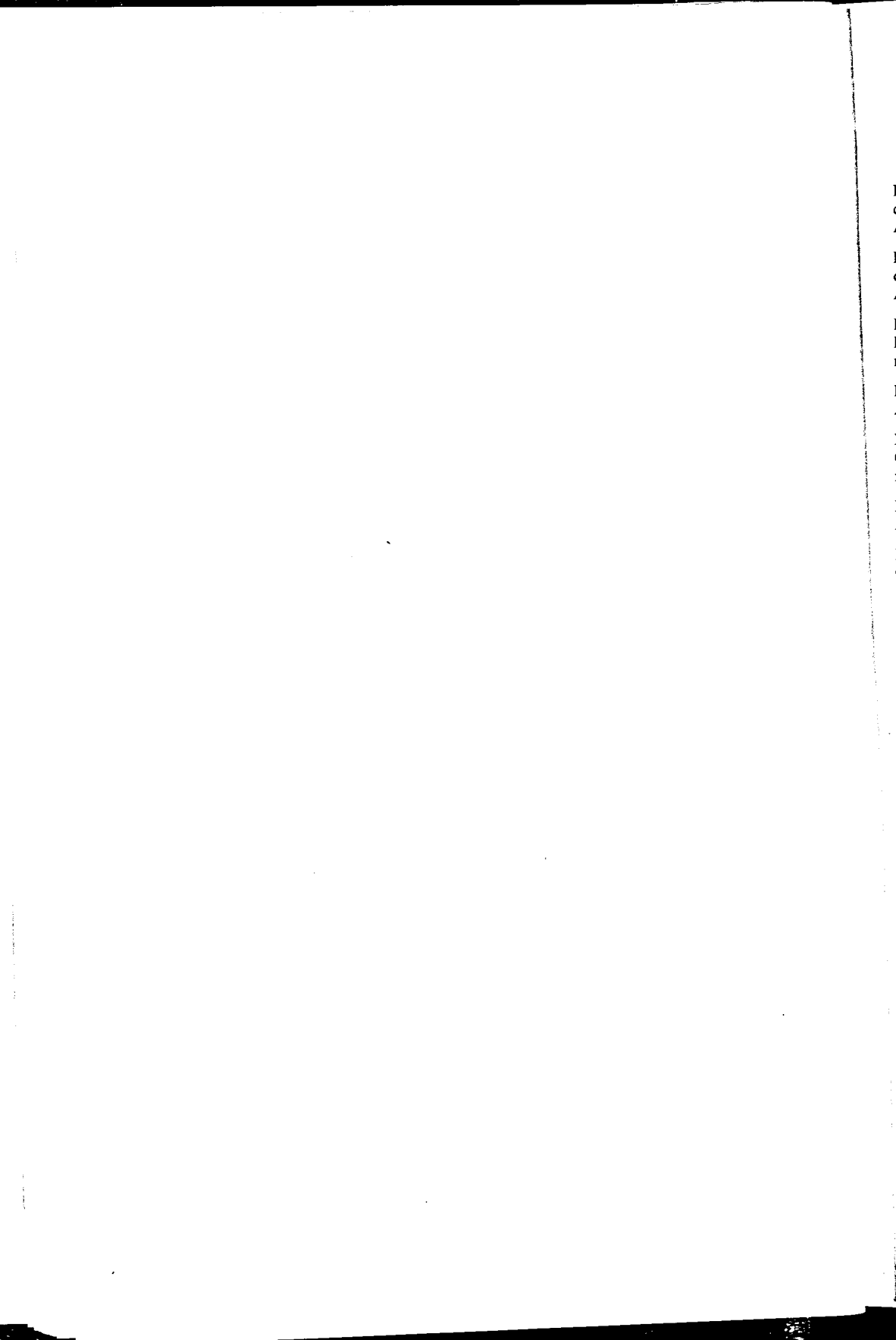
MICHAEL STEVENSON

process. Greg Donaghy patiently instructed me in the finer points of documentary editing, and his unflagging support of my academic efforts is greatly appreciated. John Hilliker, the general editor of this series, carefully scrutinized the manuscript in its entirety and offered constructive and detailed suggestions for improvement. The series would not be possible without the support of the former director of the Communications Programs and Outreach Division, Gaston Barban, and his successor, Roger Bélanger, director of the Outreach Programs and E-Communications Division. I remain solely responsible for the final selection of documents in this volume.

The Historical Section provided the supplementary text and coordinated the technical preparation of this volume. Aline Gélinau typed and formatted the manuscript. Gail Kirkpatrick Devlin proofread the manuscript and composed the List of Persons. The Translation Bureau supplied the French for most of the captions and ancillary texts. These were carefully edited by Francine Fournier of the Communications Services Division.

Finally, my wife, Robbie, patiently endured another extended period of separation while I completed this volume. I thank her for her continued support.

MICHAEL STEVENSON

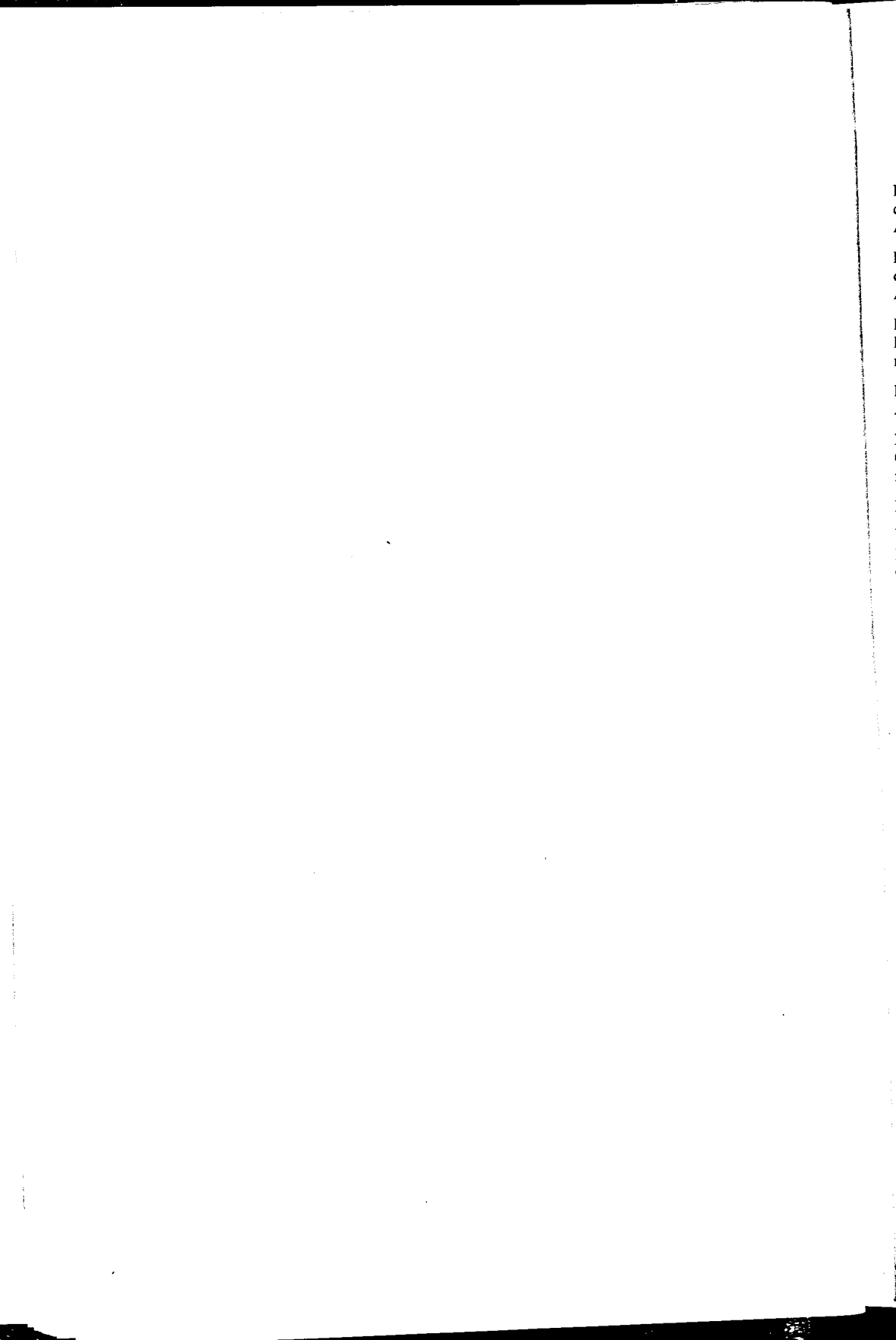


PROVENANCE DES DOCUMENTS¹ LOCATION OF DOCUMENTS¹

| | | |
|---|---------------------|---|
| Dossiers de l'ambassade du Canada à Washington, Archives nationales (RG 25 B2) | C.E.W. | Canadian Embassy, Washington, Files, National Archives (RG 25 B2) |
| Dossiers du ministère des Affaires extérieures, Archives nationales (RG 25) | DEA | Department of External Affairs Files, National Archives (RG 25) |
| Dossiers du ministère des Finances, Archives nationales (RG 19) | DF | Department of Finance Files, National Archives (RG 19) |
| Documents de Donald Fleming Archives nationales (MG 32 B9) | D.M.F. | Donald Fleming Papers National Archives, (MG 32 B9) |
| Dossiers du ministère du Commerce, Archives nationales (RG 20) | DTC | Department of Trade and Commerce Files, National Archives (RG 20) |
| Documents de Gordon Churchill Archives nationales (MG 32 B9) | G.C. | Gordon Churchill Papers National Archives, (MG 32 B9) |
| Documents de John Diefenbaker Centre Diefenbaker (le numéro du dossier suit le numéro de la série) | J.G.D/ Series #. | John Diefenbaker Papers Diefenbaker Centre (the file Number follows the series number) |
| Bureau du conseil privé— conclusions du cabinet et documents du Cabinet Archives nationales (RG 2) | PCO | Privy Council Office— Cabinet Conclusions and Cabinet Documents National Archives (RG 2) |
| Autres documents des archives du BCP Archives nationales (RG 2) | PCO/Vol. # | Other documents from PCO records National Archives (RG 2) |

¹ Ceci est une liste des symboles utilisés pour indiquer la provenance des documents. Les cotes des collections déposées aux Archives nationales du Canada sont entre parenthèses.

This is a list of the symbols used to indicate the location of documents. The call numbers of collections deposited at the National Archives of Canada are in parentheses.

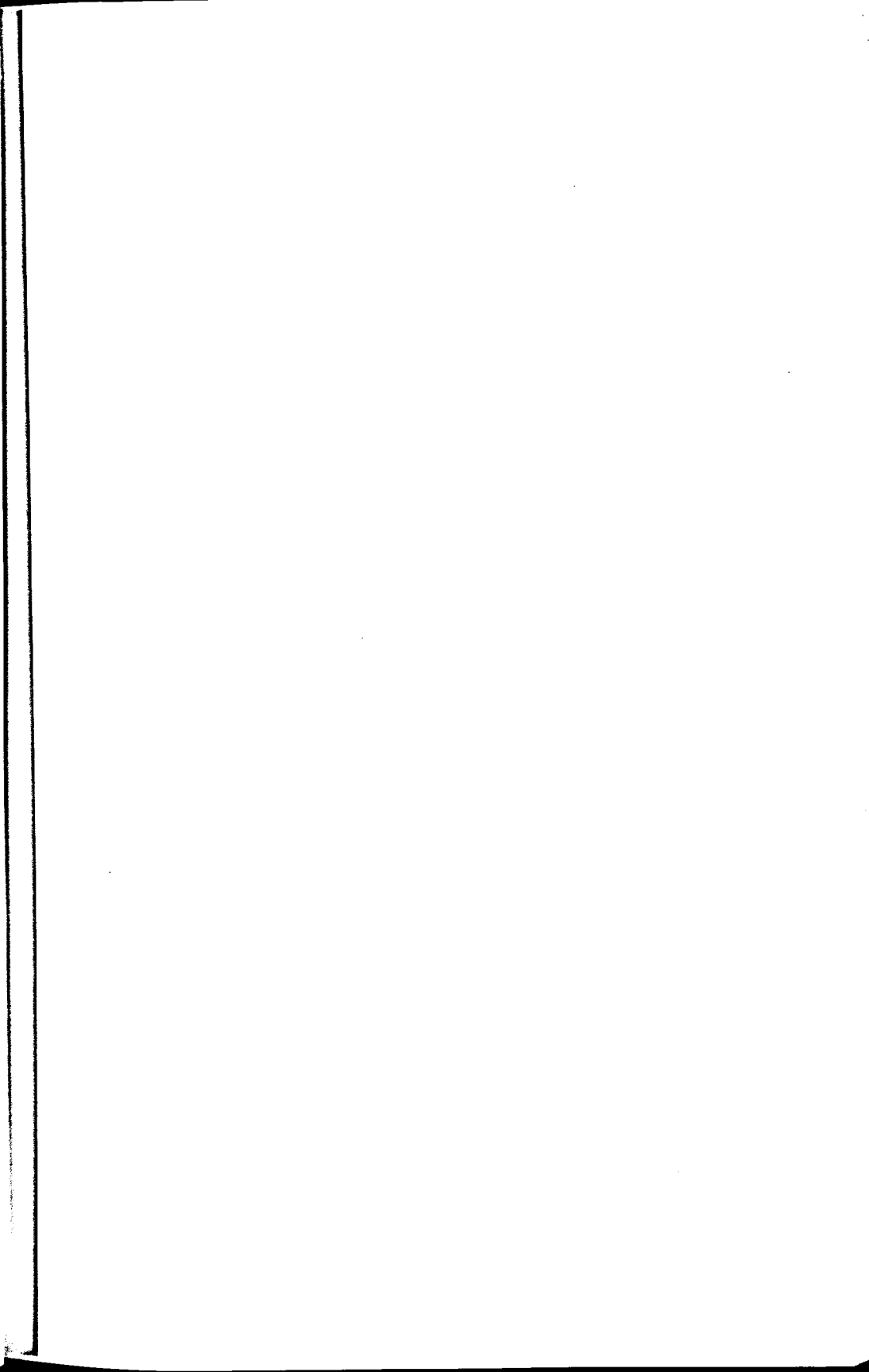


LISTE DES ABBRÉVIATIONS LIST OF ABBREVIATIONS

| | |
|---------|--|
| ABC | AIR BRIDGE TO CANADA |
| ACE | ALLIED COMMAND EUROPE |
| AEC | ATOMIC ENERGY COMMISSION (US) |
| AECB | ATOMIC ENERGY CONTROL BOARD |
| AECL | ATOMIC ENERGY OF CANADA LIMITED |
| AR(Q) | ANNUAL REVIEW (QUESTIONNAIRE) (NATO) |
| ASW | ANTISUBMARINE WARFARE |
| AVRO | A.V. ROE & Co. LTD. |
| AWX | ALL WEATHER AIRCRAFT INTERCEPTOR |
| BOAC | BRITISH OVERSEAS AIRWAYS CORPORATION |
| BOMARC | BOEING-MICHIGAN AERONAUTICAL CENTRE |
| BWI | BRITISH WEST INDIES |
| BWIA | BRITISH WEST INDIES AIRWAYS |
| CANDU | CANADIAN DEUTERIUM URANIUM |
| CBC | CANADIAN BROADCASTING CORPORATION |
| CCOS | CHAIRMAN, CHIEFS OF STAFF |
| CCTA | COMMISSION FOR TECHNICAL CO-OPERATION IN AFRICA SOUTH OF THE SAHARA |
| CDA | COMBINED DEVELOPMENT AGENCY |
| CDC | CABINET DEFENCE COMMITTEE |
| CDFC | COMMONWEALTH DEVELOPMENT FINANCE COMPANY |
| CDU | <i>Christlich-Demokratische Union</i> [Christian Democratic Union] (Federal Republic of Germany) |
| CEA | CENTRAL ELECTRICITY AUTHORITY (UK) |
| CICT | COMMISSION ON INTERNATIONAL COMMODITY TRADE |
| CINCENT | COMMANDER-IN-CHIEF, ALLIED FORCES, CENTRAL EUROPE |
| CINCHAN | COMMANDER-IN-CHIEF CHANNEL AND SOUTHERN NORTH SEA |
| CIR | CANADA-INDIA REACTOR |
| CJS | CANADIAN JOINT STAFF |
| CMMA | CANADIAN METAL MINING ASSOCIATION |
| CNI | CENTRE NATIONAL DES INDÉPENDANTS ET DES PAYSANS (NATIONAL CENTRE OF INDEPENDENTS AND PEASANTS) |
| CNR | CANADIAN NATIONAL RAILWAYS |
| CNS | CANADIAN NATIONAL STEAMSHIPS |
| CN(WI)S | CANADIAN NATIONAL (WEST INDIES) STEAMSHIPS |
| COCOM | COORDINATING COMMITTEE ON EXPORT CONTROLS |
| CPA | CANADIAN PACIFIC AIRLINES |
| CRO | COMMONWEALTH RELATIONS OFFICE (UK) |
| DDE | ESCORT DESTROYER |
| DDP | DEPARTMENT OF DEFENCE PRODUCTION |
| DDR | <i>Deutsche Demokratische Republik</i> (German Democratic Republic) |
| DEA | DEPARTMENT OF EXTERNAL AFFAIRS |
| DEC | DOLLAR EXPORTS COUNCIL |
| DG | DIRECTOR GENERAL |
| DM | <i>Deutsche Mark</i> |
| DSTB | DOLLAR STERLING TRADE BOARD |
| DSTC | DOLLAR STERLING TRADE COUNCIL |
| DOT | DEPARTMENT OF TRANSPORT |
| ECAFE | ECONOMIC COMMISSION FOR ASIA AND THE FAR EAST (UN) |
| ECOSOC | ECONOMIC AND SOCIAL COUNCIL OF UNITED NATIONS |
| ECSC | EUROPEAN COAL AND STEEL COMMUNITY |
| EDC | EUROPEAN DEFENCE COMMUNITY |
| EEC | EUROPEAN ECONOMIC COMMUNITY |
| EFTA | EUROPEAN FREE TRADE AREA |
| ENEA | ENTE NAZIONALE PER L'ENERGIA ATOMICA (ITALY) |
| EOKA | ETHNIKI ORGANOSIS KYPRION AGONISTON (NATIONAL ORGANIZATION OF CYPRIOT FIGHTERS) |
| EPU | EUROPEAN PAYMENTS UNION |

| | |
|---------|--|
| ETAP | EXPANDED TECHNICAL ASSISTANCE PROGRAM (UN) |
| EURATOM | EUROPEAN ATOMIC ENERGY COMMUNITY |
| FAMA | FOUNDATION FOR MUTUAL ASSISTANCE IN AFRICA SOUTH OF THE SAHARA (FONDATION POUR L'ASSISTANCE MUTUELLE EN AFRIQUE AU SUD DU SAHARA) |
| FAO | FOOD AND AGRICULTURE ORGANIZATION |
| FLN | FRONT DE LIBÉRATION NATIONALE (NATIONAL LIBERATION FRONT) |
| FO | FOREIGN OFFICE (UK) |
| FRUS | <i>Foreign Relations of the United States</i> |
| FTA | FREE TRADE AREA |
| F.O.D. | FREE OF DAMAGE |
| GATT | GENERAL AGREEMENT ON TARIFFS AND TRADE |
| GDR | GERMAN DEMOCRATIC REPUBLIC |
| GMT | GREENWICH MEAN TIME |
| GNP | GROSS NATIONAL PRODUCT |
| HQ | HEADQUARTERS |
| IAEA | INTERNATIONAL ATOMIC ENERGY AGENCY |
| IAEC | INTERNATIONAL ATOMIC ENERGY COMMITTEE |
| IBRD | INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT |
| ICA | INTERNATIONAL COOPERATION ADMINISTRATION |
| ICAO | INTERNATIONAL CIVIL AVIATION ORGANIZATION |
| ICBM | INTERCONTINENTAL BALLISTIC MISSILE |
| ICCICA | INTERIM CO-ORDINATING COMMITTEE FOR INTERNATIONAL COMMODITY ARRANGEMENTS |
| ICEM | INTERGOVERNMENTAL COMMITTEE FOR EUROPEAN MIGRATION |
| ICRP | INTERNATIONAL COMMISSION ON RADIOLOGICAL PROTECTION |
| ICSC | INTERNATIONAL COMMISSION FOR SUPERVISION AND CONTROL |
| IDF | INTERCEPTOR DAY FIGHTER |
| IFC | INTERNATIONAL FINANCE CORPORATION (UN) |
| ILC | INTERNATIONAL LAW COMMISSION |
| ILO | INTERNATIONAL LABOUR ORGANIZATION |
| IMF | INTERNATIONAL MONETARY FUND |
| INTEL | INTELLIGENCE |
| IRBM | INTERMEDIATE-RANGE BALLISTIC MISSILE |
| IRO | INTERNATIONAL REFUGEE ORGANIZATION |
| ISA | INTERNATIONAL SUGAR AGREEMENT |
| JIB | JOINT INTELLIGENCE BUREAU |
| MAAG | MILITARY ASSISTANCE ADVISORY GROUP (US) |
| MFN | MOST FAVOURED NATION |
| M.P. | MEMBER OF PARLIAMENT |
| MRP | MOUVEMENT RÉPUBLICAIN POPULAIRE (POPULAR REPUBLICAN MOVEMENT) |
| NAC | NORTH ATLANTIC COUNCIL |
| NATO | NORTH ATLANTIC TREATY ORGANIZATION |
| NCCU | NATIONAL CONFERENCE OF CANADIAN UNIVERSITIES |
| NMA | NATO MILITARY AUTHORITIES |
| NORAD | NORTH AMERICAN AIR DEFENCE |
| NPD | NUCLEAR POWER DEMONSTRATION |
| NPP | NUCLEAR POWER PLANT |
| NRX | NATIONAL RESEARCH EXPERIMENTAL |
| NZ | NEW ZEALAND |
| OAS | ORGANIZATION OF AMERICAN STATES |
| OEEC | ORGANIZATION FOR EUROPEAN ECONOMIC COOPERATION |
| OGL | OPEN GENERAL LICENCE |
| OTC | ORGANIZATION FOR TRADE COOPERATION (GATT) |
| PC(O) | PRIVY COUNCIL (OFFICE) |
| PIDC | PAKISTAN INDUSTRIAL DEVELOPMENT CORPORATION |
| RAF | ROYAL AIR FORCE (UK) |
| RCAF | ROYAL CANADIAN AIR FORCE |
| RCN | ROYAL CANADIAN NAVY |

| | |
|----------|--|
| RPF | RASSEMBLEMENT DU PEUPLE FRANÇAIS (RALLY OF THE FRENCH PEOPLE) |
| SAC | STRATEGIC AIR COMMAND (US) |
| SACEUR | SUPREME ALLIED COMMANDER, EUROPE (NATO) |
| SACLANT | SUPREME ALLIED COMMANDER, ATLANTIC (NATO) |
| SAGE | SEMI-AUTOMATIC GROUND ENVIRONMENT |
| SEATO | SOUTHEAST ASIA TREATY ORGANIZATION |
| SFIO | SECTION FRANÇAISE DE L'INTERNATIONALE OUVRIÈRE |
| SHAPE | SUPREME HEADQUARTERS, ALLIED POWERS, EUROPE (NATO) |
| SITC | STANDARD INTERNATIONAL TRADE CLASSIFICATION |
| SPD | SOZIALDEMOKRATISCHE PARTEI DEUTSCHLANDS (SOCIAL DEMOCRATIC PARTY OF GERMANY) (FEDERAL REPUBLIC OF GERMANY) |
| SPP | SPECIAL PROJECTS PROGRAMME |
| SPUR | SPECIAL PROGRAMME FOR UNDER-DEVELOPED REGIONS |
| SUNFED | SPECIAL UNITED NATIONS FUND FOR ECONOMIC DEVELOPMENT (FONDS SPÉCIAL DES NATIONS UNIES POUR LE DÉVELOPPEMENT ÉCONOMIQUE) |
| TAB | TECHNICAL ASSISTANCE BOARD |
| TAC | TECHNICAL ASSISTANCE COMMITTEE (UN) |
| TAF | TACTICAL AIR FORCE |
| TCA | TRANS-CANADA AIRLINES |
| TCC | TEMPORARY COUNCIL COMMITTEE (NATO) |
| TLP | TRADE LIBERALIZATION PLAN |
| UAR | UNITED ARAB REPUBLIC |
| UCWI | UNIVERSITY COLLEGE OF THE WEST INDIES |
| UDSR | UNION DÉMOCRATIQUE ET SOCIALISTE DE LA RÉSISTANCE (DEMOCRATIC AND SOCIALIST UNION OF THE RESISTANCE) |
| UDSR-RGR | UNION DÉMOCRATIQUE ET SOCIALISTE DE LA RÉSISTANCE-RASSEMBLEMENT DES GAUCHES RÉPUBLICAINES (DEMOCRATIC AND SOCIALIST UNION OF THE RESISTANCE-ASSEMBLY OF THE REPUBLICAN LEFT) |
| UK | UNITED KINGDOM |
| UKAEA | UNITED KINGDOM ATOMIC ENERGY AUTHORITY |
| UN | UNITED NATIONS |
| UNCURK | UNITED NATIONS COMMISSION FOR UNIFICATION AND REHABILITATION OF KOREA |
| UNEF | UNITED NATIONS EMERGENCY FORCE |
| UNESCO | UNITED NATIONS EDUCATIONAL, SCIENTIFIC AND CULTURAL ORGANIZATION |
| UNGA | UNITED NATIONS GENERAL ASSEMBLY |
| UNICEF | UNITED NATIONS INTERNATIONAL CHILDREN'S EMERGENCY FUND |
| UNHCR | UNITED NATIONS HIGH COMMISSIONER FOR REFUGEES |
| UNREF | UNITED NATIONS REFUGEE FUND |
| UNRRA | UNITED NATIONS REFUGEE AND RELIEF AGENCY |
| UNRWA | UNITED NATIONS RELIEF AND WORKS AGENCY FOR PALESTINE REFUGEES IN THE NEAR EAST |
| UNTA | UNITED NATIONS TECHNICAL ASSISTANCE ADMINISTRATION |
| UPA | URANIUM PRODUCERS ASSOCIATION |
| USA | UNITED STATES OF AMERICA |
| USAEC | UNITED STATES ATOMIC ENERGY COMMISSION |
| USAF | UNITED STATES AIR FORCE |
| USSEA | UNDER-SECRETARY OF STATE FOR EXTERNAL AFFAIRS |
| USSR | UNION OF SOVIET SOCIALIST REPUBLICS |
| WEU | WESTERN EUROPEAN UNION |
| WFUNA | WORLD FEDERATION OF UNITED NATIONS ASSOCIATIONS |
| WHO | WORLD HEALTH ORGANIZATION |
| WOGL | WORLD OPEN GENERAL LICENCE |



LISTE DES PERSONNALITÉS¹ LIST OF PERSONS¹

- | | |
|---|--|
| ABDOH, Djalal, représentant permanent de l'Iran auprès des Nations Unies. | ABDOH, Djalal, Permanent Representative of Iran to United Nations. |
| ADAMS, sir Grantley, premier ministre de la Fédération des Antilles. | ADAMS, Sir Grantley, Prime Minister of Federation of West Indies. |
| ADEANE, sir Michael, secrétaire particulier de la Reine et Garde des archives de Sa Majesté. | ADEANE, Sir Michael, Private Secretary to the Queen and Keeper of Her Majesty's Archives. |
| ADENAUER, Konrad, chancelier de la République fédérale d'Allemagne. | ADENAUER, Konrad, Chancellor of Federal Republic of Germany. |
| ALI, Mohammed, ambassadeur du Pakistan aux États-Unis. | ALI, Mohammed, Ambassador of Pakistan in United States. |
| AMJAD, Ali Syed, ministre des Finances du Pakistan. | AMJAD, Ali Syed, Minister of Finance of Pakistan. |
| ALPHAND, Hervé, ambassadeur de la France aux États-Unis. | ALPHAND, Hervé, Ambassador of France in United States. |
| ANDERSEN, Hans, représentant permanent de l'Islande, Conseil de l'Atlantique Nord. | ANDERSEN, Hans, Permanent Representative of Iceland to North Atlantic Council. |
| AVEROFF, Evangelos, ministre des Affaires étrangères de la Grèce. | AVEROFF, Evangelos, Minister of Foreign Affairs of Greece. |
| BAILEY, professeur Kenneth H., solliciteur général de l'Australie; chef de la délégation à la Conférence sur le droit de la mer et président du premier comité. | BAILEY, Professor Kenneth H., Solicitor-General of Australia; Chairman, Delegation to Conference on the Law of the Sea and Chairman, First Committee. |
| BAKER, Vincent, Bureau des Affaires politiques et de sécurité, département d'État des États-Unis; adjoint spécial au secrétaire d'État des États-Unis sur les questions atomiques (août 1958-). | BAKER, Vincent, Office of United Nations Political and Security Affairs, Department of State of United States; Special Assistant to Secretary of State for Atomic Energy Affairs (Aug. 1958-). |
| BALDWIN, J.R., sous-ministre du Transport. | BALDWIN, J.R., Deputy Minister of Transport. |
| BANDARANAIKE, Solomon, premier ministre du Ceylan. | BANDARANAIKE, Solomon, Prime Minister of Ceylon. |
| BARKER, James, Direction du protocole. | BARKER, James, Protocol Division. |
| BARTLETT, D.W., Chief, Technical Co-operation Services, ministère du Commerce. | BARTLETT, D.W., Chief, Technical Co-operation Services, Department of Trade and Commerce. |
| BARTON, W.H., conseiller, légation en Autriche. | BARTON, W.H., Counsellor, Legation in Austria. |
| BASDEVANT, Jules, directeur général, Bureau des Affaires de Tunisie et du Maroc, ministère des Affaires étrangères de la France. | BASDEVANT, Jules, Director General, Moroccan and Tunisian Affairs, Ministry of Foreign Affairs of France. |
| BAUDISSION, Wolf von, ministère de la Défense de la République fédérale d'Allemagne. | BAUDISSION, Wolf von, Ministry of Defence, Federal Republic of Germany. |
| BAXTER, DR. J.P., président, Atomic Energy Commission de l'Australie. | BAXTER, DR. J.P., Chairman, Atomic Energy Commission of Australia. |

¹Ceci est une sélection des principales personnalités canadiennes et de certaines personnalités de l'étranger souvent mentionnées dans les documents. Les notices biographiques se limitent aux fonctions qui se rapportent aux documents reproduits dans ce volume.

This is a selection of important Canadian personalities and some foreign personalities often mentioned in the documents. The biographical details refer only to the positions pertinent to the documents printed herein.

- BEELEY, Harold, sous-secrétaire d'État adjoint, Foreign Office du Royaume-Uni (-juin 1958); représentant permanent suppléant auprès des Nations Unies.
- BEELEY, Harold, Assistant Under-Secretary of State, Foreign Office of United Kingdom (-June 1958); Deputy Permanent Representative to United Nations.
- BENNETT, W. J., président, Énergie atomique du Canada Ltée. (-avr. 1958), et président, Eldorado Mining and Refining Ltée. (-mai 1958); gérant, Eldorado Mining and Refining Ltée.
- BENNETT, W. J., President, Atomic Energy of Canada Ltd. (-Apr. 1958), and President, Eldorado Mining and Refining Ltd. (-May 1958); Managing Director, Eldorado Mining and Refining Ltd.
- BLACK, Eugene, président de la Banque internationale pour la reconstruction et le développement.
- BLACK, Eugene, President, International Bank for Reconstruction and Development.
- BLANKENHORN, Herbert A.H., représentant permanent de la République fédérale d'Allemagne, Conseil de l'Atlantique Nord (-nov. 1958); ambassadeur en France.
- BLANKENHORN, Herbert A. von., Permanent Representative of Federal Republic of Germany to North Atlantic Council (-Nov. 1958); Ambassador in France.
- BOLAND, Frederick H., représentant permanent de l'Irlande auprès des Nations Unies.
- BOLAND, Frederick H., Permanent Representative of Ireland to United Nations.
- BOOKER, Malcolm R., conseiller, ambassade de l'Australie aux États-Unis.
- BOOKER, Malcolm R., Counsellor, Embassy of Australia in United States.
- BOULGANIN, Nikolai A., président, Conseil des ministres de l'Union soviétique (-mars 1958).
- SEE BULGANIN.
- BOWEN, G., commissaire principal du Commerce et conseiller économique, haut-commissariat du Royaume-Uni (-oct. 1958).
- BOWEN, G., Senior Trade Commissioner and Economic Adviser, High Commission of United Kingdom (-Oct. 1958).
- BOYSEN, Jens M., représentant permanent de la Norvège, Conseil de l'Atlantique Nord
- BOYSEN, Jens M., Permanent Representative of Norway to North Atlantic Council.
- BRANDT, Willi, maire de Berlin Ouest.
- BRANDT, Willi, mayor of West Berlin.
- BREITHUT, Richard, adjoint suppléant spécial des Affaires du désarmement et d'énergie atomique au secrétaire d'État, département d'État des États-Unis.
- BREITHUT, Richard, Deputy Special Assistant to Secretary of State for Disarmament and Atomic Energy Affairs, Department of State of United States.
- BRIDLE, Paul, conseiller, délégation permanente auprès du Conseil de l'Atlantique Nord.
- BRIDLE, Paul, Counsellor, Permanent Delegation to North Atlantic Council.
- BROADBRIDGE, Arthur F., Direction des États-Unis (-nov. 1957); premier secrétaire, ambassade aux États-Unis.
- BROADBRIDGE, Arthur F., U.S.A. Division (-Nov. 1957); First Secretary, Embassy in United States.
- BROOK, sir Norman, secrétaire du Cabinet du Royaume-Uni.
- BROOK, Sir Norman, Secretary to Cabinet of United Kingdom.
- BROWN, J.C.G., haut-commissaire en Afrique du Sud.
- BROWN, J.C.G., High Commissioner in Union of South Africa.
- BROWNE, W.J., ministre sans portefeuille; vice-président de la délégation à la treizième session de l'Assemblée générale des Nations Unies.
- BROWNE, W.J., Minister without Portfolio; Vice-Chairman, Delegation to 13th Session of United Nations General Assembly.
- BRYCE, R.B., greffier du Conseil privé et secrétaire du Cabinet.
- BRYCE, R.B., Clerk of Privy Council and Secretary to Cabinet.
- VOIR BOULGANIN.
- BULGANIN, Nikolai A., Chairman, Council of Ministers of Soviet Union (-Mar. 1958).

- BURGESS, W. Randolph, sous-secrétaire aux Affaires monétaires, département du Trésor des États-Unis (-juill. 1957); représentant permanent, Conseil de l'Atlantique Nord.
- BURNS, Major-Général (Lieutenant-Général, jan. 1958), E.L.M., commandant, Force d'urgence des Nations Unies.
- BURWASH, Dorothy, Direction économique.
- CACCIA, sir Harold, ambassadeur du Royaume-Uni aux États-Unis.
- CADIEUX, Marcel, sous-secrétaire d'État adjoint des Affaires extérieures et conseiller juridique.
- CAHAN, J.F., secrétaire-général suppléant, OEEC.
- CAMERON, R.P., 1^{ère} Direction de liaison avec la Défense.
- CAMPBELL, Ross, chef, Direction du Moyen-Orient (août 1957-).
- CAPE, Donald, département d'Énergie atomique et du Désarmement, Foreign Office du Royaume-Uni.
- CASEY, Richard G., ministre des Affaires extérieures de l'Australie.
- VOIR TCHANG KAI-CHEK.
- VOIR TCHOU EN-LAI.
- CHURCHILL, Gordon M., ministre du Commerce.
- CLARKE, Richard William Barnes (Otto), troisième secrétaire, Trésor du Royaume-Uni, et membre, Conseil de la planification économique du Trésor.
- COHEN, sir Andrew, représentant permanent du Royaume-Uni auprès du Conseil de la tutelle des Nations Unies.
- COLE, W. Sterling, (R- New York), membre de la Commission mixte sur l'énergie atomique (-déc. 1957); directeur général, Agence internationale de l'Énergie atomique.
- COOMARASWAMY, Raju, secrétaire adjoint du ministère des Finances du Ceylan.
- CORNETT, Donald, premier secrétaire, haut-commissariat en Australie (-avr. 1958); conseiller, haut-commissariat en Pakistan.
- COTY, René, président de la Quatrième République française.
- COUILLARD, L.E., chef, Direction économique.
- COUVE DE MURVILLE, Maurice, ministre des Affaires étrangères de la France (juin 1958-).
- BURGESS, W. Randolph, Under Secretary for Monetary Affairs, Treasury of United States (-July 1957); Permanent Representative to North Atlantic Council.
- BURNS, Maj.-Gen. E.L.M., (Lt.-Gen. Jan, 1958), Commander, United Nations Emergency Force.
- BURWASH, Dorothy, Economic Division.
- CACCIA, Sir Harold, Ambassador of United Kingdom in United States.
- CADIEUX, Marcel, Assistant Under-Secretary of State for External Affairs and Legal Adviser.
- CAHAN, J.F., Deputy Secretary-General, OEEC.
- CAMERON, R.P., Defence Liaison (1) Division.
- CAMPBELL, Ross, Head, Middle East Division (Aug. 1957-).
- CAPE, Donald, Department of Atomic Energy and Disarmament, Foreign Office of United Kingdom.
- CASEY, Richard G., Minister of External Affairs of Australia.
- CHIANG KAI-SHEK, Generalissimo, President of Republic of China.
- CHOU EN-LAI, Prime Minister and Foreign Minister of People's Republic of China.
- CHURCHILL, Gordon M., Minister of Trade and Commerce.
- CLARKE, Richard William Barnes (Otto), Third Secretary, Treasury of United Kingdom and member, Economic Planning Board of Treasury.
- COHEN, Sir Andrew, Permanent Representative of United Kingdom to United Nations Trusteeship Council.
- COLE, W. Sterling, (R- New York), member, Joint Committee on Atomic Energy (-Dec. 1957); Director-General, International Atomic Energy Agency.
- COOMARASWAMY, Raju, Assistant Secretary, Department of Finance of Ceylon.
- CORNETT, Donald, First Secretary, High Commission in Australia (-Apr. 1958); Counsellor, High Commission in Pakistan.
- COTY, René, President of Fourth French Republic.
- COUILLARD, L.E., Head, Economic Division.
- COUVE DE MURVILLE, Maurice, Minister of Foreign Affairs of France (June 1958-).

- CREAN, G.G., ministre, ambassade en France.
- CUNNINGHAM, M.W., secrétaire, Bureau du Conseil privé.
- CURTIS, Professor G.F., Doyen de la faculté de droit de l'Université de la Colombie-Britannique.
- DALE, William N., agent responsable des Affaires britanniques et irlandaises, Bureau des Affaires du Commonwealth britannique et d'Europe nord, Bureau des Affaires européennes, département d'État des États-Unis (-juin 1958); sous-directeur, Bureau des Affaires du Commonwealth britannique et d'Europe nord.
- DARIDAN, Jean Henri, directeur-général des Affaires politiques et économiques, ministère des Affaires étrangères de la France.
- DAVIDSON, Dr. G.F., sous-ministre (Bien-être) de la Santé et du Bien-être.
- DAVIS, Henry F., ministre-conseiller, ambassade en France (-avr. 1958); chef, Direction européenne.
- DE COURCEL, Geoffroy, secrétaire général, ministère de la Défense nationale de la France (-juin 1958); représentant permanent auprès du Conseil de l'Atlantique nord.
- DE GAULLE, général Charles, premier ministre de la France (juin 1958-).
- DE SEYNES, Philippe, sous-secrétaire, département des Affaires économiques et sociales, Secrétariat des Nations Unies.
- DE SILVA, M.W.H., ministre de la Justice et président du Sénat du Ceylan.
- DEAN, Arthur H., avocat, Sullivan & Cromwell, New York et chef de la délégation des États-Unis à la Conférence sur le droit de la mer.
- DESAI, Morarji, ministre des Finances de l'Inde.
- DÉSY, Jean, ambassadeur en France (-juill. 1958).
- DEUTSCH, John J., directeur de la faculté d'économie de l'Université de la Colombie-Britannique.
- DEWAR, D.B., Bureau du Conseil privé.
- DIEFENBAKER, John G., premier ministre; secrétaire d'État aux Affaires extérieures (juin-sept. 1957).
- DIEM, Ngo Dinh, président de la République du Vietnam.
- CREAN, G.G., Minister, Embassy in France.
- CUNNINGHAM, M.W., Secretary, Privy Council Office.
- CURTIS, Professor G.F., Dean, School of Law, University of British Columbia.
- DALE, William N., Officer-in-Charge, United Kingdom and Ireland Affairs, Office of British Commonwealth and Northern European Affairs, Bureau of European Affairs, Department of State of United States (-June 1958); Deputy Director, Office of British Commonwealth and Northern European Affairs.
- DARIDAN, Jean Henri, Director General, Political and Economic Affairs, Ministry of Foreign Affairs of France.
- DAVIDSON, Dr. G.F., Deputy Minister (Welfare), Department of National Health and Welfare.
- DAVIS, Henry F., Minister-Counsellor, Embassy in France (-Apr. 1958); Head, European Division.
- DE COURCEL, Geoffroy, Permanent Secretary General of National Defence of France (-June 1958); Permanent Representative to North Atlantic Council (Sept. 1958-).
- DE GAULLE, General Charles, Prime Minister of France (June 1958-).
- DE SEYNES, Philippe, Under-Secretary, Department of Economic and Social Affairs, United Nations Secretariat.
- DE SILVA, M.W.H., Minister of Justice and Leader of the Senate, Ceylon.
- DEAN, Arthur H., Lawyer, Sullivan & Cromwell, New York and Chairman, Delegation of United States to Conference on the Law of the Sea.
- DESAI, Morarji, Minister of Finance of India.
- DÉSY, Jean, Ambassador in France (-July 1958).
- DEUTSCH, John J., Head, Department of Economics, University of British Columbia.
- DEWAR, D.B., Privy Council Office.
- DIEFENBAKER, John G., Prime Minister; Secretary of State for External Affairs (June-Sept. 1957).
- DIEM, Ngo Dinh, President of Republic of Vietnam.

- DILLON, C. Douglas, sous-secrétaire adjoint aux Affaires économiques, département d'État des États-Unis.
- DILLON, C. Douglas, Deputy Under Secretary of State for Economic Affairs, Department of State of United States.
- DIXON, sir Pierson, représentant permanent du Royaume-Uni auprès des Nations Unies.
- DIXON, Sir Pierson, Permanent Representative of United Kingdom to United Nations.
- DREW, George A., haut-commissaire au Royaume-Uni (août 1957-).
- DREW, George A., High Commissioner in United Kingdom (Aug. 1957-).
- DRINKALL, John Kenneth, département de l'Ouest, Foreign Office du Royaume-Uni.
- DRINKALL, John Kenneth, Western Department, Foreign Office of United Kingdom.
- DULLES, John Foster, secrétaire d'État des États-Unis.
- DULLES, John Foster, Secretary of State of United States.
- DUPUY, Pierre, ambassadeur en Italie (-août 1958); ambassadeur en France.
- DUPUY, Pierre, Ambassador in Italy (-Aug. 1958); Ambassador in France.
- ECCLES, sir David, président, chambre de commerce du Royaume-Uni.
- ECCLES, Sir David, President, Board of Trade of United Kingdom.
- ECHARDT, Felix von, chef, département de presse et d'Information de la République fédérale d'Allemagne.
- ECHARDT, Felix von, Head, Press and Information Department, Federal Republic of Germany.
- EISENHOWER, Dwight D., président des États-Unis.
- EISENHOWER, Dwight D., President of United States.
- ELBRICK, C.B., sous-secrétaire d'État adjoint aux Affaires européennes, département d'État des États-Unis.
- ELBRICK, C.B., Deputy Assistant Secretary of State for European Affairs, Department of State of United States.
- ELLIS-REES, sir Hugh, délégué permanent du Royaume-Uni auprès de l'OEEC.
- ELLIS-REES, Sir Hugh, Permanent Delegate of United Kingdom to OEEC.
- ENGEN, Hans, représentant permanent de la Norvège auprès des Nations Unies.
- ENGEN, Hans, Permanent Representative of Norway to United Nations.
- ENGLISH, John, sous-ministre adjoint, ministère du Commerce (-mai 1958); sous-ministre.
- ENGLISH, John, Assistant Deputy Minister, Department of Trade and Commerce (-May 1958); Deputy Minister.
- ENTEZAM, Nasrollah, ambassadeur de l'Iran en France et représentant à la douzième Assemblée générale des Nations Unies.
- ENTEZAM, Nasrollah, Ambassador of Iran in France, Representative to United Nations 12th General Assembly.
- ERHARD, Dr. Ludwig, ministre des Affaires économiques de la République fédérale d'Allemagne et, jusqu'au octobre 1957, vice-chancelier.
- ERHARD, Dr. Ludwig, Minister of Economic Affairs, Federal Republic of Germany and, until October 1957, Vice-Chancellor.
- ETZDORF, Hasso von, ambassadeur de la République fédérale d'Allemagne (-août 1958); sous-secrétaire d'État adjoint, ministère des Affaires étrangères.
- ETZDORF, Hasso von, Ambassador of Federal Republic of Germany (-Aug. 1958); Assistant Under-Secretary of State, Ministry of Foreign Affairs.
- EVANS, William Vincent John, conseiller et conseiller juridique, mission permanente du Royaume-Uni auprès des Nations Unies.
- EVANS, William Vincent John, Counsellor and Legal Adviser, Permanent Mission of United Kingdom to United Nations.
- FAIRCLOUGH, Mme Ellen, secrétaire d'État (juin 1957—mai 1958); ministre de la Citoyenneté et de l'Immigration.
- FAIRCLOUGH, Mrs. Ellen, Secretary of State (June 1957—May 1958); Minister of Citizenship and Immigration.

- FARLEY, Philip J., adjoint au spécial suppléant au secrétaire d'État des États-Unis sur les questions atomiques (-oct. 1957); adjoint spécial au secrétaire d'État sur les questions atomiques (-déc. 1957); adjoint spécial des Affaires du désarmement et d'énergie atomique au secrétaire d'État.
- FARLEY, Philip J., Deputy to Special Assistant to Secretary of State of United States for Atomic Energy Affairs (-Oct. 1957); Special Assistant to Secretary of State for Atomic Energy Affairs (-Dec. 1957); Special Assistant to Secretary of State for Disarmament and Atomic Energy Affairs.
- FARQUHARSON, R.A., conseiller, ambassade aux États-Unis.
- FARQUHARSON, R.A., Counsellor, Embassy in United States.
- FAURE, Edgar, ministre des Affaires étrangères de la France (-avr. 1958); ministre de l'Intérieur et ministre des Institutions européennes.
- FAURE, Edgar, Minister of Foreign Affairs of France (-Apr. 1958); Minister of the Interior and Minister of European Institutions.
- FAWZI, Dr. Mahmoud, ministre des Affaires étrangères de l'Égypte.
- FAWZI, Dr. Mahmoud, Foreign Minister of Egypt.
- FINCHAM, Dr. C.B.H., premier secrétaire, haut-commissariat de l'Afrique du Sud.
- FINCHAM, Dr. C.B.H., First Secretary, High Commission of South Africa.
- FIRESTONE, Dr. O. J., conseiller économique au sous-ministre du Commerce.
- FIRESTONE, Dr. O. J., Economic Adviser to Deputy Minister of Trade and Commerce.
- FITZMAURICE, Sir Gerald, conseiller juridique, Foreign Office du Royaume-Uni.
- FITZMAURICE, Sir Gerald, Legal Adviser, Foreign Office of United Kingdom.
- FLEMING, Donald, ministre des Finances.
- FLEMING, Donald, Minister of Finance.
- FOULKES, lieutenant-général Charles, président du Comité des chefs d'état-major.
- FOULKES, Lt-Gen. Charles, Chairman, Chiefs of Staff Committee.
- FULTON, E. Davey, ministre de la Justice.
- FULTON, E. Davey, Minister of Justice.
- GAILLARD, Felix, ministre des Finances de la France (-nov. 1957); premier ministre (-avr. 1958).
- GAILLARD, Felix, Minister of Finance of France (-Nov. 1957); Prime Minister of France (-Apr. 1958).
- GARNER, sir Joseph John Saville, haut-commissaire du Royaume-Uni.
- GARNER, Sir Joseph John Saville, High Commissioner of United Kingdom.
- GBEDEMAH, K.A., ministre des Finances du Ghana.
- GBEDEMAH, K.A., Minister of Finance of Ghana.
- GEORGES-PICOT, Guillaume, représentant permanent de la France auprès des Nations Unies.
- GEORGES-PICOT, Guillaume, Permanent Representative of France to United Nations.
- GIBSON-SMITH, W., premier secrétaire (commercial), haut-commissariat au Royaume-Uni.
- GIBSON-SMITH, W., First Secretary (Commercial), High Commission in United Kingdom.
- GILCHRIST, W.M., président, Eldorado Mining and Refining Ltée. (juill. 1958-).
- GILCHRIST, W.M., President, Eldorado Mining and Refining Ltd. (July 1958-).
- GILL, Evan, haut-commissaire au Ghana.
- GILL, Evan, High Commissioner in Ghana.
- GLAZEBROOK, G.P. deT., chef, Direction du Commonwealth.
- GLAZEBROOK, G.P. deT., Head, Commonwealth Division.
- GOLDEN, David, sous-ministre de la Production pour la défense.
- GOLDEN, David, Deputy Minister of Defence Production.
- GOLDSCHLAG, Klaus, deuxième secrétaire, haut-commissariat au Royaume-Uni (-août 1957); Direction économique.
- GOLDSCHLAG, Klaus, Second Secretary, High Commission in United Kingdom (-Aug. 1957); Economic Division.
- GOTLIEB, A.E., Direction juridique.
- GOTLIEB, A.E., Legal Division.

- GRANDY, J.F., Direction économique (-fév. 1958); conseiller (finances), haut-commissariat au Royaume-Uni.
- GRAY, J.L., président, Énergie atomique du Canada Ltée. (mai 1958-).
- GREGH, François-Didier, secrétaire général adjoint aux Affaires économiques et financières, Secrétariat de l'OTAN.
- GREY, R.Y., Direction économique.
- GRUENTHER, lieutenant-général Alfred M., conseiller aux questions du désarmement au secrétaire d'État des États-Unis.
- GROMYKO, Andrei, ministre des Affaires étrangères de l'Union soviétique.
- HADWEN, J.G., deuxième secrétaire, mission permanente auprès des Nations Unies (-oct. 1958); premier secrétaire.
- HALL, John, directeur, Direction des Affaires internationales, United States Atomic Energy Commission (-nov 1958); gérant adjoint des Activités internationales.
- HALLSTEIN, professeur Walter, secrétaire d'État, ministère des Affaires étrangères de la République fédérale d'Allemagne (-déc. 1958); président, Commission de la CEE.
- HAMILTON, Alvin, ministre des Affaires du Nord et des Ressources nationales (août 1957-).
- HAMMARSKJÖLD, Dag, secrétaire général des Nations Unies.
- HARKNESS, Douglas, ministre des Affaires du Nord et des Ressources nationales et ministre d'Agriculture par intérim (juin—août 1957); ministre d'Agriculture.
- HARRISON, Dr. James M., directeur, Commission géologique du Canada.
- HEASMAN, George, haut-commissaire en Nouvelle-Zélande (déc. 1957-).
- HEATHCOAT-AMORY, Derick, ministre de l'Agriculture, des Pêcheries et de l'Alimentation du Royaume-Uni (-jan. 1958); chancelier de l'Échiquier et président du Conseil des ministres de l'OECE.
- HERTER, Christian A., sous-secrétaire d'État et président, Conseil de coordination des activités, département d'État des États-Unis.
- HEUSS, Theodor, président de la République fédérale d'Allemagne.
- HOCKIN, A. B., conseiller (financière), ambassade aux États-Unis.
- GRANDY, J.F., Economic Division (-Feb. 1958); Counsellor (Finance), High Commission in United Kingdom.
- GRAY, J.L., President, Atomic Energy Canada Ltd. (May 1958-).
- GREGH, Francois-Didier, Assistant Secretary General for Economic and Financial Affairs, NATO Secretariat.
- GREY, R.Y., Economic Division.
- GRUENTHER, Lt.-Gen. Alfred M., disarmament adviser to Secretary of State of United States.
- GROMYKO, Andrei, Minister of Foreign Affairs of Soviet Union.
- HADWEN, J.G., Second Secretary, Permanent Mission to United Nations (-Oct. 1958); First Secretary.
- HALL, John, Director, Division of International Affairs, United States Atomic Energy Commission (-Nov. 1958); Assistant General Manager of International Affairs.
- HALLSTEIN, Professor Walter, Secretary of State, Ministry of Foreign Affairs of Federal Republic of Germany (-Dec. 1958); President of EEC Commission.
- HAMILTON, Alvin, Minister of Northern Affairs and National Resources (Aug. 1957-).
- HAMMARSKJÖLD, Dag, Secretary General of United Nations.
- HARKNESS, Douglas, Minister of Northern Affairs and National Resources and Acting Minister of Agriculture (June-Aug. 1957); Minister of Agriculture.
- HARRISON, Dr. James M., Director, Geological Survey of Canada.
- HEASMAN, George, High Commissioner in New Zealand (Dec. 1957-).
- HEATHCOAT-AMORY, Derick, Minister of Agriculture, Fisheries and Food of United Kingdom (-Jan. 1958); Chancellor of the Exchequer and Chairman, Council of Ministers of the OEEC.
- HERTER, Christian A., Under Secretary of State and Chairman, Operations Coordinating Board, Department of State of United States.
- HEUSS, Theodor, President of Federal Republic of Germany.
- HOCKIN, A. B., Counsellor (Financial), Embassy in United States.

- HOLMES, John W., sous-secrétaire d'État adjoint aux Affaires extérieures.
- HOLMES, John W., Assistant Under-Secretary of State for External Affairs.
- HOME, Lord Alexander Frederick Douglas, secrétaire d'État des Relations avec le Commonwealth du Royaume-Uni.
- HOME, Lord Alexander Frederick Douglas, Secretary of State for Commonwealth Relations of United Kingdom.
- HOOTON, F.G., 1^{re} Direction de liaison avec la Défense.
- HOOTON, F.G., Defence Liaison (1) Division.
- HUDON, L.D., section des Relations économiques internationaux, Direction des Affaires économiques internationales, ministère des Finances.
- HUDON, L.D., International Economic Relations Section, Economic and International Affairs Division, Department of Finance.
- HUSSEIN, roi de la Jordanie.
- HUSSEIN, King of Jordan.
- ISBISTER, C.M., sous-ministre adjoint, ministère du Commerce.
- ISBISTER, C.M., Assistant Deputy Minister, Department of Trade and Commerce.
- JACKSON, sir Robert, président, Commission préparatoire du Ghana sur le projet du fleuve Volta.
- JACKSON, Sir Robert, Chairman, Volta River Project Preparatory Commission of Ghana.
- JACOBSEN, Per, directeur général et président du Conseil de direction, FMI.
- JACOBSEN, Per, Managing Director and Chairman of the Executive Board, IMF.
- JARRING, Gunnar V., représentant permanent de la Suède auprès des Nations Unies et représentant au Conseil de sécurité; ambassadeur aux États-Unis (mai 1958-).
- JARRING, Gunnar V., Permanent Representative of Sweden to United Nations and Security Council; Ambassador in United States (May 1958-).
- JAY, R.H., premier secrétaire, mission permanente auprès du Bureau européen des Nations Unies.
- JAY, R.H., First Secretary, Permanent Mission to European Office of United Nations.
- JEBB, sir Gladwyn, ambassadeur du Royaume-Uni en France.
- JEBB, Sir Gladwyn, Ambassador of United Kingdom in France.
- JOHNSON, Jesse, directeur, Direction des matières premières, United States Atomic Energy Commission.
- JOHNSON, Jesse, Director, Division of Raw Materials, United States Atomic Energy Commission.
- JOHNSON, David, ambassadeur en Union soviétique.
- JOHNSON, David, Ambassador in Soviet Union.
- JOXE, Louis, secrétaire général, ministère des Affaires étrangères de France.
- JOXE, Louis, Secretary General, Ministry of Foreign Affairs of France.
- JUDD, Walter H., (R- Minnesota); représentant des États-Unis à la deuxième Commission de la douzième session de l'Assemblée générale des Nations Unies.
- JUDD, Walter H., (R- Minnesota); Representative of United States to Second Committee of United Nations 12th General Assembly.
- KHAN, Ayub, président du Pakistan (oct. 1958-).
- KHAN, Ayub, President of Pakistan (Oct. 1958-).
- KHROUCHTCHEV, N.S., premier secrétaire du Comité central du Parti communiste de l'Union soviétique.
- KHROUCHTCHEV, N.S., First Secretary of Central Committee of Communist Party of Soviet Union.
- KIRKWOOD, D.H.W., Direction économique.
- KIRKWOOD, D.H.W., Economic Division.
- KOTSCHNIG, Walter, directeur, Bureau des Affaires économiques et sociales internationales, département d'État des États-Unis.
- KOTSCHNIG, Walter, Director, Office of International Economic and Social Affairs, Department of State of United States.
- KRATZER, Myron, directeur adjoint, United States Atomic Energy Commission.
- KRATZER, Myron, Assistant Director, United States Atomic Energy Commission.

- KUZNETSOV, V.V., premier vice-ministre des Affaires étrangères de l'Union soviétique et chef, délégation à l'Assemblée générale des Nations Unies.
- LACOSTE, Francis, ambassadeur de la France.
- LALL, Arthur, représentant permanent de l'Inde auprès des Nations Unies.
- LANGE, Halvard M., ministre des Affaires étrangères de la Norvège.
- LANGLAIS, Henri, directeur adjoint, Affaires de l'Europe de l'Ouest, Direction politique de l'Administration centrale de la France.
- LANGLEY, J.C., Direction économique.
- LEE, sir Frank, secrétaire permanent, chambre de commerce du Royaume-Uni.
- LEE, Sir Henry S., ministre des Finances de la Malaisie.
- LÉGER, Jules, sous-secrétaire d'État aux Affaires extérieures (-oct. 1958); représentant permanent auprès du Conseil de l'Atlantique Nord et de l'OECE.
- LENNOX-BOYD, Alan Tindal, secrétaire d'État du Royaume-Uni pour les Colonies.
- LEPAN, D.V., sous-secrétaire d'État adjoint aux Affaires extérieures.
- LÉVESQUE, René, correspondant de la Société Radio-Canada.
- LINTOTT, sir Henry, sous-secrétaire d'État suppléant, Bureau des Relations avec le Commonwealth du Royaume-Uni.
- LLOYD, John Selwyn, Foreign Secretary du Royaume-Uni.
- LODGE, Henry Cabot Jr., représentant permanent des États-Unis auprès des Nations Unies.
- LOUTHI, Omar, représentant permanent de l'Égypte auprès des Nations Unies.
- LOUW, Eric, ministre des Affaires extérieures de l'Union d'Afrique du Sud.
- LUBKE, Heinrich, ministre de l'Alimentation, de l'Agriculture et de la Sylviculture de la République fédérale d'Allemagne.
- MACDERMOT, T.W.L., haut-commissaire en Australie.
- MACDONALD, John Allan, directeur, Travaux et contrats de défense, Direction de l'analyse des programmes du Conseil du Trésor, ministère des Finances.
- KUZNETSOV, V.V., First Deputy Minister of Foreign Affairs of Soviet Union and Head, Delegation to United Nations General Assembly.
- LACOSTE, Francis, Ambassador of France.
- LALL, Arthur, Permanent Representative of India to United Nations.
- LANGE, Halvard M., Minister of Foreign Affairs of Norway.
- LANGLAIS, Henri, Deputy Director of West European Affairs, Political Division of the Central Administration of France.
- LANGLEY, J.C., Economic Division.
- LEE, Sir Frank, Permanent Secretary, Board of Trade of United Kingdom.
- LEE, Sir Henry S., Minister of Finance of Malaya.
- LÉGER, Jules, Under-Secretary of State for External Affairs (-Oct. 1958); Permanent Representative to North Atlantic Council and OEEC.
- LENNOX-BOYD, Alan Tindal, Secretary of State for the Colonies of United Kingdom.
- LEPAN, D.V., Assistant Under-Secretary of State for External Affairs.
- LÉVESQUE, René, CBC correspondent.
- LINTOTT, Sir Henry, Deputy Under-Secretary of State, Commonwealth Relations Office of United Kingdom.
- LLOYD, John Selwyn, Foreign Secretary of United Kingdom.
- LODGE, Henry Cabot Jr., Permanent Representative of United States to United Nations.
- LOUTHI, Omar, Permanent Representative of Egypt to United Nations.
- LOUW, Eric, Minister of External Affairs of Union of South Africa.
- LUBKE, Heinrich, Minister of Food, Agriculture and Forestry, Federal Republic of Germany.
- MACDERMOT, T.W.L., High Commissioner in Australia.
- MACDONALD, John Allan, Director, Defence Works and Contracts, Programme Analysis Division of Treasury Board, Department of Finance.

- MACDONALD, Thomas L., ministre de la Défense de la Nouvelle-Zélande (-sept. 1957); ministre des Affaires extérieures (-déc. 1957).
- MACDONNELL, J.M., ministre sans portefeuille.
- MACDONNELL, R.M., ambassadeur en Égypte et ministre au Liban (-août 1958); sous-secrétaire d'État suppléant aux Affaires extérieures.
- MACINTYRE, Donald, ministre des Finances de la Fédération de la Rhodésie et du Nyasaland.
- MACKAY, R.A., représentant permanent auprès des Nations Unies (-jan. 1958); ambassadeur en Norvège et en Islande.
- MACKENZIE, Dr. C.J., président, Commission de contrôle de l'énergie atomique.
- MACLEAN, J. Angus, ministre des Pêcheries.
- MACMILLAN, Harold, premier ministre du Royaume-Uni.
- MACPHERSON, Marion, deuxième secrétaire, haut-commissariat au Ghana (jan. 1958-).
- MAKINS, sir Roger, co-secrétaire permanent du Trésor du Royaume-Uni.
- MALIK, Dr. Charles, ministre des Affaires étrangères du Liban; président du treizième session de l'Assemblée générale des Nations Unies.
- MANNINGHAM-BULLER, sir Reginald, procureur général, avocat principal de la Couronne et chef de la délégation du Royaume-Uni à la Conférence sur le droit de la mer.
- MAO TSE TOUNG, président du Parti communiste de la République populaire de Chine.
- MARTIN, W.R., secrétaire adjoint du Cabinet.
- MATSUDAIRA, Koto, représentant permanent du Japon auprès des Nations Unies.
- MATTHEWS, W.D., sous-secrétaire d'État adjoint des Affaires extérieures.
- MAUDLING, Reginald, trésorier-payeur de l'Échiquier du Royaume-Uni.
- MAYNIER, Earle Anthony, secrétaire permanent au ministre du Commerce et de l'Industrie de la Fédération des Antilles.
- MCBRIDE, Robert H., sous-directeur, Bureau des Affaires de l'Europe de l'Ouest, Bureau des Affaires européennes, département d'État des États-Unis (-sept. 1958); directeur.
- MCCARDLE, J.J.M., 1^{re} Direction de liaison avec la Défense.
- MACDONALD, Thomas L., Minister of Defence of New Zealand (-Sept. 1957); Minister of External Affairs (-Dec. 1957).
- MACDONNELL, J.M., Minister without Portfolio.
- MACDONNELL, R.M., Ambassador to Egypt and Minister to Lebanon (-Aug. 1958); Deputy Under-Secretary of State for External Affairs.
- MACINTYRE, Donald, Minister of Finance of Rhodesia and Nyasaland.
- MACKAY, R.A., Permanent Representative to United Nations (-Jan. 1958); Ambassador in Norway and Iceland.
- MACKENZIE, Dr. C.J., President, Atomic Energy Control Board.
- MACLEAN, J. Angus, Minister of Fisheries.
- MACMILLAN, Harold, Prime Minister of United Kingdom.
- MACPHERSON, Marion, Second Secretary, High Commission in Ghana (Jan. 1958 -).
- MAKINS, Sir Roger, Joint Permanent Secretary, Treasury of United Kingdom.
- MALIK, Dr. Charles, Minister of Foreign Affairs of Lebanon; President, United Nations 13th General Assembly.
- MANNINGHAM-BULLER, Sir Reginald, Attorney-General, Senior Law Officer of the Crown, and Chairman, Delegation of United Kingdom to Conference on the Law of the Sea.
- MAO TSE-TUNG, Chairman, Communist Party of People's Republic of China.
- MARTIN, W.R., Assistant Secretary to Cabinet.
- MATSUDAIRA, Koto, Permanent Representative of Japan to United Nations.
- MATTHEWS, W.D., Assistant Under-Secretary of State for External Affairs.
- MAUDLING, Reginald, Paymaster General of United Kingdom.
- MAYNIER, Earle Anthony, Permanent Secretary to Minister of Trade and Industry, Federation of West Indies.
- MCBRIDE, Robert H., Deputy Director, Office of Western European Affairs, Bureau of European Affairs, Department of State of United States (-Sept. 1958); Director.
- MCCARDLE, J.J.M., Defence Liaison (1) Division.

- MCCARTHY, John G., directeur, Bureau des Affaires économiques, mission des États-Unis auprès des organisations régionales européennes à Paris.
- MCELROY, Neil H., secrétaire de la Défense des États-Unis (oct. 1957-).
- MCEWEN, John, vice-premier ministre et ministre du Commerce de l'Australie.
- MCKINNEY, Robert M., représentant des États-Unis, Conseil des gouverneurs, Agence internationale de l'énergie atomique (juill. 1957-oct. 1958).
- MELAS, Michel, représentant permanent de la Grèce, Conseil de l'Atlantique Nord.
- MENON, V.K. Krishna, ministre de la Défense de l'Inde et chef de la délégation à l'Assemblée générale des Nations Unies (1957); membre de la délégation (1958).
- MENZIES, A.R., chef, Direction de l'Extrême-Orient.
- MENZIES, Robert, premier ministre de l'Australie.
- MERCHANT, Livingston, ambassadeur des États-Unis.
- MICHAELS, M.I., sous-secrétaire, Atomic Energy Office du Royaume-Uni.
- MIKOYAN, A.I., membre, Présidium du Comité central du Parti communiste de l'Union soviétique.
- MILLER, F.R., sous-ministre de la Défense nationale.
- MILLS, W. D., attaché, Plan du Colombo, haut-commissariat au Pakistan.
- MIRZA, Iskander, président du Pakistan (-oct. 1958).
- MOCH, Jules, délégué permanent de la France à la Commission pour le désarmement des Nations Unies.
- MONTGOMERY, vicomte Bernard Law, commandant suprême adjoint des Forces alliées, OTAN (-sept. 1958).
- MORAN, H.O., haut-commissaire au Pakistan.
- MUELLER Armack, A., représentant de la République fédérale de l'Allemagne auprès de l'OEECE.
- MUNRO, sir Leslie, ambassadeur de la Nouvelle-Zélande aux États-Unis et représentant permanent auprès des Nations Unies.
- MURPHY, Robert, sous-secrétaire d'État suppléant, département d'État des États-Unis.
- MCCARTHY, John, Director, Office of Economic Affairs, United States Mission to European Regional Organizations at Paris.
- MCELROY, Neil H., Secretary of Defense of United States (Oct. 1957-).
- MCEWEN, John, Deputy Prime Minister and Minister for Trade of Australia.
- MCKINNEY, Robert M., Representative of United States, Board of Governors, International Atomic Energy Agency (July 1957-Oct. 1958).
- MELAS, Michel, Permanent Representative of Greece to North Atlantic Council.
- MENON, V.K. Krishna, Minister of Defence of India and Chairman, Delegation to United Nations General Assembly (1957); member of Delegation (1958).
- MENZIES, A.R., Head, Far Eastern Division.
- MENZIES, Robert, Prime Minister of Australia.
- MERCHANT, Livingston, Ambassador of United States.
- MICHAELS, M.I., Under-Secretary, Atomic Energy Office of United Kingdom.
- MIKOYAN, A.I., Member, Praesidium of Central Committee of Communist Party of Soviet Union.
- MILLER, F.R., Deputy Minister of National Defence.
- MILLS, W. D., Colombo Plan Attaché, High Commission in Pakistan.
- MIRZA, Iskander, President of Pakistan (-Oct. 1958).
- MOCH, Jules, Permanent Delegate of France to United Nations Disarmament Commission.
- MONTGOMERY, Viscount Bernard Law, Deputy Supreme Allied Commander, Europe, NATO (-Sept. 1958).
- MORAN, H.O., High Commissioner in Pakistan.
- MUELLER Armack, A., Representative of Federal Republic of Germany to OEEC.
- MUNRO, Sir Leslie, Ambassador of New Zealand in United States and Permanent Representative to United Nations.
- MURPHY, Robert, Deputy Under Secretary of State, Department of State of United States.

- MUSTAPHA, M.W., ministre des Finances de la Sierra Leone.
- NASH, Walter, premier ministre de la Nouvelle-Zélande (déc. 1957-).
- NASSER, colonel Gamal Abdel, président de l'Égypte (-jan. 1958); président de la République arabe unie.
- NEHRU, Pandit Jawaharlal, premier ministre de l'Inde.
- NESBITT, Wallace, député, (CP - Oxford), adjoint parlementaire au premier ministre (août 1957-).
- NICKSON, R.B., chef, section du Commonwealth, Direction générale des Relations commerciales internationales, ministère du Commerce.
- NKRUMAH, Kwame, premier ministre du Ghana.
- NOBLE, commandant sir Allan, ministre d'État aux Affaires étrangères du Royaume-Uni.
- NORDMEYER, A.H., ministre des Finances de la Nouvelle-Zélande.
- NORSTAD, général Lauris, commandant suprême des Forces alliées en Europe (SACEUR), OTAN.
- NUTT, J.S., Direction juridique.
- NUTTING, S.C.H., Direction du Commonwealth.
- O'HURLEY, Raymond, ministre de la Production pour la défense (mai 1958-).
- OKOTIE-BOH, chef Festus S., ministre des Finances du Nigeria.
- OZERE, S.V., sous-ministre adjoint des Pêcheries.
- PARKER, General Theodore William, Bureau du chef d'état major de l'Armée des États-Unis et représentant adjoint au groupe permanent de l'OTAN.
- PEARKES, George, ministre de la Défense nationale.
- PFLIMLIN, Pierre, premier ministre de la France (mai-juin 1958).
- PICK, A.J., Direction européenne.
- PIERCE, S.D., haut-commissaire suppléant au Royaume-Uni.
- PINEAU, Christian, ministre des Affaires étrangères de la France (-avr. 1958).
- PLOWDEN, sir Edwin, président, Atomic Energy Authority du Royaume-Uni.
- PLUMPTRE, A.F.W., sous-ministre adjoint du ministère des Finances.
- MUSTAPHA, M.W., Minister of Finance of Sierra Leone.
- NASH, Walter, Prime Minister of New Zealand (Dec. 1957-).
- NASSER, Colonel Gamal Abdel, President of Egypt (-Jan. 1958); President of United Arab Republic.
- NEHRU, Pandit Jawaharlal, Prime Minister of India.
- NESBITT, Wallace, M.P. (PC—Oxford), Parliamentary Assistant to the Prime Minister (Aug. 1957-).
- NICKSON, R.B., Head, Commonwealth Section, International Trade Relations Branch, Department of Trade and Commerce.
- NKRUMAH, Kwame, Prime Minister of Ghana.
- NOBLE, Commander Sir Alan, Minister of State for Foreign Affairs of United Kingdom.
- NORDMEYER, A.H., Minister of Finance of New Zealand.
- NORSTAD, General Lauris, Supreme Allied Commander in Europe (SACEUR), NATO.
- NUTT, J.S., Legal Division.
- NUTTING, S.C.H., Commonwealth Division.
- O'HURLEY, Raymond, Minister of Defence Production (May 1958-).
- OKOTIE-BOH, Chief Festus S., Minister of Finance of Nigeria.
- OZERE, S.V., Assistant Deputy Minister of Fisheries.
- PARKER, General Theodore William, Office of United States Army Chief of Staff, and Deputy Liaison Officer to NATO Standing Group.
- PEARKES, George, Minister of National Defence.
- PFLIMLIN, Pierre, Prime Minister of France (May-June 1958).
- PICK, A.J., European Division.
- PIERCE, S.D., Deputy High Commissioner in United Kingdom.
- PINEAU, Christian, Minister of Foreign Affairs of France (-Apr. 1958).
- PLOWDEN, Sir Edwin, President, Atomic Energy Authority of United Kingdom.
- PLUMPTRE, A.F.W., Assistant Deputy Minister, Department of Finance.

- POLLOCK, Sidney, directeur, Contributions et programmes internationaux, ministère des Finances.
- POYNTON, sir Hilton, section pour les Colonies, délégation du Royaume-Uni à la Conférence économique et commerciale du Commonwealth.
- RAHMAN, Abdul, premier ministre de la Malaisie.
- RASMINSKY, Louis, sous-gouverneur de la Banque du Canada et directeur exécutif canadien, FMI.
- REID, Escott, haut-commissaire en Inde (-mai 1957); ambassadeur en République fédérale d'Allemagne (nov. 1957-).
- REISMAN, Sol Simon, directeur, Direction des Relations commerciales internationales, ministère du Commerce.
- REY, Jean, ministre des Affaires économiques de la Belgique (-nov. 1958).
- RITCHIE, A.E., ministre, ambassade aux États-Unis.
- RITCHIE, Charles S. A., ambassadeur en République fédérale d'Allemagne (-jan. 1958); représentant permanent auprès des Nations Unies.
- ROBERTS, sir Frank, représentant permanent du Royaume-Uni, Conseil de l'Atlantique Nord.
- ROBERTSON, Norman A., ambassadeur aux États-Unis (-oct. 1958); sous-secrétaire d'État aux Affaires extérieures.
- ROBERTSON, R.G., sous-ministre des Affaires du Nord et des Ressources nationales.
- ROBINSON, H. Basil, chef, Direction du Moyen-Orient (-août 1957); adjoint spécial au secrétaire d'État aux Affaires extérieures.
- RONNING, Chester A., haut-commissaire en Inde.
- ROOTES, sir William, Conseil des exportations réglables en dollars du Royaume-Uni.
- ROPER, J.C.A., premier secrétaire, ambassade du Royaume-Uni aux États-Unis.
- ROSENTHAL, R.W., administrateur du Plan de Colombo, Direction de la coopération économique et technique internationale, ministère du Commerce.
- ROWAN, sir Leslie, deuxième secrétaire, Conseil du Trésor du Royaume-Uni.
- POLLOCK, Sidney, Director, International Programmes and Contributions, Department of Finance.
- POYNTON, Sir Hilton, Colonies Section, Delegation of United Kingdom to Commonwealth Trade and Economic Conference.
- RAHMAN, Abdul, Prime Minister of Malaya.
- RASMINSKY, Louis, Deputy Governor of Bank of Canada and Canadian Executive Director, IMF.
- REID, Escott, High Commissioner in India (-May 1957); Ambassador in Federal Republic of Germany (Nov. 1957-).
- REISMAN, Sol Simon, Director, International Economic Relations Division, Department of Finance.
- REY, Jean, Minister of Economic Affairs of Belgium (-Nov. 1958).
- RITCHIE, A.E., Minister, Embassy in United States.
- RITCHIE, Charles S. A., Ambassador in Federal Republic of Germany (-Jan. 1958); Permanent Representative to United Nations.
- ROBERTS, Sir Frank, Permanent Representative of United Kingdom to North Atlantic Council.
- ROBERTSON, Norman A., Ambassador in United States (-Oct. 1958); Under-Secretary of State for External Affairs.
- ROBERTSON, R.G., Deputy Minister of Northern Affairs and National Resources.
- ROBINSON, H. Basil, Head, Middle East Division (-Aug. 1957); Special Assistant to Secretary of State for External Affairs.
- RONNING, Chester A., High Commissioner in India.
- ROOTES, Sir William, Dollar Exports Council of United Kingdom.
- ROPER, J.C.A., First Secretary, Embassy of United Kingdom in United States.
- ROSENTHAL, R.W., Colombo Plan Administrator, International Economic and Technical Co-operation Division, Department of Trade and Commerce.
- ROWAN, Sir Leslie, Second Secretary, Treasury of United Kingdom.

- SALAN, Général Raoul Albin Louis, commandant suprême, Algérie (-mai 1958); Résident général du gouvernement de la France, commandant en chef, Algérie (-déc. 1958).
- SALAN, General Raoul Albin Louis, Supreme Military Commander in Algeria (-May 1958); Resident-General of French government, Commander-in-Chief, Algeria (-Dec. 1958).
- SANDERS, William, adjoint spécial au sous-secrétaire d'État des États-Unis (-avr. 1958); vice-président, délégation à la Conférence sur le droit de la mer.
- SANDERS, William, Special Assistant to Under Secretary of State of United States (-Apr. 1958); Vice-Chairman, Delegation to Conference on the Law of the Sea.
- SANDYS, Duncan, ministre de la Défense du Royaume-Uni.
- SANDYS, Duncan, Minister of Defence of United Kingdom.
- SARPER, Selim, représentant permanent de la Turquie, Conseil de l'Atlantique Nord.
- SARPER, Selim, Permanent Representative of Turkey to North Atlantic Council.
- SCHAETZEL, J. Robert, adjoint spécial au secrétaire adjoint des Affaires économiques, département d'État des États-Unis.
- SCHAETZEL, J. Robert, Special Assistant to Assistant Secretary for Economic Affairs, Department of State of United States.
- SCHWARZMANN, Maurice, directeur adjoint, Direction générale des Relations commerciales internationales, ministère du Commerce.
- SCHWARZMANN, Maurice, Assistant Director, International Trade Relations Branch, Department of Trade and Commerce.
- SEN, Asoke-Kumar, ministre du Droit de l'Inde et chef, délégation à la Conférence sur le droit de la mer.
- SEN, Asoke-Kumar, Minister of Law of India and Chairman, Delegation to Conference on the Law of the Sea.
- SHAH, Manubhai, ministre de l'Industrie de l'Inde.
- SHAH, Manubhai, Minister of Industry of India.
- SHARP, M.W., sous-ministre du Commerce (-mai 1958).
- SHARP, M.W., Deputy Minister of Trade and Commerce (-May 1958).
- SIHANOUK, Prince Norodom, premier ministre, ministre des Affaires étrangères, ministre de Planification et ministre de l'Intérieur du Cambodge.
- SIHANOUK, Prince Norodom, Prime Minister, Foreign Minister, Minister of Plans and Minister of the Interior of Cambodia.
- SISCO, Joseph J., Bureau des Affaires politiques et de la sécurité des Nations Unies, Direction générale des Affaires des organisations internationales, département d'État des États-Unis.
- SISCO, Joseph J., Office of United Nations Political and Security Affairs, Bureau of International Organization Affairs, Department of State of United States.
- SMITH, Gerard, adjoint spécial au secrétaire d'État des États-Unis sur les questions atomiques.
- SMITH, Gerard, Special Assistant for Atomic Affairs to Secretary of State of United States.
- SMITH, R. G. C., commissaire en Trinité.
- SMITH, R. G. C., Commissioner in Trinidad.
- SMITH, Sidney, secrétaire d'État aux Affaires extérieures (sept. 1957-).
- SMITH, Sidney, Secretary of State for External Affairs (Sept. 1957-).
- SOBOLEV, Arkadey A., représentant permanent de l'Union soviétique auprès des Nations Unies, délégué à l'Assemblée générale des Nations Unies et président, Commission pour le désarmement.
- SOBOLEV, Arkadey A., Permanent Representative of Soviet Union to United Nations and Delegate to United Nations General Assembly and Chairman of Disarmament Commission.
- SOUSTELLE, Jacques, ministre de l'Information de la France (juill. 1958-).
- SOUSTELLE, Jacques, Minister of Information of France (July 1958-).
- SPAACK, Paul-Henri, secrétaire-général de l'OTAN.
- SPAACK, Paul-Henri, Secretary-General of NATO.
- SPARLING, major-général H.A., président, état-major interarmes du Canada aux États-Unis.
- SPARLING, Maj.-Gen. H.A., Chairman, Canadian Joint Staff in United States.

- SPENDER, sir Percy, ambassadeur d'Australie aux États-Unis et chef suppléant, délégation à l'Assemblée générale des Nations Unies.
- STABELL, Bredo, directeur, Direction juridique, ministère des Affaires étrangères de la Norvège et vice-président, délégation à la Conférence sur le droit de la mer.
- STADERINI, Ettore, chef, Affaires politiques, ministère des Affaires étrangères de l'Italie; Commission de l'Euratom.
- STARR, Michael, ministre du Travail.
- STASSEN, Harold, adjoint spécial au président des États-Unis (désarmement).
- STAVROPOULOS, Constantin A., conseiller juridique, Bureau des Affaires juridiques, secrétariat des Nations Unies.
- STEACIE, Dr. E.W.R., président, Conseil national de recherches.
- STEPHENS, L.A.D., conseiller, ambassade en République fédérale d'Allemagne.
- STEWART, J.G., conseiller, ambassade d'Afrique du Sud aux États-Unis et membre, délégation à l'Assemblée générale des Nations Unies.
- STONE, J.H., secrétaire commercial, haut-commissariat en Nouvelle-Zélande.
- STONE, W.F., Direction économique.
- STONER, O.G., premier secrétaire, ambassade en Belgique.
- STRAUSS, amiral Lewis L., président, United States Atomic Energy Commission (-juin 1958); secrétaire du Commerce des États-Unis (oct. 1958-).
- STRAUSS, Franz Josef, ministre de la Défense de la République fédérale d'Allemagne.
- STURSBURG, Peter, attaché du presse et secrétaire, commission commerciale au Royaume-Uni.
- SUCRE, Carlos, chef, délégation du Panama à la Conférence du droit de la mer et président, troisième Commission de la Conférence.
- SUHRAWARDY, Huseyn Shaheed, premier ministre du Pakistan (-oct. 1957).
- SUKARNO, président de l'Indonésie.
- SWEENEY, inspecteur C.J., Division spéciale/Direction de la sécurité et du renseignement, GRC.
- TAGGART, Dr. James Gordon, sous-ministre de l'Agriculture.
- TAYLOR, K.W., sous-ministre des Finances.
- SPENDER, Sir Percy, Ambassador of Australia in United States and Vice-Chairman, Delegation to United Nations General Assembly.
- STABELL, Bredo, Director, Legal Department, Ministry of Foreign Affairs of Norway and Vice-Chairman, Delegation to Conference on the Law of the Sea.
- STADERINI, Ettore, Head, Political Affairs, Ministry of Foreign Affairs, Italy; Euratom Commission.
- STARR, Michael, Minister of Labour.
- STASSEN, Harold, Special Assistant to President of United States on Disarmament.
- STAVROPOULOS, Constantin A., Legal Counsel, Office of Legal Affairs, United Nations Secretariat.
- STEACIE, Dr. E.W.R., President, National Research Council.
- STEPHENS, L.A.D., Counsellor, Embassy in Federal Republic of Germany.
- STEWART, J.G., Counsellor, Embassy of South Africa in United States, and member, Delegation to United Nations General Assembly.
- STONE, J.H., Commercial Secretary, High Commission in New Zealand.
- STONE, W.F., Economic Division.
- STONER, O.G., First Secretary, Embassy in Belgium.
- STRAUSS, Admiral Lewis L., Chairman, United States Atomic Energy Commission (-June 1958); Secretary of Commerce of United States (Oct. 1958—).
- STRAUSS, Franz Josef, Minister of Defence, Federal Republic of Germany.
- STURSBURG, Peter, Press Officer and Secretary, Trade Commission to United Kingdom.
- SUCRE, Carlos, Chairman, Delegation of Panama to Conference on the Law of the Sea; Chairman, Third Committee, Conference on the Law of the Sea.
- SUHRAWARDY, Huseyn Shaheed, Prime Minister of Pakistan (-Oct. 1957).
- SUKARNO, President of Indonesia.
- SWEENEY, Inspector C. J., Special Branch/Directorate of Security and Intelligence, RCMP.
- TAGGART, Dr. James Gordon, Deputy Minister of Agriculture.
- TAYLOR, K.W., Deputy Minister of Finance.

- TCHANG KAI-CHEK, général, président de la République de Chine.
- TCHOU EN-LAI, premier ministre et ministre des Affaires étrangères de la République populaire de Chine.
- THOMPSON, Tyler, ministre, ambassade des États-Unis.
- THORNEYCROFT, Peter, chancelier de l'Échiquier du Royaume-Uni (-jan. 1958).
- TREMBLAY, Paul, chef, 1^{ère} Direction de liaison avec la Défense.
- ULBRICHT, Walter, premier ministre de la République démocratique d'Allemagne.
- VAN RHIJN, Dr. A.J.R., ministre des Mines et aux Affaires économiques de l'Afrique du Sud.
- VAN SCHERPENBERG, Dr. Albert Hilger, secrétaire d'État, ministère des Affaires étrangères de la République fédérale d'Allemagne.
- VANIER, General Georges P., ancien ambassadeur en France.
- VASEY, E.A., ministre des Finances et du Développement du Kenya.
- VON BRENTANO, Heinrich, ministre des Affaires étrangères de la République fédérale d'Allemagne.
- WAN WAIHAYAKON, Prince K.N.B., ministre des Affaires étrangères de la Thaïlande.
- WATKINS, J.B.C., sous-secrétaire d'État adjoint aux Affaires extérieures (-sept. 1958); ambassadeur au Danemark.
- WATSON, A., directeur, Construction navale et approvisionnement, ministère des Transports.
- WATSON, D., secrétaire, Énergie atomique du Canada Ltée.
- WELENSKY, sir Roy, premier ministre de la Rhodésie et de la Nyasaland.
- WERSHOF, M.H., représentant permanent auprès du Bureau européen des Nations Unies.
- WILGRESS, L. D., représentant permanent auprès du Conseil de l'Atlantique Nord et de l'OECE (-oct. 1958).
- WILLIAMS, Dudley F.P., deuxième secrétaire, ambassade du Royaume-Uni aux États-Unis.
- WILLIAMSON, Harry, attaché scientifique, ambassade aux États-Unis.
- WOLFE, Glenn George, directeur exécutif, ambassade des États-Unis en France et directeur administratif, délégation au Conseil de l'Atlantique nord.
- SEE CHIANG KAI-SHEK.
- SEE CHOU EN-LAI.
- THOMPSON, Tyler, Minister, Embassy of United States.
- THORNEYCROFT, Peter, Chancellor of the Exchequer of United Kingdom (-Jan. 1958).
- TREMBLAY, Paul, Head, Defence Liaison (1) Division.
- ULBRICHT, Walter, Premier, Democratic Republic of Germany.
- VAN RHIJN, Dr. A.J.R., Minister of Mines and Economic Affairs of South Africa.
- VAN SCHERPENBERG, Dr. Albert Hilger, State Secretary, Ministry of Foreign Affairs of Federal Republic of Germany.
- VANIER, General Georges P., former Ambassador in France.
- VASEY, E.A., Minister of Finance and Development of Kenya.
- VON BRENTANO, Heinrich, Minister of Foreign Affairs, Federal Republic of Germany.
- WAN WAIHAYAKON, Prince K.N.B., Minister of Foreign Affairs of Thailand.
- WATKINS, J.B.C., Assistant Under-Secretary of State for External Affairs (-Sept. 1958); Ambassador to Denmark.
- WATSON, A., Director, Ship Construction and Supply, Department of Transport.
- WATSON, D., Secretary, Atomic Energy of Canada Ltd.
- WELENSKY, Sir Roy, Prime Minister of Rhodesia and Nyasaland.
- WERSHOF, M.H., Permanent Representative to European Office of United Nations.
- WILGRESS, L. D., Permanent Representative to North Atlantic Council and OEEC (-Oct. 1958).
- WILLIAMS, Dudley F.P., Second Secretary, Embassy of United Kingdom in United States.
- WILLIAMSON, Harry, Scientific Attaché, Embassy in United States.
- WOLFE, Glenn George, Executive Director, Embassy of United States in France and Director of Administration, Delegation to North Atlantic Council.

WORMSER, Olivier, directeur, Affaires économiques et financières, ministère des Affaires étrangères de la France.

WRIGHT, amiral Jerauld, commandant suprême des Forces alliées (SACLANT), OTAN.

WYNDHAM White, Eric, secrétaire exécutif du GATT.

YINGLING, R.T., conseiller juridique adjoint, département d'État des États-Unis.

ZORIN, Valerian A., sous-ministre des Affaires étrangères de l'Union soviétique.

ZORLU, Fatin Rüstü, ministre des Affaires étrangères de la Turquie.

ZOUREK, Jaroslav, directeur, Direction des droits internationaux, Académie des sciences de la Tchécoslovaquie, président de la Commission du droit international des Nations Unies (1957) et représentant de la Tchécoslovaquie à cette commission (1958); président du cinquième Commission de la Conférence sur le droit de la mer (fév.-avr. 1958).

WORMSER, Olivier, Director of Economic and Financial Affairs, Ministry of Foreign Affairs of France.

WRIGHT, Admiral Jerauld, Supreme Allied Commander (SACLANT), NATO.

WYNDHAM White, Eric, Executive Secretary, GATT.

YINGLING, R.T., Assistant Legal Adviser, Department of State of United States.

ZORIN, Valerian A., Deputy Foreign Minister of the Soviet Union.

ZORLU, Fatin Rüstü, Minister of Foreign Affairs of Turkey.

ZOUREK, Jaroslav, Director, International Rights Division, Academy of Sciences, Czechoslovakia; Chairman, United Nations International Law Commission (1957) and Representative of Czechoslovakia to International Law Commission (1958); Chairman, Fifth Committee of the Conference on the Law of the Sea (Feb.-Apr. 1958).

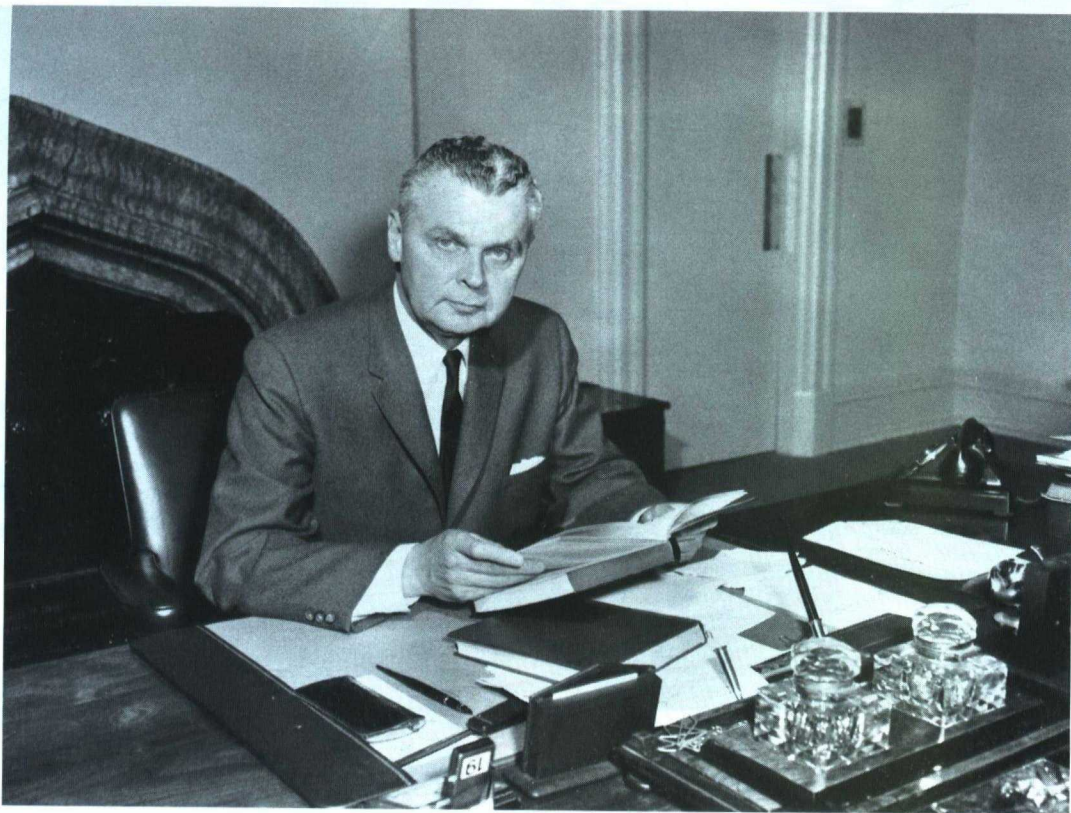
ILLUSTRATIONS

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PA 57930

Prime Minister John G. Diefenbaker, December 1958.

Le premier ministre John G. Diefenbaker, décembre 1958.



PA 214179

Under-secretary of State for External Affairs, Jules Léger (left) and Secretary of State for External Affairs, Sidney Smith, September 1957.

Le sous-secrétaire d'État aux Affaires extérieures, Jules Léger (gauche) et le secrétaire d'État aux Affaires extérieures, Sidney Smith, septembre 1957.



UN 56789

The Hon. George A. Drew, Chairman of the Canadian Delegation to the First United Nations Law of the Sea Conference in Geneva, addresses a meeting of the First Committee dealing with the territorial sea and contiguous zones, March 1958.

L'honorable George A. Drew, président de la délégation canadienne à la Première Conférence des Nations Unies sur le droit de la mer à Genève, prend la parole à une réunion de la Première Commission portant sur la mer territoriale et la zone contiguë, mars 1958.



UN 54810

The Canadian Delegation attends a meeting of the United Nations General Assembly, New York, 23 September 1958. Front row, left to right: Frank Lennard, Josie D. Quart, Wallace Nesbitt, Sidney Smith, John Diefenbaker. Second row, left to right: W.D. Matthews, Théogène Ricard, E.B. Rogers, Escott Reid and Harry White.

La délégation canadienne assiste à une réunion de l'Assemblée générale des Nations Unies à New York, le 23 septembre 1958. Première rangée, de gauche à droite : Frank Lennard, Josie D. Quart, Wallace Nesbitt, Sidney Smith, John Diefenbaker. Deuxième rangée, de gauche à droite : W.D. Matthews, Théogène Ricard, E.B. Rogers, Escott Reid et Harry White.



PA 214238

Norman Robertson, Canadian Ambassador in Washington, presents a \$50,000 cheque on behalf of the Canadian Red Cross to James T. Nicholson, executive vice-president of the American Red Cross, to aid hurricane victims in Texas and Louisiana, July 1957.

Norman Robertson, ambassadeur du Canada à Washington, présente un chèque de 50 000 \$ au nom de la Croix-Rouge canadienne à James T. Nicholson, vice-président administratif de la Croix-Rouge américaine, afin d'aider les victimes des ouragans au Texas et en Louisiane, juillet 1957.



Diefenbaker Centre, JGD 4456

Sidney Smith, Finance Minister Donald Fleming, Defence Minister George Pearkes and John Diefenbaker at the NATO Heads of Government Meeting, Paris, 1958.

Sidney Smith, le ministre des Finances Donald Fleming, le ministre de la Défense George Pearkes et John Diefenbaker à la réunion des chefs de gouvernement de l'OTAN, Paris, 1958.



PA 128994

Left to right: Sir Saville Garner, High Commissioner for the United Kingdom in Canada, K.W. Taylor, Deputy Minister of Finance and A.F.W. Plumptre, Assistant Deputy Minister of Finance at the Commonwealth Finance Ministers Conference, Mont Tremblant, September 1957.

De gauche à droite : Sir Saville Garner, haut-commissaire du Royaume-Uni au Canada, K.W. Taylor, sous-ministre des Finances, et A.F.W. Plumptre, sous-ministre adjoint des Finances, à la Conférence des ministres des Finances du Commonwealth au Mont Tremblant en septembre 1957.



PA 214180

Gordon Churchill (left), Minister of Trade and Commerce, prepares to visit the United Kingdom, September 1957. On the right is Richard Hatfield, Churchill's executive assistant and the future premier of New Brunswick.

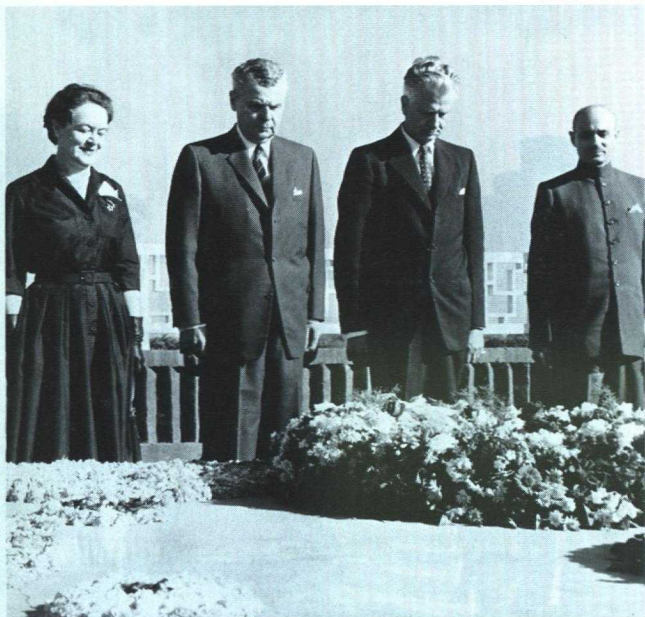
Gordon Churchill (gauche), ministre du Commerce, se prépare à effectuer une visite au Royaume-Uni, en septembre 1957. On observe à droite Richard Hatfield, chef de Cabinet de Churchill et futur premier ministre du Nouveau-Brunswick.



PA 114549

Leaders of delegations to the Commonwealth Trade and Economic Conference, Montreal, September 1958. Front row, left to right: Morarji Desai (India), A.H. Nordmeyer (New Zealand), D. Heathcoat Amory (United Kingdom), Donald Fleming (Canada), John McEwan (Australia), A.J.R. van Rijhan (South Africa). Back row, left to right: Sir Henry Lee (Malaya), Stanley de Zoysa (Ceylon), Syed Amjad Ali (Pakistan), K.A.Gbedemah (Ghana), Donald McIntyre (Rhodesia and Nyasaland).

Chefs de délégations à la Conférence du Commonwealth sur le commerce et les affaires économiques à Montréal en septembre 1958. Au premier rang, de gauche à droite : Morarji Desai (Inde), A.H. Nordmeyer (Nouvelle-Zélande), D. Heathcoat Amory (Royaume-Uni), Donald Fleming (Canada), John McEwan (Australie), A.J.R. van Rijhan (Afrique du Sud). Au dernier rang, de gauche à droite : Sir Henry Lee (Malaya), Stanley de Zoysa (Ceylon), Syed Amjad Ali (Pakistan), K.A. Gbedemah (Ghana), Donald McIntyre (Rhodésie et Nyassaland).



Diefenbaker Centre, JGD 982

Olive Diefenbaker, John Diefenbaker and Chester Ronning, Canada's High Commissioner in India, pay their respects at Mahatma Gandhi's shrine at Rajghat, November 1958.

Olive Diefenbaker, John Diefenbaker et Chester Ronning, haut-commissaire du Canada en Inde, présentent leurs respects sur le tombeau de Mahatma Gandhi à Rajghat en novembre 1958.



PA 214237

Mohammed Saeed (right), Canada's 1,000th Colombo Plan trainee, greeted in Ottawa by the Pakistan High Commission's Commercial Secretary, I. Malik (left), and D. Bartlett, Colombo Plan Administrator, Department of Trade and Commerce, October 1958.

Mohammed Saeed (à droite), 1 000^e stagiaire au Canada du Plan de Colombo, est accueilli à Ottawa par le secrétaire commercial du haut-commissariat du Pakistan, I. Malik (à gauche), et D. Bartlett, administrateur du Plan Colombo, ministère du Commerce, octobre 1958.



PA 214184

Dr. Kwame Nkrumah, Prime Minister of Ghana, reviews an honour guard on Parliament Hill, Ottawa, July 1958.

Kwame Nkrumah, premier ministre du Ghana, passe en revue une garde d'honneur sur la Colline du Parlement à Ottawa en juillet 1958.

CHAPITRE PREMIER/CHAPTER I
NATIONS UNIES ET AUTRES ORGANISATIONS
INTERNATIONALES
UNITED NATIONS AND OTHER INTERNATIONAL
ORGANIZATIONS

PREMIÈRE PARTIE/PART I

NATIONS UNIES
UNITED NATIONS

SECTION A

DOUZIÈME SESSION DE L'ASSEMBLÉE GÉNÉRALE À NEW YORK,
17 SEPTEMBRE AU 14 DÉCEMBRE 1957
TWELFTH SESSION OF THE GENERAL ASSEMBLY, NEW YORK,
SEPTEMBER 17 TO DECEMBER 14, 1957

SUBDIVISION I/SUB-SECTION I

INSTRUCTIONS À LA DÉLÉGATION CANADIENNE
INSTRUCTIONS TO THE CANADIAN DELEGATION

1.

PCO

*Note du secrétaire d'État par intérim aux Affaires extérieures
pour le Cabinet*

*Memorandum from Acting Secretary of State for External Affairs
to Cabinet*

CABINET DOCUMENT No. 223-57

[Ottawa], September 16, 1957

SECRET

INSTRUCTIONS FOR THE CANADIAN DELEGATION TO THE TWELFTH SESSION
OF THE GENERAL ASSEMBLY OF THE UNITED NATIONS¹

Attached to this Memorandum are General Instructions for the Canadian Delegation to the Twelfth Session of the United Nations General Assembly which opens in New York on September 17, 1957.

¹ La délégation canadienne était dirigée par Sidney Smith et Wallace Nesbitt, respectivement président et vice-président. Pour obtenir la liste exhaustive des membres de la délégation, voir Canada, ministère des Affaires extérieures, *Affaires Extérieures* vol 9, N° 10, octobre 1957, p. 296.

The Canadian delegation was led by Sidney Smith and Wallace Nesbitt as Chairman and Vice-Chairman, respectively. For a complete list of Delegation members, see Canada, Department of External Affairs, *External Affairs*, Vol. 9, No. 10, October 1957, p. 295.

These Instructions provide broad policy guidance and summarize the position to be taken by the Delegation on the major issues likely to arise at the Twelfth Session.

Items on Suez Canal Clearance and the future of the United Nations Emergency Force do not as yet appear on the Provisional Agenda but they are likely to be introduced at an early stage. If necessary, these will be subjects of further submissions to Cabinet.

The undersigned recommends that the attached Instructions be approved by Cabinet.²

JOHN G. DIEFENBAKER

[PIÈCE JOINTE/ENCLOSURE]

Note

SECRET

INSTRUCTIONS FOR THE CANADIAN DELEGATION TO THE TWELFTH SESSION
OF THE GENERAL ASSEMBLY OF THE UNITED NATIONS

The Twelfth regular session of the United Nations General Assembly opens on September 17 with an agenda of 63 items. This memorandum contains instructions on certain important items and on the general policy of the Delegation. These will be supplemented by instructions to the Delegation on specific questions as they arise.

At the forthcoming session Canada is a candidate for the Security Council on which Canada served for a term in 1948 and 1949. Widespread support for our candidature has been expressed by Commonwealth and other governments. Election to the Security Council would entail important new responsibilities for Canada.

The Delegation should seek to express Canada's strong support for the United Nations and to point out that, despite its imperfections, the organizations has played an essential part in maintaining peace, ending conflicts and advancing the social and economic welfare of its members. The Delegation in particular should play the active role which Canada is peculiarly fitted to play in promoting understanding between Western countries and the countries of Asia and Africa in order to prevent the widening of a breach which threatens to weaken the strength of the United Nations.

² Le Cabinet a approuvé ces instructions le 19 septembre 1957, à l'exception des sections autorisant le Canada à soutenir la candidature de l'Égypte à un siège au Conseil économique et social, et de l'inscription des points portant sur l'apartheid et le traitement des personnes d'origine indienne en Afrique du Sud. Le Cabinet estimait que l'Afrique du Sud pouvait établir ses propres politiques internes, et que la délégation devait en conséquence avoir la capacité de voter contre l'inclusion de ces points si nécessaire. Les fonctionnaires des Affaires extérieures ont par la suite convaincu le premier ministre Diefenbaker que voter contre la candidature de l'Égypte à un siège de l'ECOSOC en l'absence de tout autre candidat valable constituerait un affront fait aux nations arabes. Le 20 septembre 1957, le Cabinet autorisait la délégation à appuyer l'Égypte.

Cabinet approved these instructions on September 19, 1957 with the exception of the sections authorizing Canada's support of Egypt for a seat on the Economic and Social Council and the inscription of the items dealing with apartheid and the treatment of people of Indian origin in South Africa. Cabinet agreed that South Africa could determine its own domestic policies and the Delegation should therefore be given the flexibility to vote against inscription of these items if necessary. External Affairs officials subsequently convinced Prime Minister Diefenbaker that a vote against Egypt's bid for an ECOSOC seat in the absence of any other suitable candidate would be an affront to Arab nations. On September 20, 1957, Cabinet authorized the Delegation to support Egypt.

Disarmament

The situation is now one of virtual deadlock as a result of the negative Soviet response to the four-power proposals. The widespread international concern which now exists over lack of progress towards disarmament will no doubt find full expression in the Assembly, and the Western Powers must be ready to defend their position.

The Delegation should act in concert with other Western Powers in presenting the Western position in the best possible light, mitigating pressures for action which might be prejudicial to Western security and rallying United Nations opinion in favour of the resumption of negotiations. In particular, since our principal allies are not prepared to accept the cessation or suspension of nuclear tests as an isolated proposition, we should join with them and other friendly delegations in making clear the drawbacks of such a step.

Hungary

Canada's objectives in this question should be to gain broad endorsement for the Special Committee's report which denounces Soviet intervention in forthright terms; to keep Soviet actions in Hungary prominently in the eyes of the world; and to bring pressure to bear on the Soviet and Hungarian governments which it is hoped may eventually result in relief from oppression for the people of Hungary.

Algeria

The inflexibility of the French attitude — that Algeria is essentially French and that independence for Algeria is out of the question — creates increasing difficulties for the friends of France. Opposing the French position on the substantive issue, however, could have serious consequences for NATO and our relations with France, as well as contributing to a reduction in French cooperation in the work of the United Nations. The Delegation should not, therefore, oppose the French position in the Assembly debate on the question, but they should do what they can behind the scenes to bring about a reasonable resolution that would avoid an open break on this issue between the African-Asian group and the West.

Cyprus

Last year the United Kingdom Delegation did not oppose inscription of this item, and the wisdom of this decision was shown by the fact that they achieved a good deal of support for their position in the debate. This year the problem has been complicated by the fact that the Greeks have included in the wording of the item references to "violations of human rights and atrocities", which prejudice the issue. The item in this form would almost inevitably be opposed by the United Kingdom, which might submit a counter-item. The Greeks may, however, be persuaded to have the item simply inscribed as "The Cyprus Question." The Delegation should not support inscription unless a change of this kind is made. On the substance of the matter it should support the United Kingdom position while seeking to assist any helpful moves toward a settlement.

Chinese Representation

The problem of Chinese representation has arisen at every session of the General Assembly since 1950 and this year the United States will probably again be able to carry its procedural motion to postpone consideration of the question for the duration of the session. Though there are signs that the United States attitude on this question may not remain in the future as rigid as in the past, United States public opinion on this remains strong and the acceptance of Communist Chinese credentials to the Chinese seat in the United Nations at this stage could have serious repercussions on the attitude of the United

States to the United Nations. The Delegation should therefore vote in favour of a procedural motion postponing consideration of Chinese representation for a fixed period such as "for the duration of the twelfth session of the General Assembly".

Elections to Organs of the United Nations

The Delegation should vote for Sir Leslie Munro for the Presidency of the twelfth session rather than Dr. Charles Malik of Lebanon who is the only other candidate. In the elections to the Security Council, in which Canada is a candidate for one of the three non-permanent seats, the Delegation should also support Japan and the candidate picked by the Latin American caucus which will probably be Panama.

There are six vacancies to be filled in the Economic and Social Council. France, The Netherlands, Chile and Costa Rica will be elected without difficulty in accordance with the established conventions of representation and the Delegation may support them. The Delegation may also support Egypt for the Middle Eastern seat if no other acceptable Middle Eastern candidate emerges. One of the conventions would provide for the re-election of China as one of the "great powers" but a contest is expected for this seat. The Delegation may vote for China on the first ballot but if a deadlock appears likely the Delegation may shift its vote to the Philippines, which will probably have Asian support.

For election to the International Court of Justice, the Delegation should vote for the following four candidates nominated by the Canadian National Groups: Sir Percy Spender, (Australia), Mr. Winiarski, (Poland), Mr. Sauser-Hall (Switzerland), Mr. Mynt Thein (Burma). The Delegation will be instructed later on the fifth candidate to support.

The Admission of New Members

Canada with fellow members of the Commonwealth will co-sponsor a resolution recommending Malaya's admission to the United Nations.

If the admission of both halves of the divided countries of Korea and Vietnam is raised again at the twelfth session, the Delegation should vote for the admission of South Korea and against the admission of North Korea, which we do not recognize. Because of our enforced neutral position as a member of the International Supervisory Commission in Vietnam the Delegation should abstain in the vote on North and South Vietnam. The Delegation might also abstain on the admission of Mongolia as a compromise between the Canadian position that the United Nations is more effective if it is as universal as possible and the strong opposition of the United States and some other countries to the admission of Mongolia.

Expansion of United Nations Organs

Asian and African members of the United Nations are justifiably dissatisfied with the composition of the Security Council upon which they are not adequately represented. In the face of a Soviet refusal to contemplate any Charter amendment to increase membership until the question of Chinese representation had been resolved, the Assembly at the eleventh session referred to the twelfth session the questions of enlarging the Security Council, the Economic and Social Council and the International Court of Justice. If last year's proposal to enlarge the Security Council by two non-permanent members is revived and receives general support the Delegation may support it in preference to proposals for a larger increase which might diminish the effectiveness of this body.

The increase in the membership of the United Nations has also resulted in proposals for expansion of the Economic and Social Council and it is most probable that provision for wider representation by enlargement of the Council will eventually be made although agreement on the amendment to the Charter required for this purpose will not be easy to

obtain. There is a danger that wider expansion will render the Economic and Social Council unwieldy and its work less effective. The Delegation may support a proposal to enlarge the Council if such a proposal is pressed and has strong support. It should favour a modest increase (three seats) in preference to more extensive proposals and should favour a distribution of seats which would maintain so far as possible the present pattern of voting strength in the Council.

The Delegation should oppose an increase in the number of judges in the International Court since the size of United Nations membership has no bearing on the size of the Court.

South Africa

At past sessions Canada has voted for inscription of two items dealing with apartheid and with the treatment of people of Indian origin in South Africa. If the situation in the Assembly at the present session has not materially changed, the Delegation might again vote for inscription of these items. If, however, some friendly delegations come to the conclusion that it would be desirable to encourage South Africa to resume a fuller cooperation with the United Nations and that this might be effected by not favouring inscription, the Delegation this year might abstain on inscription of this item. In explanation of such action it might be stated that there has been ample opportunity in the past to discuss racial problems in South Africa and there is no practical value in so doing once again. If, as expected, the items are inscribed, the Delegation should vote against any proposals which call for United Nations intervention in South African affairs. If any resolutions are put forward which do not call for intervention and are not objectionable in themselves, the Delegation may nevertheless abstain if our position on inscription requires such action in order to be consistent.

Korea

At this session the main discussion on this procedural item will centre on the recently-announced intention of the United States forces in Korea to modernize its military equipment in Korea because of Communist breaches of the Armistice Agreement and the need to counterbalance the military buildup which has taken place in North Korea. A Communist-sponsored motion condemning the United States decision will probably be introduced and the Delegation should vote against it. As some accusations have been made that the West is not seriously interested in reunification it is desirable to avoid any statement on reunification which indicates a too rigid or inflexible view of the conditions on which reunification might be achieved.

West Irian (West New Guinea)

For the fourth successive year an item on West New Guinea (know as West Irian to the Indonesians) has been inscribed on the Provisional Agenda. Since The Netherlands relinquished sovereignty over Indonesia in 1949, Indonesia has disputed The Netherlands right to rule West New Guinea, but The Netherlands retains possession. Canada's position in the past has been that the dispute should be referred to the International Court for decision on the legal merits of the two claims. We have not considered that there were sound reasons for opposing a discussion of the subject in the Assembly, but we have doubted whether such a discussion would assist in finding a solution. Consequently Canada has abstained on the question of inscribing the item. At this session the Delegation should abstain on inscription of the item. On the substance of the issue the Delegation should not support the Indonesian claim which is not based on sound arguments of racial affinity or historical right.

Special United Nations Fund for Economic Development

The idea of establishing, under the auspices of the United Nations, a special fund for channelling capital aid to the less developed countries has been under discussion in the General Assembly and elsewhere since 1951. It has had strong support, especially from the under-developed countries.

At the twenty-fourth session of ECOSOC, a resolution was passed with only Canada, the United Kingdom and the United States opposing, calling for a special fund to be established by the General Assembly at its next Session. The Delegation may therefore find it necessary to indicate whether or not Canada would be prepared to contribute to such a fund if it is established, with or without the support of the United States and the United Kingdom. Pending a decision by the Government in this connection, the Delegation should intervene in the debate only to the extent that is necessary to indicate its continued support in principle for the establishment of some type of fund, and its doubts about the usefulness of any such fund which does not have strong financial support.

Questions of Dependent Territories

In trusteeship matters it has been the Canadian view that the details of the administration of trust territories should be left to the Trusteeship Council and the General Assembly should concern itself with broad principles. The Delegation should maintain this attitude. It should also seek to moderate the inevitable disagreements between those countries that administer trust territories or colonies and those that do not and are critical of the administering powers.

SUBDIVISION II/SUB-SECTION II

ÉLECTIONS DU CONSEIL DE SÉCURITÉ
SECURITY COUNCIL ELECTIONS

2.

PCO

*Note du secrétaire d'État aux Affaires extérieures
pour le Cabinet*

*Memorandum from Secretary of State for External Affairs
to Cabinet*

CABINET DOCUMENT NO. 128-57

[Ottawa], July 8, 1957

CONFIDENTIAL

THE COMMONWEALTH SEAT ON THE SECURITY COUNCIL

1. In accordance with the so-called "Gentlemen's Agreement" reached in San Francisco in 1945 one of the non-permanent seats of the Security Council has been considered a "Commonwealth Seat" and by 1955 had been occupied in turn by all the Commonwealth members of the United Nations, excluding the United Kingdom, which has a permanent seat, and South Africa, which chose not to run. With the election of Australia for a two-year term beginning January 1, 1956, a second round was started and Canada stands next in line. The two newest members of the Commonwealth, Ceylon and Ghana, have only recently been admitted to the United Nations and have not displayed any interest in running for election to the Council.

2. Because of the considerable expansion of membership of the United Nations during the last two years there is a likelihood that conventions governing the allocation of seats will break down or be disregarded. It is important, however, to attempt to maintain the institution of a Commonwealth seat, not only because it contributes to Commonwealth solidarity but also because it affords by far the best opportunity for countries like Canada to have a regular opportunity to serve on the Council. But by the same token it is in our own interest to do all we can to ensure that the newer members of the Commonwealth, without whose participation the statistical justification for a Commonwealth seat in an expanded United Nations would disappear, are convinced that it is to their advantage to remain on the Commonwealth roster. For this reason some thought has been given to the desirability of yielding our turn to one of the Asian members and in particular to India (since at this stage Ceylon appears neither well equipped nor anxious to assume such heavy responsibilities) and of standing for election to the Council two years later.

3. The principal advantages of such a course are:

(a) It might serve to arrest any tendency on the part of Asian members to drift away from the Commonwealth roster on to the roster of an Asian seat should one be provided by amendment of the Charter.

It would also constitute effective evidence of our understanding of the legitimate aspirations of the Asian members of the Commonwealth and be well calculated to strengthen their belief in the value of Commonwealth association.

(b) It would afford opportunity for Asia, which is undoubtedly under-represented at present, to be represented on the Council without interference with existing conventional allocation of seats while in the interim it might be possible to reach agreement on an expansion of the membership of the Council.

(c) It would relieve us from accepting further burdensome responsibilities at a time when our available resources are already under severe strain. Two years from now our present engagements in Indo-China and the Middle East may be substantially reduced, whereas membership in the Security Council in 1958-9 would inevitably involve us in a great many additional complex and difficult disputes one of which, the question of Kashmir, is particularly embarrassing for a Commonwealth country.

4. Soundings were accordingly taken to determine what would be the reaction of some of our principal friends and allies if we were to stand down. As a result it has become clear that, among others, the United Kingdom, Australia, New Zealand and the United States would very much prefer Canada to be a candidate because, even though they recognize the force of arguments in favour of passing the seat to Asia, they believe that the next two years will be particularly important for determining the future role of the United Nations. Moreover India has indicated that it would be glad to support Canada's candidature for the Security Council and we have had informal indication that Pakistan, while it would vigorously oppose the candidature of India, would readily support that of Canada.

5. There are a number of additional reasons why Canada should consider standing for election, viz:

(a) Canada has played an active role in the United Nations and is regarded by many members as a country which can be counted upon to help find acceptable solutions to difficult problems; if we run, therefore, our chances for election appear to be very good.

(b) If in the next few years the "Gentlemen's Agreement" is to break down we might, in addition to losing the principle of a Commonwealth seat, forfeit our opportunity to serve on the Security Council for a long time to come.

(c) Japan has announced its candidature for the seat occupied this year by the Philippines under a temporary arrangement designed to break the deadlock with Yugoslavia in the 1955 elections for the Eastern European seat.³ With the support of the United States Japan may well succeed in winning election, in which case Asia would secure representation.

(d) The election of Canada to the Commonwealth seat and of Japan to the Eastern European seat might serve to persuade both the USSR and India that in their own interests they should support the widespread move for a limited expansion of the Security Council which, for different reasons, they have previously opposed; this in turn might serve to maintain respect for the convention upon which the institution of the Commonwealth seat depends.

6. If we are to run, it is important that we should announce our candidature as soon as possible and on balance, after having discussed the matter with our Commonwealth colleagues during the Prime Ministers' Conference, particularly with the Prime Minister of India, it is my considered opinion that even though election to the Security Council would impose heavy additional responsibilities upon us, we should not be justified in declining to accept the obligations of membership in the Council at this juncture.⁴

JOHN G. DIEFENBAKER

SUBDIVISION III/SUB-SECTION III

ALGÉRIE
ALGERIA

3.

DEA/12177-40

*Note du sous-secrétaire d'État aux Affaires extérieures
pour le secrétaire d'État aux Affaires extérieures⁵*

*Memorandum from Under-Secretary of State for External Affairs
to Secretary of State for External Affairs⁴*

CONFIDENTIAL

[Ottawa], September 11, 1957

THE ALGERIAN QUESTION

A group of Arab and Asian states has for the third successive year requested that "The Algerian Question" be inscribed on the agenda of the United Nations General Assembly. While France at the last two sessions of the General Assembly has maintained that the difficulties in Algeria are exclusively within its domestic jurisdiction and that consequently the United Nations has no competence in the matter, it decided last year to refrain from opposing inscription of the item.

³ Voir/See Volume 21, Document 3.

⁴ Le 11 juillet 1957, le Cabinet convenait que le Canada devait se faire élire au Conseil de sécurité. Le 1^{er} octobre suivant, le Canada était un des pays élus au Conseil, ayant reçu 72 votes sur les 78 inscrits. Les autres pays étaient le Panama, avec 74 votes, et le Japon, avec 55 votes.

On July 11, 1957, Cabinet agreed that Canada should stand for election to the Security Council. On October 1, 1957, Canada was one of the countries elected to the Security Council, receiving 72 votes out of a total of 78 ballots cast. Canada was joined by Panama, which received 74 votes, and Japan, which received 55 votes.

⁵ Note marginale :/Marginal note:

Seen & returned by the Minister Sept 17 [auteur inconnu/author unknown]

2. At the 10th session of the General Assembly (1955) Canada sided with France in opposing inscription.⁶ At the 11th session the Canadian delegate expressed doubt as to the wisdom of discussing a matter which under the United Nations Charter was clearly within the domestic jurisdiction of a member state but welcomed the French decision to present their views on the problem.⁷ He then went on to praise France's efforts in Algeria and urged that France be left to work out a solution of the Algerian problem with the elected representatives of the Algerian people. Canada took no further part in the debate but voted against resolutions unacceptable to France and joined in the unanimous adoption of a resolution which expressed the hope that "in a spirit of co-operation, a peaceful, democratic and just solution will be found, through appropriate means, in conformity with the principles of the United Nations Charter".

3. French tactics at the forthcoming session are not yet certain. It seems likely that they will once again maintain that the United Nations lacks competence in the matter but will not oppose inscription of the item. They will probably, as last year, describe their efforts to achieve a settlement in Algeria through their offer of a cease-fire to be followed by free elections (to the National Assembly in Paris) and negotiations for the future status of Algeria. In support of their assertion that they are making a constructive effort to achieve a solution the French will point to a new statute for Algeria (now being considered by the French Cabinet) which will provide for the division of Algeria into several regions, each with an Assembly and a large measure of autonomy and increased Algerian representation in Paris. They are also likely to dwell on the atrocities of the Algerian Nationalists and their intransigence in refusing to budge from their demand for French acceptance of the principle of Algerian independence as a prior condition to political negotiations on the future of the territory.

4. The French plan for Algeria, to the extent that it has been revealed, does not retreat from their previous stand that Algerian independence is out of the question. This will prove unacceptable to the Afro-Asian bloc. This bloc may submit a condemnatory or critical resolution. Even our abstention on such a resolution, while it would be welcome to the declared opponents of France, might influence a number of uncommitted countries to do likewise and thereby increase the possibility of an adverse vote. It would be very strongly resented by the French Government.

5. We should not lose sight of the fact that as the history of the Algerian Nationalists' struggle for independence lengthens, so support grows for their cause in the uncommitted countries of the world. Our continued support for France in the United Nations on this issue could therefore be misconstrued and we would lay ourselves open to accusations that we are supporting the maintenance of a colonial régime against the wishes of the people concerned.

6. Informal consultations in London reveal that the United Kingdom has decided to support the French position. They and the United States have, however, strongly urged the French that something must be done to improve their case on Algeria in time to avoid a nasty battle in the United Nations. It is suggested that in the circumstances the Delegation be instructed to do what it can behind the scenes to bring about a reasonable compromise resolution that will avoid an open break on this issue between the Afro-Asian group and the West. What we have in mind would be to contribute towards producing the kind of compromise resolution (quoted in paragraph 2) which was eventually adopted in the

⁶ Voir/See Volume 21, Document 94.

⁷ Voir/See Volume 22, Document 345.

plenary last session. The French should be told privately and informally that it is becoming very difficult for us to continue to support them on the Algerian issue.

J. L[ÉGER]

DEA/12177-40

4.

*Le chef de la délégation à l'Assemblée générale des Nations Unies
au secrétaire d'État aux Affaires extérieures*

*Chairman, Delegation to United Nations General Assembly,
to Secretary of State for External Affairs*

New York, December 3, 1957

TELEGRAM 2670

SECRET. OPIMMEDIATE.

Repeat London, Washington, Paris, NATO Paris (Information).

By Bag Cairo from Ottawa.

By Bag Beirut, Tel Aviv, Athens, Rome, Madrid from London.

ALGERIA PROPOSED ARAB-ASIAN RESOLUTION

The following is the text of a working draft of the proposed Arab-Asian resolution tentatively agreed on this afternoon. It is being circulated confidentially and when other groups' reaction has been ascertained a definitive text will be agreed on at a meeting tomorrow.

2. Our own comments will follow shortly.

3. Text Begins:

"The General Assembly having discussed the question of Algeria, recalling its resolution 1012 (XI) February 15/57, regretting that the hope expressed in that resolution has not yet been realized, recognizing that the principle of self-determination is applicable to the Algerian people, noting that the situation in Algeria continues to cause much suffering and loss of human life, calls for negotiations for the purpose of arriving at a solution in accordance with the principle and purposes of the charter of the UN." Text ends.

DEA/12177-40

5.

*Le chef de la délégation à l'Assemblée générale des Nations Unies
au secrétaire d'État aux Affaires extérieures*

*Chairman, Delegation to United Nations General Assembly,
to Secretary of State for External Affairs*

New York, December 3, 1957

TELEGRAM 2677

SECRET. CANADIAN EYES ONLY. OPIMMEDIATE.

Repeat London, Washington, NATO Paris, Paris (Information).

Repeat Cairo deferred from Ottawa.

By Bag Beirut, Tel Aviv, Athens, Rome, Madrid from London.

ALGERIA

The position in the First Committee, now discussing the Algerian item, is as follows:

(a) The list of speakers was closed this evening at which time a substantial number of names had been added. The Chairman announced that the Committee would hold three meetings on December 4 in order to complete the general debate on the item. As yet no draft resolution has been tabled.

(b) The African-Asian group have given tentative approval to the draft resolution contained in our telegram 2670 December 3. A working group of nine will seek the reactions of other delegations and report to the group early tomorrow afternoon. Lall of India has already indicated that he might accept "recommends discussion" instead of "calls for negotiations" in the operative paragraph. Lall hinted also that the fourth (self determination) paragraph of the preamble might be deleted if this would make the text acceptable to the French. Later, Loutfi of Egypt said he could accept "invites discussions" in the last operative paragraph. These changes, of course, would have to be accepted by the group.

(c) The representatives of Italy and Peru are contemplating a text which would reflect the position of France. The French are aware that this text would fail to win the necessary support in the Assembly.

(d) The representatives of Iran and Japan (and perhaps Thailand) have been working "in great secrecy" on a compromise. They have already produced drafts acceptable to France. They are no doubt thinking along the lines of their initiative last year but we have regretfully concluded that their activities at this session might have been premature. They are apparently considering an operative paragraph which would invite France to take advantage of the opportunities afforded by recent developments for reaching a peaceful solution to the Algerian question. To the French "recent developments" could mean the Loi Cadre and to the African-Asians, the offer of good offices by Tunisia and Morocco. The formula is ingenious but perhaps too much so to meet the current situation.

2. We have the impression that both the French and the Japanese have been surprised by the moderation expressed in the African-Asian draft resolution. We believe that the African-Asians are earnestly seeking a text which would have the widest possible support in the Assembly and which at the same time would cause minimum embarrassment to the French government. On its face the current text seems unobjectionable and we and others, including the USA and Norwegian delegations, might be hardpressed to find a suitable explanation for a vote against the draft resolution. The question arises whether we should try to persuade the French to accept the text or a modified version.

3. In their present mood the French delegation are unlikely to be accommodating and they might count on the Italian-Peruvian proposal and the initiative by Iran and Japan to save the day for them. It might be quite possible for the French in these circumstances and with the help of their NATO partners to defeat the African-Asian proposal by the process of a blocking third. However, this result might be neither helpful to the actual situation in Algeria nor beneficial to the long-term position of the Western Powers in Africa and Asia.

4. We have reported the Arab references to Spaak's remarks about the position of NATO as regards Algeria. We now know from NATO telegram 2162 December 3† that Spaak has been quoted out of context and that the interpretation given here is not well founded. We seriously doubt, however, that Spaak's remark could be effectively explained away by placing it in its context. Spaak's accompanying remarks, as quoted by Wilgress, do not readily lend themselves to effective application in debate here, and this would be particularly true if the NATO powers should find themselves voting consistently with France on the various proposals submitted.

5. For this reason we have been considering with the USA and Norwegian delegations what action we might take to try to improve the position of the Western Powers in the eyes of other delegations and particularly our friends from Africa and Asia. The most effective method would be, of course, to persuade the French to accept the African-Asian text. Alternatively they might be urged to accept a real compromise and not one to which they had agreed beforehand. Such a compromise would have to contain some comfort for each side and it might be a modification of either the African-Asian text or the one which Japan and Iran are contemplating. We had in mind that as a start the Japanese might indicate to the French their misgivings about pursuing their own initiative in the face of the moderate text put forward by the African-Asians. This would make the French less complacent about the outcome of the debate and perhaps influence them to have more flexibility toward the African-Asian approach. At the same time we and others, but especially the USA and Norwegian delegations, could indicate to the French that we might find it difficult to oppose the African-Asian text. These tactics might help to bring about some accommodation of opposing views in the Assembly.

6. We emphasize that our aim would be not to weaken the position of France in the Assembly but to give the French government an opportunity to adjust its policies to meet the moderate approach by the African-Asians. The USA delegation believe that the French should be persuaded by one means or another to take advantage of the Tunisian-Moroccan initiative. Apparently USA officials have some concern about the USA position in those two countries. For our part we are much more concerned about the general position of the Western Powers in the whole of Africa and Asia and of course Canada's own relations with the individual countries. We have in mind too the position which Canada has carefully built over the years at the UN. We shall be exploring these ideas in further conversations during the next day or so and specifically we shall approach the UK delegation who have tended to stand on the sidelines, but who have shown some misgiving about the inflexibility in the French position.

[W.K.] NESBITT

DEA/12177-40

6.

*Le secrétaire d'État aux Affaires extérieures
au chef de la délégation à l'Assemblée générale des Nations Unies*

*Secretary of State for External Affairs
to Chairman, Delegation to United Nations General Assembly*

TELEGRAM S-392

Ottawa, December 4, 1957

SECRET. EMERGENCY.

Reference: Your Tel 2677 of Dec 3.

Repeat London, Washington, Paris, NATO Paris (Information) (Routine).

By Bag Cairo, Beirut, Tel Aviv, Athens, Rome, Madrid.

ALGERIA

It seems to us that the happiest end of the present debate on Algeria would be a resolution introduced by the Arab-Asian group which could be supported by the French. We are impressed by the moderate wording of the Arab-Asian resolution (your telegram 2670 of December 3) and wonder whether it might not be possible to have it introduced with some

amendments (along the lines hinted at by Lall and Loutfi) which might make it acceptable to the French.

2. We also think for many reasons, including those referred to in paragraph 6 of your telegram 2677, that some reference should be made to discussions (implicit in the Tunisian-Moroccan offer of good offices) as a means to bring about at least a cease-fire. While we realize that the French have rejected the Tunisian-Moroccan offer as a means of seeking a settlement between France and the Algerian nationalists, it is our impression that they might not reject Tunisian and Moroccan assistance in bringing about a cease-fire.

3. If the opportunity is still open to you we would suggest that you approach the French informally to see whether they would be prepared to accept the Arab-Asian draft resolution from which reference to self-determination had been deleted and the last part of which had been amended to read along the following lines: "Expresses the hope that discussions will take place to bring about an early cessation of hostilities and the creation of conditions in which a solution can be found in accordance with the purposes and principles of the charter of the U.N." If it appears that the French could accept such a modified version of the Arab-Asian draft resolution, you might then give it informally to one of your friends in the Arab-Asian group as a modification of their original draft which we could support and which we think might be generally acceptable.

4. As regards your position vis-à-vis the Japanese and Iranians we wonder whether you could not perhaps seek their support in the attempt to have the Arab-Asians modify their draft resolution once you have ascertained that the French would accept a modified version.

7.

DEA/12177-40

*Le chef de la délégation à l'Assemblée générale des Nations Unies
au secrétaire d'État aux Affaires extérieures*

*Chairman, Delegation to United Nations General Assembly,
to Secretary of State for External Affairs*

TELEGRAM 2712

New York, December 5, 1957

SECRET. CANADIAN EYES ONLY. OPIMMEDIATE.

Reference: Our Tel 2677 Dec 3.

Repeat London, Washington, Paris, NATO Paris (Information).

Repeat Cairo from Ottawa.

By Bag Beirut, Tel Aviv, Athens, Rome, Madrid from London.

ALGERIA

In this telegram we can do little more than summarize briefly the developments behind the scenes during the past two days which have been both rapid and confused. The telegram will serve to confirm and complete our reports by phone on this subject.

2. The main activity has been to find language for a draft resolution which the French could acquiesce in even though they could not accept it. The assumption has been that the French delegation would not participate either in the debate or in the voting on resolutions. Because of the moderation in the African-Asian approach this year we have been trying to find a formula for improving their text from the point of view of France. As matters stand tonight, we have not succeeded in bringing about a reconciliation of the opposing views

but I think we have demonstrated to both sides our perseverance and good faith in pursuing that aim. We have been working very closely with the Norwegians and USA delegation and have been consulting as appropriate with others, such as the delegations of France, UK, Brazil, India, Iran, Pakistan, Japan, Egypt and Ireland.

3. We have been concentrating on two paragraphs in the African-Asian draft namely:

(a) The fourth preambular paragraph, which in their text referred to the principle of self-determination being applicable to the Algerian people. Mention of "self-determination", like "sovereignty" and "independence", in the draft resolution has been considered objectionable by the French, so that we had tended to work for a formula which was first suggested by Boland of Ireland and later revised by Engen of Norway. It would recognize that people of Algeria "are entitled to work out their own future in a democratic way".⁸ This language would be less objectionable to the French because it tends to recognize that elections should precede any other step in the direction of a more independent status for Algeria.

(b) The operative paragraph, which in the African-Asian text called for "negotiations for the purpose of arriving at a solution". This raises a major point of difference as between the French and Arabs. The French insist that in the initial stage there can only be discussion or negotiation about a ceasefire and not about a "solution" which would involve discussion about the future status of Algeria. Because of the difficulties involved there has been no disposition here to define what party or parties the French would negotiate with. Both sides seem willing to leave that question unanswered.

4. On December 4, the African-Asians met early in the afternoon to consider the reactions of other delegations to their draft resolution. It was clear from their discussions with Western representatives, like the Norwegians, that the African-Asians would have to alter their text if it was to have wide support. Loutfi and Lall reported on the preference for language like "invites discussion" rather than "calls for negotiations" in the operative paragraph. There were also suggestions that the fourth preambular paragraph should be revised. According to Lall, he persuaded the group to withhold their decision on the text until six o'clock. During the interval he would pursue earlier discussions with Western representatives, but particularly with representatives of Canada, Norway and USA, to try to evolve a text which could be swallowed by the French without adding too much water for the Arabs' taste.

5. After some discussion with those delegations a draft resolution, which contained the African-Asian text less the fourth preambular and operative paragraphs, was prepared. They were respectively replaced by the following: (a) "Recognizing that the people of Algeria are entitled to work out their own future in a democratic way". (b) "Invites discussions for the purpose of arriving at a solution in accordance with the principles and purposes of the charter of the UN". After some further discussion we discussed this draft with members of the French delegation. At first they did not seem too critical of the text and suggested one or two revisions, in particular that the words "ceasefire and a" be inserted in the operative paragraph after the words "arriving at a". The French officials, however, said they would have to discuss the whole text with Pineau.

6. In the meantime, we discussed the suggested revisions with Lall and found that words like "ceasefire" and "cessation of hostilities", if placed before "solution", would be unacceptable to the Arabs, who believed that whatever negotiations were held should encom-

⁸ Note marginale :/Marginal note:
? [auteur inconnu/author unknown]

pass the whole problem of Algeria and not merely a ceasefire. The Arabs are sensitive about a ceasefire because they believe that the French are trying to trick the FLN and others into surrendering their arms which would make them easier to deal with in subsequent negotiations. Lall did agree to try on the Arabs the words "including a cessation of hostilities" after "solutions".

7. However, it soon became apparent that the French would not take the language of the operative paragraph and for several hours Engen, Lodge and members of our delegation played with words in an effort to close the gap between the opposing sides concerning that paragraph. These efforts proved fruitless but they were sufficiently vigorous to persuade the African-Asians not to submit their own text to the Secretariat last night. Before midnight they agreed to allow the Canadian, Norwegian and USA delegations further time to explore the situation.

8. By that time we were aware that the Spaniards and some of the Latins were working on a feeble text (which was sent to you this evening). This would replace the earlier Italian-Peruvian text which was admittedly unacceptable to the Committee. The initiative by Japan and Iran had been placed in cold storage, partly because of the other activity and partly because the Japanese had encountered difficulties with the French.

9. Early this morning we and the Norwegians met with the USA delegation to review the situation. Our intention was to try once more to produce a text which might not be acceptable to either side but which might not be opposed because of the support which it would have in the Assembly. As in the early stages, we were concerned mainly with the operative paragraph. Before we had reached any conclusion, the discussion was resumed in the Committee and the only speaker was Pineau who wound up the general debate. Lall joined the drafting group, which eventually produced the following operative paragraph: "Proposes effective discussion for the purpose both of resolving the present troubled situation and of reaching a solution in accordance with the purposes and principles of the Charter of the UN".

10. Lall had little confidence that the African-Asians would take this text but he agreed to discuss it with them. Before he had reported their reaction we learned that the African-Asians had submitted to the Secretariat (immediately after lunch today) their own text (the one contained in our telegram 2670 December 3). Since this draft resolution would have priority in any voting in the Committee and since Lall and other African-Asians indicated to us that we should pursue our efforts to have our own text incorporated, we and the Norwegians, with some support from the USA, began to consider whether we should submit, as amendments to the African-Asian text, our own text for the fourth preambular and operative paragraphs. After considerable discussion with other delegations, including those of Austria, Brazil, Ireland, Sweden, Denmark and Iran, we and the Norwegians agreed with the USA delegation that amendments of this kind should be submitted, if only for tactical reasons (we discussed this with you on the phone and Mr. Nesbitt spoke to the Minister).⁹ This action would not only demonstrate to both sides that we were continuing our efforts to reach a middle ground but it would provide us with sufficient reason for abstaining on the African-Asian resolution, if the amendment should fail to be adopted.¹⁰ Late this evening, it was agreed that Canada, Ireland and Norway should submit the amendments.

⁹ Note marginale :/Marginal note:

no — spoke to Pick in absence of Minister [auteur inconnu/author unknown]

¹⁰ Note marginale :/Marginal note:

N.B. [auteur inconnu/author unknown]

11. Before doing so, however, we decided to inform the French (the Indians and other African-Asians were already aware of our intentions). Engen had a long discussion with Pineau and explained fully the position in which some of the Western Powers found themselves in the Assembly. Pineau said that he was not in a position to accept the amendments but Engen gained the impression that Pineau's personal attitude towards them was "positive". Engen made clear to Pineau, moreover, that we did not expect the French to accept the amendments but only to acquiesce in them. Engen argued that it would be to the advantage of France to have the amendments adopted and he hoped that the French delegation would urge their friends to support the amendments. Pineau, who apparently became aware for the first time, after Engen's explanation, that the Committee might adopt only one resolution, and that would probably be the African-Asian text, asked for time to discuss our amendments with his delegation, including his parliamentary colleagues. He and Engen will meet again tomorrow morning at 10:15, after which the amendments will probably be submitted.

12. There is no clear evidence that these amendments will be adopted. We can expect opposition to them from at least some of the African-Asians and from the USSR bloc. There may be a large number of abstentions. However, even if the amendments should fail, for reasons which we have given we consider it desirable to table them. If it should become apparent that the opposition to them is heavy, we might not press them to a vote. We are satisfied that if the African-Asian draft resolution should be adopted in the Committee, the majority will not be sufficient to meet the purpose of the African-Asians and that, therefore, they will be better disposed to accept amendments like ours in plenary, in order to widen the support for their position. At this stage, however, there seems little advantage in trying to forecast what action would be taken in plenary.

8.

DEA/12177-40

*Note du sous-secrétaire d'État aux Affaires extérieures
pour le secrétaire d'État aux Affaires extérieures¹¹*
*Memorandum from Under-Secretary of State for External Affairs
to Secretary of State for External Affairs¹¹*

CONFIDENTIAL

[Ottawa], December 5, 1957

ALGERIA

The First Committee of the Assembly in New York has been considering the Algerian question so actively during the past two days that our Delegation has not had the opportunity to send us full reports by telegram. We are anxious to describe the immediate situation to you since the French Ambassador is to see you later this afternoon.

2. We have learned by telephone that the Arab-Asian proposed resolution contained in telegram no. 2670, attached, has now been introduced and circulated. It is sponsored, we understand, by most of the Arab States and a number of the Asian States, but not India and Pakistan. The Indians have not co-sponsored it and would apparently be prepared to see some modifications made to it. If it is put to a vote they would feel obliged to vote for it. Our own Delegation considers that the Afro-Asian countries have been surprisingly moderate in their statements as well as in the text they have submitted. In the atmosphere of

¹¹ Note marginale :/Marginal note:
Seen by the Minister

debate, our Delegation feel that it would be very difficult to vote against this resolution, which is clearly what the French would hope we would do. They are disposed to endeavour to have it amended. If it is put to a vote as it stands, the Delegation has in mind to abstain.

3. Our Delegation has been consulting actively with the Norwegian and the American Delegations. Norway, Denmark and Iceland will certainly not vote in favour of this resolution. They will probably abstain and are not likely to actually vote against it. As a result of our talks with the Americans and the Norwegians, we have in mind encouraging some other country to propose the amendment of the final operative paragraph to read as follows:

"Proposes effective discussion for the purpose both of resolving the present troubled situation and of reaching a solution in accordance with the purposes and principles of the Charter".

The phrase "troubled situation" is intentionally vague to provide for the calling of a cease fire and is so worded in the hope that it might be acceptable to the French.

4. We understand that a resolution is to be submitted in the name of certain Latin American countries, though actually the handiwork of the French themselves. This would in substance repeat the resolution adopted by the Assembly last February which expressed "the hope that in a spirit of co-operation, a peaceful, democratic and just solution will be found, through appropriate means, in conformity with the principles of the Charter of the United Nations."

5. Since the above was dictated, we have learned from the French Embassy that you will be pressed to instruct our Delegation to vote against the Afro-Asian resolution rather than abstain. The French fear that if this resolution is put to the vote first, it will be adopted because a number of countries will abstain; and, therefore, there will be no opportunity to pass upon the Latin American resolution.

J.B.C. WATKINS
for Under-Secretary of State
for External Affairs

9.

DEA/12177-40

*Note de la Direction européenne
pour le sous-secrétaire d'État aux Affaires extérieures¹²*

*Memorandum from European Division
to Under-Secretary of State for External Affairs¹²*

CONFIDENTIAL

[Ottawa], December 6, 1957

ALGERIA

The Minister received the French Ambassador yesterday afternoon just before six o'clock in an interview that lasted about twenty minutes. Before Mr. Lacoste came in, Mr. Smith was able to read our memorandum prepared earlier in the afternoon, and I was able to add to it some points I had received by telephone from Mr. Holmes and from Mr. Nesbitt.

¹² Note marginale :/Marginal note:
Mr. Léger — see esp. para. 6. [A.J. Pick]

2. Lacoste said that he had received an appeal early that morning from Mr. Pineau to seek to get the Canadian Delegation to cast a negative vote on the Arab-Asian resolution. Mr. Lacoste translated the text which was clearly the same as that contained in our Delegation's telegram no. 2670 of December 3. In other words, the text, as tabled, had not been altered. He said that Indonesia was acting as spokesman for the co-sponsors which included a large number of Arab and Asian countries. This resolution was definitely unacceptable to the French because it called for negotiations for a settlement or solution with the FLN. Mr. Lacoste insisted that France could not negotiate political matters with the FLN, although it was prepared to negotiate a cease-fire, and this only, with the FLN. (Actually the text of the resolution does not indicate who are to be the parties to negotiations). The French wanted us not merely to abstain but definitely to vote against this. Mr. Lacoste said that he hoped we would reserve our affirmative vote for the Latin-American resolution. He translated a text of this for us and indeed the text, as actually tabled, was sent in to Mr. Lacoste in a note during the interview. Essentially this resolution is the same as that adopted last February, which was reproduced in paragraph 4 of our memorandum to the Minister. This stands in the name of Spain, Peru and a lot of other Latin-American countries. As tabled it also has two additional preambular clauses, one making a friendly reference to the offer of good offices by Tunisia and Morocco, and the other to the recent legislative measures in France, meaning, of course, the Loi Cadre. The Minister was able to indicate to Mr. Lacoste that if it did come to a vote on the Spanish-Latin American resolution, we would be happy to vote in favour. The Minister was non-committal regarding our voting position on the Arab-Asian resolution. He did not say that we would vote against it, though he did assure Mr. Lacoste that we would never actually vote against France. Mr. Lacoste insisted, with his usual charm and persuasiveness, that in this instance an abstention might amount to a vote against, since, if Canada and a number of other friends of France were to abstain, the Arab-Asian resolution would probably secure a simple majority in the Committee.

3. Mr. Lacoste made some vague reference to the possibility of amending the Arab-Asian resolution. This gave us our opportunity to mention what our Delegation had in mind. The Minister asked me to explain paragraph 3 of our memorandum. Mr. Smith later gave Mr. Lacoste the draft text of a possible amendment. We explained to him that this might be put in the name of a number of countries including Canada, Norway, Iceland, Austria and Iran. We understood that it might not be unacceptable to the French Delegation. Mr. Lacoste, who had had no opportunity to consider the text, made no comment on this.

4. It was pointed out to Mr. Lacoste that if we could proceed by the method of an amendment, then this, under the rules of procedure, would be put to a vote first. It would not serve to introduce a new resolution since this could not be voted on before the Arab-Asian resolution which might well pass.

5. I explained to Mr. Lacoste that we understand that the preambular clause: "Recognizing that the principle of self-determination is applicable to the Algerian people", was to be changed, it was suggested, to make some reference to the people of Algeria working out their ultimate destiny. Unfortunately I did not get a draft text for this change from Mr. Holmes or Mr. Nesbitt.

6. I went out with the Ambassador as the Minister had to hurry over to a dinner at the Centre Block. I, therefore, did not get any specific instructions from our Minister for our Delegation. I gathered the impression, however, from my talk with him before and during the interview, that he is disposed to go along with the idea of attempting to amend the

Arab-Asian resolution in such a way as to make it less objectionable to the French.¹³ I would also assume that the Minister does not want us to vote against the present text of the Arab-Asian resolution, since he was careful not to make any commitment to Mr. Lacoste in this sense.

7. If our proposed amendment goes through, and on the assumption that the French will acquiesce in it, though without enthusiasm, then presumably we shall have to vote in favour of the amended Arab-Asian resolution. If the proposed amendment fails, then we can readily justify an abstention on the original text, at least in the eyes of the Afro-Asians, though we would still not be satisfying the French.

8. I telephoned Mr. Holmes later to tell him how the interview had gone. I also conveyed, at his request, my impression as to the views of our own Minister as set forth in paragraph 6 above.

A.J. PICK

10.

DEA/12177-40

*Le chef de la délégation à l'Assemblée générale des Nations Unies
au secrétaire d'État aux Affaires extérieures*

*Chairman, Delegation to United Nations General Assembly,
to Secretary of State for External Affairs*

TELEGRAM 2730

New York, December 7, 1957

SECRET. CANADIAN EYES ONLY. PRIORITY.

Reference: Our Tel 2712 Dec 5.

Repeat London, Washington, Paris, NATO Paris (Information)

Repeat Cairo from Ottawa.

By Bag Beirut, Tel Aviv, Athens, Rome, Madrid from London.

ALGERIA

1. We omitted to mention in our telegram 2712 an important link in the process of evolving the texts which eventually emerged as amendments to the African-Asian draft resolution. Following is the text suggested by Pineau for the operative paragraphs of that resolution (apparently he was not too concerned about the fourth preambular paragraph concerning "the principle of self-determination" although he did prefer the formulation contained in our amendment): "Desires that the cessation of hostilities should promote in a democratic way a solution in accordance with the principles and purposes of the Charter: desires discussions to that end." You will readily appreciate why this text would not have been acceptable to the African-Asians and, in fact, Lall considered it unwise to present it to them. However, Pineau's suggestions began the train of thought which ultimately led to the operative paragraph in our amendments.

2. Yesterday morning (December 6) Engen again discussed with Pineau the amendments and our intentions to submit them in the Committee. Pineau was agreeable to this and he suggested some wording for the French translation (a suggestion which later led to consid-

¹³ Note marginale :/Marginal note:

Later, the Minister confirmed to me (1:00 pm today) that he was prepared to have Nesbitt work for such a compromise. A.J. P[ick]

erable confusion in the Committee). After his conversation with Engen, Pineau informed Lodge, Dixon, Benelux and other west European representatives, in that order. During the rest of the day all members of the French delegation worked energetically to have our amendments adopted by the Committee.

3. We and the Norwegians met with the USA delegation immediately after Pineau's conversations with Engen and Lodge. We discussed tactics and concluded that the amendments should be submitted in committee, even though we knew some of the African-Asians, like Iran and Ceylon had been advising that the move should be made in plenary. Our decision to proceed in committee was based mainly on the French attitude, but we also had in mind tactical considerations, like the fact that the African-Asian resolution would be put to the vote first and would probably carry with almost a two-thirds majority. It was our view that it might be very difficult to introduce the amendments in plenary either because of a change in the French attitude or because the African-Asians, flushed with success, had hardened their opposition to our texts. We wish to emphasize that these texts were acceptable to many if not the majority of the African-Asians. In particular, they were acceptable to Fawzi, whom Engen kept informed throughout the exercise.

4. Shortly before the Committee adjourned for lunch, Boland introduced the amendments in a brief but masterly intervention. The confusion about the translations kept us from speaking in the morning. The confusion arose because the French text, owing to some overzealous translation, was far more favourable to France than the English original. The Spanish and Russian texts were based on the French one, so there were complaints from all sides.

5. Accordingly, when we intervened after lunch, we placed on record that the co-sponsors stood by the English original. We then spoke briefly in favour of the amendments. The debate went on for the rest of the afternoon and it became clear that the African-Asians intended to oppose the amendments.

6. This resulted from a decision taken by the group in a meeting after lunch. We understand that the representatives of Iran, Ceylon, Thailand and Afghanistan argued strongly in favour of the amendments. Fawzi had previously tried unsuccessfully to persuade the Arab group to take them. The African-Asian decision was that the whole group should oppose the amendments and apparently oppose the draft resolution if the amendments should be adopted. Prior to the vote, however, the African-Asians were quite confident that our amendments would be voted down. Our arithmetic showed that the vote would be extremely close, with one or two votes in doubt on either side.

7. When the vote came, the amendments were adopted as a package by a vote of 37 in favour, 36 against, and 7 abstentions. Of the African-Asians, Laos voted in favour, and Turkey, Liberia, Philippines and Cambodia abstained. Most of the Latins voted for the amendments but Haiti was opposed and Guatemala, Mexico and Bolivia abstained. Yugoslavia, the Soviet Bloc, and the remaining African-Asians voted against the amendments.

8. When the amended resolution was put to a vote, the Liberian switched from an abstention to a vote against, something of a surprise especially because his was the last name on the roll call vote. The draft resolution was rejected because of a tie, 37 to 37, with 6 abstentions. France, of course, did not participate in the voting, and South Africa was absent.

9. There was some confusion in the Committee immediately after the vote. The Tunisian moved that the African-Asian draft resolution be put to the vote in its original form. This, of course, amounted to a motion to reconsider and it would have required a two-thirds majority under the rules. Argentina, however, asked for a ten minute recess for the purpose

of consultations. After the recess Argentina stated that the 7 Power draft resolution would not be pressed to the vote and nothing more was heard from the Tunisian. The Committee was adjourned until Monday when it will discuss Cyprus. The Chairman announced that the Algerian item would be passed to plenary with a resolution.

10. The results of the Committee debate can be summarized as follows:

(a) The French and their supporters were very satisfied with the outcome, notwithstanding some earlier nervousness about the course which we and the Norwegians had been following. Pineau thanked Engen warmly for his efforts and stated that if in plenary the resolution, as amended, should be reintroduced with Canada, Ireland and Norway as co-sponsors (or presumably among the co-sponsors) France could go along with this outcome.

(b) African-Asians, including the delegations of Iran, India, Afghanistan, Malaya, Pakistan, Egypt, Thailand and possibly others, were irritated by the group decision to oppose the draft resolution because it had been amended. Probably the Japanese have the same attitude, although Matsudaira may be upset because his own initiative, which was begun prematurely, had been overtaken by ours. Before the vote, Fawzi had discussed with Engen the possibility of reintroducing the amended resolution by which time most of the African-Asians would be prepared to accept it.

(c) The defeat of the draft resolution in committee provided a sorry spectacle for the press and public and was therefore damaging to the UN. However, some of the members may have been given a useful lesson in what is required if the UN is to work effectively. In other words, the initiators of the African-Asian's text may have learned that concessions are required from both sides when the issue is as hotly contested as the Algerian question.

This is our preliminary reaction to what happened yesterday but we may have occasion to add to the assessment in preparing the final report on this item.

11. DEA/12177-40

*Le chef de la délégation à l'Assemblée générale des Nations Unies
au secrétaire d'État aux Affaires extérieures*

*Chairman, Delegation to United Nations General Assembly,
to Secretary of State for External Affairs*

TELEGRAM 2749

New York, December 9, 1957

SECRET. OPIMMEDIATE.

Reference: Our Tel 2734 Dec 9.†

Repeat Washington, London, Paris, NATO Paris (Information).

Repeat Cairo from Ottawa.

By Bag Beirut, Tel Aviv, Athens, Rome, Madrid from London.

ALGERIA

We learned this morning (December 9) that because Pineau wished to return to Paris as soon as possible, the French delegation would like to have the plenary meeting on Algeria on December 10. This would not allow the time for quiet consultations, which we suggested in our telegram 2734 would be required if a satisfactory outcome of the Assembly proceedings were to be achieved. The situation was complicated further by the fact that Fawzi was absent from New York during most of the day on a visit to Washington.

2. Nevertheless, during the day there was activity behind the scenes involving representatives of the seven co-sponsors of the Latin draft resolution (introduced but not pressed to the vote in committee); Iran, Japan and Thailand (at an earlier stage the prospective co-sponsors of a middle way); and India and Mexico. The delegations of Canada, Ireland and Norway were brought to these discussions late in the afternoon when the others had reached agreement, more or less, on a "compromise" text which was acceptable to the French delegation but which still had to be accepted by the Arab group and by the African-Asians as a whole. As you will see from the text, the operative part of which is contained in the next paragraph, the draft resolution falls considerably short of the earlier African-Asian text, even as amended by Canada, Ireland and Norway. It is difficult to see tonight how this diluted text could be accepted by the Arabs, but presumably the shortage of time for consultation and their desire to have a resolution of some kind might combine to persuade them to go along with the latest draft.

3. The preamble of the draft resolution refers to the discussion of the Algerian situation and recalls the resolution of the 11th Session. The operative paragraphs read as follows:

"1. Expresses again its concern over the situation in Algeria:

2. Takes note of the constructive possibilities suggested and particularly of the offer of good offices made by His Majesty the King of Morocco and by His Excellency the President of the Republic of Tunisia:

3. Expresses the hope that in a spirit of effective cooperation, pourparlers and other conciliatory means as appropriate will be utilized in conformity with the purposes and principles of the Charter of the UN".

4. It would appear that the origin of these paragraphs was mainly French. The second looks very much like the compromise which the Japanese were hinting at earlier in the committee stage and which they said at the time was acceptable to Pineau. The third is taken from a draft resolution which the Mexicans were promoting (probably with the drafting assistance of Lall) and which also had French blessing. The main concession by the French seems to be recognition of the offer of good offices. Paragraph 3, expressing hope concerning discussions is considerably weaker than either the African-Asian operative paragraph or the amended version which we and others submitted.

5. Earlier this evening the representatives of Italy, Spain, Mexico, Argentina, Cuba, Japan, Iran, Thailand, Canada, Ireland and Norway met to discuss this draft. Lall also attended for part of the time. We and the Irish and Norwegians were brought to the meeting at a stage when eight Latin powers (Brazil, Peru and Dominican Republic in addition to those already listed), Japan, Iran and Thailand had already agreed to co-sponsor the text. It was explained that the draft was acceptable to the French and that the Moroccans and Tunisians would probably accept it, although they would prefer the word "wish" rather than "hope" in the third operative paragraph. The other representatives wondered whether Canada, Ireland and Norway would co-sponsor it. Engen enquired about the attitude of the Arabs and of other African-Asians. Like us, he could not understand how this text could be acceptable when the stronger resolution (that is the amended African-Asian text) had been rejected in committee. The answer was that the Arabs were at the time considering the text and their reaction was expected soon. Before the meeting broke up, the Moroccan joined the group to report that the Arabs had reached no agreement on the text which they would refer to the whole group of African-Asians. Because the African-Asian reaction was by no means clear and because of our own reservations about the text, the Norwegians, Irish and ourselves postponed the reply on co-sponsorship. We also cautioned against a proposal by the Japanese that the text should be submitted on a conditional basis to the Secretariat, the

condition being that African-Asian reaction should be favourable. It was clear from what was said that the representatives of Japan, Iran and Thailand hoped to persuade a majority, though not necessarily the whole group of African-Asians, to support the new text. There was more than an implication, moreover, that the group should be faced with a fait accompli. Under persuasion from Engen, Matusdaira and Entezam agreed to hold the draft in abeyance until after the African-Asians had met (tomorrow morning at ten; the Arabs will meet beforehand).

6. After the meeting of prospective co-sponsors, Engen learned from Fawzi that the Arabs were not happy about the new text but that the Moroccans and Tunisians were attracted by the substantial reference to the offer of good offices. The Arab group decided to leave it up to the Algerian representatives here whether the text should be accepted. The Algerian reaction will be made known at tomorrow's meeting of the Arabs.

7. Also this evening, Pineau tried to persuade Engen to co-sponsor the new text. Engen gave his reasons for not doing so and emphasized that if the delegation of Norway (like Canada and Ireland) should co-sponsor this draft resolution without knowing the full reaction of the Arabs and their Asian supporters, there would be more than suspicion that as co-sponsors of the amendment in committee Canada, Ireland and Norway had deliberately torpedoed the African-Asian text in order to clear the way for the watered-down version which they would help to promote in plenary. You will no doubt agree that Engen's views in this regard have considerable force.

8. We and the Norwegians tonight informed the USA delegation about these developments. We all agreed that the parliamentary situation as regards the Algerian item might continue to be confused even after the General Assembly has begun its plenary session tomorrow morning, but particularly until the African-Asians have had an opportunity to consider the new text.

12.

DEA/12177-40

*Le chef de la délégation à l'Assemblée générale des Nations Unies
au secrétaire d'État aux Affaires extérieures*

*Chairman, Delegation to United Nations General Assembly,
to Secretary of State for External Affairs*

TELEGRAM 2758

New York, December 10, 1957

SECRET. OPIMMEDIATE.

Reference: Our Tel 2749 Dec 9.

Repeat Washington, London, Paris, NATO Paris (Information).

Repeat Cairo deferred from Ottawa.

By Bag Beirut, Tel Aviv, Athens, Rome, Madrid from London.

ALGERIA

This morning December 10 proceedings in the plenary session were delayed while the African-Asian group discussed the draft resolution which was described in our telegram 2749 (paragraph 3). The first reports to come out of the group meeting confirmed our impression of last night that the Arabs were not happy about the new text. In the end, however, after the Assembly had already begun to discuss the report of the Credentials Committee we learned that the group as a whole had agreed to take the new text, but that

they would prefer, and this the Arabs in particular preferred, that the second and third operative paragraphs be revised to read as follows:

“(a) Takes note of the offer of good offices made by His Majesty the King of Morocco and His Excellency [the President] of the Republic of Tunisia (that is deleting the phrase about constructive possibilities which the Arabs interpreted as referring to the Loi Cadre);

(b) Expresses the hope that in a spirit of effective cooperation, pourparlers will be entered into, and other appropriate means utilized, with a view to a solution, in conformity with the purposes and principles of the UN.”

2. Once the African-Asian group had reached agreement about the text, the task remained to persuade the French to accept the changes. In addition, the African-Asians, and more particularly the Arabs, were anxious that Canada, Ireland and Norway should co-sponsor the revised text. The Japanese also desired this. We and the other two were reluctant to do so unless the text should prove to be acceptable to both sides. This we ascertained in consultations with representatives of both sides. In particular Engen learned from Pineau that the changes would be acceptable to France. In the end we agreed to co-sponsor.

3. Once these consultations had been completed the outcome of the Assembly consideration was quickly reached. The President read the revised text to the Assembly and mentioned the list of co-sponsors: Argentina, Brazil, Canada, Cuba, Dominican Republic, India, Iran, Ireland, Italy, Japan, Mexico, Norway, Peru, Spain and Thailand. The President then put the draft resolution to the vote and it was adopted unanimously, 80-0-0 with South Africa absent and France not participating in the vote.

4. It is a bit difficult to understand why this relatively weaker text should have proven more acceptable to the African-Asians than the amended draft resolution which faced the Committee last Friday. It is also curious that the French should have given in on such points as the offer of good offices and their previous insistence that initially discussions should be concerned only with ceasefire. We gathered that some of the Arabs consider that the new text is stronger than the previous one but we can only assume that this arises from a misunderstanding of what the previous text implied. As regards the French attitude, we understand that the French press gave Pineau most of the credit for the developments of Friday last and that perhaps in the current state of public opinion in France, Pineau was satisfied that he could take the new text, particularly since it was to be co-sponsored by a widely representative group of UN members but without the Arabs. Whatever the reasons, the current view here is that the Assembly has been able to dispose of the Algerian item much more effectively than at previous sessions. There is also a sense of relief that this outcome was accomplished well before the target date for the end of the session.

SUBDIVISION IV/SUB-SECTION IV

APPRÉCIATION
ASSESSMENT13. DEA/5475-DW-52-D-40

*Extrait du rapport final
de la douzième session de l'Assemblée générale à New York¹⁴*

*Extract from Final Report
on the Twelfth Session of the General Assembly in New York¹⁴*

SECRET. CANADIAN EYES ONLY.

[Ottawa, n.d.]

...

GENERAL ASSESSMENT

The international climate of the late summer and autumn of 1957 was not too favourable for constructive endeavour at the Twelfth Session of the General Assembly. One of the main factors was the weakness and indecision of Western leadership. Even before the opening of the Assembly the Soviet Union had announced the successful launching of an intercontinental ballistic missile and this considerable achievement was dramatically enhanced by the launching during the session of two earth satellites. The failure, until quite recently, by the United States to demonstrate its ability in the field of rocketry and the accompanying emotional reaction in the United States undoubtedly helped to lower the prestige of the United States — and consequently of the Western Powers — at the Twelfth Session. Nevertheless, the very noticeable faltering of Western leadership could be attributed to deeper causes than to the Soviet Union's spectacular but possibly temporary gains in the science of rockets.

2. The deterioration of the Western position in the Middle East was a contributing factor of no mean importance. The Assembly opened in the threatening atmosphere of a new crisis along the Syrian-Turkish frontier and the United States bore the brunt of sharp criticism for its part in what was regarded as interference in the domestic affairs of the Arab states. This was a further development in the adverse Arab reaction to the Eisenhower doctrine and to the United States efforts to strengthen its position in the Arab world by exploiting rifts between the Arab governments. This policy which the United States followed during the spring and summer of 1957 had a two-fold reaction against United States interests. It served to dissipate considerable goodwill which the United States had gained from its part during the Middle East crisis of late 1956 and it helped the Soviet Union to strengthen its foothold in the area. The strength of the Arab reaction against those United States policies was sharply illustrated during the general debate at the Twelfth Session and particularly in the response to Mr. Dulles's suggestion that the United Nations should

¹⁴ Ce document est tiré du Rapport final sur la 12^e Assemblée générale des Nations Unies, compilé par les fonctionnaires du Ministère à Ottawa sur la foi des rapports soumis par les membres de la Mission permanente à New York. L'évaluation générale originale non révisée de cette Assemblée générale, qui avait été envoyée de New York, n'a pas été retrouvée.

This document is taken from the Final Report on the Twelfth United Nations General Assembly compiled by departmental officials in Ottawa based on reports submitted by members of the Permanent Mission in New York. The original unedited general assessment of the 12th General Assembly sent from New York was not located.

examine the events which had been occurring in Syria and possibly take action to counter-act them. Some of the Arab friends of the West were much more outspokenly critical than their neutralist colleagues, in particular Dr. Fawzi, whose remarks about Great Power manoeuvring in the Middle East had a double edge.

3. The Western Powers also suffered disabilities resulting from the Anglo-French armed intervention in the Middle East in 1956. During the Twelfth Session there was remarkably little criticism of either the United Kingdom or France, from the Arabs or from any other quarter than the Soviet bloc, but the Delegations of France and the United Kingdom seemed inhibited by the events which had dominated the Eleventh Session and therefore shrank from taking initiatives at the Twelfth. In addition, the French were almost exclusively preoccupied with the Algerian question and the United Kingdom Delegation, although at first not too concerned about Cyprus, seemed paralyzed by their anxiety about possible items concerning Oman, Aden and other situations with a colonial tinge. The net result was that none of the Great Powers of the West were confidently disposed to take a strong lead at the Twelfth Session, but particularly in the political committees. However, the United States Delegates (Congressman Judd) in the Second Committee and the United Kingdom Delegate (Sir Andrew Cohen) in the Fourth Committee turned in creditable performances.

4. The Soviet Union, on the other hand, was in a strong position to dominate the Assembly. The potentialities of sputnik diplomacy were considerable and at first the Soviet Delegation showed every sign of exploiting them skilfully. Mr. Gromyko's statement in the general debate was generally regarded as one of the best ever made in the Assembly by a Soviet spokesman. It reflected wisdom, moderation and confidence. However, in the discussion of what were perhaps the two most important political items — disarmament and the Syrian situation — the Soviet Delegation resorted to a brand of toughness which was quite out of keeping with Soviet policies at the Assembly during the past four years. While there was some nervousness on the part of some delegates like those from Poland, Yugoslavia and Indonesia, the main reaction of important neutralists, like the Indians and Egyptians, was to deplore Soviet attempts to bully the Assembly. This reaction against the Soviet Union, and particularly during the consideration of the Syrian item, came to be shared by almost all segments of opinion in the Assembly. This was followed by a noticeable softening, or perhaps indifference, in the Soviet line. Soviet criticism of Western Powers during the discussion of such items as the financing of UNEF, Algeria and Cyprus was almost perfunctory in comparison with earlier sessions. The turning point in the Soviet attitude seemed to coincide with the ousting of Marshal Zhukov. Viewed from New York, however, the softening in the Soviet attitude was an apparent result from the realization that the policy of harshness had served to reduce the benefit reaped by the Soviet Union from its scientific achievements.

5. A by-product of the Soviet attitude was that the satellite delegations tended to assume the initiative for the Soviet bloc. This was particularly noticeable in the Special Committee and in the Second and Third Committees, where the Delegations of Czechoslovakia, Poland and Romania were active. Moreover, the Polish position in the principal political bodies, the Plenary Session and the First Committee, continued to show variation from the main Soviet theme. There were signs, but particularly after the reaction against the bullying tactics of the Soviet Union, that the satellite delegations had stepped up their efforts to communicate with and influence uncommitted countries not only from Africa and Asia but including less dependable Latin American allies of the West like El Salvador, Guatemala and Haiti. So it developed at the Twelfth Session that many of the initiatives by the Soviet

Union were in the hands of the satellites just as on the Western side important initiatives were developed by smaller powers.

6. Some observers have tended to regard this as an inevitable development in an eighty-two-member assembly, which is mainly composed of small powers. The possibility should not be ruled out, however, that the Soviet Union at some future session, perhaps as early as the Thirteenth, might firmly seize the initiative and with the help of the satellite delegations, whose recent experience would be invaluable in those circumstances, try to reassert great power leadership in the Assembly, but, of course, from the communist side of the house. Given the enhanced position in the uncommitted world of the Soviet Union and the apathy and indecision which the Western great powers have recently shown, there could be a marked shift in developments at future assemblies and to the decided disadvantage of the West.

7. On the encouraging side a more subtle influence began to make its appearance at the Twelfth Session and frequently with the most promising results. There was a clear demonstration that the fear, which for the past two years has haunted some of the Western delegations, about a "blocking third" consisting of the combined African-Asian and Soviet groups, was more apparent than real. There was increasing evidence at the Twelfth Session that important members of the African-Asian group were reluctant to become bound by group decisions, usually reached under the sway of the more extremist opinion within the group. This was most strikingly demonstrated during the consideration of the Syrian item, when Dr. Fawzi proved to be the strongest influence for moderation. There were other demonstrations, but particularly behind the scenes, during the debates on Algeria, Cyprus, the financing of UNEF and of the Suez Canal clearance. During the consultations about the major colonial items the Delegations of Ceylon, Iran and Japan rendered effective assistance in combating extremist elements in the African-Asian group. Concerning the Middle East questions, and including some difficult negotiations about the resolution on UNRWA, the Egyptians were the champions of moderation and proved much more helpful to the West than some of its Arab allies. The Indian Delegation provided a moderating influence as well but the Indian position within the African-Asian group was considerably weakened because of a strong reaction against Mr. Krishna Menon. (Toward the end of the session he did not attend group meetings). There was evidence of an increase in Japan's influence within the group and of a growing rivalry between Japan and India. The Indians continued to be active, however, in the Fourth Committee. It can be broadly concluded that the African-Asians are not unresponsive to reasonable appeals for moderation and indeed at the Twelfth Session they seemed more than willing to seek a middle ground. The possibilities of compromise with this group seemed promising, as long as the interested Western powers maintained some flexibility in their own approach.

8. Also apparent at the Twelfth Session was the desire of the Arab states, but particularly Egypt and Syria, to repair their lines of communication with the Western powers. The emphasis on Arab nationalism, independence and neutralism during the general debate was most pronounced. There was concrete evidence behind the scenes that the Egyptians in particular wished to restore the balance in their international relations, as between the Soviet bloc and the Western powers. Perhaps the best illustration was given during the Syrian debate but the Egyptian position in this regard was consistent throughout the Twelfth Session. It clearly reflected Dr. Fawzi's desire to "clean up the mess of last year" and to explore possibilities for improving the overall situation in the Middle East. The response of the Western Great Powers to this shift in Egyptian policy was sluggish, and particularly by the United States, presumably because of domestic political difficulties and a desire not to irritate the United Kingdom and France. The impression was, however, that

the Egyptians were reasonably encouraged by the Western reaction, particularly on the part of Canada and Norway, to continue their efforts at reconciliation.

9. This process was largely facilitated through United Nations machinery. The successes of the UNEF experiment and of the Canal-clearing operation have greatly strengthened United Nations influence in the Middle East, and especially in Cairo and Damascus. The confidence which existed between the Secretary-General and Dr. Fawzi not only helped to solve difficult problems like the financing of UNEF and the recovery of the costs of clearing the Canal but paved the way for future developments, like an agreement on compensation for the Universal Suez Canal Company and possibly on a comprehensive programme, linked loosely to the United Nations, for the economic development of the area. This strengthening of United Nations influence in what is perhaps the area of greatest tension in the world today helps to offset the deadlocks and disappointments in such important fields as disarmament and East-West relations in general. It is perhaps the modest beginning of a trend toward greater diplomatic activity on the part of the United Nations Secretariat under the very able guidance of Mr. Hammarskjöld.

10. A further development which gained emphasis at the Twelfth Session was the effort on the part of a few Western delegations, *The Economist* of December 28th has dubbed them the "greater Scandinavian" group, to modify extremist positions and to work energetically for compromise resolutions which while not entirely acceptable to opposing sides would meet with the approval of the substantial majority in the Assembly. This group of Delegations, which included from time to time, and in various circumstances: Brazil, Canada, Colombia, Denmark, Iran, Ireland, Japan, Norway, Sweden and Thailand kept in fairly close touch throughout the Assembly and tried to bridge gaps between sharply opposed delegations or groups of delegations. The nucleus of the Western section of this "fire brigade" was provided by the Delegations of Canada and Norway. They participated prominently in the consultation and negotiation concerning the main political issues but particularly disarmament, the Syrian situation, Algeria, Cyprus and the Middle East items. By working closely with the United States Delegation and with the Secretary-General, the Canadian and Norwegian Delegations managed not only to keep well abreast of developments in the Assembly but on many occasions to be somewhat in advance of them.

11. It was clear that the United States Delegation favoured the "fire brigade" technique. They preferred to have Western initiatives taken by delegations from small powers, although United States officials expected to be kept fully informed about and to assist in promoting these initiatives. The effort on the part of the Delegations of Canada, Ireland and Norway to amend the African-Asian draft resolution on Algeria was perhaps the most striking example of the cooperation between the "fire brigade" and the United States. This technique proved to be reasonably effective in many of the holding operations which were almost characteristic of the Twelfth Session but it is seriously open to question whether this approach would be as effective at future sessions, when the Assembly would almost certainly be required to do more than adopt watery compromises if it is to survive as an effective international instrument. In an atmosphere in which the Assembly would be expected to take firm and forward steps, the Western delegations which might be called upon to take the initiative would require much more support not only from the United States but from the United Kingdom and France, and this would be particularly true of the latter two when their own interests were directly involved.

12. Perhaps what is most urgently required of the Western Great Powers is that they approach the annual sessions of the General Assembly with fixed policy objectives in mind rather than with the impromptu expedients designed mainly to head off unpalatable proposals. A growing number of states members of the United Nations are treating the annual

Assembly as a serious exercise of diplomacy in which a considerable effort is made to bring about some reconciliation of the various national view-points. This "matching up" of foreign policies is not too apparent in the innocuous resolutions and often dismal compromises, which the Assembly frequently adopts, but in the negotiations behind the scenes more often than not there is a realistic and useful exposition of national policies. Perhaps, if nothing else were to happen each autumn, this earnest exchange of views would be enough to make the Assembly worthwhile. However, this process of consultation, negotiations and frequently reconciliation behind the scenes is insufficient if it leads nowhere; and obviously it can lead nowhere if some of those who participate in this activity are working only for postponement, window-dressing or a two-thirds majority in lieu of solid policy objectives. In this regard the recent performances of France, the United Kingdom and the United States have tended to be less impressive than that of the Soviet Union which, for all its ineptness, does give the appearance of taking the Assembly seriously and of seeking solid objectives there. There seems little doubt that this earnestness of purpose, whatever its motivation, has an appeal for many United Nations members, and particularly among the African-Asians, who have looked in vain to the West for decisive leadership.

13. Perhaps this point can be illustrated by reference to some of the main items on the agenda of the Twelfth Session:

(a) *Disarmament*. Even before the Twelfth Session began it was generally accepted by United Nations members that the deadlock which had developed in the Sub-Committee late in the summer of 1957 was not going to be resolved by the Assembly without a substantial shift in the positions of one side or the other, or both. With two sputniks in outer space the Soviet Union was unlikely to shift its position and indeed the Yugoslavs and others cautioned against any effort at serious negotiations with the Soviet Union during this period of triumph. There was nevertheless widespread disappointment that the only response which the West could muster at a time of extreme anxiety was to seek Assembly endorsement of the Four-Power position of August 29th. This smacked too much of "business as usual" on disarmament and produced a widely held conclusion that the Assembly had failed miserably in its consideration of disarmament, notwithstanding the impressive majority which supported the West for a variety of reasons. In this atmosphere delegations, representing most shades of opinion, worked hard to evolve a compromise on the enlargement of the Disarmament Commission. The aim was to salvage the machinery even if the issues of substance were deadlocked. Although the Western Great Powers were more or less pushed into accepting the twenty-five-member Commission, it was the Soviet Union which bore the main brunt of the Assembly's disappointment about the failure of that compromise. Nevertheless, it should not be assumed that uncommitted countries like Egypt, India and Yugoslavia would seek to embarrass the Soviet Union by agreeing to convene the enlarged Commission, because those countries and others have considerable sympathy for the Soviet complaint that it has always been unfairly outnumbered during the long course of United Nations discussion of the Disarmament question.

(b) *Colonial Items*. In the consideration of the three main items, Algeria, Cyprus and West New Guinea, only the debate on the Algerian question showed any semblance of progress. This was possible because of the tireless efforts of negotiators behind the scenes and because the French Foreign Minister showed some flexibility in his position, a flexibility which the Arab side recognized and reciprocated in some degree. The opposite was true of the proceedings on Cyprus and on West New Guinea. Greece, Turkey and the United Kingdom clung to positions on Cyprus which were patently irreconcilable and which will have to be adjusted if this most damaging of NATO family quarrels is to be resolved. At least some means should be found to remove it from United Nations forum. As for West

New Guinea, Australia and The Netherlands, confident that they could hold their blocking third, gave no thought to any means for ameliorating their differences with Indonesia, which was no less unbending. Of these three issues only the Algerian question shows the slightest possibility of a United Nations solution and this can be accomplished only if France, and the friends of France, reach some understanding about policy objectives which they should pursue at the Assembly. The time for postponements and palliatives has passed.

(c) *South African Items.* At the Twelfth Session there seemed to be renewed interest in these items, probably because of the gradually swelling voice of the African nations. Spokesmen for Ghana, in particular, showed impatience and distrust when it was suggested that a breathing spell might be more beneficial than the perennial debate in the Assembly. The likelihood is that South Africa will be more persuaded than ever by the performance at the Twelfth Session to keep out of these discussions, which in South Africa's absence can only be sterile. As well, however, they can be increasingly embarrassing to the European members of the Commonwealth, who will be under constant pressure to take positive steps to induce South Africa to change its ways.

(d) *Middle East Items.* Perhaps the main political progress of the Twelfth Session was made on these items: the Syrian complaint; the future and financing of UNEF; the recovery of the costs of Suez Canal clearance; the perennial problem of Palestine refugees. Owing mainly to the energetic and determined efforts of a few delegations (Brazil, Canada, Denmark, Egypt, Norway, Sweden aided by the Secretary-General and the United States), whose stake in restoring and continuing tranquillity in the Middle East was high, these items were debated in the Assembly in the most favourable atmosphere. Through intensive negotiation and consultation, during the course of which solid and consistent policy objectives were pursued, the way was systematically paved for a smooth passage of the necessary resolutions, with the exception of the Syrian complaint which was allowed to subside without formal decision. The activity behind the scenes amply demonstrated the value of a serious consultation and negotiation at the United Nations; and undoubtedly as a result relations between the countries closely concerned were strengthened. A useful precedent for the future might have been established. At best, however, these achievements at the Twelfth Session amounted to a little more than a continuing of the repair work so necessary in the Middle East after the crisis of 1956.

(e) *Peaceful Co-Existence.* The efforts made by India, Sweden and Yugoslavia to have the Assembly adopt their resolution on international cooperation reflected in the closing hours of the Assembly, when the propaganda debate on this item continued long into the night, the anxiety and frustration, which a great many delegations shared, about the poor political showing at the Twelfth Session. Undoubtedly the Indians and Yugoslavs were influenced in part by the knowledge that the Heads of NATO governments would shortly meet in Paris. Officials of the uncommitted countries seemed fearful that this meeting would produce a hardening of the Western attitude in response to a Soviet sputnik diplomacy. The large vote in favour of the three-power resolution did little to dispel the pessimism but at least one more item on the Assembly agenda was brought to a tidy conclusion.

14. As suggested in the foregoing balance sheet, which is admittedly roughly drawn and only concerned with political issues, the Twelfth Session was no model of United Nations achievement. Perhaps this result was inevitable in a year when the previous session, which had been so spectacular, was only a few months cold. There was a noticeable weariness among the experienced hands in the active delegations. There was even a lack of enthusiasm for, or even impatience with, the dreary debates on principles and abstractions which have consumed so much time at past sessions. Perhaps what was needed was a breathing

spell in which all but essential measures (like the financing of UNEF) could be left more or less in abeyance. Perhaps this lull was usefully occupied in acclimatizing the 22 new members to their first "normal" Assembly. Perhaps in this year when man stepped into the threshold of outer space it was advisable not to try to reach solutions to questions which had been first raised long ago in very different circumstances. Perhaps the continued exploration behind the scenes of national policies, on a slightly wider scale than at earlier sessions, was still the best that could be hoped for at any annual session.

15. These are all handy and perhaps not altogether implausible excuses for the shortcomings of the Twelfth Session. They are valid just so long as they do not become too much of a pattern for assessing the annual Assembly. It can hardly be, however, that the Thirteenth and following sessions can be a succession of holding operations or breathing spells. Either the Assembly must go forward or decline as an influence in international life. At the beginning of 1958 there seems to be a considerable possibility that the Soviet Union will attempt to inject new life in the Assembly by attempting to seize the leadership which the Western Great Powers have allowed to slip from their hands. Certainly with its enhanced prestige the Soviet Union has every opportunity to do this but it is by no means inevitable that this should happen. Combined, the Western Powers still have a monopoly of knowledge, skill and experience which should enable them to maintain the initiative in the General Assembly. All that is needed is bold, sensible and firm leadership. If a strong challenge should come from the Soviet Union at the Thirteenth Session, the Western Powers should be prepared to meet it squarely and their leadership must come from the United States. Because of this real possibility it seems clear even now that serious preparations for the Thirteenth Session should begin in a very few months and should be developed through the most careful consultation among the principal Western powers. To be most effective these consultations should take place mainly in New York where the processes of the United Nations are best understood and where the links between Delegations are strongest.

...

SECTION B

TREIZIÈME SESSION DE L'ASSEMBLÉE GÉNÉRALE À NEW YORK,
16 SEPTEMBRE AU 13 DÉCEMBRE 1958
THIRTEENTH SESSION OF THE GENERAL ASSEMBLY, NEW YORK,
SEPTEMBER 16 TO DECEMBER 13, 1958

SUBDIVISION I/SUB-SECTION I

INSTRUCTIONS À LA DÉLÉGATION CANADIENNE
INSTRUCTIONS TO THE CANADIAN DELEGATION

14.

DEA/50131-40

Note
Memorandum

SECRET

[Ottawa, n.d.]

INSTRUCTIONS FOR THE CANADIAN DELEGATION¹⁵
TO THE THIRTEENTH SESSION OF THE GENERAL ASSEMBLY
OF THE UNITED NATIONS

The Thirteenth Regular Session of the United Nations General Assembly opens on September 16 with an agenda of seventy-two items. This memorandum contains instructions on certain important items of the general policy of the Delegation.¹⁶ These will be supplemented by instructions to the Delegation on specific questions as they arise.

The Delegation will seek as always to promote greater international co-operation in the peaceful settlement of disputes and in pursuit of the broad objectives of the Charter. In doing so, it will bear in mind governmental policy as established in public statements on certain of the more significant subjects to be discussed in the General Assembly. Thus it has been made clear that Canada favours, in principle, strengthening the United Nations by the creation of arrangements for a permanent United Nations force which would assist in

¹⁵ La délégation canadienne était dirigée par Sidney Smith et W.J. Browne, respectivement président et vice-président. Pour obtenir la liste exhaustive des membres de la délégation, voir Canada, ministère des Affaires extérieures, *Affaires Extérieures*, vol 10, N° 12, décembre 1958, p. 296.

The Canadian delegation was led by Sidney Smith and W.J. Browne as Chairman and Vice-Chairman, respectively. For a complete list of Delegation members, see Canada, Department of External Affairs, *External Affairs*, Vol. 10, No. 12, December 1958, p. 296.

¹⁶ Note marginale :/Marginal note:
As approved by the Minister

Ces instructions n'ont pas été soumises à l'approbation du Cabinet. Sidney Smith avait demandé qu'elles soient transmises à la Délégation du Canada à New York, en indiquant qu'elles s'inscrivaient dans la ligne de pensée générale approuvée par le Cabinet concernant la 12^e Assemblée générale des Nations Unies, et que la Délégation devait demander des précisions spécifiques sur tout point non couvert par ces instructions pour la 13^e Session de l'Assemblée générale. Voir Robinson à Holmes, documents de HBR, Volume 1, Dossier « Septembre 1958 ».

These instructions were not submitted to Cabinet for approval. Sidney Smith asked that the instructions be sent to the Canadian Delegation in New York indicating that they followed the general line of the instructions approved by Cabinet for the Twelfth Session of the General Assembly and that the Delegation should ask for specific guidance on any item not covered by these instructions for the Thirteenth Session of the General Assembly. See Robinson to Holmes, HBR Papers, Volume 1, File "September 1958".

the peaceful settlement of international disputes but recognizes that there are immense practical and political difficulties. Concerning the question of disarmament, it has been stated that we are prepared to regard the agreed Western proposals as flexible and as a basis for negotiation rather than as a plan to be accepted. On the question of the Middle East, Canada has given support to the resolution adopted by the Third Emergency Session of the General Assembly and has expressed hope that the countries primarily concerned will co-operate fully to ensure the success of the arrangements envisaged. Canada has given support to the establishment of a Special Fund within the United Nations to further the economic development of under-developed countries and Canadian delegations have participated in drafting the terms and conditions for the establishment and operation of the Fund. It has been stated that, provided the organizational arrangements as finally approved by the Assembly are well designed and provided that there is broad support for the proposal among particularly the contributing nations, Canada will consider making an appropriate contribution. Instructions on these and certain other items are contained in the following paragraphs.

Middle East

The current peace-making efforts of the Secretary-General in the Middle East under the unanimous resolution of the recently concluded third emergency special session of the General Assembly will come under review, in whole or in part, during the period of the thirteenth regular session, the Secretary-General having been instructed in the resolution to report thereunder by September 30, 1958. In general, the Canadian Delegation should endeavour to facilitate the tasks of the United Nations, and, particularly, of the Secretary-General, bearing in mind that the unanimous mandate conferred on him demonstrated not only that the United Nations machinery appears to offer the best, and perhaps the only, means of achieving a settlement in the area of dangerously conflicting Great Power interests; but also that the co-operation of the Arab states in the search for such a settlement will probably be forthcoming only if any United Nations action in the area recognizes the common political and economic fabric of the Arab World. While the Delegation should therefore render all necessary assistance to the United Nations efforts to reconcile inter-Arab differences, it should remain the Delegation's prime concern to assist in devising a formula to regulate relations between Israel and the Arab states, either individually or collectively.

Secretary-General's Study on Experience of UNEF

Since 1945 every effort aimed at developing permanent machinery for the preservation of peace through the employment of a United Nations force has failed. It remains the Canadian view that the effectiveness of the United Nations as an instrument for preventing or stopping armed conflict would be greatly enhanced if permanent arrangements existed for the provision of forces for use by the United Nations in appropriate circumstances. In view of persistent opposition, on political, financial and administrative grounds, to the creation of a permanent United Nations force, it seems unlikely that any major advance in this direction will be achieved at the thirteenth session of the General Assembly. However, the Secretary-General, in his report of the Secretariat study of UNEF experience, may indicate the possibility of at least limited progress through the establishment of a standby organization which would be capable of preparing for, and thereby facilitating, the rapid deployment of observer or patrol type groups to meet various future contingencies.

Until details of the Secretary-General's report are known specific instructions cannot be given. The Delegation will, however, wish to consult with other delegations and report upon the reception of the Secretary-General's study. The Delegation will wish to

encourage any initiative which it would appear would carry support in the Assembly for the development of specific proposals to be considered by member governments which would tend to increase the effectiveness of the United Nations in the provision of observer groups or of forces to be charged with the tasks of fact-finding and reporting in areas of international tension or of prevention of conflict and preservation of settlements reached.

Outer Space

Canadian policy supports the establishment of an international space agency to assure that jurisdiction would be vested in the United Nations and that outer space would be used for peaceful and scientific purposes only. The Soviet Union has presented proposals for collaboration within the United Nations in the exploration of outer space, but has linked this question to the elimination of foreign bases. The United States is proposing that there should be a United Nations committee to survey the needs, potentialities and resources in the field of peaceful uses of outer space and to make recommendations.

The course proposed by the United States appears in general appropriate to command the support of the Delegation. It emphasizes international collaboration in the peaceful exploration of space. However, the Delegation should seek to ensure that the disarmament aspects are not neglected and that recognition is given to the need to find without delay a basis for agreement to ensure that outer space will be used exclusively for peaceful and scientific purposes.

Disarmament

The refusal of the Soviet Union to participate in the Disarmament Commission as composed for 1958 has meant that the regular processes of negotiation have been interrupted. However, there has taken place on an *ad hoc* basis the conference of experts on nuclear tests which reached agreed recommendations on a control system; there is an early prospect of a political conference of the three testing powers with a view to negotiating the terms of a suspension agreement; the United States proposal for technical talks on safeguards against surprise attack is expected to be accepted in principle by the Soviet Union; and there is a possibility that the problems raised by the penetration of outer space may be found suitable for similar specialized consideration. It is evident that, despite the lack of agreed United Nations machinery and the absence of negotiations on the overall problem, there is more evidence of concrete progress this year and a more promising outlook than could be reported at the outset of any previous session. Nevertheless, the existence of an accepted negotiating forum would be desirable to facilitate consideration of the results of specialized discussions and to ensure that the interests of the lesser powers are not neglected.

It would be appropriate for the Delegation to approach the appointment of members of the Disarmament Commission and the general debate on disarmament with the attitude that the piece-meal discussion of various aspects of disarmament by the governments most concerned should be continued as long as it shows promise of results, but that such discussion should be brought within the United Nations framework in a more formal way. To that end it would appear proper to advocate the continuation of specialized discussions, to stress the advantages of a flexible approach, to minimize discussion of the differences between the rival overall plans and to seek a compromise on the composition of the Disarmament Commission.

Cyprus

In June the United Kingdom announced a plan for the administration of Cyprus which was devised to increase Greek and Turkish participation in the administration of the island

without prejudice to the ultimate political pattern which would not be determined for a probable period of seven years. The acquiescence of Greece and Turkey to the British plan, although sought by Mr. Macmillan, has not been forthcoming.

As yet, there has been no indication of Greek intentions in regard to the question of Cyprus which they have proposed for inclusion on the agenda; specific policy guidance will be provided when tactics at the Assembly become clearer. It is, however, thought that a specific endorsement by the United Nations might limit the flexibility of the United Kingdom plan and increase the problem of Greek and Turkish co-operation. On the other hand, general approval of the plan and encouragement to Greece and Turkey to co-operate might be helpful particularly if a resolution along these lines were sponsored and supported by the anti-colonial groups.

In view of Canada's common NATO membership and friendly ties with the United Kingdom, Greece and Turkey, the Delegation should be cautious in taking any initiative which might affect our good relations by urging on any of the parties concessions which they will oppose. Nevertheless, the Delegation might with due discretion encourage any step which would bring the parties more closely together and help towards a solution.

Algeria

The consequences for North Africa and France of failure by Premier de Gaulle to find a solution for the Algeria situation could be grave. Precipitate action and immoderate debate in the General Assembly which might hinder his efforts should therefore be avoided. Specific guidance will be sent to the Delegation when Premier de Gaulle's plans become known and the tactics of the sponsors of the Algerian item can be more clearly determined. The Delegation may, however, vote for inscription of the item on the agenda.

Hungary

Under this item there will be considered a further report of the Special Committee on Hungary dealing with the execution of Nagy, Maleter, and others. The Soviet Union's attitude towards United Nations resolutions in condemnation of the Soviet Union's violation of the independence of Hungary, the continuance by the Hungarian Government of acts of repression against the Hungarian people in defiance of United Nations resolutions, and the refusal to co-operate with the representatives of the United Nations charged with investigation of the Hungarian situation are deserving of condemnation. The continued pressure of world public opinion may conceivably restrain the Soviet Union and Hungarian Government from further repressive acts. It would be unfortunate if by passing over the latest report of continued repression too lightly the United Nations should give the impression that its earlier efforts on behalf of the Hungarian people were not sincere, or that the actions of the Soviet Union and Hungarian Government have been in any way forgotten or condoned. There is, however, little to be gained by seeking any further United Nations action of a specific character or by protracted debate which would be regarded by the uncommitted nations as merely an exchange of cold-war propaganda. It might be desirable to accept the termination of the existence of the Special Committee on Hungary at this stage if this can be done in such a way as to avoid any impression that United Nations concern in securing an amelioration of the sufferings of the Hungarian people is diminished.

At the same time it would be helpful if the General Assembly could approve an expression of continued international concern since this would not only be encouraging to the ordinary people of Hungary but might possibly have a deterrent effect on the repressive measures of the Hungarian Government.

Hungarian Credentials

In general it is not considered that credentials if formally in order should be rejected on political grounds. It is nevertheless difficult to agree that the United Nations should accept the representatives of a government maintained in power as a result of Soviet military intervention which the United Nations has condemned. For this reason the Delegation should support a resolution similar to the ones introduced by the United States in 1956 and 1957 and at the Third Emergency Session, by which the General Assembly took no decision as to the validity of the Hungarian credentials. This procedure permits the Hungarian Government Delegation to sit in the Assembly with full rights of participation but without formal acknowledgement of its right to do so. The Delegation should not vote to reject the credentials of the Hungarian delegation unless there is broad support for such action in the Assembly.

Chinese Representation

The problem of Chinese representation has arisen at every session of the General Assembly since 1950 and this year the United States may find it more difficult to carry its procedural motion to postpone consideration of the question for the duration of the session. The Delegation should vote in favour of a procedural motion postponing consideration of the issue for a fixed period of time such as "for the duration of the Thirteenth Session of the General Assembly". The Delegation should also vote in favour of accepting the credentials of the Representative of the Republic of China if they are challenged.

South Africa

The South African Government which has maintained only token representation at the United Nations since 1956 has announced its intention of resuming full participation in the work of the United Nations and has based its decision on what it considered to be the more conciliatory attitude of a number of United Nations members towards the discussion of its policies at the last session of the General Assembly. The continued participation of South Africa in the work of the United Nations is to be encouraged. The efforts of the United Nations to secure an improvement in the racial policies of the South African Government will not, it is believed, be assisted by immoderate debates or by the continuation of critical attacks which would result in South Africa's withdrawal from the United Nations. With these considerations in mind the Delegation should seek to avoid any vote or action in the Assembly which would go further in support of United Nations action in respect of South African racial policies than the Canadian position at last year's General Assembly. The Delegation should, therefore, abstain on inscription of the items on race conflict in South Africa resulting from the policy of *apartheid* and on the treatment of Indians in South Africa on the basis that such further discussion in the Assembly would seem unlikely to serve a useful purpose. If the items are inscribed, as may be expected, the Delegation should abstain on any resolution appealing to South Africa to revise its policies but might in its discretion support an appeal for negotiations between South Africa and India and Pakistan on the treatment of Indians in South Africa.

The Korean Question

It may be expected that at this session the Soviet bloc will not only denounce the action taken by the United States to modernize military equipment in Korea in contrast to the Chinese withdrawal of forces, but will also propose again that the United Nations Commission on the Unification and Rehabilitation of Korea (UNCURK) be abolished. This prospective attack makes it particularly important for those states which had forces in Korea to maintain a common front on the Korean question, and the Delegation, bearing

this in mind, should work privately with friendly delegations for a resolution on the Korean problem reiterating United Nations objectives and sufficiently positive and conciliatory in tone to ensure the support of the majority of uncommitted countries.

Special United Nations Fund for Economic Development

At its twelfth session the General Assembly decided to establish a Special Fund to further the technical, economic and social development of the less developed countries. Canada played an active role in negotiations which led to the resolution now submitted by the Economic and Social Council to the General Assembly.

The Delegation should support the ECOSOC resolution which sets out the organizational, administrative and financial arrangement for the Fund, and its detailed scope of operations. Canadian support in principle for the Fund has been announced by the Canadian Government and the Delegation may reaffirm Canadian willingness to make a suitable contribution provided arrangements along the lines of the ECOSOC resolution are approved by the Assembly and receive broad international support.

Conference on the Law of the Sea

The Delegation should give its full support to the convening of a new international conference on the law of the sea at the earliest practicable date following the conclusion of this session of the General Assembly (March or April 1959 would seem suitable). It would be preferable that the conference be held in a neutral location and Geneva or possibly New Delhi might be suggested. The Delegation should support inclusion in the terms of reference of the conference of the questions of the breadth of the territorial sea and of a contiguous fishing zone and should resist any attempt to separate these two items. The Delegation should support any move to include in the resolution a request that member states should refrain from taking unilateral action prior to the convening of a new conference and should oppose any attempt to include in a resolution a request that states attempt to enter into settlement among themselves with regard to fishing rights prior to the convening of the conference. The Delegation should oppose the inclusion of any questions other than the breadth of the territorial sea and a contiguous fishing zone in the terms of reference for the new conference.

SUBDIVISION II/SUB-SECTION II

REPRÉSENTATION DE LA CHINE
REPRESENTATION OF CHINA

15.

DEA/5475-EJ-40

*Note du sous-secrétaire d'État aux Affaires extérieures
pour le secrétaire d'État aux Affaires extérieures*

*Memorandum from Under-Secretary of State for External Affairs
to Secretary of State for External Affairs*

CONFIDENTIAL

[Ottawa], July 31, 1958

REPRESENTATION OF CHINA IN THE UNITED NATIONS

Attached for your approval, if you agree, is a proposed article† for inclusion in the Commentary for the Canadian Delegation to the Thirteenth Session of the General Assembly. The Indian Government formally submitted on July 14, 1958, the "Question of the

Representation of China in the United Nations" for inclusion as an item of the provisional agenda for this session. In paragraph 17 of the draft article, following an outline of the treatment of this thorny question of Chinese representation in past sessions, it is proposed that Canada should follow the practice of previous years and give restrained support to the resolution which the United States regularly submits for postponement of consideration of the question of Chinese representation. The Canadian Delegation would:

- (a) refrain from giving support *in debate* to this year's resolution for postponement; but
- (b) vote in favour of a procedural motion postponing consideration of the issue for a fixed period such as "for the duration of the Thirteenth Session of the General Assembly"; and
- (c) vote in favour of accepting the credentials of the representative of the Republic of China if these are challenged.¹⁷

2. If Canada were to reverse its vote and oppose the procedural motion for postponement, which the United States is again expected to sponsor, it would almost certainly be taken as an indication that Canada was moving towards getting Peking seated in the United Nations. Such a move would be regarded with dismay by the United States and might, by encouraging others to vote against the postponement resolution, bring about its defeat.

3. Against this must be weighed the fact that what is at issue is discussion of the question, and not a substantive decision on Chinese representation. It is this consideration which makes it increasingly difficult to give continued Canadian support to the refusal of the United States even to consider a discussion and to the rigid insistence of the United States on the status quo.

4. Perhaps this difficulty in determining a reasonable position for our Delegation can be met by our attitude towards the expected Indian amendment to the resolution of the United States. In the last two sessions the Indians have proposed an amendment to the resolution for postponement which would have the effect of placing the item of Chinese representation on the agenda for consideration at the current session. Canada has voted against the Indian amendment, and it was defeated last year by only 43 votes against to 29 in favour with 9 abstentions. It is probable that the Indian amendment will again be defeated, although no doubt by a smaller margin, and the Canadian Delegation is instructed in the attached draft article to continue the practice of voting against it, if its defeat appears likely. There is, however, a possibility that it will succeed. I am suggesting, subject to your approval, that Canada should abstain rather than vote against this amendment, if the Delegation considers that there may be a significant shift towards favouring the Indian request for inclusion of the item on the Agenda. (See paragraph 18 of the attached article.)

5. An abstention could be defended on the grounds that Canada, while not committing itself on the issue of Chinese representation, is unwilling to oppose the desire of a large number of members *to discuss* the issue. By way of further justification it can be pointed out that, should the Indians succeed and the item be included on the Agenda, and should a motion subsequently be made to decide who should actually sit as the representatives of the Government of China, the General Assembly could — and no doubt would — decide by a simple majority vote (including Canada) that this is an important question and therefore requires a two-thirds majority for a decision. There is, therefore, very little danger that the United States will not be able, in the final analysis, to prevent admission of Communist China.

¹⁷ Note marginale :/Marginal note:
OK SE S[mith]

6. It is obvious that Communist China cannot be kept out of the United Nations indefinitely. Evidence shows that support for the seating of Communist China and opposition to the United States approach is growing each year. At this time it seems within the realm of possibility that the first step — a successful Indian amendment, to bring about discussion of this issue, — may be made in the direction of admission of Communist China, despite the strong opposition of the United States. The slight modification of our past voting procedure on the Chinese representation question which I have suggested is an attempt to meet this possibility.

J. L[ÉGER]

16.

DEA/5475-EJ-40

*Le chef de la délégation à l'Assemblée générale des Nations Unies
au secrétaire d'État aux Affaires extérieures*

*Chairman, Delegation to United Nations General Assembly,
to Secretary of State for External Affairs*

TELEGRAM 1417

New York, September 19, 1958

RESTRICTED. PRIORITY.

Repeat Washington, London, Paris, NATO Paris (Information).

CHINESE REPRESENTATION

The General Committee devoted its meeting this morning to the consideration of the Indian request for inclusion of an item dealing with the question of the representation of China. The discussion followed the pattern of earlier years and no repeat no significant new arguments were advanced. The USA presented a draft resolution for the General Assembly's consideration by which the Assembly would decide "(1) to reject the request of India for the inclusion in the agenda of its thirteenth regular session of the item entitled: Question of the Representation of China in the UN; and (2) not repeat not to consider, at its thirteenth regular session, any proposals to exclude the representatives of the Government of the Republic of China or to seat representatives of the Central People's Government of the People's Republic of China".

2. Before the vote the USSR questioned the competence of the General Committee to adopt a resolution of this nature and the Chairman then ruled that no repeat no question of competence arose in relation to paragraph one of the draft resolution and that paragraph two was within the Committee's competence since it amounted to a request for the non-inclusion of an item. This the Chairman considered to be within the Committee's competence in relation to the second sentence of rule 40.

3. Malik's ruling was challenged by the USSR and upheld by a vote of ten in favour to 3 against with 7 abstentions. A USA motion that the text of their resolution be put to the vote before voting on the inclusion of the item proposed by India was adopted by 10 in favour to 4 against with 5 abstentions.

4. The USA draft resolution was then put to a roll call vote in parts with first paragraph being adopted by a vote of 12 in favour 7 against and 2 abstentions. The second paragraph was adopted by a vote of 11 in favour 7 against with 3 abstentions. The text as a whole was adopted by 12 in favour (Pakistan, UK, USA, Uruguay, Australia, China, Ecuador, El Salvador, France, Japan, Lebanon and Netherlands) 7 against (Rumania, USSR, Ceylon,

Czechoslovakia, Indonesia, Ireland and Nepal) with 2 abstentions (Greece and Mexico). The additional abstention on paragraph 2 was that of El Salvador.

5. The General Committee is meeting again this afternoon to consider the USSR request for an additional item dealing with 10 to 15 percent reduction in military budgets and a Ukrainian request for an additional item dealing with the organization of an international public health and medical research year. The Chairman hopes to complete the consideration of these items this afternoon, as well as the question of allocation of items to committees in order that the General Assembly may have recommendations in these connections before it on Monday.

17.

PCO

Extrait des conclusions du Cabinet

Extract from Cabinet Conclusions

SECRET

[Ottawa], September 21, 1958

Present:

The Prime Minister (Mr. Diefenbaker) in the Chair,
 The Minister of Finance (Mr. Fleming),
 The Minister of Veterans Affairs (Mr. Brooks),
 The Minister of Transport (Mr. Hees),
 The Solicitor General (Mr. Balcer),
 The Minister of National Defence (Mr. Pearkes),
 The Minister of Trade and Commerce (Mr. Churchill),
 The Minister of Justice (Mr. Fulton),
 The Minister of National Revenue (Mr. Nowlan),
 The Minister of Agriculture (Mr. Harkness),
 The Minister of Citizenship and Immigration (Mrs. Fairclough),
 The Minister of Fisheries (Mr. MacLean),
 The Minister of Labour (Mr. Starr),
 The Postmaster General (Mr. William Hamilton),
 The Minister without Portfolio (Mr. Macdonnell),
 The Minister without Portfolio (Mr. Browne) (for afternoon meeting only),
 The Minister of Mines and Technical Surveys (Mr. Comtois),
 The Minister of National Health and Welfare (Mr. Monteith),
 The Secretary of State for External Affairs (Mr. Smith),
 The Minister of Defence Production (Mr. O'Hurley),
 The Secretary of State (Mr. Courtemanche),
 The Secretary to the Cabinet (Mr. Bryce),
 The Assistant Secretary to the Cabinet (Mr. Fournier).

...

UNITED NATIONS; RECOGNITION OF CHINA; DRAFT STATEMENT

3. *The Secretary of State for External Affairs* reported that there would be a motion before the U.N. on the following day on the admission of Communist China to the United Nations. This question had come up for the last five or six years. Each time, the United States had brought forward a resolution, the effect of which was to postpone consideration of the issue for a fixed period, such as for the duration of the current session of the General Assembly. On Thursday, the steering committee had adopted by 12 votes to 7, with 2 abstentions, the U.S. proposal that the Assembly should,

(a) reject the Indian request for inclusion of the question of Chinese representation on the agenda; and,

(b) decide not to consider during the present session new proposals to exclude the representatives of Nationalist China or accept the representatives of Communist China. Despite the acceptance of the U.S. resolution the result showed a trend unfavourable to the United States.

The Minister said that the Indian resolution might carry a procedural majority (that is, a simple majority as opposed to a two-thirds majority which was required when a matter of substance was involved). The question was whether Canada should support the resolution postponing the matter to the 14th General Assembly. While last June he might have said that the U.S. could not keep postponing this matter indefinitely, his thoughts at the moment were that this was not the time to discuss the question in view of the situation in the Taiwan Straits area. On that basis, he was in favour of Canada supporting the moratorium. Furthermore, he thought that the Canadian delegation should vote against the expected Indian amendment favouring discussion of the issue unless there were indications of a major shift in voting towards supporting the amendment. In that case, he wondered whether the delegation should be instructed to abstain, basing abstention on the proposal that Canada was willing to let other nations decide if they wanted to discuss the question while not necessarily assuming a position on the substantive issue of representation. In brief, should he vote for the moratorium and say nothing, or go on the podium and say that Canada considered that it was untimely for the General Assembly at the present session to consider the question of Chinese representation because of the existing international tension resulting from military activities in the Taiwan Straits area.

4. *During the discussion* the following points were raised:

(a) The British at the Commonwealth Economic and Trade Conference appeared very upset about the inflexible attitude of the United States concerning the Quemoy Islands, which the British did not consider as having any strategic significance. The U.S. could not withdraw now without loss of face. They were putting pressure on the British government. It was clear that, unless the situation were resolved, China's next demand would be on Hong Kong. The British were, therefore, forced to support the U.S. on Quemoy.

(b) A great part of the press in Canada appeared in favour of recognition. Mr. Holmes had reported from New York that there was a very great interest in the position which Canada would take.

(c) If, as an alternative move, Canada suggested an amendment to the resolution stressing that, under the present circumstances, it was not opportune to consider the matter, this amendment would be considered by the United States as a formal unfriendly act.

(d) In the Province of Quebec public opinion was against the United States attitude and the people did not want to see Canada get involved in a major conflict over Quemoy or Formosa. Chiang Kai-Shek was not popular in Quebec. Many of the clergy (including the clergy in the United States) considered the present situation as ridiculous. The French Ambassador had inquired from Mr. Fulton about the Roman Catholic point of view in Canada. The reasons for his inquiry appeared to be that, because of non-recognition, there was no possibility of protecting Roman Catholic missionary interests in China.

5. *The Cabinet* agreed that the Secretary of State for External Affairs vote in favour of a procedural motion postponing consideration of the issue for a fixed period such as for the duration of the 13th session of the General Assembly and that he deliver a statement in the Plenary Session along the lines proposed during the discussion.

(At a subsequent meeting held later in the day the draft statement was discussed and approved).

...

18.

DEA/5475-EJ-40

*Le représentant permanent auprès des Nations Unies
au secrétaire d'État aux Affaires extérieures*

*Permanent Representative to United Nations
to Secretary of State for External Affairs*

TELEGRAM 1424

New York, September 22, 1958

CONFIDENTIAL. OPIMMEDIATE.

Repeat London, Paris, NATO Paris, Washington (Information).

CHINESE REPRESENTATION

Following is the text of a statement which the Minister intends to make in plenary this morning in connection with the USA moratorium resolution concerning the inclusion in the agenda at this session of the question of Chinese representation: "The Chinese question under discussion, upon which we are considering the General Committee's report, is one of the most important with which the UN organization is faced. There are factors which confuse and complicate the issue when military activities taking place in the Taiwan Straits area threaten the peace of the world.

It would be unrealistic to regard the China problem here at the General Assembly in isolation from what is happening in the Taiwan Straits, for surely it has a bearing on the matter. It is the opinion of the Canadian delegation that it would not repeat not be timely for the General Assembly at the thirteenth session to consider the question of Chinese representation because the international tension which has resulted from the pressing by military means of the dispute over the Chinese off shore islands would not repeat not afford a proper atmosphere for a discussion of the matter of Chinese representation in the UN. My delegation, for this reason, will vote in favour of the resolution which would effect postponement of the consideration of this question for the present session.

Distinguished delegates have expressed their hope that the talks between USA and communist Chinese representatives now going on in Warsaw will result in arrangements being made which will alleviate the dangerous situation off the China coast. I earnestly join in this hope, and I trust that the warlike activities will cease, since resort to force and the threat of force produce nothing but the danger of war".

2. We shall confirm delivery of the statement.

19.

DEA/5475-EJ-40

*Le chef de la délégation à l'Assemblée générale des Nations Unies
au secrétaire d'État aux Affaires extérieures*

*Chairman, Delegation to United Nations General Assembly,
to Secretary of State for External Affairs*

TELEGRAM 1444

New York, September 23, 1958

CONFIDENTIAL. PRIORITY.

Reference: Our Tel 1429 Sep 22.†

Repeat London, Paris, NATO Paris, Washington (Information).

CHINESE REPRESENTATION

The USA resolution contained in the General Committee's report was passed this afternoon by a vote of 44 (including Canada)-28-9, as opposed to last year's vote of 48-27-6. Austria, Greece, Iceland, Iraq and Libya changed from affirmative votes to abstentions and Iraq changed from yes to no repeat no. South Africa which was absent last year added one affirmative vote. Cambodia, which abstained last year, voted consistently against the USA position, while one negative vote of UAR replaced two negative votes of Syria and Egypt.¹⁸

2. Earlier, an Indian amendment to overthrow the USA resolution received 29 votes. The vote on the first paragraph of the USA resolution which rejects inclusion in the agenda of the Indian item on Chinese representation was only 40-28-13. New Zealand and Mexico both announced in the debate their intentions of abstaining on the first paragraph of this resolution, while supporting the second paragraph postponing any consideration of Chinese representation for this session,¹⁹ in order to demonstrate their respect for the principle that this issue should be discussed, while considering that it would be untimely to discuss it now. Ethiopia, Mexico and New Zealand abstained on the first part of the USA resolution; while Malaya and Peru abstained on the second part.

3. The most disturbing feature from a USA viewpoint was not repeat not the vote, so much as the debate. Of the 29 countries speaking, 24 spoke against the USA position. The UK and Canada supported the USA, while Mexico and New Zealand, as reported above, spoke only to announce modifications in their previous policy. Unlike the debate last year, the USA was unable to draw any statement of support for its position from continental Europe, Latin America, or Asia.

4. Menon, in his closing speech, drew attention to what he claimed was the failure of the USA itself to make a persuasive defence of its position in the UN. He recalled that Chou En-Lai had said in 1955 at Bandung that he wanted a peaceful solution to all problems, and from its information India still believed that these negotiations could begin with Chiang and the USA today. He issued an appeal for the Warsaw talks to be made fruitful, and hoped they would not repeat not be left at the ambassadorial level. He offered India's good offices if these could help to bring about serious negotiations. He referred to the build-up of nationalist troops in the off-shore islands, and argued that the current artillery bombard-

¹⁸ En février 1958, la Syrie et l'Égypte ont fusionné pour former la République arabe unie.

In February 1958, Syria and Egypt merged to form the United Arab Republic.

¹⁹ Note marginale :/Marginal note:

That's what we should have done. [auteur inconnu/author unknown]

ment was not repeat not timed to attract the attention of the Assembly, but was a response to recent nationalist aggression in this area.

5. In explaining Cambodia's intention to oppose the USA resolution, Prince Sihanouk expressed his belief that communist China could be accepted as a sister nation in the Far East without this leading to communist subversion of other areas. He appealed for the neutralization of the off-shore islands. In explaining Iceland's intention to abstain on all votes, Thors recalled that as long ago as 1953 Iceland had said it was ill-advised to keep mainland China out of the UN. Now, with the dangers of a shooting war in the Formosa Straits, preparations for a change in the UN attitude should be begun: these should be gradual rather than abrupt. Therefore, while it could not repeat not vote for the Indian resolution, Iceland would abstain as a warning that a change in attitude was required.

SUBDIVISION III/SUB-SECTION III

CHYPRE
CYPRUS

20.

DEA/50141-40

*Note sous-secrétaire d'État adjoint aux Affaires extérieures
pour le sous-secrétaire d'État aux Affaires extérieures*

*Memorandum from Assistant Under-Secretary of State for External Affairs
to Under-Secretary of State for External Affairs*

CONFIDENTIAL

[Ottawa], July 8, 1958

CYPRUS IN THE U.N. ASSEMBLY

During our discussions last week with Mr. Beeley of the U.K. Mission to the United Nations, we ran over most of the principal subjects at the forthcoming Assembly. When we came to the subject mentioned above, I expressed the strictly personal opinion that the U.K. would find itself this year in a more satisfactory position vis-à-vis the Assembly than it had previously because it had put forward proposals²⁰ which should gain a good deal of sympathy in the Assembly. It seemed to me that the concessions made in these proposals in the direction of self-government should appeal to the more responsible Asian and African countries. The Indians, for instance, had never taken a strict anti-colonial line on Cyprus and Krishna Menon had in fact been helpful with compromises. It seemed to me that some of these countries might be even more disposed to support the British position now as it did seem to most people that it was only through some compromise of this kind that any progress could be made in Cyprus. I asked Mr. Beeley if he thought a resolution in the Assembly which gave general support to the U.K. initiative would help them in persuading the Greeks and the Turks to cooperate. He said he thought that it would.

2. It seems to me that the most constructive thing that the Assembly might do this year, and one on which it might be not too difficult to get a two-thirds majority, would be a resolution which gave general blessing to a solution along the lines the British are propos-

²⁰ Pour un compte rendu des efforts déployés par le Royaume-Uni afin de régler le problème de Chypre dans le cadre de l'Organisation du Traité de l'Atlantique Nord, voir le chapitre II, 7^e partie.

For an account of United Kingdom efforts to solve the Cyprus issue within the North Atlantic Treaty Organization, see Chapter II, Part 7.

ing. It would be unwise, of course, to attempt to get the Assembly specifically to endorse the British plan. There are a number of delegations which could be persuaded that a compromise of this kind was the only hope for a solution but whose prejudices or political problems would prevent them from patting the British on the back too obviously. It seems fairly clear that the British would now be prepared to take almost any step which would solve the Cyprus problem and that it is not they, but the Greeks and the Turks who have to have pressure put upon them by world opinion. It would certainly not help if we tried to marshal the forces against them in such a way as to humiliate them but if their faces could be considered in the process, we might in the Assembly be able to help create a propitious atmosphere for negotiations. Much, of course, would depend on what transpires between now and the time this is debated in the Assembly but if the situation has not changed very much, then a debate along these lines would be helpful. In fact, if some initiatives were taken shortly to prepare the way for such a resolution in the Assembly, the Greeks and Turks might thereby be induced to talk more gently and act more reasonably in order to avoid the Assembly's wrath.

3. It would clearly not be advisable for the U.K. themselves to take any initiative along these lines. I don't think it would be advisable either for the Americans or most other members of NATO to do so. Canada might not be the best open sponsor of such a move but our position vis-à-vis the Asians and Africans is such that I think we might try sounding some of them out. We might even persuade the Indians to take the initiative. The trouble in the past too often has been on issues of this kind that the British and Americans and their friends have prepared an initiative and a resolution and then asked Krishna Menon to join them. The only way to get Krishna behind any such move is to let him take hold of it at the beginning. The end result will not be exactly what we would have designed ourselves, but we at least have Krishna working on our side rather than against us.

4. Last year, you will recall that we worked very hard to secure a resolution on Algeria that won Mr. Pineau's gratitude in the end although the French Delegation viewed our activities with some suspicion enroute. We were then asked to do a similar job on Cyprus, but we were reluctant to do so because we had already exhausted our reputation as a mediator. The request for help came too late and the result was not very satisfactory. There might be something to be said, therefore, for our choosing Cyprus in advance as a field in which we might play a role and making adequate preparations rather than being caught in the eddy of last-minute manoeuvres. From the point of view of our general policy, furthermore, I think there is something to be said for working to help the United Kingdom in a good cause thereby seeking to prove to them that neither we nor the United Nations are as hostile as some of them sometimes think.

J.W. H[OLMES]

21.

DEA/50141-40

*Note du chef de la Direction européenne
pour le sous-secrétaire d'État adjoint aux Affaires extérieures*²¹

*Memorandum from Head European Division,
to Assistant Under-Secretary of State for External Affairs*²¹

[Ottawa], July 31, 1958

CONFIDENTIAL

CYPRUS IN THE U.N. ASSEMBLY

In your memo of July 8 you discuss the role that Canada might play in promoting a helpful consideration of the Cyprus issue at the next General Assembly, and particularly the possibility that we could interest Krishna Menon in organizing support for a compromise resolution. Certainly this three-sided disagreement seems to be one calling for skilful assistance from the outside. Because of Canada's NATO and Commonwealth association, we are perhaps not the most acceptable to take up such a task. Menon would seem to have many qualifications, particularly in regard to the spheres in which he should be able to find support. You mention, however, that the end result would not be exactly what we would have designed ourselves and this raises the question whether the United Kingdom and perhaps the Turks would find Menon acceptable.

From what we can gather, there are indications that the Greeks would be prepared to work towards some compromise, at least in timing, although they maintain their ultimate goal of self-determination for Cyprus. Their chief concern at the moment seems to be the adoption of an interim arrangement which would not prejudice the final result in favour of partition. The Turks for their part seem set on creating a situation where partition will be inevitable. In assessing the validity of the Turkish contention that the two communities cannot live together, we must not lose sight of the fact that they did live peacefully together for many years in Cyprus, and that Turkish and Greek communities still manage to get along in Constantinople and elsewhere. Turkish propaganda has obviously played its part in exacerbating friction between the communities in Cyprus.

Thus there would seem to be ground for believing that a compromise could be found and if Menon were acceptable to the three parties, he would seem to be well qualified for the role of Good Officer in organizing Assembly support for a resolution which would facilitate its achievement.

In the last paragraph of your memorandum you touch on the general question of Canadian activity at the next Assembly, and we agree entirely with your point that we should decide in advance the issues where we will try to play a part in finding a solution, and then make our preparations accordingly. As you suggest, for Cyprus this might be in promoting Krishna Menon as the Good Officer. We may also find the French will look to us again, in view of last year's success, to help on the Algerian item.

HENRY F. DAVIS

²¹ Note marginale :/Marginal note:

Mr. Davis: We might at least save Mr. Biblica-Rosetti's life. J.W. H[olmes]

22.

DEA/50141-40

*Note du chef de la Direction européenne
pour le sous-secrétaire d'État aux Affaires extérieures*

*Memorandum from Head, European Division,
to Under-Secretary of State for External Affairs*

SECRET

[Ottawa], November 7, 1958

CYPRUS

The Turkish Ambassador came to see me this morning about the Cyprus issue in the UN. He had received instructions from his Government to call on the Minister to ask that we vote against the Greek position in the UN. In the Minister's absence he had come to see me to convey this request. He received at length the history of the NATO discussions and expressed the view that on the Cyprus issue, where the UK and Turkish positions coincided, we would presumably support Turkey since he considered it inconceivable that we would vote against the UK.

I asked whether he had any information on what the Greeks would propose in New York, but he could only speculate that they would seek to get the General Assembly to support a plan for self-determination. Since the Turks believed that this would inevitably place the Turkish minority under the domination of the Greek Cypriot majority, they would vote against any such proposal, and he sought assurances that we would do likewise. I said that since the situation he was describing was as yet hypothetical, I could not say what the Canadian Government's attitude would be. We had all along considered that the complex issue on Cyprus could more profitably be examined directly by those principally concerned — a conference of three, or of five by adding representatives of the two Cypriot communities, or a somewhat larger group such as that proposed in NATO should those concerned consider it would be helpful to have others associated with them to facilitate finding a solution. On this last point the Turkish Ambassador said his Government would never agree to go past five, although they had agreed in Paris to the Chairmanship of the Secretary General and also the presence of the US in an observer capacity.

The Turkish Ambassador said that with this reservation his Government remained willing to participate in a conference which would examine the problem in the terms of the British proposal and modifications thereto, and would also be prepared to consider the shape of the final settlement. On this they hold firmly to the conviction that only partition would be satisfactory, since they did not believe that independence, even internationally guaranteed after the Austrian model, would be satisfactory or permanent. It would be unsatisfactory since it would put the Turkish Cypriot minority under the control of the Greek Cypriot majority, and it would not be permanent since the UN could not indefinitely reject a majority vote for annexation to Greece.

When he could not get me to say that the Canadian Government would vote against a Greek proposal whatever it might be, he attempted to get me to say that we did not want the issue to come up in the UN. I repeated that the Canadian interest was to facilitate a solution satisfactory to those directly concerned, and that it appeared to us that a conference composed in a way satisfactory to these interests would be the most likely way to advance the solution of the problem.

HENRY F. DAVIS

23.

DEA/50141-40

*Le chef de la délégation à l'Assemblée générale des Nations Unies
au secrétaire d'État aux Affaires extérieures*

*Chairman, Delegation to United Nations General Assembly,
to Secretary of State for External Affairs*

TELEGRAM 2038

New York, November 27, 1958

CONFIDENTIAL. PRIORITY.

Repeat London, Washington, Paris, NATO Paris (Information).

CYPRUS

The debate on Cyprus began Tuesday with massive statements by Greece, the UK and Turkey in which they put their familiar arguments fully onto the record. The tone has been relatively unemotional and there seems to be a general feeling that there is room for compromise.

2. Averoff (Greece) laid emphasis on the formation of Cyprus as an independent entity free from the "repressions" of any outside power. The Greeks of course totally rejected the "monstrous" British plan which set up a joint government of Greek and Turk Cypriots under a British Governor. They believed that this would "plunge the knife of partition into the body of Cyprus" and make partition of the island certain and permanent. They are trying, not repeat not very nimbly, to woo the Asian-African group to their side by making allusion to "independence and freedom".

3. Noble (UK) insisted that the UK plan for Cyprus was the best possible working compromise in the circumstances and denied vigorously the Greek contention that the island would remain divided. He stressed that the plan would be in effect "a partnership", but that at present no repeat no binding decision need be taken in regard to the island's distant future. He did not repeat not exclude independence as an ultimate possibility and expressed the UK opinion that partition was not repeat not a solution. This last factor was most interesting and did something to re-establish the individuality of the positions of the three protagonists which may in turn reduce the Greek feeling of isolation. It was hopeful to hear Noble express satisfaction with the cessation of violence between the two communities, refuting in part the Turk premise that they cannot repeat not live together.

4. The Turks have attempted to disguise their interest in partition and have sought to identify their case with the UK position. Zorlu in his statement based his argument on the history of two separate common entities with divergent cultures, and urged the continuation of this separation. He attacked Greece bitterly and declared that there was no repeat no ground for belief in an independent Cyprus. He said that there was no repeat no Cypriot nation, not repeat not even a Cypriot political entity, and that no repeat no one was in a position even to consider such a situation.

5. France has been the only other speaker and seemed to voice the general view of all in expressing the hope that those concerned could find a solution.

6. Yesterday the exchanges between the three continued without perceptible advance towards a solution within the committee. Today the meetings are adjourned and the speakers list may be closed tomorrow. The real activity is in the corridors where compromise resolutions are sprouting, but as yet none has taken firm root, we are reporting on this aspect of the item in a separate telegram.

24.

DEA/50141-40

*Le chef de la délégation à l'Assemblée générale des Nations Unies
au secrétaire d'État aux Affaires extérieures*

*Chairman, Delegation to United Nations General Assembly,
to Secretary of State for External Affairs*

TELEGRAM 2045

New York, November 27, 1958

SECRET. CANADIAN EYES ONLY. OPIMMEDIATE.

Repeat London, Washington (Information).

By Bag Ankara, Athens from London.

CYPRUS DEBATE

It appears now that none of the three original resolutions is likely to be pressed to a vote. It is generally expected that suggestions for compromise will be made.

2. At an early stage the UK delegation were in touch with us and with the Norwegians on a very confidential basis in an effort to encourage us to put forward a short resolution in very general terms which would call for the end of violence and encourage the continuation of consultation between those interested. We made it very clear that, while Assembly agreement on such a formula would be in accordance with our aims, we were in no repeat no position to undertake to co-sponsor or even work for such a resolution at this stage and indeed might never be. We are, however, continuing in the most complete privacy to consider with the Norwegians the elements of a resolution which, according to our assessment of the changing situation, might have a chance of commanding the support of the three parties principally interested and thus of a majority of the Assembly.

3. While this has been going on the Japanese together with the Swedes and Austrians sought the views of the Norwegians and ourselves on the text of a draft which they had in hand. As it stood it appeared to have no repeat no chance in our opinion of attracting the support of the Greeks and would thus not repeat not qualify for our support since it would divide the three interested parties. As a result of the cold reaction of the Greeks and the general absence of encouragement from those he had consulted, the Japanese representative has reluctantly and with evident disappointment put his idea aside at least for the time being.

4. Menon has now come into the act and, although his ideas are far from clear, he seems to be thinking in terms of a resolution which would recognize the right to nationhood for Cyprus and constitute to some extent at least an endorsement of its unity. This would be a modification of the Greek thesis which, while it would avoid the danger which the Indians would see in supporting, unqualified, the concept of independence, would still be readily acceptable to the Greeks. The UK reaction has been definitely unfavourable to an Indian initiative. They are openly suspicious of any manoeuvre by Menon and clearly still hope that they may prevail upon us and the Norwegians to intervene in a way which will satisfy them.

5. We have been able so far, we believe, to avoid any commitment whatsoever. Nevertheless, it must be recognized that an extremely difficulty tactical situation is developing. The UK are trying to encourage us to develop a resolution tailored to their wishes and the Indians have asked us to seek instructions to co-sponsor the resolution they are planning. This we have not repeat not undertaken to do but there are two aspects of the Indian move

which we consider should not repeat not be ignored in considering our own policy in the Cyprus debate.

6. In the first place, the irresponsible behaviour of the Indian delegation at the emergency session of the General Assembly and over several questions before the present Assembly (e.g. the law of the sea) have produced tensions between the Indian delegation and others including members of the Commonwealth. There is deep mistrust within the UK delegation of Indian motives. We, for our part, despite our best efforts have not repeat not found it easy to establish the kind of fruitful working relations with the Indians which we have had in the past. In these circumstances, if this Indian initiative could be the basis of agreement for further consultation among the Three Powers, this, it seems to us, would be a good thing for Commonwealth relations as it would give the Indians the credit for a constructive initiative. For this reason, we do not repeat not wish to rebuff the approaches which the Indians have made to us although it seems to us obvious that we could not repeat not support an Indian resolution which while it carried the Greek support, was opposed by the UK and Turks. It is a delicate and difficult business to keep trying to encourage the more responsible element in Indian thinking and at the same time not repeat not to appear to the UK delegation to be encouraging what they regard as a mischievous Indian initiative. We feel, however, that in the interest of Commonwealth relations and of long-term relations with India, we should play our appropriate part in the endeavour although it must be admitted that we are not repeat not optimistic as to the outcome.

7. A further point to be borne in mind is that, once the Indians have gone into the field with a draft, the chances of Norway and Canada successfully pulling off a resolution more favoured by the UK become very unpromising. We should have to fight the Indians at every step, and in a contest with them for the uncommitted vote, we haven't a chance. Furthermore, the effect on Canadian-Indian relations of our doing so after the Indians had asked us to work in co-sponsorship with them on a draft, which is, on their part, an endeavour to be moderate, would be most unfortunate.

8. Behind this difficult tactical situation it is still possible to see some hopeful signs that wording acceptable to the UK and to the Greeks could be devised. The Turks, we expect, could then be brought along. At this stage, however, the Greeks are understandably not repeat not ready to abandon the favourable opportunities they see for organizing support within the Assembly behind the idea of independence or nationhood for a unified Cyprus, particularly if this thesis is being peddled by Menon. On the other hand, if we can rely on Menon not repeat not to be satisfied with anything less than massive support for his proposition, it may be possible after further manoeuvring to adjust the positions and reach agreement on a text to which none of the three interested parties would take strong opposition. We will continue to have this aim very much in mind and you can be sure that we are alive to the difficulties inherent in the situation.

9. In any event, as we understand our instructions, we shall continue to work for a conference on a basis acceptable to all the parties and this implies the avoidance of taking sides on the substance of the issue. There is just a possibility that if the Indian resolution and perhaps a counter-resolution reflecting UK and Turkish views are to appear in competition before the committee at a final stage a brief compromise text might command the support of the committee which we think will be reluctant to take sides on the question of substance.

25.

DEA/50141-40

*Le chef de la délégation à l'Assemblée générale des Nations Unies
au secrétaire d'État aux Affaires extérieures*

*Chairman, Delegation to United Nations General Assembly,
to Secretary of State for External Affairs*

TELEGRAM 2056

New York, November 29, 1958

SECRET. CANADIAN EYES ONLY. OPIMMEDIATE.

Repeat London, Washington (Information).

By Bag Athens, Ankara from London.

CYPRUS

After several consultations with key delegations the Norwegians and ourselves yesterday produced a piece of paper which attempted to describe in a way palatable to the principal three the largest area of agreement which we thought could be found in the Assembly for a resolution to close the Cyprus debate. We met together late yesterday afternoon with the UK Permanent Representative to get his reactions to our line of approach. We pointed out that obviously our form of words was not repeat not a draft resolution but that we were showing the paper to him to see to what extent his delegation might find acceptable a resolution based on those ideas. We explained that they were being put to him informally in response to the UK suggestion that the Norwegians and ourselves might be helpful on the Cyprus item. We reiterated that we were not repeat not directly involved and, as my Norwegian colleague put it, it is happily not repeat not necessary for us to have a Cyprus policy. However, we remain willing to associate ourselves with a compromise which would command at least the acquiescence if not repeat not the support of the three principal parties. Thus, the Norwegian-Canadian paper could not repeat not be considered as an "initiative" and we would not repeat not proceed if we met objections from any of the three.

2. Dixon took exception to the main line of the paper, feeling that it placed unacceptable emphasis on agreement on a final solution and he suggested increased emphasis on a recognition of the Macmillan plan as the interim arrangement in operation for the "cooling off" period.²²

3. Dixon indicated to us that he anticipated that it would prove impossible to get Greek agreement to any formula which would be acceptable to the UK and the Turks. He thought that the intransigence of the Greek position had been increased by the activity of the Indian delegation in propounding draft resolutions which went further to meet the Greek position. In the circumstances he indicated that it might be preferable for the UK to proceed with their own resolution amended to make it more generally acceptable rather than to try for a solution based on acceptability to all three of the principal parties. The Norwegian Ambassador pointed out that this would of course be a decision for the UK to make, having in mind their estimate of the voting support which the UK resolution might obtain.

4. Dixon explained that the reactions he had voiced were personal and that he would seek London's views on our ideas. We reminded him of the status of our paper and said that it did not repeat not bear the judgment of either the Norwegian or the Canadian governments

²² Voir la 7^e partie, chapitre 2.

See Chapter 2, Part 7.

and in the circumstances requested him not repeat not have any standing. The next move is up to him.

5. Clearly our approach does not repeat not meet Dixon's idea of the UK requirements. On the other hand, a line markedly nearer to the UK position and meeting Turkish requirements would appear to have no repeat no chance of acceptance by the Greeks. Indeed, we much doubt whether even our present Canadian-Norwegian paper would not repeat not be rejected by the Greeks as being too near the British position. The UK delegation seem to share our assessment on this point.

6. Advisers on the UK delegation have let us understand that there is still a possibility of something useful developing from our response to the original UK request for help. We propose to take no repeat no other action unless there are new developments.

26.

DEA/50141-40

*Le représentant permanent auprès des Nations Unies
au secrétaire d'État aux Affaires extérieures*

*Permanent Representative to United Nations
to Secretary of State for External Affairs*

TELEGRAM 2062

New York, December 2, 1958

CONFIDENTIAL. OPIMMEDIATE.

My telegram 2063 December 2 contains the texts of the Indian and the latest Iranian resolutions. The voting situation with which we may be confronted on these resolutions seems to us as follows:

2. The Iranian resolution, which may be voted on first, corresponds to the aims of the UK delegation and is in itself, we think, quite a good effort. It would be hard not repeat not to vote for it. On the other hand the Greeks may oppose it and the Indians likewise.

3. The Indian resolution is now couched in pretty mild terms. It will have Greek support and probably that of many of the Afro-Asian group and quite a large number of others. The British and Turks will in all probability be opposed to it.

4. Our dilemma therefore may be that instead of a resolution carrying the acquiescence of all three parties we shall have two competing resolutions, to neither of which we would object in substance. One possible line of voting would be to vote for the Iranian resolution, which is politically more neutral, and to abstain on the Indian resolution, which in inspiration is more biased.

5. I hope to be able to speak to the Under-Secretary by phone after this morning's meeting, since voting instructions along this line would mean moving away from the position of strict neutrality which we have up to now maintained on the Cyprus issue. We have found throughout the debate that several delegations including the USA, Netherlands, Norway and New Zealand have views similar to ours and they will thus face the same voting problem as ourselves, although we do not repeat not know yet how they may meet it.

[C.S.A.] RITCHIE

27.

DEA/50141-40

*Le représentant permanent auprès des Nations Unies
au secrétaire d'État aux Affaires extérieures*

*Permanent Representative to United Nations
to Secretary of State for External Affairs*

TELEGRAM 2063

New York, December 2, 1958

OPIMMEDIATE.

Following is the text of the Indian resolution and, second, of the Iranian resolution:

The General Assembly,

Having considered the Cyprus question,

Recalling its resolution 1013(XI) which expressed the earnest desire for peaceful, democratic and just solution in accordance with the purposes and principles of the Charter of the UN and the hope that negotiations would be resumed and continued to this end,

Expressing concern at the situation in Cyprus,

Noting with regret that the efforts hitherto made have not repeat not resulted in a solution,

Desiring to see the restoration of peaceful conditions and to further friendly relations in the area,

Welcoming the statement of the Representative of the UK that his government seeks to "help to preserve the united personality of Cyprus",

Welcoming further the statement of the Representative of the UK that his government does not repeat not favour the partition of Cyprus or consider it to be a solution of the problem,

Welcoming the recent statements of the Greek government that they do not repeat not have territorial claims or expansionist desires in regard to Cyprus,

Believing that the Cypriot people are entitled to self-government in accordance with the Charter of the UN, (1) Urges all concerned, particularly the government and people of Cyprus, to use their best endeavours to establish conditions of the cessation of violence in Cyprus helpful to peaceful negotiations; (2) Considers that effective provisions for the protection of all legitimate minority interests are essential for a peaceful, equitable and stable settlement; (3) Requests the UK government to continue negotiations with a view to promoting self-government for Cyprus, in accordance with the provisions of the Charter of the UN, and the preservation of its integrity; (4) Calls upon all member states to co-operate to this end, undertaking to respect the integrity of Cyprus as well as its self-government when it is fully attained.

The General Assembly,

Having considered the question of Cyprus,

Recalling its resolution 1013(XI),

Noting the efforts which have been made in furtherance of this resolution, and in particular the efforts to bring about a conference between the three governments concerned and representatives of the Cypriots, at which there would be discussion not repeat not only of the interim arrangements for the administration of Cyprus but also of a final solution, in accordance with the principles of the Charter and to meet the legitimate aspirations of the inhabitants of Cyprus,

Believing that such a conference, with the assistance if desired of governments and personalities acceptable to the three governments directly concerned, offers the best hope of peaceful progress towards an agreed solution of the Cyprus problem,

Urges that such a conference should be convened, and that all concerned should cooperate to ensure its success.

28.

PCO

Extrait des conclusions du Cabinet

Extract from Cabinet Conclusions

SECRET

[Ottawa], December 4, 1958

Present:

The Minister of Public Works and Acting Prime Minister (Mr. Green) in the Chair,
 The Minister of Finance (Mr. Fleming),
 The Minister of Veterans Affairs (Mr. Brooks),
 The Minister of National Defence (Mr. Pearkes),
 The Minister of Trade and Commerce (Mr. Churchill),
 The Minister of Justice and
 Acting Secretary of State for External Affairs (Mr. Fulton),
 The Minister of Fisheries (Mr. MacLean),
 The Minister of Labour (Mr. Starr),
 The Postmaster General (Mr. William Hamilton),
 The Minister without Portfolio (Mr. Macdonnell),
 The Minister of Mines and Technical Surveys (Mr. Comtois),
 The Minister of National Health and Welfare (Mr. Monteith),
 The Minister of Northern Affairs and National Resources (Mr. Alvin Hamilton),
 The Minister of Defence Production (Mr. O'Hurley).
 The Assistant Secretary to the Cabinet (Mr. Fournier).

UNITED NATIONS; INDIAN AND IRANIAN RESOLUTIONS ON CYPRUS

1. *Mr. Fulton, as Acting Secretary of State for External Affairs*, reported that Mr. Nesbitt had telephoned from the U.N. delegation in New York on two occasions during the day in connection with the Indian and Iranian resolutions on Cyprus, on which there was likely to be a vote in the Political Committee during the day. Mr. Nesbitt had pointed out that the delegation's instructions were to vote in favour of the Iranian resolution but against the Indian resolution. The Indian resolution, meanwhile, had been modified, and he and the members of the delegation were strongly in favour of abstaining on the modified version. It was the delegation's view that Canada, in voting with Britain against the Indian resolution, would lose its "neutral" influence and reputation of impartiality in the United Nations. Furthermore, a vote against the Indian resolution would upset the Greeks, embarrass the Indians, and affect Canada's relations with them. Norway and New Zealand were proposing to abstain while Australia would vote with the British. Mr. Nesbitt had been informed that there would be no change in the instructions without Cabinet consideration of the matter. In a later call Mr. Nesbitt had reported that the Australians had now changed their minds and that they would abstain on the Indian resolution. This would leave Canada and the United Kingdom as the only Commonwealth countries voting against India. He again strongly urged that the delegation be instructed to abstain and pointed out that Greece would be embarrassed in N.A.T.O. if all N.A.T.O. countries voted against the resolution. Mr. Fulton had pointed out to Mr. Nesbitt that Turkey, who was also a member of N.A.T.O., had been more co-operative and more reasonable than Greece in the Council's

discussions. He had received a visit from the Turkish Ambassador during the morning who had expressed the hope that Canada would support a resolution which would minimize the conflict rather than aggravate it. He had given the ambassador only general assurances.

2. *Mr. Fulton* read the Iranian resolution of which the operative part urged that the conference between the three governments concerned and representatives of the Cypriots not only discuss interim arrangements for the administration of Cyprus but also a final solution in accordance with the principles of the Charter and to meet the legitimate aspirations of the inhabitants of Cyprus. The modified Indian resolution prefaced its operative part with the words "believing that the Cypriot people are entitled to self-government in accordance with the Charter of the United Nations . . . requests the United Kingdom government to continue negotiations with a view to promoting self-government for Cyprus, in accordance with the provisions of the Charter of the United Nations etc., etc."

(Telegram Permisny, to External, Dec. 2, 1958, 2063).

3. *During the discussion* the following points were raised:

(a) The Canadian delegation had already indicated that it would support the Iranian resolution. The main difference between the Iranian resolution and the Indian resolution was that the former was acceptable to the United Kingdom while the latter was not. The Iranian resolution would likely carry in the Political Committee. Should the Indian resolution also carry, it was to be noted that it would have to obtain a two-thirds majority in the General Assembly to be approved.

(b) Abstention on Canada's part would be a sign of indifference towards this important problem. Canada should not refrain from stating its position. There was as yet no indication as to how the United States or France would vote on the Indian resolution. Public reaction in Canada would have to be taken into consideration. The position taken by the party two years previously on the Suez incident had, as later events indicated, received general approval of the public. The government was now in a position where it could not justify its action vis-à-vis its supporters if it did not stand with the United Kingdom. It was immaterial whether Canada lost its role of middle-man. It was unthinkable that Canada should not support the United Kingdom. Some, however, pointed out that the Suez and Cyprus situations were not comparable. The present government had taken a definite stand for self-determination and any vote against such a principle would have repercussions in the country. Also, it was difficult to determine the Canadian position in view of the fact that all Commonwealth countries except the United Kingdom and Canada would abstain, and also that the Canadian advisors in New York were strongly recommending that Canada abstain. On the other hand, it was doubtful whether the role of mediator should go so far as to lead Canada to vote against the United Kingdom. Abstention in this case would appear to be a vote against the United Kingdom.

4. *The Cabinet* agreed that the Acting Secretary of State for External Affairs instruct the Canadian delegation in New York to vote against the modified Indian resolution unless the United Kingdom itself decided to abstain.

DEA/50141-40

29.

*Le chef de la délégation à l'Assemblée générale des Nations Unies
au secrétaire d'État aux Affaires extérieures*

*Chairman, Delegation to United Nations General Assembly,
to Secretary of State for External Affairs*

TELEGRAM 2100

New York, December 5, 1958

CONFIDENTIAL. OPIMMEDIATE.

Repeat Washington, London, Paris, NATO Paris (Information).

FIRST COMMITTEE: CYPRUS

Last night the First Committee cleared the Cyprus item from its agenda. Unfortunately it cannot repeat not be said that the issue has been advanced and in fact last night's result could just as well have been achieved at the beginning of the debate, since it appears only to have confirmed the well known divisions which separate the parties principally involved.

2. The Chairman of the Committee must bear some of the responsibility for the unsatisfactory results since he failed to get control of the discussion and the general impression throughout the Committee that an agreed compromise would be found during the dinner recess quickly evaporated when the Chairman allowed the drafting wrangle to continue and to wear through the cover of goodwill with which both the Greeks and Turks had attempted to cloak their differences, even up to the vote. It seemed to have been within the power of the UK delegation to say the word of encouragement which would have smoothed the way. Noble, however, put on a particularly austere performance and it is difficult to avoid the impression that the UK tactics were deliberately designed to keep the Greeks in isolation and force a vote which by a majority, at least would register approval of the UK's policy. In the end this is what happened but it may turn out to be a pyrrhic victory for the sympathy of the Committee had been engaged by the evident desire of the Greeks and Turks to produce a compromise to the extent that their foreign ministers were exchanging veiled compliments rather than ill-disguised insults. The unhelpfulness of the UK delegation was in contrast with the studied unpartisanship of the USA. Lodge abstained throughout the preliminary votes on the Turkish amendments and the Greek amendments to the Iranian resolution. They joined the majority however to vote in favour of the amended text which, despite the Greek objection, included their proposals and was in substance a reasonably satisfactory paper. The vote was 31 in favour (including Canada), 22 against, with 28 abstentions. Of the NATO countries, Greece and Iceland alone voted against and Italy, reflecting its more direct involvement in the question, abstained.

3. The UK, Greece and Turkey withdrew their resolutions and the contentious pro-Greek proposal inspired by India was also withdrawn.

4. The Colombian resolution which called for the UN and the Secretary General to participate in promoting a peaceful, just, and democratic solution to the problem, was put to the vote and rejected 17 in favour, 17 against (including Canada) with 47 abstentions.

5. The Belgian resolution, which had been considered unexceptionable and which recommended that all concerned should resume and continue their efforts in a spirit of cooperation with a view to reaching a friendly solution in accord with the purposes and principles

of the Charter of the UN (and which could have been much more useful had it been voted upon at a later date in view of the tense atmosphere which prevailed in the Committee last night) was voted on next. It was rejected by a vote of 11 in favour (including Canada), 22 against with 48 abstentions.

6. The item then passed to the plenary session of the Assembly. In the meantime steps were taken to inspire an unobjectionable sponsor for an unobjectionable procedural resolution to attract support from all sides. Before this tactic could succeed, however, it was necessary to change last night's atmosphere.

7. Fortunately this was achieved before the plenary session met this afternoon. The Mexican representative took two minutes to present an agreed resolution of which the operative paragraph read as follows: "The General Assembly expresses its confidence that continued efforts will be made by the parties to reach a peaceful, democratic and just solution in accordance with the Charter of the UN". The Chairman gave the meeting a few seconds to raise objections and when none was forthcoming declared the resolution passed unanimously.

SUBDIVISION IV/SUB-SECTION IV

APPRÉCIATION
ASSESSMENT

30. DEA/5475-DW-58-D-40
*Projet d'une note du sous-secrétaire d'État adjoint aux Affaires extérieures*²³
*Draft Memorandum by Assistant Under-Secretary of State for External Affairs*²³

CONFIDENTIAL

[Ottawa], January 27, 1959

THIRTEENTH SESSION OF THE UNITED NATIONS GENERAL ASSEMBLY

There is a strong impression among most of those who attended the last session of the Assembly that it was a disagreeable session which accomplished little and displayed trends which could lead to a serious decline in the force and prestige of the Assembly and of the United Nations as a whole. An examination of the record of the Assembly does little to dispel these doubts. It seems important, therefore, to identify the reasons for failure so that remedial action, if possible, may be taken in time, or, at any rate, so that our policy in and towards the United Nations may be suitably adjusted.

2. First, let us look very sketchily at the record of the Assembly on some of the principal items under consideration:

Disarmament

The only concrete result of the disarmament debate was the establishment of a Disarmament Commission of the whole. Its establishment represents the victory of a Soviet proposal made first at the previous session. However, this unsatisfactory body may never meet.

²³ Holmes avait joint la note manuscrite suivante adressée au sous-secrétaire :/Holmes attached the following handwritten note to the Under-Secretary:

This is a rough effort at a paper which is intended to provoke an examination of our U.N. policy not to settle it. We intend to carry on the examination among those directly involved in Assembly matters in the hope of producing some solid recommendations. If you would like to make any comments at this stage, we should be most grateful. J.W. H[olmes]

Because of its ponderous composition, the result of this decision may well be the further divorce of the United Nations from the active work of disarmament negotiation and intensification of the reliance on ad hoc meetings beyond the jurisdiction of the Assembly. The Assembly has never dealt, of course, and should not properly deal with the details of negotiation. Its principal purpose, if any, is to reach conclusions which will assist negotiations held elsewhere. This year all efforts to achieve a unanimous resolution and thereby give a useful fillip to the Geneva negotiations failed. The Western Powers won a meaningless victory by ballot in the Assembly, but neither they nor the Russians were able to gain the vote of the uncommitted.

Outer Space

The only accomplishment in this field was to introduce the notion of United Nations interest in, and possible control of, peaceful uses of outer space. The launching of this programme, however, was spoiled by the failure of the USSR and the Western Powers to agree on the composition of an ad hoc committee; even though this committee was intended only as an investigatory body which would report back to the next session on how the United Nations should deal with outer space. Again the West won a majority in the vote, but as the ad hoc committee will be boycotted not only by the Soviet Union but also by some of the uncommitted countries, it is doubtful if it can accomplish any of the purposes intended.

United Nations Force

Proposals sponsored by President Eisenhower and other Western leaders for a modest beginning at setting up a United Nations force had to be abandoned because of the flat opposition of the Soviet Union, which has always opposed a United Nations force of any kind; by India and the Arab countries, who saw in the suggestion an attempt to give a cloak of international legality to such Western military enterprises as the intervention in Lebanon and Jordan; and by the Latin Americans, who did not want to foot the bill. The Secretary-General, who advocated an examination of the possibilities, was forced to withdraw his proposals or risk a permanent break in his relations with the Soviet Delegation.

Cyprus

This was the only subject on which the Assembly managed to produce a unanimous compromise result in the manner which has become standard practice for items of this kind in the past few years. This, however, was a particularly broad and empty unanimity, achieved by declaration of the President in a plenary session after efforts on the part of a number of countries neutral in the issue to achieve agreement on a compromise resolution in Committee had ended in lamentable failure.

Algeria

Although at the previous session a compromise resolution on this subject had been achieved, this year it was hardly even attempted. A resolution supported primarily by the anti-colonialist countries not only achieved a majority in the committee but came one short of a two-thirds majority in plenary.

Korea

Another American-sponsored resolution on unification achieved a majority in the Assembly but is unlikely to have any more effect than its predecessors. There was perhaps some value in the debate. Somewhat more dissatisfaction with the American approach was expressed by member states, including Canada, all of which might have had some slightly unsettling and therefore beneficial effect on United States policy.

South African Questions

On questions of apartheid and treatment of Indians, South Africa lost ground. The lack of sympathy to South Africa shown by many European and Commonwealth countries has perhaps contributed slightly to diminishing the Asian resentment against them. On the question of South West Africa, however, the anti-colonialists, by rejecting without consideration the study of a solution by partition, indicated a discouraging unwillingness to look at practical proposals.

United Nations Special Fund

Although the debate was acrimonious, the Second Committee managed to hammer out a reasonably satisfactory establishment for the United Nations Special Fund. Funds, however, are not forthcoming in amounts to match the rhetoric.

International Administrative Service

Provision of this service for technical assistance to needy countries was one of the small but concrete achievements of this session.

French Togoland

A resolution bringing to an end the trusteeship agreement for Togoland was unanimously adopted, and by next year almost all the trusteeship territories will have been liquidated as such. The fighting in the Fourth Committee, however, over the future of French Togoland, was not very well calculated to make the best out of these happy signs of progress.

Law of the Sea

The Assembly was able, by a very narrow majority, to plan another conference on the Law of the Sea, although the date is much later than we should have liked. During the debate in the Assembly, there was a drawing of lines on the substance of the issue which does not augur well for a solution. Whereas at Geneva countries were divided largely on grounds of varying national interests, they tended in the Assembly to divide along conventional United Nations political lines, with the less powerful nations lining up against the major Western Powers — an unhappy example of the way in which the United Nations' own cold wars can poison international relations.

UNWRA

Although UNWRA was continued in being, the Assembly failed, because of strong Arab opposition, to grapple with the urgent problem of the future of the Agency after 1960, when it is scheduled to close down unless something is done.

Hungary

Perhaps not much harm was done over Hungary this year. The Assembly did strive to maintain its moral position while recognizing the practical limits to United Nations action. The appointment of Sir Leslie Munro, although unlikely to achieve anything positive, did prevent the Assembly from abdicating its interest in the issue without, on the other hand, setting out to accomplish what would be bound to fail.

UNEF

The continuation of UNEF was accomplished in a reasonably satisfactory manner, although the problem of general financial support remains highly unsatisfactory.

3. In addition to these issues which were discussed, one might mention two broad and important matters which were not considered in substance.

4. The first is the situation in the Middle East. Although no obvious progress was made in the Assembly on various Middle Eastern issues, the reason for this was not a bad one. In the Special Session in August, the Assembly had had in the united Arab resolution one of its more hopeful achievements. The détente produced by this resolution produced a considerable effect throughout the regular session of the Assembly. The relatively good atmosphere on these issues was one of the happier, even though negative, features of the session.

5. The other major issue was China. The Americans once more secured the passing of their moratorium on a discussion of the question of Chinese representation but they lost still more ground. With a number of other countries very uncertain on this issue, it seems highly doubtful if the moratorium procedure can be risked another year. If it is not, the Fourteenth Session could begin with one of the most dangerous and crucial debates in the Assembly's history. As for the question of the off-shore islands, this was the major preoccupation of members of the Assembly during the first weeks of the session. There was a great deal of diplomacy going on in the corridors and many projects for intervention by one or other of the United Nations organs or the Secretary-General. All of these, however, foundered on the anomalous position of China in the United Nations; and the absolute refusal of Peking to have any relations with the United Nations short of full satisfaction served to point up the ineffectiveness of the United Nations under present circumstances in dealing with a major threat to peace.

6. This apparent record of failure can, of course, be made to look worse than it is. Critics all too often forget that the purpose of the Assembly is to debate, not to legislate; that it is not the agency intended to deal with breaches of the peace; that its role is not to negotiate but to facilitate negotiation. It should never be expected that it would settle the issues of Cyprus, Algeria or Korea. The question is not whether it settles an issue but whether it contributes to the settlement or makes the settlement less likely.

7. Looking at the results in this way, one must conclude that for Algeria and Korea it did no good and possibly some harm. As for Cyprus, one's impression on the spot was that it did a great deal of harm. The debate was more bitter than ever, and efforts to compromise were frigidly rejected. Nevertheless, the facts are that, after a couple of months, agreement over Cyprus seems closer than it has been for a long time. The debate in the Assembly would, of course, be only one of many elements contributing to this result. It could be argued, however, that the failure of any party to a dispute to get satisfactory endorsement in the Assembly may contribute more to an atmosphere of settlement than the achievement, as in the past, of a deceptive agreement. In the disarmament debate, one also had on the spot the impression of failure. It seemed that the inability of the parties, with the assistance of neutral countries, to achieve the kind of unanimous resolution which would give the Geneva talks a good send-off, was discouraging. In fact, however, it is doubtful if this was the effect achieved. The Russians undoubtedly hoped to mobilize Assembly opinion to strengthen their hand for suspension of nuclear tests with as few conditions as possible; whereas the United States, the United Kingdom and France hoped to get support for their reasonable programme. Neither side, however, achieved a resounding success or the voting support of the uncommitted. This failure may also have contributed more to successful negotiations than the patching over of differences with pious resolutions.

8. If there is validity in this conclusion, then the implications for Canadian policy in the Assembly are considerable. The traditional pattern of our Assembly policy has been to cooperate with Scandinavian countries and with others in putting forward compromise resolutions which would draw away support from the two extremes and end the discussion with a better taste, in the hope that we would thereby help the parties concerned more easily to reach agreement. If, however, these compromises which we have achieved served

only to conceal disagreement and prevented the parties from facing up to the need for genuine compromise, then perhaps our efforts might better be used in some other direction.

9. The fact seems to be that whether this policy of being a midwife for happy resolutions was a good play for Canadian policy or not, the play no longer works. The delegations which have traditionally produced compromises did, to some extent at least at this session, pursue their usual practices, and other delegations took for granted that this was the pattern of a debate. Scandinavians, the Japanese and we ourselves, however, seemed somewhat weary of the game. Perhaps we felt that we had now exploited the language of compromise. A more important factor was a hardening of the attitude of the two sides. The major Western Powers showed as little willingness to compromise as did the Russians. The Indians and Yugoslavs were very active in the compromise game but less effective. The most important factor in the defeat of these compromise moves was probably the fact that the Indians, for reasons of personnel as much as anything, have lost the confidence of the Western Powers and are not much respected by the Soviet Union. Trusted by neither, their traditional role in the Assembly is undermined, to the disadvantage of themselves and the Assembly. The Asian and African countries in general are, furthermore, feeling stronger and are less disposed themselves to accept evasive language for the sake of agreement. They know that the power of the Western countries to achieve a two-thirds majority or even, in some cases, the blocking third, is failing and they are less disposed to give ground.

10. The United Nations is going through a period when the balance of power is shifting and many members will have to adjust their policies to new conditions. The major Western powers have taken for granted that the automatic majority which they could achieve on major issues is not only natural but right and proper. They have denounced the Soviet veto in the Security Council as immoral but they have refused to recognize that, in Soviet eyes, the automatic majority is a veto of similar kind. (The American argument that this is a voluntary majority reflecting the views of the greater part of mankind may be true, but it is not seen in that light by the Russians.) Not only the Russians but the Asian and African countries have resented the automatic majority which the West could achieve on colonial issues. The realization of their greater power is making the opposition to the West rambunctious. The Russians are now making it quite clear in the Assembly, in their attitude towards Geneva negotiations, and even in things like their attitude towards the nationality of controllers in a nuclear test control system, that they will no longer put up with allowing the United States to call on its reliable friends to enable it to out-vote the Soviet Union. Hence the demand for "parity" which is now paralyzing much useful United Nations activity. Regardless of our pleas, the Soviet Union is not going to accept United Nations organs set up on the old basis of representation. We may or may not ignore their boycott, but we cannot solve any of the world's major problems without Soviet participation. The realization of this fact hung like a cloud over the past Assembly and accounted to some extent for the depression.

11. Related, of course, to this fact is the fact of China. There was a time when we could persuade the Communist Chinese to have informal relations with the United Nations over Korea or over the prisoners-of-war. This they are no longer prepared to do. It is becoming increasingly obvious, therefore, that no major issues of the Far East can be solved in the United Nations and that it would be extremely difficult, furthermore, to tackle general issues like disarmament without the participation of Peking. At the same time, there is a growing realization that this problem cannot be solved by a simple gesture of voting to seat the Communists. The finding of a solution will be a process which could itself wreck the United Nations. The admission of Peking would further upset the traditional balance of power in the Assembly; the disposition of the representatives of Taipei is a question for

which no one has a solution. The attitude of the United States Government to the United Nations after Peking had been admitted provides grounds for the deepest foreboding, and the fact that this issue may be joined at the next session is a major cause of gloom.

12. There is no doubt also that responsible people in the United Nations from all delegations are concerned over the trends of membership. Only the most intransigent still think that we could have avoided the decision on admission of new members some four years ago, but nevertheless the consequences of universality are becoming increasingly worrying. It is taken for granted that the new members will almost automatically join the anti-colonialists. Our hopes that the anti-colonialists would mature gracefully have been shaken by their behaviour in this session. Even such reasonably well-disposed people as the Ghanaians have showed a notable lack of balance, and the unscrupulous zeal with which Guinea was pushed into membership in order to increase the anti-colonialist vote was frightening to behold. It is not surprising, therefore, that the prospect of this situation getting steadily worse has had a particularly unfortunate effect on Western European countries. It takes the form of complete cynicism towards the United Nations and an attitude of uncompromising and bitter resistance which only exacerbates the tensions. As Western Powers see themselves becoming a minority, they display some, at least, of those neurotic tendencies which have characterized other "blocs".

13. One less discouraging factor is that compromise can still be achieved on such issues as the creation of the Special Fund. The strength of the under-developed countries is great and the West has no longer an automatic majority. Nevertheless, it has the money. There are questions which require expenditures or such things as the provision of forces or the status of a dependent territory on which no majority can prevail. The anti-colonialist countries will press very hard and they have a great tendency to exaggerate; nevertheless some of them do recognize the limits of their power. They will make life continually more difficult for the colonial powers and incite trouble, but they cannot force these countries to abandon their colonial territories. As for the Soviet Union, it makes some profit from the propaganda involved, but some of its interests are not entirely different from those of the major Western Powers. As the Communist states themselves contribute more to economic aid projects, they will be even less anxious to allow the under-developed countries to squeeze money out of them. Perhaps one may hope also that increasing Soviet involvement in the Middle East, for example, and the increasing awareness on the part of Arab countries of the dangers of Soviet imperialism, will mean that, although the Western powers will undoubtedly continue to bear the scourge of anti-colonialist fury, the Russians will make less profit out of it.

Policy Proposals

The question arises as to the attitudes and policies which we should adopt in the light of changing circumstances in the United Nations.

We might consider first whether we should revise our attitude to what the United Nations might be expected to accomplish and how it might best do so at the present time. There is no more possibility now of exorcising the United Nations than there was in the past. We may not like certain trends but we cannot by-pass the United Nations or run away from it. The institution is more deeply rooted than ever in the popular mind, and whatever distaste for it may be felt by the older powers, its importance becomes steadily greater in the eyes of the more recently emancipated countries. Whether we like it or not issues will go to the United Nations and we shall have to cope with them there. We can, however, adjust our attitudes on how they are best treated and on the extent to which they should be dealt with in the standard organs of the United Nations or off in the wings.

In order not to destroy faith in the future of the United Nations, it may be best to look upon the present as a transitional stage during which the usefulness of the principal organs of the United Nations is limited by lack of agreement among the Great Powers. It is a transitional stage in the United Nations because it is a transitional stage in the relations among the powers (including China, of course, as one of the Great Powers). Hitherto, the United Nations has been able to carry on with moderate effectiveness because, although relations between the Great Powers were by no means happy, the *modus vivendi* established in 1945 still worked. In the last year or so it has been breaking down, the most evident indication of this being the inability of the Assembly to reach agreement on the composition of functional sub-committees. It is breaking down not because relations between the powers are becoming worse but because the power relationships are being re-adjusted in accordance with a shift in the balance of real power. The primary cause of the present crisis is the refusal of the Soviet Union and China to accept any longer the positions of strength assigned to them on the basis of relationships in the immediate post-war period and, on the other side, the unwillingness of the Western Powers to put in jeopardy the veto by assured majority to which they consider they have a right in the United Nations.

The failure to reach a new *modus vivendi* in the United Nations does not mean, however, that the Soviet Union and the Western Powers are unwilling to negotiate. They in fact seem more willing than at any time since the end of the war to strike bargains. The agencies of negotiation, however, are conferences, or what sometimes amount virtually to standing committees, created on an *ad hoc* basis that is difficult to justify in theory but does enable the sides to get together. As this seems to be the only practical alternative to negotiation within conventional organs of the United Nations, it would be foolish to try to stop it on grounds of theory alone. For the sake of the dignity of the United Nations, it is well for it to try to throw a cloak or blessing over such conferences, enabling members of the United Nations to comment upon the proceedings, to prod and suggest, but not to interfere.

This kind of activity outside the halls of the United Nations does, nevertheless, derogate from the popular prestige of the institution. The best way, perhaps, to minimize the ill effects is to acknowledge that in the present state of affairs, and probably for some time to come, a good deal of negotiation will have to be done outside the Security Council, the Assembly and other United Nations bodies, but to argue at the same time that this is all complementary, that the virtue of the United Nations is that it brings people together and provides varied and flexible methods for dealing with disputes. In fact, this kind of extramural negotiation need not do great harm unless the Rousseauian purists among United Nations supporters have it so. Instead of wailing over the collapse of a San Francisco dream, one can take the optimistic — and historically better justified — view that the United Nations is groping its way to forms which will more adequately reflect the realities of the world, that this process will involve not altering the Charter but building upon it in the pragmatic Anglo-Saxon way. This Pollyanna approach, it may be argued, is an attempt to conceal the bitter truth. It all depends on what we are doing. If we approach the matter not in a spirit of self-delusion but rather as an effort to find a workable philosophy adapted to the exigencies of the times, there is justification for putting the best front on what is happening.

As for the particular aspects of Canadian policy, following are a few suggestions for consideration.

In the first place, there is no alternative to continuing patiently and understandingly to build bridges between the races, even though the task is perhaps more discouraging than

ever. Canada has achieved a position in the United Nations which we could not immediately renounce if we wanted to, although the failure over several sessions to make substantial contributions to the process of compromise and mediation would soon lose us a position we have gained over the years. However difficult, we must continue to have faith in the possibility of understanding between the Asian and African peoples and the Europeans and not allow ourselves to be diverted by the argument that Asians and Africans are natural allies of the Communists and the only way to treat them is to form a solid NATO or Western bloc in the Assembly. Such an attitude requires even greater effort than before in the establishment of personal contacts in New York and our missions abroad and a more consistent and intense study of the problems of colonial areas to enable our good offices to be used more effectively.

A policy of greater appeasement of the anti-colonialists is not called for or timely. It has never been Canadian policy weakly to agree with either the colonialists or the anti-colonialists in principle. Our reputation is based on a willingness to discriminate, on not voting automatically one way or the other. Without retreating from our attitude of cool detachment towards the colonial and racial policies of countries like South Africa and Portugal, we might find it opportune to grow somewhat tougher or more impatient with the extreme anti-colonialists. If at all possible, we should try to indicate to them that their unbridled behaviour in the past Session is not the best way to achieve results. Because we have been sympathetic to them, we can afford to be outspoken when outspokenness is required. Above all, we should seek to persuade the more influential and the more sober members of the anti-colonial group, members of the Commonwealth in particular, that their tactics are threatening the power and influence of the Assembly and of the other organs of the United Nations as well. We should seek to convince them that the policy of goading to fury the rich and powerful countries is not the way to bring about a reduction of international tension or the launching of international economic aid programmes. We should argue that they, more than any other peoples, are dependent upon the United Nations to exert their influence in the world and as a field for their diplomacy and that a policy of bringing the United Nations into disrepute is weakening the principal arm of their own policy.

These remarks are not easy points to make, as anyone who has tried to make them will realize. Nevertheless, there are distinguished Asian and African leaders who would understand the gist of the argument if it were put in the right way. Canadians are certainly in a better position to put the argument than are representatives of the Great Powers themselves. We might consider the possibility of waging a tactful but discreet campaign through our missions in Commonwealth countries, not of course by instructing our high commissioners to go and deliver lectures in the Foreign Offices but possibly by asking them to initiate with the local officials a joint examination into the causes of our present discontents in the United Nations, thereby providing an opportunity for scoring a few points on a basis of equality.

We might have another hard look at our positions on some of the colonial topics in the United Nations to see if it is possible for us to budge a little. The complaints of the Europeans against the so-called "Afro-Asian Bloc" have little effect on most Asians and Africans because they point out that their "bloc" is by no means as consistent in its voting as the Western bloc. If we complain that Asian countries automatically support Indonesia on West Irian even though many of them have doubts about Indonesian policy on the subject, the reply is that we do exactly the same thing on Algeria. Our own position as a country with an open mind is based on our willingness to vote in disagreement with the major Western Powers from time to time. We cannot maintain this position unless we

continue to show our independence, and our position would be strengthened if we could be somewhat more courageous somewhat more often.

Although we shall possibly have to accept the fact that until the United States and the Soviet Union have worked out some new bilateral understandings, agreement cannot be reached in the United Nations on the composition of effective bodies to deal with disarmament and other important issues or to enable the Security Council to deal effectively with all items on its agenda, nevertheless, we should not give up trying. We should continue our strong opposition to the Soviet proposals for "parity" on the grounds that a scheme of this kind is noxious in principle and would tend to harden the United Nations into a series of rigid blocs. Nevertheless, we should try to persuade the Americans and the Europeans that the previous pattern of composition is unfair, that our intransigence on the subject matches the intransigence of the other side and that we would at least look better in the eyes of the uncommitted if we proposed a composition which seemed to them equitable. We might try to persuade them, and ourselves as well, that life is possible without a guaranteed majority in the United Nations. We have to take our chance on winning majority support in the same way that the Communist countries or the Asian countries have to take their chances and the consequences of losing out a few times in the voting are not as disastrous as they may seem because the United Nations has the power only to recommend and not to legislate. It may be, furthermore, that the knowledge on the part of the Asians and Africans that it is within their power from time to time to win a vote in the Assembly will increase their sense of responsibility because they will realize more clearly the uselessness of passing resolutions which have no chance of being obeyed or carried out.

One practice which we might try to persuade our major friends to abandon, except in cases of dire emergency, is the practice of using our automatic majority for procedural purposes. Although it has become a routine practice for the Americans to use their majority in order to secure priority for their resolutions, it is a practice which causes much ill-will among not only the Communist but also the Asian and African countries. It is also sharp practice not consistent with the spirit of the Charter even though it may be in accordance with the letter of the Rules of Procedure. We should recognize also that we are storing up trouble for ourselves when an increasing number of Asian and African members will be able to turn these same procedures ruthlessly against us.

In our discussion of the issues in the Assembly, we might consider renouncing our policy of seeking soft-soap resolutions on such issues as Cyprus, Algeria and West Irian. These efforts have in some cases done some good in creating a better spirit for change or for negotiation or in putting the right amount of pressure on one or other party to the dispute. Nevertheless, there may be virtue in not concealing differences which exist. It may be, also, that with the passing of time the Assembly has grown tired of this kind of activity and that to continue it longer would serve only to bring the Assembly into disrepute. Too long association of our own Delegation with this kind of activity can also affect our reputation for integrity and intelligence. This is not to say, however, that the role of Canada as a mediator and a seeker-out of compromises in association with the Scandinavians and other friends has lapsed. There is a difference to be recognized between palliative resolutions on political issues which cannot be solved in the United Nations and genuine compromise proposals which achieve a reasonably satisfactory basis of cooperation. Examples of the latter are more likely to be found in practical fields such as the creation of the Special Fund or the establishment of UNEF or UNWRA. There are times also when a resolution, the text of which is pretty meaningless, is of value simply because it represents the association of sponsors of the countries whom we are trying to reconcile. The Middle Eastern resolution in the Special Assembly last year is a good example of this. Action by the Canadian Dele-

gation to help promote this kind of thing is all to the good. On many issues in the First Committee, however, we might seek to maintain our good reputation and help reduce tension by variations from standard patterns in our voting and by speaking somewhat more candidly and boldly in our interventions rather than by chasing after unanimity on any basis.

J.W. H[OLMES]

31.

DEA/5475-DW-58-C-40

*Le représentant permanent auprès des Nations-Unis
au sous-secrétaire d'État aux Affaires extérieures*
*Permanent Representative to United Nations
to Under-Secretary of State for External Affairs*

LETTER NO. 266

New York, April 6, 1959

CONFIDENTIAL

THIRTEENTH SESSION GENERAL ASSEMBLY — GENERAL ASSESSMENT

Attached are 4 copies of a memorandum containing our general assessment of the thirteenth session of the General Assembly. This assessment is concerned primarily with the work of the political committees, but also deals briefly with the other committees.

2. Although it represents the views of this mission, rather than those of the Assembly delegation, this assessment also owes much to the first part of Mr. Holmes' most useful memorandum of January 27. As for the proposals for future policy contained in the second part of Mr. Holmes' memorandum, we hope to let you have our detailed comments before long.

C.S.A. RITCHIE

[PIÈCE JOINTE/ENCLOSURE]

Note

Memorandum

CONFIDENTIAL

GENERAL ASSESSMENT OF THE THIRTEENTH SESSION
OF THE GENERAL ASSEMBLY

It seems to be the general consensus that the thirteenth session of the General Assembly was disagreeable, disturbing and unproductive. This impression was not shared equally by all delegations. The Soviet bloc professed to be quite satisfied with the outcome, and some of the so-called "uncommitted" countries were by no means disappointed with the direction in which they were able to influence the Assembly's deliberations. However, most of the friendly and like-minded delegations with whom we have habitually worked most closely were decidedly discouraged by this session. An analysis of the factors that contributed to this impression may be useful for future consideration of remedial measures.

2. There is no doubt that the session was disagreeable. This was the experience in every committee. Intransigence rather than moderation, propaganda rather than constructive action seemed to be the order of the day. Public postures were often extreme; real negotia-

tion was seldom sought; and only exceptionally was any attempt made at compromise or mediation. Emotion often blinded reasonable deliberation. Relatively few issues in any of the committees were free of either the "cold war" conflict between the Soviet bloc and the Western powers, or the friction between the "haves" and the "have nots", or a combination of both.

3. The session was disturbing, not only because it was disagreeable but also because of the implications it might carry for the future of the United Nations. There seemed to be a trend in the direction of more rigid blocs and groupings within the Assembly. This was accompanied by an increase in the relative strength and influence of the Soviet bloc and the anti-colonialist countries of the African-Asian group at the expense of the Western Powers, who were consequently pushed into more inflexible positions than they might otherwise have taken and who appeared at times to be isolated and out of sympathy with a majority of the Assembly. At the same time the mediating group of middle and small powers that had played a useful "fire brigade" role at previous sessions was no longer effective. The result was a feeling of frustration and concern on the part of those member countries to whom we have customarily looked for the most responsible behaviour, but who no longer seem to wield the same influence over developments in the United Nations.

4. In these circumstances it is hardly surprising that the thirteenth session was for the most part unproductive. Its positive achievements, particularly in the political field, were meagre. It was apparent moreover that the powers principally concerned with some of the more important political issues of the day preferred direct channels rather than the United Nations to seek settlement of these issues. This may not have been bad in itself, but it enhanced the impression of ineffectiveness that the session created. Although the Assembly did not actually deal with the Far East or the Middle East situations, it seems fair to say that the views expressed by speakers in the general debate and the informal consultations in the corridors had the effect of discouraging hasty or violent action in those areas.

5. The most notable feature of the disarmament debate was the failure of both the Western Powers and the Russians to gain the support of the uncommitted. All efforts failed to achieve a unanimous resolution and thereby give some positive encouragement to the Geneva negotiations, but the general support which most speakers gave to the permanent cessation of nuclear tests may have had an influence on Western policy at Geneva. The only concrete result in the Assembly was the establishment of a disarmament commission of the whole, which on the face of it appears to put disarmament back into the framework of the United Nations but in practice may further divorce the United Nations from the active work of negotiation on this subject among the few powers principally concerned.

6. On the outer space item too, the accomplishment was more apparent than real. The debate did establish the interest of the United Nations in this new field and produced an *ad hoc* committee to investigate future United Nations activities in the peaceful uses of outer space. Unfortunately the prospects for progress were spoiled by the failure to achieve agreement between the USSR and the Western Powers on the composition of the committee and by the consequent Soviet boycott of the committee.

7. No progress at all was made in the direction of even the most modest preparations for a United Nations standby force, in spite of a very useful study of the problem that was tabled by the Secretary-General. Efforts to build on the Secretary-General's study were unsuccessful against a combination of flat opposition on the part of the USSR, confusion and suspicion of Western motives on the part of the African-Asian delegations, and reluctance to foot the bill on the part of the Latin Americans.

8. On the emotionally charged issues of Cyprus and Algeria the results were hardly less lamentable. The lengthy and often bitter debate on Cyprus did little (at the time at least) to modify the rigid positions of the parties to the dispute. Efforts to reach agreement on a compromise resolution ended in failure and the only thing that could be agreed was an anodyne declaration by the President of the Assembly. However, it was probably during the later stages of these acrimonious debates over Cyprus that the main protagonists laid the foundation in private for the later fruitful negotiation which has brought about the present settlement. If so, this may be an example of the usefulness of the United Nations as a meeting place for negotiators in contrast to the sterility of public debate in the General Assembly.

10. On the question of Arab refugees also, the uncompromising stand of the Arab delegations blocked serious consideration of the future of UNRWA after 1960 and limited Assembly action to a continuation of the Agency for another year. Similar lack of compromise stultified the Assembly's consideration of the question of South West Africa, but on the other South African questions (apartheid and the treatment of Indians) the anti-colonial delegations acted with commendable moderation and thereby gained in breadth of sympathy and support.

11. One of the refreshing exceptions to this pattern was the treatment of the atomic radiation item. Although this question involved conflicts of political orientation and scientific interpretation, much of the desire to air these conflicts had been exhausted in the disarmament debate, and the Assembly in a rare show of conciliation agreed unanimously to continue the useful work of the Scientific Committee on the Effects of Atomic Radiation (work that is likely to become increasingly important in the future).

12. In the economic and social fields the impression was largely the same. The deliberations in the Second Committee were disagreeably contentious and frustrating. The two most encouraging achievements were the establishment on reasonably sound lines of the Special Fund and the setting up of the International Administrative Service. In the Third Committee there was prolonged wrangling, with very little result, over the questions of self-determination and freedom of information in particular, on which the Western delegations were unable to make their views prevail.

13. In the Fourth Committee the outstanding events were the announcement of the imminent independence of most of the trust territories and the unanimous resolution terminating the trusteeship agreement for Togoland. It was also encouraging that the able exposition of British colonial policy seemed to make a favourable impression and that there appeared to be developing a new confidence among some of the anti-colonial delegations in the good intentions of a majority of the colonial powers. On the other hand, the Committee often acted irresponsibly and, with the diminution of the Assembly's trust responsibilities, showed an increasing inclination to lump together its treatment of both the trust territories and the non-self-governing territories.

14. The conflicts and frictions noted above also took their toll in the Fifth and Sixth Committees. The operations of UNEF were continued for a further year but the failure to face up to the problem of financing the Force was discouraging. Examination of the United Nations information budget was influenced more by "cold war" considerations than by sound financial principles. The Sixth Committee's debate on the Law of the Sea, by far the most important item on the Committee's agenda, unfortunately served mainly to inject the divisions of the Assembly into this already complicated issue. A further conference was approved, but not for as early a date as we should have liked.

15. One feature emerges most forcefully from an analysis of what lay behind the friction, frustration and lack of achievement of the Thirteenth Session. This session seemed to make a period of transition when a new balance of political forces was taking shape within the old United Nations framework. There were three main contributing factors.

16. In the first place, there was a notable increase in the influence of the Asian-African countries, often in combination with anti-colonial and "have-not" countries elsewhere. They were generally better organized, more forceful and more skilful than in the earlier years. They were also more numerous, a combination which many members of the group found heady and which made them less amenable to moderation and reason. At the same time it was increasingly difficult for Canada and other members of the old "fire brigade" to work with India and the Asian-African countries. More than once we had the experience of attempting to find a compromise between extreme positions only to find that the Indians then moved to a point between that compromise and the Soviet position. Much depended on the personalities; in some committees the Indians played a mischievous and inconsistent role, while in others they were cooperative and reasonable.

17. In the second place, the Soviet bloc showed improved organization, greater skill in tactics and more restraint in their interventions. The Soviet Delegation was most successful in exploiting for their own ends the conflicts between the Western Powers and the African-Asian countries, between the "haves" and the "have-nots", between the colonial powers and the anti-colonial countries. Often the USSR was able to give the impression of protecting the interests of the less privileged countries.

18. In the third place, there was a notable lack of effective leadership on the part of the United States, in particular, and the other Western delegations in general.

19. This picture may give grounds for discouragement but should certainly not be cause for despair, if future Western policy in the United Nations takes account of the transition that has been taking place and works out new methods to deal with it instead of relying on tactics and formulae that are no longer applicable.

SECTION C

CONSEIL ÉCONOMIQUE ET SOCIAL
ECONOMIC AND SOCIAL COUNCIL

SUBDIVISION I/SUB-SECTION I

VINGT-QUATRIÈME SESSION, NEW YORK, 2 JUILLET AU 2 AOÛT 1957
 TWENTY-FOURTH SESSION, NEW YORK, JULY 2 TO AUGUST 2, 1957

32.

PCO

*Note du secrétaire d'État aux Affaires extérieures
 pour le Cabinet*
*Memorandum from Secretary of State for External Affairs
 to Cabinet*

CABINET DOCUMENT NO: 127-57

[Ottawa], July 8, 1957

CONFIDENTIAL

24TH SESSION OF THE UNITED NATIONS
 ECONOMIC AND SOCIAL COUNCIL

1. The 24th Session of the Economic and Social Council is meeting in Geneva from July 2 to August 2. Canada is at present serving a three-year term of office on the Council, which is composed of 18 members of the United Nations. The function of the Council is to review and coordinate the economic and social policies of the United Nations.

2. The Canadian Delegation is as follows:

Representative

Dr. R.A. MacKay,
 Permanent Representative of Canada to the United Nations, New York

Alternative Representatives

Mr. Wershof, Permanent Representative of Canada
 to the European Office of the United Nations
 Dr. G.F. Davidson, Deputy Minister of Welfare,
 Department of National Health and Welfare
 Dr. O.J. Firestone,
 Department of Trade and Commerce
 Mr. S. Pollock,
 Department of Finance.

3. The items to be considered at this session are, in general, issues which have already been discussed and social policies, and the debate is more in the nature of a review of attitudes than the taking of decisions. As it has not yet been possible for Cabinet to review all these questions, the Canadian Delegation has been instructed to avoid commitments and to conduct its intervention along the lines of generally acceptable Canadian positions. If issues arise on which a Government decision is required, these will be referred to Cabinet. Subjects discussed in the Economic and Social Council are referred to the General Assem-

bly, which meets in the autumn, and it is in this body that Canadian policies may be defined.²⁴

4. Among the principal items under consideration is a review of development and co-ordination of all the programmes and activities of the United Nations and the Specialized Agencies. This review is undertaken annually to achieve the most effective utilization of the resources and expertise available to the Organization. The Council will consider the reports of four of its functional commissions — the Commission on Human Rights, the Commission on the Status of Women (to which Canada has been elected, term of office to commence next year), the Commission on Narcotic Drugs (of which Canada is a permanent member), and the Social Commission. In connexion with the latter the Council will have before it a report on the world social situation on which a wide-ranging discussion is expected but on which the delegations will not be expected to take positions involving policy decisions.

5. The Council will also consider the annual report of the United Nations High Commissioner for Refugees. There are two main issues: the possible extension in time of the High Commissioner's mandate and his shortage of funds. The Delegation has been instructed not to commit Canada to any further expenditures until the question of refugees can be considered by Cabinet.

6. Among the economic items on the agenda there are two which may give rise to controversy. One of these involves a long-standing proposal to establish a "Special United Nations Fund for Economic Development" (SUNFED), to which member countries would contribute funds (a total amount of \$600 million has been suggested) for the financing of basic development projects in under-developed countries.²⁵ This proposal, which has been debated and examined many times in United Nations forums, is supported by most of the under-developed countries and some "advanced" countries such as the Netherlands. The United States and United Kingdom have led the opposition to SUNFED for somewhat differing reasons. The United States prefers to keep its funds for international assistance under its own control; the United Kingdom is more concerned about a possible extension of its external financial commitments. Neither the United States nor United Kingdom have shown any indication of changing their positions. The Delegation at the 24th Session is being instructed to maintain the position on SUNFED taken by other Canadian delegations during the past year, i.e. that we could consider Canadian participation only when sufficient support was forthcoming from the major potential contributors, and that we would wish to be assured that the administrative and operational aspects of the proposed fund were satisfactory. The Delegation has been asked to continue to do what it can to prevent the issue from dividing Western countries and the under-developed countries.

7. The other possibly contentious issue involves international trade in primary commodities. Many under-developed countries are heavily dependent on the export of a single, or of a very few, primary products; and these products are subject to violent fluctuations in price and volume. The under-developed countries have therefore been seeking some general over-all plan for commodity arrangements which could provide a solution to their difficul-

²⁴ À cause d'une erreur typographique évidente, l'original de ce document comporte deux paragraphes identiques numérotés (4). Un de ces paragraphes a été supprimé ici.

Due to an apparent typographical error, the original copy of this document has two identical paragraphs numbered (4). One of these duplicate paragraphs has been removed here.

²⁵ Pour les documents concernant SUNFED avant le 31 décembre 1958, voir la Section E du présent chapitre.

See Section E of this chapter for documents relating to SUNFED prior to December 31, 1958.

ties; Canada and other countries have been urging a commodity-by-commodity approach to these problems and have supported and participated in a number of commodity arrangements to achieve more stability in trade in certain commodities such as wheat, sugar and tin. The discussion at the 24th session of ECOSOC is likely to be largely concerned with the international machinery for dealing with commodity problems. It is hard to tell whether differences in views regarding this machinery will, in fact, give rise to serious difficulties; in any event, the Delegation has been asked to give general support for a continuation of the *status quo* among the bodies chiefly concerned.

8. It is recommended²⁶

1. That the Canadian Delegation be approved as constituted.
2. That the instructions be approved as described above.
3. That the Delegation seek to play a useful role in discussions of the economic and social work of the United Nations but reserve its position or, if time allows, refer to Ottawa for instructions on matters specifically involving Canadian economic and social policies.

J.G. DIEFENBAKER

33.

DEA/5475-DS-44-40

Rapport final

Final Report

CONFIDENTIAL. CANADIAN EYES ONLY.

[Geneva, n.d.]

INTERNATIONAL IMPATIENCE

A GENERAL ANALYSIS

Perhaps the most striking characteristic of the 24th Session of ECOSOC was that of impatience on the part of under-developed countries. There appeared to be growing resentment on their part against the efforts of more favoured member nations to keep demands in ECOSOC within what they regarded as reasonable limits. Delegations from under-developed countries also appeared to be getting increasingly suspicious that ECOSOC's procedures for co-ordination of economic and social programmes were being exploited by more favoured member nations to restrict or prevent legitimate ECOSOC activities. In the Technical Assistance Committee, there was obvious dissatisfaction because of the difficulties involved in spreading limited resources over a wider geographical area as a result of additional countries becoming independent. In the Economic Committee, the Poles and Yugoslavs sometimes lost patience with the slowness of the Council in adopting measures designed to promote closer economic relations between East and West. The Brazilian Delegation wanted to revise completely the charters of the IBRD and the IMF which it considers as having failed to provide the necessary help to the less developed countries.

The major indication of impatience, however, arose over the item — A Special United Nations Fund for Economic Development. After very little debate the under-developed countries led by the Netherlands introduced a resolution for the establishment of this fund. Refusing to accept any compromise, they pressed this resolution to a vote over the direct and firm opposition of the USA, the UK and Canada. As one delegate said, "We have

²⁶ Approuvé par le Cabinet le 11 juillet 1957.
Approved by Cabinet on July 11, 1957.

waited too long for the major contributors to agree to participate, the time has come to go ahead without them”.

What are the causes of this situation? In the first place, the Economic and Social Council, with its wide responsibilities for promoting advancement in Economic, Social and Human Rights conditions among the member states of the United Nations, is naturally productive of more dreams and hopes than can ever be realized. Secondly, member governments of more favoured nations have not been willing or able to make sufficient financial resources available for programmes which otherwise appeared practicable.

Perhaps another explanation for the difficulties at the 24th Session lies in the fact that many of the less developed countries know what they want and need more clearly than they did earlier in the history of the UN. In addition many references are being made to the differences in the rates of growth between the developed and less developed countries which, it is claimed, constitute a widening gap between the two groups.

This growing disappointment with ECOSOC on the part of under-developed members has no doubt been aggravated by the negative attitude on the part of the major western powers towards any expansion of ECOSOC activities. We have pointed to this attitude in reports on previous sessions. It was no less obvious at the 24th Session. Such an attitude inevitably tends to promote a sense of frustration, and perhaps financial irresponsibility, on the part of under-developed countries.

It seems possible that unless the Economic and Social Council recovers to some extent the confidence of the under-developed countries in it as a constructive and useful part of the UN machinery, it will decline in prestige and possible usefulness. Confidence in ECOSOC will in large measure depend on the leadership of the more favoured western nations, or at least on their readiness to cooperate in worthwhile programmes. Failing the strengthening of confidence, ECOSOC may easily become a major forum for the USSR to exploit the discontent of the economically under-developed countries.

Position of the Canadian Delegation

The Canadian Delegation did not have any major specific initiatives to propose at the 24th Session. In the circumstances the Delegation maintained its traditional role of improving, diverting or opposing resolutions submitted by others. In general, the Delegation's attitude to these issues was pragmatic. Its decisions were based on a judgment whether any important question of principle was involved and whether the resolutions in question were likely in practice to yield useful results. Unless some major question of principle was involved, the Delegation was unwilling to take an isolated stand in opposition.

During the Session the Canadian Delegation strongly opposed resolutions which it considered wasteful or unprofitable. Among such resolutions were one on the convening of a conference on new sources of energy suggested by the French Delegation, others by the USSR Delegation on the Common Market, on the convening of a meeting of international economists, and on nuclear tests. The Delegation also pressed for elimination of objectionable features in a resolution on inflation proposed by the US Delegation, in a five-year forward planning of specialized agency programmes suggested by the UK, and in a Polish-Yugoslav resolution calling for a panel of expert economists to advise the Secretary-General on methods for improving international consultation.

In cases where it seemed impossible to defeat a resolution to which the Canadian Delegation had serious objections the Delegation joined with other like-minded delegations in the preparation of amendments designed to make these resolutions generally acceptable or at least innocuous. The texts which finally emerged did not always conform to Canadian preferences but they were at least of a character which permitted Canadian acquiescence.

Close liaison was of course maintained throughout the meetings with the US and the UK insofar as a substantive action was concerned, and with the less developed countries who are or might become friendly to the West. Both in Committee work and on the social level the Canadian Delegation enjoyed very friendly relations with all delegations. Of passing interest is the fact that amongst those who stayed to the end of the Canadian reception were a substantially tipsy Russian accompanied by two cohorts, an Indonesian, an Indian, as well as the normal quota of imbibing westerners.

Attached to this analysis is a description of the role played at the 24th Session by the other countries on the Council.† Of special interest, however, was the flexibility and activity of the USSR Delegation. At the close of the 22nd Session of ECOSOC, the Canadian Delegation reported an absence of western great power leadership on the Council; the USA for congressional reasons, the UK for financial reasons and France for political reasons, seemed unwilling or unable to exercise the initiative which would be required to direct ECOSOC discussions into constructive channels. A year ago the USSR did not take advantage of this opening, but it did so to some extent at the 24th Session. This situation was further complicated by the newly found ability of the Polish and Yugoslav delegations to come forward with an increasing number of "independent" but still difficult suggestions. Instead of one rather clumsy and rigid opponent, the Western delegations at the 24th Session were confronted by three active, informed and fairly adaptable opponents. It took a good deal of effort, in which the Canadian Delegation took a leading part, to convince the less developed country participants where their best interests lay and to muster majorities for the appropriate decisions.

Future Possibilities

In the light of this situation, the Delegation gave some preliminary thought to possibilities for action in ECOSOC which might be supported by future Canadian delegations. It is not expected that the Canadian Government would wish to make a large number of extensive proposals in ECOSOC but the preliminary views of the Delegation may be useful in considering whether it is possible for future Canadian delegations to initiate, or persuade others to initiate, appropriate action and in what fields this action might be concentrated. It should be recalled that Canada will attend only two more full sessions of the Council in 1958 before its term will end. During this year, however, we might well have considerable influence in determining the future course of ECOSOC.

With these considerations in mind, the following are a few brief comments on some items which might be considered further by the Canadian authorities. They are not arranged in any order of priority.

1. *Technical Assistance.* The Technical Assistance Programme, although widely supported and efficient, is at present suffering from an acute shortage of funds in the face of expanding needs. Increased support for this effective multilateral UN programme can be justified not only on humanitarian grounds but on practical grounds. The Delegation is submitting a separate comment on this question.

2. *Resources Development.* The Delegation believes that whether the Canadian authorities want to encourage this development or not, there will be increased pressure in the coming years in ECOSOC and General Assembly for a United Nations programme designed to promote the development of natural resources in under-developed countries. This would not necessarily involve a capital assistance programme but might well involve substantial commitments of a technical assistance nature. In any case, Canadian delegations, in the light of Canada's own experience, should be able to make constructive and detailed suggestions in this field.

3. *International Administrative Service.* Other than the Indonesian Delegation, no delegation at the 24th Session of ECOSOC supported in any definite manner the International Administrative Service idea elaborated by the Secretary-General. During the Session the Canadian Delegation came to recognize that this proposal, which involves the provision by the UN of administrators to work as officials for long periods in the less developed countries, could be re-worked into a practical programme. This programme might be of considerable usefulness to some under-developed countries and would represent a reasonable expansion of the United Nations function of providing assistance to such countries in improving their internal administrations. This issue will arise again at the 26th session of ECOSOC and if the Canadian authorities wish to do so there would be an opportunity then and perhaps earlier in the General Assembly for making a useful contribution to the development of public administrative capacities in the under-developed countries by supporting some variation of these proposals. It is probable that if Canada or some other western delegation does not endeavour to push this idea, it will go by default.

4. *Human Rights.* It is suggested that our policy with respect to the Human Rights programme, which is of very considerable interest to many under-developed countries, might be re-examined. Hitherto we have not been very constructive in our approach. It may be that despite our constitutional difficulties a more co-operative approach is possible. Certainly the activities of the UN in this field are not of great financial proportions.

5. *Refugees.* It is unquestionable that, for relatively modest amounts of money the post World War II refugees problem in Europe could be settled. The programme currently approved, even if fully supported financially, falls short of this objective. On humanitarian, as well as financial, grounds there is a strong case for the extra effort to solve the problem.

6. *Food Resources.* The Delegation feels that one of the most potentially difficult issues which may be before future meetings concerns the use of surplus agricultural commodities in promoting economic development.

7. *Community Development.* The Delegation considers that the discussions of community development in the UN will certainly be active and will provide an important and probably reasonable opportunity to western delegations for the promotion of desirable progress in living conditions in under-developed countries. It is believed that support for this programme, which will likely be of relatively modest financial proportions, would be a constructive contribution in the social field, where hitherto Canada has not been a very active participant.

8. *Commercial Policy.* The USSR and other delegations have clearly shown that they intend to use UN forums for criticizing western commercial policy. It is possible that the Common Market proposals may come up for considerable discussion in the United Nations, particularly if the discussions in GATT do not yield what could be considered as generally satisfactory results for the under-developed countries. The pressure for commodity stabilization and arrangements will certainly continue to be felt on the Commission on International Commodity Trade, in which it cannot be expected that the US and UK will participate. The failure of the US Congress to ratify the OTC coupled with an apparent willingness on the part of the USSR and other communist countries to be more cooperative will create even greater difficulties.

9. *Africa.* ECOSOC will undoubtedly be expected in the future to pay much greater attention to the problems of Africa than it has until now. The principal emphasis will certainly be on economic development. Part of this pressure was revealed during the session in the TAC in connection with the resolution on Italian Somaliland.

10. *Sunfed*. Last and most important is the Sunfed item. A world-wide multilateral fund designed to promote the overall economic and social development of the less developed countries on a large scale is certainly not a practical possibility in the immediate future. Nevertheless the under-developed countries seem determined to press for such a fund in direct opposition to the USA (the major potential contributor), the UK and Canada and some, but a very few, other countries. In order to avoid probable failure and general disillusionment, and for sound political as well as economic reasons, the Delegation to the 24th Session of ECOSOC believes it would be most important for the Canadian authorities to give consideration to some of the possible alternatives to Sunfed sketched in the report on this individual item. Unless it is possible to do so, the Canadian Delegation will be faced with a difficult situation at the 12th General Assembly from which it may find it hard to emerge with much credit.

It is recognized that any of these suggestions would require detailed examination and approval in advance of ECOSOC and General Assembly meetings by the Canadian Government before they could be presented.

Coordination

One avenue of action in ECOSOC which in the Canadian Delegation's view is beginning to yield diminishing returns is that of coordination. The UK and other delegations are attempting to use the coordination item as a means of keeping expenditure down and preventing the implementation of projects which they do not support. It is probable that the Coordination Committee has achieved as much as it can in the avoidance of overlapping and in the reduction of the number of meetings and other expensive and unnecessary UN operations. The Delegation also believes that it is desirable for ECOSOC to remain within its appropriate field. ECOSOC is not a body which could be used as a budgetary committee. This is the function of the Fifth Committee. The Canadian role in the future should be to press for continued modest action in regard to "streamlining" but should also place its emphasis on the more constructive task of helping to shape and encourage emerging programmes of a more comprehensive nature, such as community development.

Progress of Candidature of Dr. Davidson for Presidency of ECOSOC in 1958

It is possible that there may be no opposing candidate for Dr. Davidson by the time of the 1958 elections to the presidency. The Yugoslavs appear to be in some doubt as to whether to push Dr. Brilej's candidature. He in any case appears to be unwell and perhaps more interested in other offices. The Mexican Delegation did not by its record in the Council justify much support nor did its potential candidate appear to be a strong contender against Dr. Davidson. The Delegation does not consider that any definite campaigning in favour of Dr. Davidson is necessary or desirable at this stage.

SUBDIVISION II/SUB-SECTION II

VINGT-CINQUIÈME SESSION, NEW YORK, 16 AVRIL AU 6 MAI 1958
TWENTY-FIFTH SESSION, NEW YORK, APRIL 16 TO MAY 6, 1958

34.

PCO

*Note du secrétaire d'État aux Affaires extérieures
pour le Cabinet*

*Memorandum from Secretary of State for External Affairs
to Cabinet*

CABINET DOCUMENT NO. 52-58

[Ottawa], March 31, 1958

25TH SESSION OF THE ECONOMIC AND SOCIAL COUNCIL
OF THE UNITED NATIONS

The Economic and Social Council, one of the principal organs of the United Nations, will convene its 25th (spring) session at the Headquarters of the United Nations in New York on April 16 for a three-week period. The Council is responsible, under the authority of the General Assembly, for the economic and social activities of the United Nations. It is required by the terms of Article 62 of the Charter to make or initiate studies, reports and recommendations on international economic, social, cultural, educational, health and related matters and to promote respect for and observance of human rights and fundamental freedoms for all. Canada's third term on the Council will expire at the end of 1958.

The candidature of Dr. George Davidson, Deputy Minister of Welfare, for the office of President of the Council for 1958, has been made known to the eighteen members of the Council and assurances of support have been received from fifteen members. Since there is at present no other candidate for the office, it appears probable that Dr. Davidson will be elected to the Presidency by acclamation.

In planning its work, the Council's practice is to consider the rather more routine items, less likely to give rise to serious differences of opinion, at its spring sessions and to reserve the more important questions and the coordination and overall supervision of its programme for its summer session.

The agenda for the spring session of the Council accordingly is not a heavy one and contains no matters which are likely to call for major policy decisions by the Government. On the economic side, the Council will consider the reports of the International Monetary Fund, of the International Bank for Reconstruction and Development, and reports prepared by the Secretariat of the United Nations on aspects of the Economic Development of Under-developed Countries, including organizational machinery in the field of industrialization and problems of water resources development. On the social side, the Council will consider the work of the United Nations Children's Fund (UNICEF), a programme to which Canada makes major contributions and supports strongly.

The Council will fulfill its annual task of renewing the membership of certain functional commissions and the Executive Board of UNICEF. It will also elect the membership of a new body, the Executive Committee of the Programme of the United Nations High Commissioner for Refugees, which is to replace the present Executive Committee for the United Nations Refugee Fund. Canada was a member of the latter body and will seek election to the new body.

The Council will also consider a recommendation made by the General Assembly to give early and favourable consideration to the establishment of an Economic Commission for Africa and will in all probability establish a special committee to report to its 26th session in July on the establishment and terms of reference for such a commission.

I shall refer to my colleagues any questions which arise during the session which appear to require instructions from the Cabinet. The nature of the agenda does not, it would appear, require that instructions from Cabinet to the Delegation should be provided in advance. There has been consultation between my Department and other Departments of government when necessary, and I shall instruct the Delegation in accordance with the agreed views of the Departments concerned.

The approval of Cabinet is requested for a delegation to the 25th session of the Economic and Social Council to be composed as follows:²⁷

Representative:

Dr. G.F. Davidson, Deputy Minister of Welfare

Alternate Representatives:

Mr. L.E. Couillard, Department of External Affairs

Mr. J.A. Irwin, Department of External Affairs

[SIDNEY E. SMITH]

SUBDIVISION III/SUB-SECTION III

VINGT-SIXIÈME SESSION, GENÈVE, 1^{ER} JUILLET AU 28 JUILLET 1958
 TWENTY-SIXTH SESSION, GENEVA, JULY 1 TO JULY 28, 1958

35.

PCO

*Note du secrétaire d'État aux Affaires extérieures
 pour le Cabinet*

*Memorandum from Secretary of State for External Affairs
 to Cabinet*

CABINET DOCUMENT NO. 171-58

[Ottawa], June 20, 1958

CONFIDENTIAL

TWENTY-SIXTH SESSION — ECONOMIC AND SOCIAL COUNCIL

The 26th session of the Economic and Social Council will convene at the European Headquarters of the United Nations in Geneva on July 1, 1958.

At its forthcoming session the Council will be concerned for the most part with the problems of under-developed countries. In this respect it will take steps toward the establishment of the Special Fund which will make it possible for under-developed countries to undertake special projects in economic development. It will review the technical assistance

²⁷ Le Cabinet a pris note des recommandations du ministre et approuvé la composition de la délégation canadienne le 9 avril 1958. Pour un rapport sur les points précis discutés à la 25^e session, voir Ministère des Affaires extérieures, *Le Canada et les Nations Unies, 1958* (Ottawa, 1959), pp. 35 à 58.

Cabinet noted the recommendations of the Minister and approved the composition of the Canadian delegation on April 9, 1958. For a report on specific items discussed at the 25th Session, see Department of External Affairs, *Canada and the United Nations, 1958* (Ottawa, 1959), pp. 35-58.

activities of the United Nations and the Specialized Agencies, both with regard to the country programmes carried out in the under-developed countries and to the administrative and budgetary factors involved in their implementation. In addition it will consider the establishment of a world food reserve in which countries with food surpluses would assist food-deficit countries to build up national food reserves, and the establishment of an international administrative service to provide trained administrators from advanced countries to serve in the national civil services of under-developed countries.

2. Another major subject will be the Secretary-General's World Economic Survey and a study of recent inflationary trends throughout the world.

3. The Commission on Human Rights, the Statistical Commission, the Commission on the Status of Women and the Commission on Narcotic Drugs have all submitted reports on their 1958 sessions to the Council for its consideration and approval. Canada serves on the three last Commissions.

4. The United Nations High Commissioner for Refugees presents his annual report to the General Assembly through the Economic and Social Council; as in past years, this report will be one of the major items on the social side of the Council's work.

5. General instructions for the Canadian Delegation and specific instructions on more important matters of policy are contained in the attachment to this memorandum. Approval for additional instructions will be sought with regard to the world food reserve, the international administrative service and the Special Fund.

6. It is proposed that the Canadian Delegation be under the leadership of Wallace B. Nesbitt, M.P., who will be Chairman of the Delegation and Alternate Representative. The Rules of Procedure of the Council relating to the composition of delegations make provision for the appointment of one Representative and as many Alternate Representatives as may be required. Dr. G.F. Davidson, Deputy Minister of Welfare, has been elected President of the Council for 1958. He will preside over the 26th session and formal considerations arising out of the Rules of Procedure require that he be designated as the Canadian Representative. It is proposed that in addition to Mr. Nesbitt and Dr. Davidson, the Canadian Delegation comprise the following persons to be designated as Alternate Representatives: M.H. Wershof, Q.C., Permanent Representative of Canada to the European Office of the United Nations, Geneva; S. Pollock, Director, International Programmes and Contributions, Department of Finance, and L.A.D. Stephens, Counsellor, Canadian Embassy, Bonn.

7. The approval of Cabinet is accordingly requested for:²⁸

- (a) Instructions contained in the attachment to this memorandum and
- (b) For the composition of the Canadian Delegation to the 26th session of ECOSOC as listed above.

SIDNEY SMITH

²⁸ Approuvé par le Cabinet le 24 juin 1958, avec ajout de la clause suivante « that agriculture be specifically mentioned as one of the provisions of the E.E.C. treaty giving Canada serious concern. »

Approved by Cabinet on June 24, 1958 with the added provision "that agriculture be specifically mentioned as one of the provisions of the E.E.C. treaty giving Canada serious concern."

[PIÈCE JOINTE/ENCLOSURE]

*Note**Memorandum*INSTRUCTIONS FOR THE CANADIAN DELEGATION
TO THE 26TH SESSION OF ECOSOC

When toward the end of the war the task was taken up of creating the United Nations as an instrument of world order, it was realized that the United Nations should provide for political stability and security but for economic and social needs as well. The years between the wars had brought home the increasing complexity of economic interrelations and the need for international machinery that could deal with them. In addition there were the problems of reconstruction and stabilization to be faced at the close of the war. It was visualized that for the most part these needs and problems would be met by functional bodies operating within specific fields. Some such bodies, for example the Universal Postal Union and the International Labour Organization, had come into existence earlier and had already proven their worth in peace time. Others such as the Food and Agriculture Organization, the United Nations Relief and Rehabilitation Agency, the International Bank for Reconstruction and Development and the International Monetary Fund had been created during the war to anticipate the post-war situation. There was, however, the need for a body with a status comparable in some respects to that of the Security Council, to operate over the whole field of economic and social policy and to be responsible to the General Assembly for co-ordinating the work of the more specialized organs. Provision was therefore made in the Charter for the Economic and Social Council, to consist of 18 members elected by the General Assembly for three-year terms, and to consider and make recommendations to the General Assembly on international economic, social, cultural, educational, health and related matters and on the promotion of respect for and observance of human rights and fundamental freedoms.

2. In the years since its establishment ECOSOC has been faced by the fundamental fact of a sharp contrast between social and economic situations of the advanced and the under-developed countries and the vital bearing of this fact on the prospects for world peace and prosperity. Many of those under-developed countries which emerged at the end of the war or since from colonial control have brought an aroused nationalism and emotional anti-colonialism to heighten the divisions which have appeared between the advanced and the under-developed countries notwithstanding the strong common interest in rising productivity, increased purchasing power and elimination of barriers to the free flow of goods and capital. The split between the Soviet bloc and the free democracies of the West which has dominated the political field has added greatly to the long-range political and economic significance of such divisions.

3. Canada made a substantial contribution to the establishment of the Economic and Social Council and was one of the 18 countries initially elected to membership in 1946. In the years that have followed Canada has served two further terms on the Council. We will complete our present term at the end of 1958.

4. While giving full recognition to the essential role of the Council in the developing and increasingly complex pattern of international economic and social relationships, Canadian policy in ECOSOC has followed pragmatic lines, emphasizing the need to contain the Council's activities within the resources of funds and personnel available, the need for selection with a careful eye to the practical results to be expected, and the predominant role of the Council as a co-ordinating agency. We have aimed at improving relations between

the advanced and under-developed countries. With this objective in mind Canadian delegations have been instructed to play as practical and constructive a role as possible even on proposals against which they might eventually have to vote; to keep in mind the necessity of close co-ordination with the United Kingdom and United States delegations; and to keep in mind the financial limitations on Canadian support generally applicable to United Nations programmes. Also delegations have been instructed to avoid unproductive propaganda debates which hamper the useful work of the Council but to reply as necessary to Soviet bloc delegations if East-West differences emerge.

5. In maintaining these well-established lines of Canadian policy the Delegation to the 26th session should bear in mind that Canada will this year be leaving the Council for an indefinite period and should indicate by active participation to the extent it considers appropriate the continued interest which we expect to take in the affairs of the Council and its increasingly important role in promoting the healthy and productive integration of the world society in the economic and social fields.

6. The following paragraphs contain more specific instructions on certain important items of the agenda. In addition, the approval of Cabinet will be sought for instructions concerning the World Food Reserve, the Special Fund for Economic Development and the International Administrative Service; and the Delegation will be informed of Cabinet's decisions.

World Economic Survey

7. The Economic and Social Council each year holds a general discussion of world economic problems, for which the Secretary-General prepares a report entitled "World Economic Survey". The World Economic Survey for 1957 deals with the inflationary trends experienced by many countries in the past three years and with the economic downturn which has become apparent in the Western world during 1957 and the early part of 1958. It is critical of some of the economic policies followed during this period by the industrialized countries and draws attention to the difficulties which fluctuations in economic activity have created for the under-developed countries and particularly the instability in commodity prices. The Survey indicates that the recovery from the present downturn may not be so rapid as in earlier postwar recessions. It refers to the continued expansion of production, although at a slower rate of growth, in the "centrally planned economies" of the Soviet bloc.

8. During the session the Soviet bloc may be expected to expound their views on the instability of the economics of the Western countries and may seek the adoption of a resolution calling for some far-reaching measures to deal with world economic problems. Past Soviet initiatives of this sort (e.g. for a world economic conference or for a new world trade organization) have not received much support. The Canadian position on such issues has been and should continue to be that existing international machinery is adequate and flexible enough to deal with economic problems, although we recognize a need to use it more effectively. Emphasis might also be given to the importance which Canada attaches to the expansion of international trade and our desire to support moves aimed at improving international trading conditions.

9. If efforts are made by under-developed countries to seek from the United Nations fresh initiatives in various fields to increase the scale or scope of assistance to their economic development programmes, the Canadian Delegation should take the occasion to express, in suitable terms, its sympathy for the problems and needs of those countries. In this context, the Delegation might make appropriate reference to the tangible support which Canada has given not only through many United Nations aid programmes for under-developed coun-

tries but through other programmes like the Colombo Plan. As further evidence of our genuine interest in the problems of the under-developed countries, the Delegation might point out that Canada has already expressed its readiness to join with others in offering support for the Special Fund which is now under consideration by the Council. Although the exact Canadian position on the Special Fund will be developed in the debate on the report of the Preparatory Committee which was established to prepare recommendations for the inauguration of the Special Fund, the Delegation should make it clear that Canadian support is subject to parliamentary approval, to satisfactory organizational and administrative arrangements being agreed upon, and to there being broad support from other members. While it is important that the Delegation should appear responsive and sympathetic to the legitimate aspirations of the less privileged countries, it is equally important that their expectations or hopes should not be falsely raised. The Delegation should therefore stress the wisdom of following a cautious policy in this field in not contemplating further claims on the resources of the United Nations community before the Special Fund has been set up and given an opportunity to commence operations.

Regional Economic Commissions; Economic Commission for Europe

10. One of the principal questions covered in the annual report for the Economic Commission for Europe is the European Common Market. Since it continues to be a matter of considerable interest to many countries, it is likely to be discussed at ECOSOC. The Canadian Delegation should reiterate in broad terms the general support of this country for the objectives of the Common Market as far as these efforts are directed to the expansion and diversification of trade, while expressing reservations in general terms about particular provisions of the EEC treaty which could impair the trading interests of third countries, weaken trading relations that have been built up between Western Europe and other regions in the post-war period, and impair the benefits to themselves which might be expected to result from this initiative. The Delegation should refer to the special consultation procedure which has been worked out by the GATT to deal with specific and practical problems arising from the Common Market Treaty and indicate Canadian hopes for reaching mutually satisfactory solutions. If endeavours are made to have ECOSOC undertake a detailed examination of the Treaty, the Delegation might point out that such an examination has already been initiated under the GATT.

International Commodity Problems

11. It is anticipated that in view of the difficult market conditions for many primary products in recent months, there will be a good deal of discussion on this subject.

12. This is a subject of considerable concern to Canada, as a producer of a wide range of agricultural and primary commodities. Under-developed countries, many of which depend on export earnings of one or a few products, have urged the adoption within the United Nations of a variety of measures — some quite extreme — to meet their difficulties. Canadian delegations have taken the position that no generalized solutions to international commodity problems can be found. The Canadian position has been that these problems can be approached most effectively on a commodity-by-commodity basis, and that solutions to commodity problems require the support of the principal countries concerned. In accordance with this position Canada has been represented at a variety of international conferences and study groups both within and outside the United Nations concerned with particular commodities; Canada is a member of the three intergovernmental commodity agreements on wheat, sugar and tin.

13. At the forthcoming meeting of ECOSOC, the Delegation should maintain the basic Canadian position. It should express an appreciation of the economic problems faced by

countries whose export earnings are declining because of adverse developments in commodity prices; and reaffirm the readiness of the Canadian Government to join with producing and consuming countries, under procedures which have been internationally agreed, to examine whether intergovernmental action is feasible or desirable to meet problems of particular commodities.

Advisory Services in Human Rights

14. The programme of advisory services in the field of human rights was established by the General Assembly at its tenth session. Under the programme fellowships or experts in the broad field of human rights may be provided at the request of governments and seminars may be organized on a regional basis. The programme comprises a practical approach to current human rights problems and one through which countries, such as Canada, which for constitutional reasons will have difficulty in adhering to international covenants on human rights, may still participate actively in the United Nations activities and efforts to promote respect for human rights throughout the world.

15. The success of the programme in its initial two years has been such as to lead the Secretary-General to request an increase in the funds available for it. The Delegation might support a reasonable increase in its present budget of \$55,000 in so far as it can be shown that the extra funds can be usefully expended.

36.

DEA/5475-DS-44-40

*Note du sous-secrétaire d'État aux Affaires extérieures
pour le secrétaire d'État aux Affaires extérieures²⁹*

*Memorandum from Under-Secretary of State for External Affairs
to Secretary of State for External Affairs²⁹*

CONFIDENTIAL

[Ottawa], September 10, 1958

GENERAL ASSESSMENT OF THE 26TH SESSION OF
THE ECONOMIC AND SOCIAL COUNCIL

I think that you will be interested in the attached general assessment of the work of the Economic and Social Council at its recent 26th session which was prepared by the Chairman of the Canadian Delegation, Mr. Wallace B. Nesbitt, M.P. The assessment is being reproduced as a circular document for transmission to all our missions abroad.

You will see that Mr. Nesbitt characterizes the session as a constructive one with reference in particular to its work on the economic side (paragraphs 3-6 and 9). Of special importance were the approval of the report of the Special Fund's Preparatory Committee, the decision to reconstitute and change the terms of reference of the Commission on International Commodity Trade (to which Canada was re-elected for a three-year term) and discussions of commodity problems. It is encouraging to read the progress which the Council achieved in the coordination field.

The practice initiated by the Netherlands Delegation (paragraph 11) of holding meetings of certain heads of delegations to promote Western unity on the Council is one which I suggest should be cautiously considered if, in the future, we are called upon to take a

²⁹ Note marginale :/Marginal note:
Seen by the Minister

position on it. It could conceivably create the impression of a Western bloc "ganging up" against the outsiders.

You might wish to take this opportunity to comment to Mr. Nesbitt on the assessment of the Council's work which he has provided, and to thank him for having undertaken the leadership of the Delegation. With this in mind, I have had prepared for your signature a letter† for this purpose. You might also wish to congratulate Dr. George Davidson, Deputy Minister of Welfare, who was the first Canadian to serve as President of the Economic and Social Council, and was the Canadian representative to its 25th and 26th sessions, and I attach a draft letter† which you might wish to consider. Dr. Davidson will preside over the resumed session of ECOSOC which is convened in New York for a day or two towards the end of each regular session of the General Assembly, to consider any business arising out of decisions which may have been taken at the Thirteenth Session. The draft letter suggests that this might possibly provide an occasion for you to discuss the economic and social activities of the United Nations with Dr. Davidson.

J. L[ÉGER]

[PIÈCE JOINTE/ENCLOSURE]

Note

Memorandum

CONFIDENTIAL. CANADIAN EYES ONLY.

[Ottawa, n.d.]

GENERAL ASSESSMENT OF THE 26TH SESSION OF ECOSOC — CONSTRUCTIVE

- 1 -

1. When the Suez crisis occurred during the 22nd session of ECOSOC the result was increased tension and difficulty. In contrast, the events in the Middle East which occurred during the 26th session of ECOSOC served chiefly to distract attention from the debates and to aggravate the lack of interest which some delegations were already displaying in the work of the Council. This lack of interest was shown in a number of ways. Some delegations were not even represented at all the meetings of the Council Committees. The level of representation tended to be lower than at previous meetings. The U.S.S.R. and its satellites introduced a large number of draft resolutions, many of them prepared some time in advance and very well prepared. However, the Soviet Delegation did not press its resolutions vigorously. Even the less developed countries representation at the meetings was less active than might have been expected. The Indonesian Delegation made little or no positive contribution to the work of the Council at its 26th session, the Pakistan Delegation somewhat more. The Latin American Delegations were active only sporadically.

2. The Canadian Delegation had no special initiatives to negotiate during the 26th session. The Delegation was of course anxious to ensure that the Special Fund was established on a sound basis and to this end that the report of the Preparatory Committee was approved without major change. We had little difficulty in achieving this objective. Even on the Commodities item, in which we were most interested, it was more the responsibility of other delegations than ours to negotiate changes in the terms of reference of the C.I.C.T. The Delegation was, however, active in protecting our own seat on this Commission. In any event Canada was re-elected (16 out of a possible 18 votes) for a three-year term in the reconstituted body. In keeping with past traditions, the Delegation's major activity consisted of preventing unsatisfactory resolutions from being passed and amending or adapt-

ing the initiatives of other delegations for our own purposes. In pursuit of this objective the Canadian Delegation was one of the most active at the meeting. In the plenary sessions, in the Coordination Committee, the Economic Committee, the Technical Assistance Committee and the Social Committee, Canadian statements were among the more influential, and the Canadian Delegation participated in the negotiation on all major decisions. (See Section III for further details of the Canadian role at the meetings).

3. In a word, the 26th session could best be characterized as — constructive. Of considerable importance were the discussions on international trade problems. The Western delegations face considerable difficulty as a result of increased Soviet bloc interest in opening new channels for trade relations with the West since this interest coincides with concern by the less developed countries, particularly those of Latin America, at current instability in world commodity markets. The great interest shown in world commodity problems, if it did nothing else, emphasized the importance attached to these problems by both developed and under-developed countries. This may in the long run create an increased awareness of the difficulties inherent in international commodity trade which could have desirable results from a Canadian standpoint.

4. One of the major achievements of the 26th session was the decision to change the terms of reference of the C.I.C.T. and to reconstitute it so as to permit the U.K. and U.S.A. to rejoin the Commission. This decision may have useful consequences for Canada if the Commission benefits from U.S.A. and U.K. membership and if it is able to develop a work programme which does not conflict with the work ICCICA, GATT and the FAO are doing in the same field. This general issue will certainly be revived during the 13th session of the General Assembly.

5. The approval of the Special Fund Preparatory Committee Report was the next most important achievement of the 26th session. This action will enable the Canadian Government and other governments to plan their contributions to the Special Fund for announcement during the 13th session of the General Assembly. As the President noted in his concluding remarks, the creation of this new Economic Development Fund represents the first major forward step which the Council has taken in this general field since the establishment of the Expanded Programme of Technical Assistance in 1949.

6. The establishment of the International Administrative Service could result in improved national administrations in the less developed countries. This was a proposal encouraged by the Secretary-General himself as one of the most important contributions which the United Nations could make in promoting the economic development of the less developed countries.

7. The Council's decision to encourage the establishment of National Food Reserves can also be considered a significant decision of probable future importance to Canada.

8. Action was taken by the Council in respect of the narcotics and refugees items. In both these cases the Council did not face major issues of principle, except possibly in one instance, i.e., the decision to convene in plenipotentiary conference for the purpose of adopting a single convention on Narcotic Drugs. In this case, the Canadian Delegation was instrumental in persuading the Council to take a positive decision at this session. It should be added that difficult financial problems will arise in the near future in connection with the provision of international assistance to refugees.

9. Relations between the Council and the Specialized Agencies also appear to have improved considerably in comparison to the conditions which existed in the last two years. The Council may well claim some credit for this development and also for the possibility

that there will be greater concerned practical action in the future than has been the case in the past where responsibilities between the Agencies and the United Nations overlap.

10. In an effort to make the Council more significant the U.S.A. initiated a move to expand its membership by six. This proposal may be unsuccessful because of Soviet opposition but could have useful political results for that reason alone. The Canadian Delegation considered that this move should have been better prepared than it was. (See the Delegation's report† on Agenda Item 2 (a) for further details). The issue will certainly be revived at the 13th session of the General Assembly.

11. One of the new developments at the 26th Session of ECOSOC was the practice initiated by the Netherlands of holding meetings of the heads of delegations without their advisers. The Netherlands believed that it promoted Western unity on the Council. Others considered that difficulties of coordination within delegations resulted (particularly within the U.S.A. and the U.K. Delegations).

12. There are however grounds for general satisfaction with the work of the 26th session. It should be recognized however that the less developed countries and the Soviet bloc were less aggressive and active at the 26th session of ECOSOC than they will be at the 13th session of the General Assembly. Some of the harmony and unanimity at the 26th session may prove to be illusory.

- II -

13. The following more specific comments on the work of the individual committees may be useful in support of the above conclusions.

Coordination Committee

The work of the Coordination Committee this year was, in comparison with its work in previous years, remarkable for the degree to which the under-developed countries and the agencies concerned seem to have accepted the view of the more advanced countries on the value of good coordination. The singular measure of "likemindedness" prevailing in the Committee is reflected by the unanimity achieved on all eight resolutions tabled in respect of coordination. The three most important of these resolutions deal respectively with coordination in the field of peaceful uses of atomic energy, prospects for further advances towards concerted action, and finally, plans for the completion of five-year appraisals by the United Nations and a number of the larger Specialized Agencies. The latter resolution was the main preoccupation of the United States, the United Kingdom and the Netherlands Delegations to whom this subject is of first importance. The reservations entertained by the Canadian Delegation last year on this exercise of five-year forecasting were not entirely dispelled. However, the more conservative attitude of the sponsors and the willingness of the agencies to cooperate with goodwill permitted us to vote for the resolution. It seems likely that Dr. Davidson will be nominated to the Committee to which the task of collating the appraisals will be given. As President of the Council, Dr. Davidson will also be asked to participate on an ECOSOC Delegation chosen to meet a delegation selected by I.L.O.

A second noticeable difference in the coordination field this year, as opposed to last year, was the almost complete apathy displayed by the Soviet Delegation and to a lesser extent by the Polish Delegation to the subject of coordination — Item 3 (a). This apathy changed to live interest when the Coordination Committee devoted its attention to Item 3 (b) arising out of General Assembly Resolution 1164 (XII) and dealing with exchanges in the fields of science, culture and education. Under this heading, the Soviet Delegation tabled three resolutions calling respectively for a survey by the Secretary-General of external relations and exchanges in the fields mentioned, the preparation of a convention on this

subject by UNESCO and, somewhat illogically, a 2nd United Nations Conference in 1961 on the Conservation and Utilization of Resources. The Soviet Delegation did not obtain satisfaction on any these three initiatives, particularly on the latter two. Accordingly, the USSR can be expected to return to the charge on these three proposals in the future.

The Yugoslav Delegation, which provided a competent, if uninspiring Chairman of the Committee, was a valuable partner to the Western Delegations in achieving satisfactory results in coordination matters. The Mexican Representative also made a contribution by his intelligent assessment of the problems of the committee and by his willingness to intercede with other Latin American delegations when necessary.

As usual the United States Representatives on the Committee, Walter Kotschnig and Kathleen Bell, formed the sun around which all other friendly delegations revolved in selecting and achieving agreed objectives. The French Representatives were not up to the standard of previous years. The British were sound, but unimaginative. The Netherlands alone of other delegations, compared favourably with that of the United States team.

Social Committee

The work of the Social Committee at the 26th Session of the Council was only remarkable in the almost unanimous opinion of its members that it had reached an all-time low.

The substance of the reports of the three functional commissions, Status of Women, Human Rights and Narcotic Drugs received no real attention although interest was occasionally quickened by a procedural manoeuvre or an attempt by East or West to outwit the other. The debate on the Advisory Services of Human Rights was of a respectable quality but gave this Delegation the impression that most of the members of the Committee were thankful to find one subject on which they could express some enthusiasm and encouragement without getting into too deep waters or involving themselves in too much thought or reflection.

There were no particular line-ups or blocks. The Committee was perhaps also remarkable in its lack of cold war atmosphere and for the sense of agreement between its members.

The United States was by far the most active member of the Committee and seemed to work closely with the Secretariat in producing draft resolutions when required. The United Kingdom was a good second and Chile was the most useful and cooperative Latin American country. Mexico and Costa Rica were almost completely silent and Brazil perhaps because of a close personal tie between the Chairman of the Brazilian and United States Commissioner on Narcotics was active only during the discussion on the Report of the Commission on Narcotic Drugs.

Poland was the most politically aware of the Eastern bloc, but was not particularly aggressive. The only issue on which the Eastern bloc seemed really involved concerned the "internationalism" of the "regional" Human Rights seminars. Yugoslavia voted consistently with Poland [against] the USSR.

The Canadian Delegation was particularly struck by the non-political and constructive statements of the Soviet Delegate, Mrs. Muraveva and her real efforts whenever possible to collaborate with the Committee as a whole. It was unfortunate that for political reasons her highly sensible proposals usually had to be discouraged.

Technical Assistance Committee

The main work of the TAC consisted of a series of decisions on the detailed operation of the Expanded Programme of Technical Assistance. These decisions followed the admin-

istrative pattern established at previous meetings and, while they involve much detailed negotiation, did not raise major issues of principle. An important exception, however, was the decision already noted to establish an International Administrative Service.

Although no major changes in the structure and operations of the Expanded Programme of Technical Assistance were made at the 26th session of ECOSOC, the ground-work was laid for two important discussions in the future. At the suggestion of the U.S.A., consideration will be given (prior to the next summer session of ECOSOC) to possible revisions of the country programming procedures of the ETAP. This is a subject in which Canada as a major contributor has a particular interest and it would be desirable for the Canadian authorities to follow fairly closely any changes which the TAC may in the future suggest and which might affect the basic nature of the ETAP programme.

Another major question which will arise in the future concerns the method of allocating administrative and operational services costs between the budgets of the ETAP and of the participating organizations. It will be necessary for Canadian Delegations in each of the Specialized Agencies to take a consistent position on this question.

The TAC also began its work towards ensuring close cooperation between the ETAP programme and the programme of the proposed Special Fund. In general, the TAC session was a successful working meeting, much less the scene of East-West or of developed-under-developed conflicts than was the case in previous years or even in other committees of the Council.

Economic Committee

The Council commenced its activities under the cloud created by the difficulties occurring in the Middle-East, as well as the American recession. However, experience in the Economic Committee suggests that, although the Session was active and difficult, its results can be considered generally satisfactory.

Although the U.S.S.R. endeavoured to utilize the information in the World Economic Survey as justification for a number of unacceptable proposals, it was possible to counter these initiatives by concerted efforts but without excessive difficulty. At the same time the Economic Committee took action on other agenda items in addition to the recommendation for establishment of the Special Projects Fund. Inter alia the Committee (and later the Council) approved a widely supported resolution concerning the establishment of national food reserves (already noted) and took action on the C.I.C.T. (already noted).

- III -

The following comments on specific delegations may be of general political interest:

French Delegation

The French Delegation followed a somewhat less contradictory course than at previous ECOSOC sessions. The French Delegation participated actively in most of the discussions in the Council but did not have anything like the same position of influence as the U.S.A., United Kingdom and Netherlands Delegations.

United Kingdom Delegation

In contrast to the General Assembly, the United Kingdom Delegation can wield considerable authority in the sessions of ECOSOC. Together with the U.S.A. Delegation it is able with the cooperation of the Secretariat to exercise a major influence on events although frequently in a negative sense.

U.S.A. Delegation

The U.S.A. Delegation certainly provided much of the great power leadership at the 26th session of ECOSOC. It had considerable success, even though sometimes affected by internal divisions. In the Coordination Committee, for example, with good personnel and in cooperation with the Netherlands Delegation, it was able to achieve many of its and the West's objectives.

Latin American Delegations

Mexico was probably the best of the Latin American Delegations, frequently taking useful and constructive positions. In the Social Committee the Delegation of Chile played a useful role but created great difficulties for Canada and other friendly delegations in the Economic Committee. Frequently the Latin American Delegations were sharply divided. Some of them, Chile and Brazil in particular, were outspoken and bitter in their criticisms of the U.S.A.

U.S.S.R. Delegation

At the 26th session the U.S.S.R. submitted a large number of resolutions but apparently without any expectation that they would be adopted and without any intention of pushing them hard to a final decision. The U.S.S.R. was described as "playing for very small stakes". While the U.S.S.R. had a large delegation and prepared many of its resolutions and texts in advance, its members did not really make much use of ECOSOC and certainly seemed unable to participate in a constructive manner in its discussions. Soviet initiatives appeared designed for home consumption or intended to establish positions for use later in the General Assembly or in the Regional Economic Commissions.

Netherlands Delegation

The Netherlands had an impressive delegation headed by its Foreign Minister and was active in every discussion which the Council held, assuming influence in the Council second only to that of the U.S.A. and the U.K. The Netherlands, however, was frequently stubborn and sometimes selfish in its desire to gain political credit, (for example in its stand on SUNFED), at the expense of other Western delegations. Some of the Netherlands ideas were good; others proved difficult and unrealistic. The Netherlands Government has taken a decision to participate actively in the work of ECOSOC, even at the expense of its participation in other U.N. organs.

The Sudan

The Sudan Delegation was an interesting, active and sensible delegation. It took a moderate middle power position. The Sudan also made conscious efforts to speak for the African and the under-developed countries in opposition to what it sometimes regarded as negative Western positions. Its personnel, however, were friendly and cooperative and the delegation as a whole worked well with the Canadian Delegation.

Pakistan Delegation

The Pakistan Delegation was a responsible and friendly delegation.

Yugoslav Delegation

The Yugoslav Delegation was less active at this session of the Council than at previous sessions but nevertheless played an informed and important role in the work of the Council, providing a good Chairman for the Coordination Committee. The Yugoslav Delegation also clearly indicated its independence of the U.S.S.R. and of Poland and was one of the most helpful delegations in negotiating generally acceptable resolutions.

The following delegations made little or no contribution to the work of the Council. Indonesia, Finland, Greece, Costa Rica, China and Poland (the latter did not always vote exactly as did the U.S.S.R.).

Canadian Delegation

As already noted the Delegation was active in the negotiation of the main decisions at the 26th session. It was sometimes difficult to influence proposals promoted by the U.S.A., U.K. and the Netherlands Delegations. Most members of these three Delegations attended a number of sessions of the Council. Because of their established relationships with other delegations and the Secretariat, they exercise considerable influence over its proceedings. This consideration might be borne in mind in selecting Canadian representatives to ECOSOC and to other United Nations bodies. Of course the Agenda of ECOSOC and the nature of the problems discussed in that body are more continuous in nature than is the case for example in the General Assembly.

The Delegation considers that as in the case of other United Nations bodies there is much to be gained by anticipating the issues likely to arise. The Delegation also believes that there should be more prior discussions between friendly and Western Delegations before United Nations sessions, so that the West is not always placed in the position of reacting to Soviet proposals without constructive alternatives of its own. Taking initiatives for the sake of taking initiatives is not of course contemplated, but at least more carefully coordinated and more specific positions could be prepared by Western and friendly delegations. The alternative as shown by the 26th session of ECOSOC is to improvise stop-gap responses to initiatives frequently from the U.S.S.R. In general, the Delegation endeavoured to protect Canada's respected reputation in United Nations economic, social and human rights matters. This reputation can be used effectively when serious conflicts arise. Such conflicts did not, however, arise, or were prevented from arising, at the 26th session of ECOSOC.

One of the main contributions of the Canadian Delegation to ECOSOC during 1958 was Dr. George Davidson's presidency of the Council. Credit was reflected on Canada and on the Delegation as a result of Dr. Davidson's contributions to the work of the Council. Attached† as Appendix I to this report is Dr. Davidson's closing address as President which should be reproduced with this report.³⁰

³⁰ Pour un sommaire du discours de Davidson, voir Nations Unies, Conseil Économique et Social, *Documents Officiels*, Vingt-sixième session, pp. 166 à 167.

For a summary of Davidson's speech, see United Nations, Economic and Social Council, *Official Records*, Twenty-sixth session, pp. 150-151.

SECTION D

DROIT DE LA MER
LAW OF THE SEA

37.

PCO

*Note du ministre des Affaires du Nord et des Ressources nationales
pour le Cabinet*

*Memorandum from Minister of Northern Affairs and National Resources
to Cabinet*

CABINET DOCUMENT NO. 169-57

[Ottawa], August 12, 1957

SECRET

INTERNATIONAL CONFERENCE ON THE LAW OF THE SEA;
COMMENTS BY CANADA

1. The Law of the Sea, including international law relating to territorial waters, the continental shelf, and national jurisdiction over fisheries, has been under study for several years by an International Law Commission. It reported to the General Assembly of the United Nations last fall and the Assembly decided to call an International Conference on the Law of the Sea to be held either in Rome or Geneva in March, 1958. Canada has indicated its intention to be represented at the Conference.

2. Since 1952 the Canadian policy on territorial waters and other matters relating to the law of the sea has been under study by an Interdepartmental Committee under the chairmanship of the Deputy Minister of Northern Affairs and National Resources. The Committee has been responsible for the preparations for the Conference insofar as Canada is concerned. It has also had prepared a comprehensive report by Mr. G.F. Curtis, Dean of the Faculty of Law, University of British Columbia, setting out the present position of international law governing territorial waters and examining the manner in which it could best be applied to Canadian waters, taking into account such statements or declarations of policy as may have been made in the past.

3. On November 16, 1955, the former Cabinet agreed that a Cabinet Committee consisting of the Minister of Northern Affairs and National Resources (Chairman), the Minister of Fisheries and the Secretary of State for External Affairs, together with such other Ministers as might wish to attend, be established to consider policy on territorial waters questions and recommendations that would be submitted by the committee of officials. Pursuant to a report by the Cabinet Committee, the Cabinet approved a number of recommendations as to Canadian policy on March 15, 1956.³¹ The principal decisions were as follows:

(a) To decide in principle to adopt the straight baseline system for the Coast of Labrador and the East and South Coasts of Newfoundland, subject to a guarantee of United States and French treaty fishing rights in the affected areas. The straight base-line system was sanctioned by the International Court of Justice in 1951 in the Anglo-Norwegian Fisheries case. The system is particularly beneficial for deeply indented coasts like those of

³¹ Voir/See Volume 22, Document 316.

Labrador, probably B.C., etc. (The question of the application of this system to other parts of the coast is still under consideration by the Interdepartmental Committee).

(b) [Paragraphe non-déclassifié./Paragraph not declassified.]

(c) To consult the United States and the United Kingdom and France informally concerning the action contemplated.

(d) To decide in principle on the extension of the breadth of the territorial sea to 12 miles as an ultimate goal.

(e) [Paragraphe non-déclassifié./Paragraph not declassified.]

(f) To adopt the position that a littoral state should have the right to explore and exploit the natural resources of the seabed and subsoil of the continental shelf to the point where it plunges into ocean depths but where the outer edge of the shelf is ill-defined to agree to the limit being set at the 200 meter mark. (A 200 meter limit has been favoured by the International Law Commission as the maximum depth for a "continental shelf". However, much of the true continental shelf off the east coast of Canada is more than 200 meters deep.)

4. On July 30, the then Prime Minister, in response to questions in the House, indicated in general terms the Government policy with regard to the adoption of baselines and the 12-mile limit. (*Hansard*, July 30, 1956, pages 6700-6703). On August 3, 1956, the Government agreed that the United States, United Kingdom and French Governments should be officially informed of the decisions outlined in the House of Commons, i.e. that in the United Nations consideration of the report of the International Law Commission Canada would support the adoption of a straight baseline system for the measurement of territorial waters and would also support the adoption of the 12-mile limit for territorial waters.

5. Subsequently, in 1956, confidential discussions took place between Canadian officials and United States and United Kingdom officials. At these discussions United States and United Kingdom officials emphasized that universal adoption of a 12-mile territorial limit would have serious implications for security. In the light of their views, the government decided on a modified position which would involve, as the Canadian policy:

(a) a 3-mile limit for territorial waters proper,

(b) a 12-mile contiguous zone (measured from the same baselines from which the territorial sea would be measured) in which the coastal state would have the full right to impose fishing regulations (as well as customs, fiscal and sanitary regulations as already recommended by the Commission).

It was agreed that Canada make such a proposal at the General Assembly but that it should not exclude Canadian support for the 12-mile limit if at a later stage it appeared that no agreement could be reached on a 12-mile contiguous zone within which the coastal state would have adequate fishery controls. Subsequently the Canadian position on the breadth of the territorial sea was stated by the Canadian representative in the Sixth Committee of the General Assembly on December 7, 1956 as follows:

"The Canadian delegation believes that the 3-mile limit is not adequate for all purposes. In particular it is not adequate for the enforcement of customs, fiscal and sanitary regulations. It is also not adequate for the protection and control of fisheries. The Commission has already recommended a contiguous zone of not more than 12 miles from the baseline from which the territorial sea is measured for the purpose of exercising the necessary control in the enforcement of customs, fiscal or sanitary regulations. For Canada it is of fully as great importance that the rules of international law should provide adequately for the regulation and control of fisheries off the coasts of any state. One way of providing this would be by accepting, for general application, the twelve

mile breadth for territorial waters. That would allow complete fishery, customs, fiscal and sanitary control and regulation within that limit. It would exclude the fishermen of other countries from the twelve mile coastal area. My Government recognizes, however, that a general extension of the breadth of the territorial sea to twelve miles could have consequences of importance with regard to the freedom of sea and air navigation. Freedom of the seas is of common benefit and clearly the principle must be given due consideration in dealing with the problem. Instead of having a general adoption of the twelve mile breadth for the territorial sea an alternative approach which would not affect the rights of navigation either by sea or by air would be to agree on a contiguous zone of twelve miles as recommended by the International Law Commission, but with the modification that it should cover fisheries as well. To be acceptable to Canada, the rights over fisheries accorded by such a zone would have to be as complete as those that would be afforded to the coastal state if territorial waters were extended to twelve miles."

6. In connection with preparations for the conference the Secretary-General of the United Nations has requested governments to let him have any provisional comments they wish to make on the International Law Commission's proposed rules. Ministers concerned in the late Government had agreed that Canada should submit comments on the following four aspects of the Commission's report of cardinal interest to Canada:

(a) *The Breadth of the Territorial Sea and Contiguous Zone.* The intention here was to reiterate the position taken by Canada at the Eleventh Session of the General Assembly.

(b) *The Employment of Straight Baselines.* The intention was to support the recommendation of the International Law Commission (which accords with the decision of the International Court of Justice in the Anglo-Norwegian Fisheries case) that in appropriate cases states might measure their territorial sea from straight baselines drawn from headland to headland rather than from the sinuosities of the coastline.

(c) *The Definition of the Seaward Boundary of the Continental Shelf.* The International Law Commission has recommended a rule to the effect that "The coastal state exercises over the continental shelf sovereign rights for the purpose of exploring and exploiting its natural resources." The Commission recommends that the boundary of the shelf should be where the water over the shelf reaches a depth of 100 fathoms. Off the East Coast, the edge of the shelf is generally at a greater depth. The intention was to propose that the boundary of the shelf be its actual edge where it is well defined (as it is off Newfoundland and Labrador).

(d) *The Régime for High Seas Fishing.* Comments were submitted to the Secretary-General on the International Law Commission's suggested rules on high seas fishing on May 7, 1956. It was the intention to submit comments directed at modifying the proposed rules to protect adequately the interests of states, such as Canada, in

(a) coastal fisheries;

(b) high seas fisheries where those interests stem from investment of effort and money and compliance with self-denying ordinances aimed at conserving particular species in particular areas.

7. It is not essential that comments be put forward at this time. The Canadian position as it then was, on the breadth of the territorial sea and on the contiguous zone is already on the UN record as are Canadian comments on high seas fishing. The position on straight baselines coincides with the recommendations of the International Law Commission which are likely to be generally acceptable. Only our position on the boundary of the continental shelf is not a matter of public record. (It has been explained informally to United

Kingdom, Australian and United States officials.) The advantage in putting comments forward is that the Canadian position will be included in the report on the provisional positions of Governments which the Secretary-General proposes to make available as part of the preparatory work for the proposed conference. This will facilitate any consultation with other Governments before the Conference which it may be deemed expedient to undertake. Since in his request for comments the Secretary-General has asked for "provisional" comments the Government would not be precluded from adopting modified views at a later date.

8. I recommend:³²

(a) that comments along the lines set forth in paragraph 5 be submitted to the Secretary-General of the United Nations as the provisional views of Canada on the four points concerned, (a draft note for the purpose is attached);

(b) that the Interdepartmental Committee be directed to proceed with preparations for the International Conference and to submit a complete commentary for consideration by the Cabinet at a later date in regard to policy generally.

DOUGLAS S. HARKNESS

[PIÈCE JOINTE/ENCLOSURE]

Projet d'une note

Draft Note

No. _____ August _____, 1957

The Secretary of State for External Affairs presents his compliments to the Secretary-General of the United Nations and has the honour to refer to Note No. LE 130(3)-9-2 dated March 25, 1957 from the Director of the Codification Division requesting any provisional comments which the Canadian Government might wish to make on the International Law Commission's final report on the Law of the Sea and related matters.

The Canadian Government desires to say that it considers that the increased interest of States in the exploitation of the resources of the sea and the consequent need for conservation and regulation of these resources along with the need to preserve the principle of the freedom of the seas calls for a reappraisal of the existing Law of the Sea and subsequent agreement on generally accepted rules, whether they be existing rules reaffirmed or revised or entirely new rules. Accordingly the Canadian Government welcomes the convoking of an international Conference to examine the Law of the Sea and proposes to be represented at this Conference, as the Secretary of State for External Affairs informed the Secretary-General on April 17, 1957. Regarding the International Law Commission's Report on the Law of the Sea, the following are the views of the Canadian Government on *some* of the recommendations of the Commission:

(a) *Breadth of the Territorial Sea and Contiguous Zone*

The relevant recommendations of the International Law Commission are as follows:

³² Approuvé par le Cabinet le 27 août 1957. Pour le texte officiel de la lettre adressée au Secrétaire général le 10 septembre 1957, voir Chambre des Communes, *Débats*, volume II, 1957-1958, pp. 1737 à 1740. Approved by Cabinet on August 27, 1957. For the official text of the letter to the Secretary-General dated September 10, 1957, see House of Commons, *Debates*, Volume II, 1957-58, pp. 1653-1656.

"Article 3:

1. The Commission recognizes that international practice is not uniform as regards the delimitation of the territorial sea.

2. The Commission considers that international law does not permit an extension of the territorial sea beyond twelve miles.

3. The Commission, without taking any decision as to the breadth of the territorial sea up to that limit, notes, on the one hand, that many States have fixed a breadth greater than three miles and, on the other hand, that many States do not recognize such a breadth when that of their own territorial sea is less.

4. The Commission considers that the breadth of the territorial sea should be fixed by an international conference."

"Article 66:

1. In a zone of the high seas contiguous to its territorial sea, the coastal State may exercise the control necessary to

(a) Prevent infringement of its customs, fiscal or sanitary regulations within its territory or territorial sea;

(b) Punish infringement of the above regulations committed within its territory or territorial sea.

2. The contiguous zone may not extend beyond twelve miles from the baseline from which the breadth of the territorial sea is measured."

The Canadian Government considers that any rules must meet the essential needs of coastal states. The 3-mile is not adequate for all purposes. It is not adequate for the enforcement of customs, fiscal and sanitary regulations. It is also not adequate for the protection and control of fisheries. The Commission has recognized in Article 66 (quoted above) the need for extended jurisdiction in respect of the enforcement of customs, fiscal and sanitary regulations. The Canadian Government considers it to be fully as important that the rules of international law should provide adequately for the regulation and control of fisheries off the coast of any state. One way of providing for this would be by accepting, for general application, the 12-mile breadth for the territorial sea. That would allow for complete fishery, customs, fiscal and sanitary control and regulation within that limit and dispense with the need for any provisions along the lines of those contained in Article 66. It is recognized, however, that a general extension of the breadth of the territorial sea to 12 miles could have consequences of importance with regard to the freedom of sea and air navigation. Instead, therefore, of having a general adoption of the 12-mile breadth for the territorial sea an alternative approach which would not affect the rights of navigation by sea or by air would be to agree on a contiguous zone of 12 miles as recommended by the Commission but with the modification that within that zone the coastal state should have the exclusive right of regulation and control of fishing. Rights over fisheries accorded by such a zone should, in the view of the Canadian Government, be as complete as those that are afforded to a coastal state within the limits of territorial waters.

*(b) Straight Baselines**"Article 5:*

1. Where circumstances necessitate a special régime because the coast is deeply indented or cut into or because there are islands in its immediate vicinity, the baseline may be independent of the low-water mark. In these cases, the method of straight baselines joining appropriate points may be employed. The drawing of such baselines must not depart to any

appreciable extent from the general direction of the coast, and the sea areas lying within the lines must be sufficiently closely linked to the land domain to be subject to the régime of internal waters. Account may nevertheless be taken, where necessary, of economic interests peculiar to a region, the reality and importance of which are clearly evidenced by a long usage. Baselines shall not be drawn to and from drying rocks and drying shoals.

2. The coastal State shall give due publicity to the straight baselines drawn by it.

3. Where the establishment of a straight baseline has the effect of enclosing as internal waters areas which previously had been considered as part of the territorial sea or of the high seas, a right of innocent passage, as defined in Article 15, through those waters shall be recognized by the coastal State in all those cases where the waters have normally been used for international traffic."

This recommendation is acceptable to the Canadian Government as reflecting the decision of the International Court of Justice in the *Anglo-Norwegian Fisheries Case*. The Canadian Government agrees that the employment of straight baselines as outlined by the Commission should be recognized universally as being a proper means of establishing the datum-line for measuring the territorial sea or contiguous zone, in appropriate cases.

(c) *Continental Shelf*

"Article 67:

For the purposes of these articles, the term 'Continental Shelf' is used as referring to the seabed and subsoil of the submarine areas adjacent to the coast but outside the area of the territorial sea, to a depth of 200 metres (approximately 100 fathoms), or, beyond that limit, to where the depth of the superjacent waters admits of the exploitation of the natural resources of the said areas."

In its final report on the Law of the Sea (United Nations Document A/3159) the International Law Commission stated that it "accepted the idea that the coastal state may exercise control and jurisdiction over the continental shelf, with the proviso that such control and jurisdiction shall be exercised solely for the purpose of exploiting its resources . . ." The Commission believed, however, that the legal boundary of the continental shelf should be a fixed limit in terms of the depth of the superjacent waters because a boundary defined in terms of the admissibility of exploitation as the Commission's first draft of 1951 proposed, would "lack the necessary precision and might give rise to disputes and uncertainty". The 200-metre depth was selected by the Commission as the limit of the continental shelf because it considered that this depth is where the continental shelf in a geological sense "generally" comes to an end and that the limit proposed would be sufficient for all practical purposes at present.

Against the contingency that exploitation of the seabed at depths greater than 200 metres might prove technically possible the Commission recommended at its eighth session that the continental shelf in the legal sense might be considered as extending beyond the 200-metre depth mark to areas at greater depths where the superjacent waters admit of the exploitation of the resources of the seabed of these areas.

This additional provision reintroduces the uncertainty which led the Commission to favour a fixed limit in terms of the depth of superjacent waters for determining the legal boundary of the shelf. It is considered that the foreseeable possibilities of exploitation at greater depths than 200 metres might be provided for without sacrificing the element of certainty concerning the extent of States' rights to exploit the resources of the seabed. It is understood that in 90 percent of instances, excluding polar regions, the edge of the continental shelf is well-defined geographically. It is suggested, therefore, that in these cases the

boundary of the shelf should be its actual edge. Where, however, the edge of the shelf is ill-defined or where there is no shelf in a geographical sense, the boundary might be set at such a depth as might satisfy foreseeable practical prospects of exploitation.

It should be added that this suggestion might also solve the special problem raised by the International Law Commission regarding submerged areas of a depth less than 200 metres which are separated from the main shelf by narrow channels. While the scarcity of soundings in many areas makes it impossible to be definite concerning the number of such submerged areas it is thought that if the actual edge of the shelf were considered to be the boundary, by far the greater number of these "islands" would then be included as part of the shelf and would so not create a special problem.

(d) *High Seas Fishing*

The Canadian government has the following comments with regard to the draft articles indicated:

Article 51

There is a possibility that in a given area the nationals of one state could be exploiting one kind of living marine resource and at the same time the nationals of another state could be exploiting another kind of resource. The Article, as presently drafted, does not seem to take account of such a situation. It refers to an area rather than to a particular resource. A more explicit statement appears to be desirable.

Article 52

The Article, as drafted, might be interpreted as applying only to a case where the nationals of two or more states fished the same stock or stocks of fish in any one area. In some instances, to provide adequate conservation measures it would be desirable to have them applied to the same stock of fish even though it were fished in different areas. A clarification in wording is therefore suggested.

The criterion suggested by the Commission (see paragraph I of its commentary to Article 52) for invoking the procedure envisaged in this Article is that a state be "regularly engaged in fishing." Under Article 53 an existing régime does not apply to a newcomer unless he is engaged in substantial fishing (see Paragraph 2 of the Commission's commentary on Article 53). It would seem reasonable therefore that under Article 52 a state ought only to be allowed to call for the establishment of a régime if it is engaged in substantial fishing, subject of course to Articles 54, 55 and 56.

Article 53

The Article, as drafted, would make conservation measures adopted pursuant to Articles 51 and 52 applicable to other states only in the case of fishing for the same stocks of fish in the same area. From the conservation point of view the provision is inadequate. It is the stocks of fish which must be protected regardless of the fact whether they are fished in the same area or not.

In paragraph 2 of the Commission's comment on this Article, it is stipulated that the regulations should be applicable to newcomers only if they engage in fishing on a scale which would substantially affect the stock or stocks in question. It would be preferable to have this stipulated in the Article, for instance, by adding after "any of the interested parties" in paragraph 2 of the Article the words, "engaged in the fishing on a substantial basis."

Article 56

Although there may, in certain circumstances, be some justification for a state not engaged in fishing in an area not contiguous to its coast requesting a fishing state to take certain conservation measures, care should be taken that this request would not extend to measures necessarily having to be taken within the boundaries of the fishing state. This Article, therefore, should be qualified to indicate that the fishing state would be under no obligation to take measures within its boundaries.

The Government of Canada is of the opinion that these Articles should be subject to the "abstention principle" which was considered at the Technical Conference on the Conservation of the Living Resources of the Sea held in Rome in 1955 and which is stated in the Report of the Conference (page 7, paragraphs 61-62) namely:

"61. A special case exists where countries, through research, regulation of their own fishermen and other activities, have restored or developed or maintained stocks of fish so that their productivity is being maintained and utilized at levels reasonably approximating their maximum sustainable productivity, and where the continuance of this level of productivity depends upon such sustained research and regulation. Under these conditions, the participation of additional States in the exploitation of the resource will yield no increase in food to mankind, but will threaten the success of the conservation programme. Where opportunities exist for a country or countries to develop or restore the productivity of resources, and where such development or restoration by the harvesting State or States is necessary to maintain the productivity of resources, conditions should be made favourable for such action.

"62. The International North Pacific Fishery Commission provides a method for handling the special case mentioned above. It was recognized that new entrants in such fisheries threatened the continued success of the conservation programme. Under these circumstances the State or States not participating in fishing the stocks in question agreed to abstain from such fishing when the Commission determines that the stock reasonably satisfies all the following conditions:

(a) Evidence based upon scientific research indicates that more extensive exploitation of the stock will not provide a substantial increase in yield;

(b) The exploitation of the stock is limited or otherwise regulated for conservation purposes by each party substantially engaging in its exploitation; and

(c) The stock is the subject of extensive scientific study designed to discover whether it is being fully utilized, and what conditions are necessary for maintaining its maximum sustained productivity. The Convention provides that, when these conditions are satisfied, the States which have not engaged in substantial exploitation of the stock will be recommended to abstain from fishing such stock, while the States engaged in substantial exploitation will continue to carry out the necessary conservation measures. Meanwhile, the abstaining States may participate in fishing other stocks of fish in the same area."

All of the above comments are, of course, provisional at this stage. The fact that comments have not been submitted on other matters does not indicate that the remainder of the draft articles are necessarily acceptable to the Canadian government as they now stand. The comments are submitted with a view to facilitating the exchange of views among countries that will be essential in working out agreed provisions on the Law of the Sea.

38.

CEW/Vol. 3175

*Note pour l'ambassadeur aux États-Unis*³³
*Memorandum for Ambassador in United States*³³

CONFIDENTIAL

[Washington], December 20, 1957

MEETING — INTERNATIONAL LAW OF THE SEA

On December 3rd a meeting was held in New York between United States and Canadian officials for the purpose of exchanging informal views on questions relating to the conference on the Law of the Sea which is to commence in Geneva on February 24th, 1958. The representatives present at the meeting were:

United States

- Mr. William Saunders, Co-ordinator, United States
- Preparations for the Conference on the Law of the Sea,
- Raymond T. Yingling, Assistant Legal Adviser, Department of State,
- Mr. William C. Herrington, Special Assistant to the Under-Secretary of State for Fisheries and Wildlife,
- Captain Wilfred A. Hearn, Judge Advocate General Staff, Navy.

Canada

- Mr. Gordon Robertson, Deputy Minister, Northern Affairs and National Resources,
- Mr. S.V. Ozere, Assistant Deputy Minister, Fisheries,
- Mr. J.S. Nutt, Legal Division, Department of External Affairs,
- Mr. A.F. Broadbridge, Canadian Embassy, Washington.

2. Altogether, the meeting was, I think, most useful both to the Canadian delegation and to the United States delegation. There was a frank exchange of views and while in some instances no firm conclusions were reached, it was clear that view points had been frankly exchanged and that further sympathetic consideration of these would be made by both delegations on their return to Washington and Ottawa respectively.

3. The agenda for the New York meeting called for discussion of the following items:
- (a) International Law Commission Fishery Articles — including abstention, compulsory arbitration and criteria. (Report of the International Law Commission to the U.N. 1956)
 - (b) Limits of the Territorial Sea
 - (c) Contiguous Zones for Fisheries
 - (d) Living Resources of the Continental Shelf
 - (e) Conference Organization and Officers

4. The discussion on the first item was mainly of a technical nature and there was general agreement between the Canadian and United States representatives on the points raised. The position of the United States on conservation, arbitration and abstention are to a great extent covered in the attached appendices,† 1, 2 and 3. The discussions on these technical aspects will be dealt with in greater detail in the secretary's report. Considerable discussion was held in connection with Articles 53 and 55 of the Report of the International Law Commission. The United States delegation was particularly interested in the matter of violations by fishermen in areas where conversation is being practised. In this connection, the

³³Note marginale :/Marginal note:

Interesting when you have time to look it over. AE R[itche]

United States took the position that fishermen arrested for what, in effect, would be considered trespassing, must be handed over to their own country for trial. The United States could not permit its own fishermen to be tried by the court of another country. Mr. Robertson of the Canadian delegation questioned whether this would be considered practicable by some countries as there would be no guarantee that the United States, or any other country, would, in fact, prosecute. Mr. Herrington (US) replied that the arrest and handing over would cause sufficient delay in fishing operations to discourage further violations, whether or not prosecution followed. Mr. Robertson suggested that perhaps regulations could be written in the report concerning the penalties for first and second and third violations. Mr. Yingling (US) countered by saying that this would mean formulating international penal law, an act in which the United States Government would not wish to become involved. Mr. Robertson thought that the position of the United States might have merit, although he could see that there would be some difficulty in persuading certain Latin American and European states to agree to the United States procedure. The Canadian delegation proposed to recommend the United States procedure on arrest and trial to the Cabinet.

5. On the International Law Commission's Articles concerning arbitration (Articles 57, 58 and 59), there was also considerable discussion. The United States considered that an additional article on arbitration was necessary. Such an article should specify what criteria are necessary for the Arbitral Commission to reach a decision. Without such criteria the arbitral provisions are capable of such broad interpretation that they might easily lead to discussions within the Arbitral Commission not contemplated by the International Law Commission. In the main the Canadian delegation considered the criteria so outlined might be modified to some extent, but it was agreed that there was no great difference in views between the two governments.

6. On the matter of the limits of the Territorial Sea and the contiguous zones for fisheries, the United States chairman asked if the Canadian delegation would present the Canadian Government's views. Mr. Ozere pointed out that the Canadian Government had proposed a contiguous zone for fisheries, not as a conservation measure, but as a protection for small fishing operations. In these days there is always the fear of refrigerator ships from outside coming into coastal waters and by large scale modern methods putting the small operators out of business. Mr. Robertson added that the three-mile limit was not adequate for fisheries and that the 12-mile limit would, to some extent, meet Canadian requirements. The United States delegation countered with the argument that such industries as Japanese pearl fisheries would run into considerable difficulty under the 12-mile contiguous zone. Mr. Robertson replied that such special interests as Japanese pearl fisheries was a matter which would have to be given further consideration. Mr. Herrington (US) raised a point of whether Canada would be willing to have a 12-mile limit only where its economic importance to the country could be proved. He believed that there were a great many areas in the world where the fishing possibilities have not been exploited and therefore fencing off the ocean into 12-mile limits would not seem desirable. He thought the 12-mile contiguous zone might therefore be adopted in certain areas only. Mr. Robertson said that he did not consider this solution satisfactory because it was not possible to compare the economic importance of a particular area to a whole country. Fishing in Eastern Canada, for example, would probably be insignificant in terms of the national gross product, but was a most vital matter to the Maritimes. Mr. Herrington (US) said that the argument has been used by the proponents of the scheme that it should be of critical importance to the economy and cited Iceland as an example of a country which might benefit. The United Kingdom, on the other hand, he thought, would find it difficult to support the 12-mile contiguous zone.

Mr. Herrington added, however, that the 12-mile zone might be applicable to certain areas if conventions for such areas could be drawn up, and in this context he thought it might receive support at the Geneva Conference.

7. The position of the United States in support of the maintenance of the narrow breadth of the Territorial Sea is given in appendices 4† and 5.† Neither of these appendices, however, deal with the matter of fisheries and are mainly concerned with security. Therefore, despite the official United States view, the Canadian delegation felt that the United States might be realizing that there were advantages to the 12-mile contiguous zone, at least as far as fisheries were concerned, if only to act as a counter to the extension of the national coastal zone to 200 miles as advocated and, indeed, practised in certain areas in South America. The United States delegation also asked whether the Canadian Government had made any attempt to gain adherents to the 12-mile contiguous zone, and the Canadian delegation again felt that this might be an indication of United States interest. Indeed, this point raised by the American delegation prompted the Canadian delegation after the meeting to consider the advisability of promoting the plan. Some technical difficulties were foreseen, but the matter was to be studied in Ottawa immediately.

8. On the matter of the Continental Shelf there was very little discussion concerning the living resources but there was considerable discussion on the extent to which the resources, eg. minerals, oil, etc., might be considered within the national jurisdiction. The United States delegation suggested that it might be desirable to set the national limits of the Continental Shelf to a depth of 200 meters. The Canadian delegation pointed out that the floor of the Continental Shelf off the Canadian coast was uneven and it would be extremely difficult to prove with any exactitude where the Canadian interest ended. The Canadian delegation, therefore, favoured the plan of extending the country's limits to the point where the Continental Shelf ended. Mr. Yingling (US) expressed the view that limiting national jurisdiction to a depth of 200 meters was easily recognized and certainly covered a distance beyond present methods of exploitability. Mr. Robertson disagreed. He considered the 200-meter depth criterion artificial and much less desirable than a criterion based on geological and geographical fact. He also mentioned that there was every likelihood that in the development of new techniques it would be possible to explore beyond the 200 meter depth. In these circumstances, it would seem desirable to set the limit of national jurisdiction to the edge of the Continental Shelf.

9. The remaining part of the meeting was devoted to the question of organization of the conference and officers. This was a particularly desultory discussion since neither Canada nor the United States had formed any strong views. A few exploratory proposals were made concerning the committees and what nationals might serve on these committees. Nothing, however, was resolved and it was decided that each delegation would give this further consideration.

A.F. BROADBRIDGE

39.

DEA/9456-RW-40

*Le secrétaire du Bureau du Conseil privé
au secrétaire d'État aux Affaires extérieures*

*Secretary, Privy Council Office,
to Secretary of State for External Affairs*

SECRET. CANADIAN EYES ONLY.

Ottawa, January 3, 1958

Dear Mr. Smith:

The attached memorandum is to be considered at the meeting of the Cabinet Committee on Territorial Waters that is to be held on Tuesday, January 7th, at 4:00 p.m., in Room 375, House of Commons. I understand that officials of your Department will be getting in touch with you in connection with this matter, if they have not already done so. I might also point out, for your information, that in the past the Ministers attending meetings of this Committee have in many instances been accompanied by their officials, who have been, for the most part, members of the Interdepartmental Committee that has been studying this general problem for several years.

Yours truly,

M.W. CUNNINGHAM

[PIÈCE JOINTE/ENCLOSURE]

*Note du chef du Comité interministériel sur les eaux territoriales
pour le Comité du Cabinet sur les eaux territoriales*

*Memorandum from Chairman, Interdepartmental Committee
on Territorial Waters,
to Cabinet Committee on Territorial Waters*

SECRET. CANADIAN EYES ONLY.

[Ottawa], January 2, 1958

INTERNATIONAL CONFERENCE ON THE LAW OF THE SEA — CANADIAN
POSITION

I. DISCUSSIONS BETWEEN CANADIAN AND U.S. OFFICIALS

On December 3, in New York, Canadian officials met with United States officials at the latter's request for the purpose of exchanging informal views on some of the important questions to be dealt with at the International Conference on the Law of the Sea which commences on February 24, 1958 in Geneva. The discussions were concerned primarily with three inter-related matters:

- The breadth of the territorial sea,
- The contiguous zone for fisheries, and
- High Seas fishing.

These questions were the subject of comments which were sent by the Canadian Government on September 12 to the Secretary-General of the United Nations. These comments have since been published by the Secretary-General and were also published in *Hansard* on November 28, 1957. These comments are set out in the appendix to the memorandum to Cabinet of August 12, 1957, which is attached for the background information of Ministers.

Canadian Government Comments on Breadth of the Territorial Sea

2. In respect of the breadth of the territorial sea the Government's comments to the Secretary-General were that the 3-mile limit is no longer adequate for all purposes and in particular it is not adequate for the protection and control of fisheries. It was suggested that one solution to this problem would be to extend the territorial limit to 12 miles. An alternative which would safeguard the present position with regard to sea and air navigation would be to retain the old 3-mile limit and grant to coastal States the exclusive control over fisheries in the 12-mile contiguous zone which is already widely accepted for the purpose of exercising customs, fiscal and sanitary jurisdiction.

3. These Canadian proposals are motivated in part by the desire to see adopted some rule of general application. The present state of international law, in so far as the breadth of the territorial sea is concerned, is chaotic, there being, in the word of the International Law Commission of the General Assembly, no uniform practice as regards the delimitation of the territorial sea. At the same time the Commission has said that international law does not recognize a limit greater than 12 miles. In fact, apart from the extreme practice of Chile, Peru and Ecuador who claim jurisdiction out to 200 miles from their shores, the widest limit claimed seems to be 12 miles. The proposals also have significance in a purely Canadian context. Off the coast of Nova Scotia, large Canadian draggers have been prohibited from a zone within 12 miles of the coast in the interests of smaller Canadian fishing vessels. In recent years foreign draggers, particularly American draggers, have been fishing within this 12-mile limit. This has naturally caused a good deal of ill-feeling. If there were international agreement on a 12-mile limit for the territorial sea or a 12-mile contiguous zone in which the coastal State could exercise exclusive control over fisheries, foreign fishermen could be excluded from the coast of Nova Scotia, although it would still be necessary to recognize US and French rights guaranteed by treaties, whereby they may fish up to the shore on the west coast of Newfoundland and Labrador. The alternative proposal to retain the 3-mile limit for navigation but to support the adoption of a rule which would see coastal States having exclusive fishery rights within the 12-mile contiguous zone arose from our desire to accommodate as far as possible the US and UK view that a universal 12-mile territorial water limit would have very serious security implications.

Canadian Government Comments on High Seas Fisheries

4. Regarding high seas fisheries the Canadian Government's comments to the Secretary-General have under-written support of the so-called abstention principle. Under this principle, where the maximum sustainable yield of a particular high seas fishery is being maintained only as a result of research, regulation of their own fishermen and other activities of one or more States, third States which have not participated within recent times in the fishing would abstain from the fishery. This principle was incorporated in the North Pacific Fisheries Convention between the United States, Japan and Canada — Japan being the major abstainer. The principle is not widely supported since it is principally applicable only to the unique case of fisheries in the North Pacific developed by Canada and the United States. Another aspect of high seas fishing, which was not actually mentioned in our comments but which is important to States like Canada having fisheries off their shores, relates to the International Law Commission's recognition that the coastal State has a special interest in the maintenance of the productivity of the living resources in any area of high seas adjacent to its territorial sea, and that States have the right in certain instances to adopt unilateral measures of conservation on the high seas adjacent to their coast, subject to compulsory arbitration.

U.S. Suggestion re Canadian Comments

5. Our compromise proposal, that is, the retention of the 3-mile limit but with a 12-mile limit for fisheries, has appeared until recently to be no more acceptable to the United States than the proposal that the territorial sea should be extended to 12 miles. However, on the basis of the informal views expressed at the recent meeting, there is evidence of some modification of the United States position. They are still unalterably opposed for security reasons to extending the territorial sea. A further reason which they are reluctant to admit, appears to be that there are important United States shrimp fishery interests off the Coast of Mexico between the 3 and 12-mile limit which would be affected by either an extension of the territorial sea or by the adoption of a rule recognizing a State's exclusive right of control over fisheries in a 12-mile contiguous zone. Similarly, we think United States fears for the exclusion of their fisheries from Canadian Coastal waters. On the basis of the wide consultations they are carrying out it appears that the US are concerned for the general acceptability of the abstention principle. Furthermore, and presumably as a bargaining measure, they are not at present prepared to accept the International Law Commission's provision that in certain circumstances the coastal State may have the right to unilaterally prescribe conservation measures on the high seas adjacent to its coast. The chief new development in the American position, as outlined in these informal discussions, was a suggestion that our proposal for a 12-mile contiguous zone in which States would have exclusive control over fisheries, might be more acceptable if it were to have regional rather than general application. In sum the suggestion is that where the economic interests of the coastal area in question can be demonstrated to depend upon the resources of the adjacent sea, a case might be made for a 12-mile contiguous zone in that particular area, wherein the exclusive control of fishing would ensure to the State in question. Such a principle would at least have a parallel in that enunciated by the International Court of Justice in the Anglo-Norwegian Fisheries case where Norway's right to employ the straight baseline system on a portion of its coast was considered justified primarily for geographical reasons, but also because of the economic dependence of the particular coastal regions on the waters enclosed by the straight baselines. Canadian officials expressed their interest in the variant of our proposal put forward by US officials and promised to consider it further.

6. At the forthcoming Conference, if any general agreement is to be reached on some of the more important aspects of the law of the sea, participating States will have to be prepared to modify positions taken at the beginning of the Conference. It would seem worthwhile, therefore, for the proposal made by the United States to be considered in its possible application to the Canadian coastline. It was suggested by Canadian officials that the economic dependence of Nova Scotia and particularly the island of Newfoundland on the off-shore fisheries would probably warrant application of the scheme to those coasts. It is for consideration whether the same could be said of the West Coast or whether there, where the salmon fishery is paramount, a suitable régime involving the principle of abstention might not better serve the fishing industry in that part of Canada. This would leave the status quo on the Coast of Labrador and the Arctic Archipelago in so far as the application of the 12-mile contiguous zone is concerned.

II. DISCUSSION WITH U.K. GOVERNMENT OFFICIALS

7. We are aware that the United Kingdom Government is concerned over the Canadian proposal. Informal meetings have been held with officials as late as August of this year when there was a meeting of officials of all Commonwealth countries in London, but none have been held since the Government decided to send its comments to the Secretary-General in September. United Kingdom authorities have been heard to contend that if the

United Kingdom were excluded from within 12 miles of the coast of other States the United Kingdom fishing industry would be ruined. In view of the position Canada proposes to take at the Conference it would seem highly desirable to compare notes as carefully as possible with the United Kingdom authorities before the Conference, particularly since initial positions of Canada and the UK on some of the more important aspects of the work of the Conference may be diametrically opposed. Because of the complicated background to this question it is suggested that it would be preferable to have this consultation carried out first-hand in London by officials familiar with the problem. Besides these bilateral talks with UK officials it is extremely likely that the latter will also convene another meeting of Commonwealth officials.

III. COMPOSITION OF CANADIAN DELEGATION

8. Another question not relating to the substance of matters to be dealt with at the Conference but which will require the early consideration of the Government is the composition of the Canadian delegation to the Conference. According to the United States officials they expect that their delegation will be chaired by an Assistant Secretary of the Department of the Interior, who may not stay for the duration of the Conference, which will be nine weeks. The five working committees of the Conference would presumably be presided over by experts from the various departments of the US Government concerned. US officials also expect that the United States fishing industry will be represented on the Delegation with advisory status. According to our information the United Kingdom Delegation will have a ministerial head, possibly a Law Officer or one of the Foreign Office Ministers of State who would not stay long. The continuing leader of the Delegation will be Sir Gerald Fitzmaurice, the Legal Adviser of the Foreign Office. There will also be a representative of ambassador status and an Under-Secretary (Fisheries) along with experts and advisers from various interested government departments. We have no information that the British fishing industry will be represented.

9. It is suggested that the Cabinet Committee might wish to consider the advisability of it being recommended to the Government that the Canadian Delegation be chaired by a Cabinet Minister in view of the importance for Canada of the matters of substance with which the Conference will deal. The Vice-Chairman of the Delegation might be myself or Mr. Marcel Cadieux, Legal Adviser of the Department of External Affairs. (The position might possibly be covered by both on an alternating basis, since attendance for the full length of the Conference might be difficult in the light of departmental requirements at Ottawa.) Other representatives might be Mr. S.V. Ozere, Assistant Deputy Minister of Fisheries, an official from the Department of Transport, and Professor G.F. Curtis, Dean of the School of Law, University of British Columbia. Professor Curtis was retained by the Government in 1952 to advise the Interdepartmental Committee on Territorial Waters on the principal changes of doctrine that might affect Canadian law on, or claims to, territorial waters and assess the degree and character of the possible application of various rules to Canada. Professor Curtis submitted a confidential report to the Interdepartmental Committee in 1955. He is also advising the Interdepartmental Committee on a supplementary report which is now being prepared on the status of the waters of the Arctic Archipelago. It is considered that Professor Curtis' knowledge of the matters to be dealt with at the Conference would be invaluable to the Canadian Delegation. Professor Curtis would be available to serve on the Delegation if the Government desired to invite him. Advisers and experts for the Delegation would have to be drawn from various Departments.

10. The question of industry representation (both fishing and shipping) may well be raised, either by the employers or the unions. It might be difficult to appoint representa-

tives of one industry and not the other, though the fisheries questions are at the moment probably of greater importance to Canada. It *would* be difficult to *appoint* a representative of an employers association and not of a union. On the West Coast the United Fishermen and Allied Workers Union is dominated by Communists so that this could prove embarrassing. Assuming it were decided that the fishing industry ought to be represented on a Canadian Government Delegation, an alternative might be to have a representative of the Fisheries Council of Canada appointed to the Delegation in some capacity. This is a national organization of producers (including cooperatives) and processors. While the West Coast Union could be expected to object to the National Council being represented an answer would be that the matters to be dealt with at the Conference are of national importance and that while the Government is prepared to have representatives of the industry attached to the delegation, it believed only national — as opposed to regional — organizations should qualify. It should be borne in mind that the Government agreed that two representatives of the Canadian Maritime Law Association, a private association, should serve as advisers to the Canadian Delegation to the Maritime Law Conference which was held in Brussels last summer. In a sense this could be considered to be a precedent for the contention that national associations concerned with the subject matter of a conference on which the Canadian Government is represented, might, in special circumstances, be considered as having some claim to being accorded the privilege of sending an expert to the Conference at government expense.

IV. RECOMMENDATIONS

11. In sum it is suggested:³⁴

(a) that consideration be given to the acceptability to Canada of the application of contiguous zones for fishing on a regional rather than a universal basis, using as a criterion for their application the economic dependence of the coastal regions in question on the living resources of the waters immediately adjacent to the coast;

(b) that it be proposed to United Kingdom officials that informal discussions with Canadian officials take place in London (perhaps en route to the Conference) on the following matters which will be dealt with at the Conference:

- (i) Breadth of the territorial sea;
- (ii) Contiguous zones for fishing;
- (iii) High seas fishing;
- (iv) Continental shelf boundaries and resources.

(c) that the Cabinet Committee submit to the Government as soon as possible recommendations concerning the composition of the Canadian Delegation to the International Conference on the Law of the Sea.

R.G. ROBERTSON

³⁴ À sa réunion du 7 janvier 1958, le Comité du Cabinet sur les eaux territoriales convenait de présenter au Cabinet des recommandations correspondant au contenu de cette note. Voir le document suivant. At its meeting of January 7, 1958, the Cabinet Committee on Territorial Waters agreed to make recommendations to Cabinet along the lines of this memorandum. See next document.

40.

PCO

*Note du chef du Comité du Cabinet sur les eaux territoriales
pour le Cabinet*

*Memorandum from Chairman, Cabinet Committee on Territorial Waters,
to Cabinet*

CABINET DOCUMENT NO. 10-58

[Ottawa], January 9, 1958

SECRET. CANADIAN EYES ONLY.

INTERNATIONAL CONFERENCE ON THE LAW OF THE SEA

I. COMPOSITION OF CANADIAN DELEGATION

The Geneva Conference is to open on February 24 and is expected to last for nine weeks. The following suggestions regarding the composition of the Delegation are submitted for consideration and decision:

Chairman—Because decisions of substance may have to be made on short notice, particularly during the latter half of the Conference, it would be desirable to have a member of the Government designated as Chairman of the Delegation. If this is not feasible a Parliamentary Assistant might be designated. Another possibility would be to have the High Commissioner for Canada in the United Kingdom appointed Chairman. Although desirable, it would not be essential for the Chairman to be present for the full nine weeks the Conference will meet.

Vice-Chairman—It is suggested that a senior official be designated as Vice-Chairman. Because of the considerable length of the Conference and the fact that appropriate officials have other official commitments, it does not appear feasible to have any one official designated in this capacity for the duration of the Conference. It is suggested that all of the following be designated as Delegates on the understanding that each would serve as Vice-Chairman as he might be available:

Mr. M.H. Wershof, Permanent Canadian Representative to the European Office of the United Nations in Geneva

Mr. Marcel Cadieux, Assistant Under-Secretary of State for External Affairs

Mr. R.G. Robertson, Deputy Minister of Northern Affairs and National Resources

Delegates and Advisers—There will be five main working committees of the Conference, three of which will be meeting at any one particular time. Four of these committees are important from a Canadian point of view and it would seem desirable to have a spokesman available for each of these. It is therefore suggested that the following persons be designated as additional delegates:

Mr. S.V. Ozere, Assistant Deputy Minister of Fisheries

Mr. L.J. Leavey, Canadian Maritime Commission, and

Professor G.F. Curtis, Dean of the Law School of the University of British Columbia. Professor Curtis was retained by the Canadian Government in 1952 to advise the Inter-Departmental Committee on Territorial Waters on the principal changes of doctrine that might affect Canadian law on, or claims to, territorial waters, and assess the degree and character of the possible application of various rules to Canada. Professor Curtis submitted a confidential report to the Inter-Departmental Committee in 1955. He is also advising the Inter-Departmental Committee on a supplementary report which is now being prepared on the status of the waters of the Arctic Archipelago. Professor Curtis

would receive as a delegate the same remuneration he has been receiving for the above-mentioned services to the Government, i.e., \$40 a *working* day and living and travelling expenses.

It is proposed to draw approximately six additional officials from the Permanent Mission in Geneva and Departments in Ottawa to act in the capacity of adviser, expert or secretary of the Delegation.

II CANADIAN PROPOSAL RE CONTIGUOUS ZONE

On August 27, 1957, the Cabinet agreed that the comments of the Canadian Government on certain of the draft articles on the Law of the Sea prepared by the International Law Commission should be submitted to the Secretary General for publication in the preparatory documents of the Conference on the Law of the Sea, which will meet in Geneva on February 24 next. A copy of these comments is attached. Regarding the breadth of the territorial sea, the comments stated that the 3-mile limit was no longer adequate for the protection and control of fisheries. It was suggested that one solution to this problem would be to extend the territorial limit to 12 miles. An alternative, which would safeguard the present position with regard to sea and air navigation, would be to retain the old 3-mile territorial limit and grant to coastal states the exclusive control over fisheries in the 12-mile contiguous zone which is already widely accepted for the purpose of exercising customs, fiscal and sanitary jurisdiction.

It is expected that the initial position of the United States and the United Kingdom at the Conference will be to retain the 3-mile territorial limit. In talks with Canadian officials, U.S. officials have suggested that the Canadian proposal might be more acceptable if it were to have regional rather than a general application. In sum, the U.S. suggestion was that where the economic interests of the coastal area in question depend upon the resources of the adjacent sea, a case might be made for a 12-mile contiguous zone in that particular area, wherein the state in question would enjoy exclusive control of fishing. For example, the economic dependence of Nova Scotia and particularly of the island of Newfoundland on the offshore fisheries would warrant application of such a scheme to those coasts. On the other hand, this very likely could not be said of the coast of Labrador or the perimeter of the Arctic Archipelago under present conditions. Whether such a scheme would apply to the West Coast of Canada would be a question of interpretation and application of the scheme as it might finally be evolved. On the West Coast where the salmon fishery is paramount, the so-called principle of abstention is probably of more importance to the fishing industry than a 12-mile contiguous zone. According to the principle of abstention, which was advocated by the Government in the comments to the Secretary General, states not already engaged in a utilized fishery, for instance the salmon fisheries of the North Pacific, would under certain prescribed conditions agree not to enter the fishery.

Recommendation

It is suggested that the Canadian Delegation might be instructed *ad referendum* that a scheme for 12-mile contiguous fishing zones to be applied on a regional basis, might be considered acceptable *in principle* to Canada as an alternative position should such a proposal seem likely to command wide acceptance, including that of such countries as the United Kingdom and United States.

ALVIN HAMILTON

41.

PCO

*Extrait des conclusions du Cabinet**Extract from Cabinet Conclusions*

SECRET

[Ottawa], January 16, 1958

Present:

The Minister of Finance (Mr. Fleming) in the Chair,
 The Minister of Veterans Affairs (Mr. Brooks),
 The Solicitor General (Mr. Balcer),
 The Minister of Trade and Commerce (Mr. Churchill),
 The Minister of Justice and
 Acting Minister of Citizenship and Immigration (Mr. Fulton),
 The Minister of National Revenue (Mr. Nowlan),
 The Minister of Agriculture (Mr. Harkness),
 The Minister of Labour (Mr. Starr),
 The Postmaster General (Mr. William Hamilton),
 The Minister without Portfolio (Mr. Macdonnell),
 The Minister without Portfolio (Mr. Browne),
 The Minister of National Health and Welfare (Mr. Monteith),
 The Minister of Northern Affairs and
 National Resources (Mr. Alvin Hamilton),
 The Secretary of State for External Affairs (Mr. Smith).
 The Secretary to the Cabinet (Mr. Bryce),
 The Assistant Secretaries to the Cabinet (Mr. Fournier), (Mr. Martin).

...

INTERNATIONAL CONFERENCE ON THE LAW OF THE SEA
 (PREVIOUS REFERENCE AUG. 27)

18. *The Secretary of State for External Affairs* reported that an International Conference on the Law of the Sea would open in Geneva on February 24th and was expected to last for about nine weeks. Approximately 70 countries would be represented. He recalled that the government had submitted its views to the Secretary General of the United Nations on certain of the draft articles on the law of the sea prepared by the International Law Commission. Regarding the breadth of the territorial sea, Canada had stated that the 3-mile limit was no longer adequate for the protection and control of fisheries and had suggested that one solution to this problem might be to extend the territorial limit to 12 miles. An alternative would be to retain the old 3-mile territorial limit and grant to coastal states the exclusive control over fisheries in the 12-mile contiguous zone which was already widely accepted for the purpose of exercising customs, fiscal, and sanitary jurisdiction.

In connection with the composition of the delegation, the Minister submitted the following suggestions:

(a) *Chairman*—Because decisions of substance might have to be made on short notice, it would be desirable to have a member of the government as chairman of the delegation. If this were not feasible, a parliamentary assistant might be designated. Another possibility would be to use the High Commissioner for Canada in the United Kingdom.

(b) *Vice-Chairman*—This should be a senior official. Owing to the length of the conference, it was suggested that all of the following might be named delegates on the understanding that each would serve as vice-chairman as available:

Mr. M.H. Wershof, Permanent Canadian Representative to the European Office of the United Nations in Geneva;

Mr. Marcel Cadieux, Assistant Under Secretary of State for External Affairs (he would be available to attend the first part of the conference); and,

Mr. R.G. Robertson, Deputy Minister of Northern Affairs and National Resources.

(c) A number of persons should be named as additional delegates; among them Professor G.F. Curtis, Dean of the Law School of the University of British Columbia, who had been advisor for some time now to the Interdepartmental Committee on Territorial Waters on such matters as the principal changes of doctrine that might affect Canadian law on, or claims to, territorial waters. As a delegate he might get the same remuneration as for his previous services to the government.

19. *Mr. Alvin Hamilton, as Chairman of the Cabinet Committee on Territorial Waters,* reported that the expected initial position of the United States and the United Kingdom at the conference would be to retain the 3-mile territorial limit. In conversation with Canadian officials, U.S. officials have suggested that the Canadian proposal might be more acceptable if it were to have regional rather than a general application. They suggested that, where the economic interests of the coastal area in question depended upon the resources of the adjacent sea, a case might be made for a 12-mile contiguous zone in that particular area, wherein the state in question would enjoy exclusive control of fishing. This suggestion might have an appeal in the Atlantic Provinces. On the other hand, this might not be so on the west coast where the salmon fishery was paramount and where the so-called principle of abstention was probably of more importance to the industry than a 12-mile contiguous zone. The abstention principle had been advocated by the government in the comments submitted to the Secretary General.

He recommended that the Canadian delegation be instructed that a scheme for 12-mile contiguous fishing zones, to be applied on a regional basis, might be considered acceptable in principle to Canada as an alternative position, should such a proposal seem likely to command wide acceptance, including that of such countries as the U.K. and U.S.

An explanatory memorandum had been circulated, (Minister's memorandum, Jan. 9, 1958-Cab. Doc. 10-58)

20. *During the discussion* the following points emerged:

(a) Owing to the present parliamentary situation it might not be feasible to have a member of the government or a parliamentary assistant as chairman of the delegation, at least during the early stage of the conference. The High Commissioner for Canada in the United Kingdom might be asked to take on the duties of chairman on a *pro tem* basis, it being understood, that, as soon as the situation made the presence of a member of the government possible, he would replace Mr. Drew at the conference.

(b) If Canada were to accept the U.S. suggestion that the 12 mile contiguous zone proposal have a regional rather than a general application, there might be difficulties encountered in connection with the definition of regions.

(c) Discussions on the problem of the continental shelf did not appear likely to raise difficulties. It should be pointed out that, in the long run, the interests of Canada would lie more on the resources of the continental shelf than on those of the territorial sea.

(d) The U.K. and the U.S. have already taken a stand against the 12-mile contiguous zone. The U.S.S.R., however, appeared in favour. Canada's role would be not to get involved in a big power struggle but to seek her own economic advantage.

(e) There would appear to be some value in the Canadian delegation being instructed now to adhere to the proposal regarding the contiguous zone already submitted to the Secretary General. Should this proposal meet with opposition, the delegation should be requested to communicate with the government.

(f) The delegation should not let it be known for the time being that it might, if necessary, accept the alternative proposal suggested by the United States. Before agreeing to it, however, the delegation should be sure that the regions in Canada to which the U.S. alternative would apply were clearly defined.

21. *The Cabinet* noted the report of the Secretary of State for External Affairs and of Mr. A. Hamilton, Chairman of the Cabinet Committee on Territorial Waters, in connection with the forthcoming International Conference on the Law of the Sea at Geneva and,

(a) agreed that the Honourable George Drew, Canadian High Commissioner in London, be asked to take on the responsibility of chairman of the Canadian delegation on a pro tem basis, until such time as it was found possible to replace him by a member of the government;

(b) approved the recommendation that certain senior officials be designated as delegates on the understanding that each would serve as vice-chairman as he might be available;

(c) agreed that Professor G.F. Curtis, Dean of the Law School of the University of British Columbia, be designated as an additional delegate and receive a remuneration of \$40 a working day together with living and travelling expenses; and,

(d) agreed that the Canadian delegation be instructed:

(i) to adhere to the position regarding the contiguous zone as already outlined in the Canadian submission to the Secretary General;

(ii) to seek further instructions from the government should this position meet with strong opposition or if some other proposals were put forward during the conference; and,

(iii) to avoid commitments with the United Kingdom or the United States prior to the conference.

...

42.

DEA/9456-RW-40

La Direction juridique
au chef du Comité interministériel sur les eaux territoriales
Legal Division
to Chairman, Interdepartmental Committee on Territorial Waters

SECRET. CANADIAN EYES ONLY.

Ottawa, January 27, 1958

Dear Mr. Robertson,

CONFERENCE ON THE LAW OF THE SEA — CONSULTATION WITH
UNITED KINGDOM OFFICIALS

I attach a copy of a memorandum signed by Mr. Ozere and myself outlining our recent informal conversations in New York with Mr. Vincent Evans, Legal Adviser of the United Kingdom Mission to the United Nations concerning the forthcoming Conference on the Law of the Sea and the Canadian position regarding some of the matters which will be

taken up at the Conference. You will recall that this meeting was arranged pursuant to instructions of the Cabinet Committee on Territorial Waters at its most recent meeting.

I have sent a copy of this memorandum to the Secretary of the Interdepartmental Committee in the event that you wish to have it prepared for the information of the Cabinet Committee.

Yours sincerely,
J.S. NUTT

[PIÈCE JOINTE/ENCLOSURE]

*Note du sous-ministre adjoint du ministère des Pêcheries
et de la Direction juridique*

*Memorandum by Assistant Deputy Minister of Fisheries
and by Legal Division*

SECRET. CANADIAN EYES ONLY.

[Ottawa], January 24, 1958

CONSULTATION WITH UNITED KINGDOM OFFICIALS REGARDING
CONFERENCE ON THE LAW OF THE SEA

Pursuant to instructions of the Cabinet Committee on Territorial Waters, the undersigned, S.V. Ozere, Assistant Deputy Minister of Fisheries, and J.S. Nutt, Department of External Affairs, held informal discussions on matters relating to the Conference on the Law of the Sea with Mr. Vincent Evans, Legal Adviser to the United Kingdom Permanent Mission to the United Nations. The meeting was held at the United Kingdom Mission in New York. The following topics were discussed:

1. *Breadth of the territorial sea and contiguous zones for fishing:* We referred to the Canadian views set forth in the Government's provisional comments to the Secretary General on this subject (cf. Note No. 17 dated September 10, 1957 attached) and said that the views expressed in these comments would be the initial position of the Canadian Government at the forthcoming Conference. Mr. Evans replied that the United Kingdom Government was very much distressed with the Canadian position. He said that if the Canadian proposal were accepted it would mean that the United Kingdom would suffer a loss of 40% of its catch off Iceland and the overall loss of catch in the British fishing industry would be 20% which the United Kingdom Government considered would be "disastrous" to the fishing industry. Evans said that the United Kingdom Government still has hopes of holding the line at three miles for the territorial sea plus a contiguous zone for fiscal, sanitary and customs purposes and fishing articles generally as recommended by the International Law Commission and "fervently" hopes that a similar settlement would be acceptable to Canada. Evans did not think that a regional application of 12 miles contiguous zones for fishing based on the economic dependence of the coastal area in question on the off-shore fisheries would in any way begin to meet the UK position since their fishing is done off coasts which might qualify under such a scheme for application for 12-mile contiguous zones for fishing.

Evans asked what were our reasons from a domestic point of view for desiring to have exclusive control over fishing out to 12 miles. This was explained along the following lines:

(1) Having a 12-mile zone in which Canada could exercise exclusive control over fisheries would facilitate conservation over certain stocks of in-shore fish;

(2) On the East Coast we have a situation where Canadian draggers are excluded from fishing within twelve miles of the coast of Nova Scotia. The reason for this legislation is to protect the in-shore fishermen using stationary nets. Since the war foreign draggers, particularly American draggers, have appeared within the 12-mile limit. This is resented by the fishermen who fish in the in-shore waters and by the Canadian draggers which are not allowed to fish where foreign draggers can fish. A 12-mile contiguous zone for fishing would bring about a solution to this problem. A 12-mile fishing limit on the East Coast would also reserve to Canada virtually the whole of the lobster fishery in that area which at the moment is carried on only by Canadian fishermen;

(3) On the West Coast of Canada the problem is primarily one of protecting the salmon fisheries. The abstention principle is the present answer to this problem. Under the North Pacific Fisheries Convention Japan agreed to abstain from taking salmon in areas of the eastern Pacific prescribed in the Convention. If this Convention were abrogated a 12-mile limit or even a 200-mile limit would not be sufficient to protect Canadian interests in the salmon fishery. It is for this reason that the gaining of some international recognition for the abstention principle is of pre-eminent importance to Canada on the West Coast. The significance of the 12-mile limit to West Coast fishermen stems from the fact that they do not fish within 12 miles of the coasts of the United States while American fishermen do fish within 12 miles of the coast of British Columbia for other species than salmon. There is therefore an interest in reserving this area to Canadian fishermen not only vis-à-vis United States fishermen but vis-à-vis other fishermen, for instance Japanese who may, depending upon the future of the North Pacific Fisheries Convention, some day venture into waters adjacent to the coast of British Columbia.

Evans' reply to this explanation was that it seemed to him that the specific fisheries problems on the East and West Coasts might be settled without there necessarily having to be a 12-mile limit. (At a previous informal meeting between Canadian, UK and US officials, at which *Evans* was present, a US official had suggested that the East Coast trawler problem might be worked out under the North Atlantic Fisheries Convention). The general interest in conservation which we had referred to would be taken care of adequately he thought by the International Law Commission's recommendations on fishing. We conceded that his first point was within the realm of possibility and that a suitable fishing régime might adequately provide for conversation. We pointed out that even assuming that the Canadian position were more to the liking of the United Kingdom, the fact had to be faced that many other countries were concerned with extending the region in which they might enjoy exclusive fishing rights. We asked how the United Kingdom expected to cope with this situation. *Evans* replied that the United Kingdom and the US hoped to be able to persuade other States as they are trying to persuade us. It is doubtful whether much faith is placed in the success of this endeavour for *Evans* went on to say that the United Kingdom realizes that it might have to compromise. However, if Canada presses too hard for its position at the beginning of the Conference it may well prejudice acceptance of the proposal as a compromise. This is the same line that *Evans* took at a meeting over a year ago and it was not clear whether he was just throwing this point in for good measure or whether he was under specific instructions to raise it again. If the latter is the case it indicates that the tactical aspects are the real concern of the UK given the fact of the Conference, and that the UK is probably resigned to cutting its losses if general agreement is to be had but they prefer to work towards a compromise and not announce it at the beginning of the Conference.

That the UK is resigned to the possibility of having to cut its losses in the interest of general agreement at the Conference and that its "distress" at the Canadian position is

therefore not to be taken as lying entirely at the Canadian doorstep, may further be borne out by Evans' enquiry what the Canadian attitude might be to a six-mile territorial sea limit. (However, here again it was not clear whether he was just throwing out this suggestion or acting on instructions). The Legal Adviser of the Foreign Office mentioned privately to Mr. Nutt last summer that the United Kingdom might be willing to compromise on a six-mile territorial sea so it may well be that the UK is now prepared, if necessary, to accept six miles. We replied that the Canadian Government had not given any consideration to such proposal. A six-mile limit along with a suitable agreement regarding trawlers on the East Coast might prove acceptable to Canada assuming that there were general agreement at the Conference on such a proposal.

We asked *Evans* whether he had any information concerning the United Kingdom's attitude to the abstention principle regarding which in the past they have had doubts. *Evans* said that he had no instructions on the abstention principle. We said that Canada might have some difficulty accepting the fishing articles unless something along the lines of the abstention principle were acceptable. We were aware that the general acceptance of this principle was a doubtful possibility. *Evans* thought and we agreed that if a generally acceptable régime for high seas fishing could be worked out first the problem of the breadth of the territorial sea would prove less difficult to solve.

2. *Straight Baselines*: *Evans* called attention to the Foreign Office's informal comments on the Canadian comments to the Secretary General³⁵ on this subject (Letter to Canada House January 9, 1958 attached),† where the Foreign Office had said that it had no comment to make. He recalled that the United Kingdom comments which have been submitted to the Secretary General raised again the question of limiting the length of baselines. We said that since the existing recommendation of the Commission is based upon the decision of the International Court of Justice in the Anglo-Norwegian Fisheries case, we could not favour any arbitrary limitation on the length of baselines.

3. *Continental Shelf*: UK officials are studying the Canadian suggestion that the legal edge of the continental shelf should be its natural edge wherever this is well defined. At the same time the Foreign Office pointed out in its informal comments on our comments that it is the factor of exploitability in a greater or lesser degree which has led to the development of the whole of the continental shelf doctrine. It is not so much because there is a definite area involved, as because this area is, generally speaking, exploitable. Given that the right to the continental shelf involves no rights in respect of the waters above the shelf the UK feels that there are certain advantages in not relating the matter too much to any definite area as such.

Regarding resources of the continental shelf we said that we thought Canada could probably go along with the recommendation of the Commission that the only living resources of the seabed which would be treated as resources of the seabed under the continental shelf doctrine would be those permanently attached to the seabed and would not include for instance crustaceans.

4. *The Indonesian Claim*: *Evans* agreed that such specific issues as the Indonesian claim ought not to be discussed at the Conference other than in the context of the discussion of principles and rules. He mentioned that the United Kingdom Government had protested the Indonesian claim and asked why we had been reluctant to do so. We explained we had not wished to take any action at this time which might prejudice our position in the Arctic Archipelago. *Evans* then asked whether we had claimed the interconnecting waters of the

³⁵ Voir le document 37, note 32. See Document 37, footnote 32.

Arctic Archipelago. He was informed that Canada had made no unequivocal claim to the waters of the archipelago as such but he was referred to the statement of the then Prime Minister, Mr. St. Laurent, in the House of Commons on April 5, 1957. We added that we thought that a good case could be made for considering the waters to be internal waters. *Evans* said that he thought that if we were to make a definite claim to these waters the United Kingdom Government would be very much concerned though he did not specify exactly what action they would take. He then asked how we thought the Canadian Archipelago could be distinguished from the Indonesian Archipelago. We pointed out that first of all, geographically, the two situations were different. The Arctic Archipelago was an extension of the Canadian mainland. Furthermore, for a greater part of the year it was almost physically one with the mainland since the interconnecting waters were frozen over for a good part of the year. This was not so of the Indonesian Archipelago. Furthermore, the Indonesian claim encompassed seas, i.e. the Banda Sea and the Java Sea, which we thought had been international seaways for many years. While limited shipping was feasible in the Arctic Archipelago at the height of the summer months to serve certain bases, there was at present no question of its waterways being capable of being used as seaways for international commerce. We did not know whether the Indonesian claim intruded on the rights of free passage enjoyed heretofore by civil and military air traffic. If they did then this was another distinction. If the waters of the Canadian Archipelago were treated as internal waters this would certainly not affect existing rights of civil aircraft at any rate, since by the time they were flying over these waters on any recognized air route they had already had to fly over Canadian territory and thus conform to Canadian regulations.

5. *Election of Officers for the Conference*: It is proposed in the provisional rules of procedure for the Conference that there be a General Committee of 15 members, comprising the President of the Conference, the Chairman of the five main committees, and nine Vice-Presidents. *Evans* said that they had hoped that a suitable Western European candidate might have appeared as a candidate for the President of the Conference in view of the fact that the Conference is to be held in Europe. He said one had not materialized and that the name of Prince Wan of Thailand had come up. *Evans* said that both the UK and the US had agreed to Wan's candidacy and that Wan himself was prepared to accept. Prince Wan has been President of the General Assembly and though not an expert on the law of the sea, he is a lawyer. Additionally it had been previously thought that there would be some desire by the Afro-Asians to have an Afro-Asian as President. We thought that this looked like a happy solution to that problem and that we should be able to support Wan's candidature.

For chairman of the main committees *Evans* thought that the distribution should be geographically along the following lines: Old Commonwealth, West European, East European, Middle East and Latin America. The Czechs were interested in chairing the committee on the rights of land-locked states and would put up either Professor Zourek or Dr. Petrezelke, their Ambassador in Washington, who had had considerable UN experience. *Evans* said that he thought the UK would agree with this and I said that I thought we also would be able to go along with such a suggestion. *Evans'* view was that the committee on the territorial sea and contiguous zone and the two Committees on the high seas (general régime and fishing régime) should be chaired by the Old Commonwealth, West European and Latin American candidates, not necessarily in that order. He said the name of Professor Bailey of Australia had been mentioned but that he was not sure whether he had agreed to stand as a candidate. We said that we would welcome Bailey's candidature. *Evans* asked if we had anyone who would be available to

be chairman of a committee; we replied that we thought not. The obvious Latin American candidate was Dr. Garcia Amador of Cuba. He has been Chairman of the International Law Commission and has served for many years at sessions of the General Assembly. His moderate views may not however commend him to the majority of the Latinos. We thought that we would be prepared to support Garcia Amador. *Evans* said that no Western European candidate had come forward as yet. He thought that the Middle East candidate might have a claim to chair the remaining Committee on the Continental Shelf. Two names have been suggested: Abdoh of Iran and Loutfi of Egypt. Both of these candidates are the Permanent Representatives of their respective countries at the UN. Loutfi was the better candidate and *Evans* thought the UK would be prepared to support him notwithstanding that he was an Egyptian.

Of the nine Vice-Presidents *Evans* expected that the five Great Powers would have one each as was the custom. Of the four remaining he thought that the Latins would make good a claim to two. A third should go to a West European, perhaps a Dutch or Norwegian. (We mentioned that we had already been asked by the Dutch to give consideration to their candidate as a vice-chairman). At the same time a South European candidate, e.g. Italy, would probably have a claim to be represented on the General Committee. We gathered that the UK would probably support a Norwegian and an Italian as the West European candidates for Vice-President and Chairman of one of the committees. The fourth Vice-President would very likely be an Asian candidate. *Evans* seemed to favour an Indian. He thought there might be a move to enlarge the General Committee to accommodate more candidates from various regions of the world. We agreed that once such a move got underway it would be difficult to stop it.

Evans emphasized that the views he had outlined on the distribution of offices had originated with Dr. Stavropolous of the Legal Department of the UN, and were not necessarily the Foreign Office's views. For instance he pointed out that the distribution of offices would depend upon how many States from the various regions are represented at the Conference though as matters stood it seemed as almost every country invited would be represented.

S.V. OZERE
J.S. NUTT

PCO

43.

*Note du secrétaire d'État aux Affaires extérieures
pour le Cabinet*

*Memorandum from Secretary of State for External Affairs
to Cabinet*

CABINET DOCUMENT NO. 46-58

[Ottawa], February 13, 1958

SECRET. CANADIAN EYES ONLY.

INTERNATIONAL CONFERENCE ON THE LAW OF THE SEA — INSTRUCTIONS
FOR THE CANADIAN DELEGATION

The basic purpose of the Conference is to seek international agreement on the law of the sea which in some respects at the present time is in a chaotic state. The Delegation's general aim should be directed towards obtaining the maximum agreement on the definition of States' jurisdiction and the regulation of States' activities in respect of the

sea. This general aim may be subject to certain qualifications. Wherever the substance of such agreement would be inconsistent with the Delegation's express instructions and in any event where it could compromise Canadian interests, the Delegation should reserve its position pending reference to Ottawa. The attitude of our major NATO allies and Commonwealth partners to any particular proposal should be constantly borne in mind. While this attitude may not necessarily affect a decision to support a particular proposal, it should be given weight by the Delegation in the exercise of any discretion and should wherever possible be reported to Ottawa when supplementary instructions are being sought.

Two of the major problems before the Conference are:

(a) how to reconcile the growing desire on the part of States which do not have well-developed fisheries, to stake a claim in the fishery resources of the seas with the desire of States which have long engaged in fishing to protect their established interests in these fisheries;

(b) how to reconcile the conflict between fishing States which fish largely off their own shores and those which fish off foreign shores which has arisen largely as a result of the tendency of Coastal States to attempt to exclude foreign fishermen from adjacent high seas.

If these conflicting interests could be reconciled by reaching general agreement on a régime for fishing on the high seas, the now controversial problem of the breadth of the territorial sea will present fewer difficulties. To assist in achieving this end it may be desirable for the Conference to postpone discussion of the question of the breadth of the territorial sea while attempting to reach general agreement on a régime for fishing on the high seas. The Delegation may use its discretion in supporting such a tactic in the light of developments at the Conference and in adopting tactics generally aimed at achieving the maximum agreement, bearing in mind the Canadian interest and attitude of NATO allies and Commonwealth partners.

It is not unlikely that the discussions will on occasion develop into disputation concerning specific claims and contentious matters such as the 200-mile claims of Chile, Ecuador and Peru, the Indonesian claim to the Banda and Java Seas, and the Gulf of Aqaba. Unless the discussions appear to have implications affecting Canadian interests, the Delegation should avoid any public declaration concerning such questions, and should likewise avoid controversy on any particular Canadian claims. The Delegation should take the position that the Conference is not the proper forum to consider the merits of specific claims and counter-claims or protests arising therefrom.

The annex to this Memorandum contains a summary of instructions on those specific matters involving important policy considerations. Where these instructions relate to the law of the sea they are a restatement of positions already taken by the Government. Where they relate to general questions, like Chinese representation, they are consistent with positions taken in the past at the UN and other international conferences. Additionally detailed instructions and comments, which are related to Canadian practice and interests in each instance, are being made available to the Delegation.

I recommend, with the concurrence of the Ministers of Fisheries and Northern Affairs and National Resources, that the instructions contained in this Memorandum and annex be

communicated to the Chairman of the Canadian Delegation to the Conference on the Law of the Sea.³⁶

SIDNEY SMITH

[PIÈCE JOINTE/ENCLOSURE]

Annexe

Annex

Representation of Communist China

If the question of Chinese representation is raised at the Conference, the Delegation should follow a course or action consistent with the Government's practice in the United Nations, which has been to support the "Nationalist Government" as representing China in the United Nations. In any event, since the Conference is convened by the United Nations it should be for the General Assembly to make the decision of principle regarding Chinese representation.

Breadth of the Territorial Sea and Contiguous Zone for Fishing

At the outset the Delegation should take the position set out in the Government's provisional comments to the Secretary-General on this subject; that the 3-mile limit is no longer adequate for all purposes. One solution would be to extend the territorial sea to 12 miles, but having regard for the importance of the freedom of sea and air navigation an acceptable alternative would be to retain the 3-mile breadth for the territorial sea but to recognize that the coastal state should exercise exclusive control over fishing in a 12-mile contiguous zone. Should this position meet with strong opposition or should alternative proposals be made, the Delegation should seek further instructions from Ottawa.

Baselines and Bays

The Delegation should support the International Law Commission's recommendation that in appropriate cases the baselines, from which the territorial sea and contiguous zone are to be measured, instead of following the low water mark may be drawn from point to point. Bearing in mind the Government's undertaking to Newfoundland at the time of Confederation that the "headland to headland" rule should continue to apply to Newfoundland and bearing in mind also the Government's public assertion of its intention to contend and its hope that it will be able to get acquiescence in the contention, that the Gulf of St. Lawrence is an "inland sea", the Delegation should resist any attempt to amend the International Law Commission's recommendations by placing an arbitrary length on such baselines.

The Delegation should also bear in mind the above considerations in the discussions concerning the rules governing bays.

Archipelagos

In the discussions concerning the rules which might apply to groups of islands, the Delegation should bear in mind the need not to prejudice a Canadian claim to the inter-connecting waters of the Arctic Archipelago.

³⁶ Approuvé par le Cabinet le 18 février 1958.
Approved by Cabinet on February 18, 1958.

Continental Shelf

The Delegation should support the International Law Commission's general thesis that the right to explore and exploit the natural resources of the seabed and subsoil of the continental shelf enure to the coastal state but that the superjacent waters remain high seas. The Delegation should, however, endeavour to obtain agreement that the legal boundary of the shelf shall coincide with the physical boundary where that is well defined.

High Seas Fishing

The Delegation should support in general the International Law Commission's Articles on high seas fishing. It should endeavour to retain in the Articles the provision that a coastal state shall have a unilateral right to take conservation measures on areas of the high seas adjacent to its coast under certain conditions. The Delegation should also advocate inclusion in any agreed fishing régime of the "abstention principle" under which fully utilized fisheries developed by the nationals of one State alone or jointly with those of other States, would, under certain prescribed conditions be reserved for the exclusive use of the nationals of the State or States in question. The Delegation should also support the retention in a fishing régime of procedures for compulsory settlement of disputes concerning the application or administration of the régime agreed upon.

Nuclear Tests on the High Seas

The Delegation should adopt the view that the Conference is not the proper forum to consider the general question of regulation of nuclear tests. If, upon consultation with friendly Delegations, particularly the United Kingdom and the United States, it should seem desirable to include a specific proposal regarding regulation of nuclear tests on the high seas, or in any event if one seems likely to be adopted, the Delegation might take the position that since so little is known of the effects of nuclear tests at present, it should be sufficient to provide that the execution of nuclear tests not unreasonably interfere with the use of the high seas for other purposes.

The Final Act of the Conference and Conventions emerging from the Conference

Provided the Final Act constitutes no more than a record of the Conference's proceedings, the Delegation may sign it. Otherwise the Delegation should consult Ottawa. If during the course of the Conference it appears that a Convention or Conventions will emerge which are acceptable to Canada, the Delegation should report to the Government and include in its report an indication of the arrangements made by the Conference for signature of the Convention or Conventions.

44.

DEA/9456-RW-2-40

*La délégation à la Conférence sur le droit de la mer
au secrétaire d'État aux Affaires extérieures*

*Delegation to Law of the Sea Conference
to Secretary of State for External Affairs*

TELEGRAM 136

Geneva, February 26, 1958

CONFIDENTIAL.

CONFERENCE ON THE LAW OF THE SEA — PRELIMINARY OPERATIONS

The Conference has now begun its work and has already made a few decisions.

2. As was expected Prince Wan was elected President by unanimous vote. The Soviet Bloc Delegations made the usual statements concerning Chinese representation but they did not press for a vote. The tone of their interventions was rather mild.

3. The rules of procedure were adopted with minor alterations but there were difficulties concerning the acceptance of observers and experts from States which are not participating in the work of the Conference: a Bulgarian proposal to admit them was withdrawn and replaced by a Yemini scheme which would have given the General Committee authority to extend invitations under Rule 33. This was rejected on a USA motion of non-competence by a vote of 63 to 12 against and 11 abstentions.

4. It has not been possible so far to reach agreement on the membership of the General Committee which has now been raised to 19. Apparently the Latin American countries are not prepared to accept the chairmanship of Committees II and IV (in addition to two vice-presidencies) which have been offered to them as part of a broad allocation of seats between the various groups. They insist on holding the chairmanship of Committees I or III while they prefer Committee III. They also have some reservations concerning Professor Bailey as Chairman of Committee I but would be prepared to go along if their claim to the chairmanship of Committee III and three vice-presidencies were to be accepted. The USA Delegation are not reconciled to this Latin American proposal and they have not decided yet whether they would prefer to give up Committee I or III should it become unavoidable to recognize the Latin American claim to one of the two key committees.

5. There have been suggestions that the Latin American consider Professor Bailey as an "extremist" because he represents a country which supports the 3 mile limit for the territorial sea. We have been given to understand that they would be happier if a more "moderate" candidate e.g. a Canadian were available instead. We have indicated to the USA Delegation who have queried us about this that we have made a commitment to support Professor Bailey and that for the present he should be given all possible backing. In the event that agreement is reached that a Latin American should chair the First Committee it is expected that Professor Bailey would be elected chairman of either Committee II or IV. In this event the question of a Canadian chairman would not arise.

6. Negotiations within and between the various groups are continuing. Elections to the General Committee have already been postponed twice and it is possible but perhaps not likely that agreement will be reached before this afternoon. The main committees can then elect their chairman and begin to operate. There is general agreement that if at all possible an agreed slate should be developed so as to avoid a disorderly context in plenary. A few more days may be required before the necessary negotiations can be completed.

7. In their conversations with us the USA Delegation express the view that ultimately a compromise arrangement along the lines of our proposal may emerge as the only acceptable solution on the breadth of the territorial sea. They emphasize however that they would be unable to support for security reasons any scheme which involved an extension of the territorial sea beyond the present 3 mile limit.

45.

DEA/10600-40

*La délégation à la Conférence sur le droit de la mer
au secrétaire d'État aux Affaires extérieures*

*Delegation to Law of the Sea Conference
to Secretary of State for External Affairs*

TELEGRAM 177

Geneva, March 10, 1958

SECRET. CANADIAN EYES ONLY. PRIORITY.

Reference: Our Tel 136 Feb 26.

UN CONFERENCE ON THE LAW OF THE SEA — WEEKLY REPORT NO. 2

This is the first of a series of telegraphic surveys which we propose to send at weekly intervals on the progress of the work in the various committees; these reports will be supplemented by more detailed accounts in numbered letters, to be sent on proceedings in each committee at bi-weekly intervals unless special developments (not covered in the weekly telegrams) require special additional coverage. Minutes of daily delegation morning meetings will be sent each week by air bag.

2. We hope that the above methods of reporting will be adequate for your requirements and we would welcome your comments on their adequacy or otherwise.

3. Plenary meetings are not being held for the time being and the main operations [are] now being carried out in the various committees. The following is an account of what transpired in the five main committees during the week March 3-7.

4. Committee I: Under the able and skilful leadership of the Chairman, Professor Bailey the First Committee agreed unanimously upon the organization of its work on the following basis: a general debate on all of the articles allotted to it, followed by article by article consideration. During this latter stage proposals and amendments would be put forward and votes taken on the various articles.

5. A suggestion was made by Ecuador that consideration of articles 1, 2, 3 and 66 be postponed until some progress has been made in Committee III. The vote on this suggestion was postponed until the termination of the general debate.

6. The representative of Panama proposed establishing a sub-committee to study the question of historic bays. Consideration of this suggestion was also postponed for a few days in order that the Committee might be in a better position to know more precisely how many sub-committees it might be desirable to establish. This question was discussed at a Commonwealth meeting where the general consensus was that it would be undesirable to establish such a committee on the grounds that the decision whether a bay is historic or not depends upon the facts, and that the principles governing the determination are already established and, furthermore, that there really was not sufficient time for such a study.

7. Twenty statements have been made in the general debate this week. Generally speaking, the tone of the debate is moderate, all speakers swearing allegiance to the principle of the freedom of the seas, and exhorting the Conference to not miss the opportunity presented to it to arrive at agreement on the Law of the Sea. Two trends are evident: one is the attitude of the new countries which is that the present maritime rules were formulated by the maritime powers in their own interests, and that these rules now have to be changed to take account of different interests of new countries, the other (which except in the case of France can be detected in the statements of the countries which have

adhered to the traditional three-mile rule) is that there will have to be some modification of the three-mile rule if there is to be general agreement. Sweden, for instance has suggested a six-mile breadth for the territorial sea. The UK made a statement defending the three-mile rule but there is even in this statement some evidence of resignation to a modification of the three-mile rule, particularly in a suggestion that should the territorial sea be extended the absence of right of innocent passage of aircraft would be a serious matter. The representative of Denmark expressed doubt as to the possibility of reaching wide agreement on the basis of the three-mile limit. He wondered whether a solution might not be found which would not involve extension of the territorial sea. He noted that, "The Canadian Government has suggested a solution of this kind in its comments in the ILC draft." India has reasserted the suggestion made at the General Assembly in 1956 that States should have the right to decide the breadth of their territorial sea up to twelve miles.

8. In our private conversations with members of the UK Delegation, it appears that there is disagreement whether the last resort should be a 6-mile territorial sea or something along the lines of the Canadian proposal. UK defence experts seem to favour a position along the lines of the Canadian proposal whereas the fisheries experts favour a straight 6-mile territorial sea. As we have already reported, the final US position would appear to be to adopt the Canadian proposal if there is a 2/3 majority in favour of it.

9. It is evident that unless the UK is, in the final analysis, prepared to line up with the US in supporting some sort of a compromise proposal, it could give rise to a serious situation. We are endeavouring to assist in the reconciliation of the UK and US positions.

10. We understand from private conversations, and this is confirmed by the Soviet press release, excerpts of which have been referred to you, that the USSR will not consider modifying its claim to 12 miles territorial sea. Apparently, they consider that if the Canadian proposal is accepted the rest of the world will move one step closer to the position for which the USSR contends.

11. From private conversations we have also learned that the West Coast Latin Americans have no intention of budging from their claim to 200 miles jurisdiction over fisheries. Some of the other Latin American States may be prepared to adopt something along the lines of our proposal.

12. India introduced the subject of nuclear tests on the high seas by saying it was a question if this subject should come before this Conference or instead before the Disarmament Committee of the General Assembly. Reiterating that India's position concerning nuclear tests was well known, namely, that they should not be held at all, the opinion was put forward that this Conference was not repeat not the proper forum to pursue this subject and that it should be dealt with, as in the past, through the machinery of the General Assembly as part of the general problem of disarmament.

13. Later in the meeting the Committee heard an impassioned protest by the delegate of Yemen against nuclear tests on the high seas.

14. Committee II: The Second Committee decided to hold a short general debate. The Chairman divided the articles into eight groups upon the basis of a common or related subject matter within each group.

15. The Netherlands, the UK, Denmark and Norway appear to be in broad agreement with the articles dealing with status of ships and navigation as enunciated in the draft articles. No comments were made by these delegates on the subject of the slave trade, nuclear tests, submarine cables and policing.

16. Guatemala expressed agreement with the view put forward by France in the Sixth Committee: that the concept of nationality should not be used for defining the link between States and ships under their jurisdiction.

17. In the sixth meeting the Polish representative said that he thought that the ILC recommendations regarding the breadth of the territorial sea were good but that his delegation sympathized with other states who considered that they require greater breadth. Regarding piracy, he considered that Article 27 should apply in time of war as in time of peace and that the definition of piracy (Article 39) should be broadened to include acts of violence for other than strictly private ends. Concerning nuclear tests at sea, the Polish delegate was of the opinion that Article 48 should be strengthened by banning such tests and that this question was a proper one for decision by the Conference.

18. The delegate of the Philippines, speaking at the same meeting, said that the connecting waters of a state-archipelago should constitute internal waters. In the absence of appropriate provisions for this in Part I Article 27 should be amended to this effect.

19. Committee III: This Committee got off to a very slow start. Chairman Carlos Suchre of Panama has manifested no great talents for this office. The Committee has agreed to conduct a general debate on the fisheries articles. Only two substantive meetings (March 3 and 5) have been held since the formation of the Committee.

20. Burma spoke first in general debate and expressed general agreement with the articles and suggested that joint meetings of Committees I and III be held to discuss Article 66 and other overlapping matters. El Salvador spoke at some length reiterating special rights of the coastal state in all matters including arbitration. He did indicate that his country had accepted a 12-mile contiguous zone for fishing. Panama spoke briefly supporting El Salvador's statement and expressing misgiving about articles dealing with compulsory arbitration.

21. Exchange of views took place between the Canadian and USA representatives on the Third Committee with reference to the content and timing of the statements to be made by the delegations. It is expected that the USA statement in the general debate will be made early next week followed by the Canadian statement a day or so later.

22. Dr. N.K. Pannikar, Fisheries Development adviser to the Government of India, serves as Committee III rapporteur. He is well qualified for this post and perhaps the Committee's ablest officer.

23. Committee IV: Committee IV met four times during the week. The Committee got off to a good start Monday when a decision was taken that in keeping with the recommendation of the General Committee the first stage of the debate would be devoted to a broad general discussion rather than detailed consideration of individual articles.

24. The Chairman of the Committee, Mr. Perera of Ceylon, is an amiable and reasonably competent chairman although perhaps a trifle vain. The question was raised at an early stage as to whether the three weeks suggested to the committees for their general debates should be dated from the commencement of the Conference itself or from the date the committees began their work (one week later). Although the wording of the General Committee's recommendation leaves little doubt that it should be three weeks from the beginning of the Conference, the Chairman seems to have taken the opposite view. This may have serious consequences later by imposing strict limits on the time available for the difficult and lengthy process of considering the articles one by one.

25. A number of speeches were made during the week. With the exception of the Latin Americans — who continually emphasized the word "sovereignty" and seemed to favour an extension of states rights over the continental shelf — the speeches were very moderate

in tone. Most speakers appeared to be in broad agreement with Articles 67 to 73 but suggested minor changes in emphasis. The French delegate opposed the criterion of exploitability as being too indefinite. The delegates of the UK and Union of South Africa both seemed to agree with this viewpoint and also suggested that certain other phrases such as "reasonable measures" were lacking in precision. Burma felt that "natural resources" should be interpreted more broadly to include "bottom fish" which are important to the hungry nations of Asia.

26. The delegate of Norway also found exploitability to be an unsatisfactory criterion in describing the limit of the shelf and suggested the possibility of using a fixed agreed distance from the shore rather than a specified depth. Both Sweden and China objected to the use of the word "sovereign" anywhere in the articles. It may well develop that the Latin Americans will find themselves in an isolated position on this matter.

27. Canada was prepared to make a statement Friday but it was decided for tactical reasons to defer it until after the statement in Committee I next week. The Canadian statement will put forward the proposal, in keeping with the delegations instructions that the outer limit of the continental shelf should be its physical edge where that is well-defined and in other instances at an agreed upon depth sufficient to satisfy practical prospects of exploitation.

28. Committee V: Fifth Committee met only once and considered the organization of its work. It was agreed that a general debate should take place; the sense of the Committee being that transit States should make a special effort to express their views on the proposals put forward by landlocked States. Debate will begin March 10.

29. From our discussions with other delegations we gather that the desires of the more extreme minded landlocked countries will meet with strong opposition from transit and other maritimes States many of whom share the views we expressed in our telegram 163 March 5.†

30. While perhaps unnecessarily heavy and systematic, Zourek (Czechoslovakia) is competent chairman. However from his opening statement it would seem that he considers himself as spokesman and advocate for landlocked countries.

31. General: The committees have now organized their work and with varying degrees of efficiency and enthusiasm have undertaken a preliminary and general exchange of views on the subjects which have been assigned to them.

32. The First Committee is making relatively good progress and unless the Third Committee can follow suit there will indeed be a problem in arranging for the postponement of the discussion on Articles 3 and 66. Generally, the views put forward have been expressed in moderate tone and there is a general atmosphere of cordiality that may be due to the fact that the lines have not yet been clearly drawn and that the committees have not yet really come to grips with the more controversial issues.

33. The Soviet attitude has continued relatively mild during the week: most delegations are busily sounding out friendly delegates, coordinating their positions and drafting general statements. We suspect that this rather relaxed process will continue until article by article discussion begins in a week or ten days from now.

34. An essential immediate preoccupation is to ensure that on the breadth of the territorial sea the ultimate position of our main partners is developed in a coordinated fashion.

46.

DEA/9456-RW-2-40

*Le secrétaire d'État aux Affaires extérieures
à la délégation à la Conférence sur le droit de la mer*

*Secretary of State for External Affairs
to Delegation to Law of the Sea Conference*

TELEGRAM L-57

Ottawa, March 13, 1958

CONFIDENTIAL. OPIMMEDIATE.

Repeat Washington, London (Information) (Routine).

CONFERENCE ON LAW OF SEA — USA AIDE-MÉMOIRE ON TERRITORIAL SEA
AND CONTIGUOUS FISHING ZONE

On March 12 the United States Minister in Ottawa, Tyler Thompson, called on me in order to discuss the Canadian position with regard to the breadth of the territorial sea. Mr. Thompson delivered an aide-mémoire dated the same day, containing his government's assurances of "vigorous support" for the Canadian proposal for a twelve-mile contiguous fishing zone. The text of the aide-mémoire reads as follows:

"With regard to the Conference on the Law of the Sea now taking place in Geneva, the Canadian Government is aware of the great importance which the United States Government places on the security disadvantages of any extension of the limits of the territorial sea. The Chairman of the United States Joint Chiefs of Staff and the Chief of Naval Operations, United States Navy, have in recent days stressed to high-level Canadian military authorities their urgent hope that, in the current negotiations in Geneva, Canada will continue to adhere to the principle of the three-mile limit of the territorial sea."

"The United States Government understands the desire of the Canadian Government to resolve its fishery problems but wishes to state in confidence its conviction that any apparent willingness on the part of important western nations to depart from the principle of the three-mile limit of the territorial sea would inevitably lead the Conference to approve an extension of sovereignty out to at least twelve miles. In order to avoid losing the three-mile limit on territorial waters, the United States will be prepared to give vigorous support to the Canadian compromise proposal, i.e., to limit sovereignty to three miles but to accord the coastal state exclusive fishing rights out to twelve miles, if this is necessary to achieve the retention of the three-mile territorial sea."

During the course of our conversation, I informed Mr. Thompson that we welcomed indeed the vigorous support which his country was prepared to give to our compromise proposal and hoped that, with this support, it would be able to gain general acceptance at the Conference, thus obviating the likelihood of a successful challenge to the three-mile territorial limit. After assuring him that the Canadian government was aware of the importance which his government places on the security disadvantages of extending the three-mile territorial limit, I drew his attention to the fact that other countries were undoubtedly going to favour wider territorial limits on the basis of their own national interests. I pointed out that if it should therefore develop at the Conference that our compromise was not secured and we were put in the position of having to choose between the present situation and a twelve-mile territorial sea, we would be faced with a very difficult decision indeed. It was, of course, too early to know what type of solution to this question would be acceptable to the Conference as a whole. While we could not, under these circumstances, give final assurances concerning our position on the extension of the

breadth of a territorial sea we were however hopeful that, with vigorous U.S.A. support, the present position under international law with regard to the breadth of the territorial sea would, in fact, be safeguarded.

[JULES] LÉGER

DEA/9456-RW-2-40

47.

*La délégation à la Conférence sur le droit de la mer
au secrétaire d'État aux Affaires extérieures*

*Delegation to Law of the Sea Conference
to Secretary of State for External Affairs*

Geneva, March 15, 1958

TELEGRAM 206

SECRET. CANADIAN EYES ONLY. PRIORITY.

Reference: Our Tel 177 Mar 10.

UN CONFERENCE ON THE LAW OF THE SEA — WEEKLY REPORT NO. 3

Committee I: The Committee has now heard a total of more than 50 speakers in the general debate. The General Committee hopes the general debate may be completed in all committees by Wednesday next.

Both the US and the USSR spoke during the week, the former advocating the retention of the 3-mile rule and the latter advocating adoption of a formula which would permit states to establish their own limit for the territorial sea up to a maximum of 12 miles. These two positions are indicative of the main trends now apparent, the former being advocated by the major maritime powers, in many instances without any suggestion of compromise, while the latter position appears to be attractive to some Latin Americans and to a good many Afro-Asians. In fact the leader of the USA delegation has indicated to us privately that they believe that the proposal that States determine their own territorial sea up to 12 miles could probably command 45 votes.³⁷

While the Canadian proposal has so far only been alluded to in specific terms by the representative of Denmark, it is apparent from the statements of a number of countries that a proposal along the lines of the Canadian proposal would offer some attraction to them. This is confirmed by private intimations we have had from the US delegation based on information from their liaison officers. The Pakistanis, Chinese and Irish have told us that they will support the Canadian proposal. In private discussions with a member of the Vatican delegation we pointed out that the Canadian proposal had important security implications: in case of war the countries opposing communism might find themselves at a disadvantage if a wider limit for the territorial sea were adopted. We were given to understand that the point would be drawn to the attention of the appropriate quarters in the Vatican and perhaps, through the Vatican, to the attention of certain Latin American governments.

³⁷ Note marginale :/Marginal note:

line or words omitted [auteur inconnu/author unknown]

Le Centre de communications a reçu instruction de répéter ce message en incluant le texte manquant, mais la version corrigée de ce document n'a pas été retrouvée.

The Communications Centre was asked to repeat this message with the missing text included, but a corrected version of this document was not located.

We anticipate making our statement on Monday. In working subsequently for its support we propose emphasizing with the Europeans that our proposal is the only way to save the 3-mile limit; with the Afro-Asians that it is a compromise between the position of the major maritime powers and the USSR and with the Latin Americans that the 3-mile limit must be held in the interests of security. The USA is anxious for us to put forward our proposal and as you know are prepared to work for it. At first blush we think that their early support should be discreet; otherwise our proposal will look too much like a "put-up" job which might prejudice support of the Afro-Asians particularly. We think, for the moment, there is no point in pressing the UK but rather that we should allow them to come along at their own speed as support for our proposal may develop. The USA agrees with this assessment and will concentrate on persuading the Latin Americans. The USA have informed UK that they intend to work for the adoption of our proposal. The UK have expressed their disappointment at this decision.

On Thursday it was brought to our attention that an Afro-Asian caucus had been held and that there were strong indications that a relatively large number of the Afro-Asian group were preparing to support a proposal that the delimitation of the territorial sea up to a maximum breadth of 12 miles should be left to the discretion of coastal states. This suggestion was made by both India and by the USSR in the Sixth Committee of the General Assembly in 1956 and was made again this week first by India and then by the USSR. In view of the fact that we had not yet been able to give our statement but anticipate doing so on Monday, we were anxious to ensure that no firm position should be taken by the majority of Afro-Asians until they had had an opportunity to consider the Canadian proposal. We therefore arranged an interview between myself and Sen, Chairman of the Indian Delegation and Minister of Law in the Indian Government. This interview took place Friday morning. I explained to Sen my concern that the Afro-Asian group should take a firm decision before they had had an opportunity to consider the Canadian proposal. I outlined the nature of our proposal and emphasized that it was indeed a compromise between the US position and the Soviet position. I said that since the USSR already claimed the 12-mile territorial limit the proposal that States be allowed to settle their own limit between 3 and 12 miles was no compromise at all from the USSR point of view and was in reality for them as rigid a position as was being adopted by some of the maritime powers who were contending for the 3-mile limit. Sen appeared to have some regard for my arguments in favour of the Canadian proposal and promised to consult his government. It was afterwards learned from the Americans that Sen had requested new instructions. Subsequently we also learned through the Pakistanis that Sen had in fact informed the Afro-Asian group that India was considering submitting to the Conference, with the support of the USSR (it was not specified whether this involved co-sponsorship by India and the USSR) a formal proposal that the delimitation of the territorial sea up to a breadth of 12 miles be left to the discretion of the coastal state. The intervention with Sen may therefore have been indeed fortuitous since a proposal sponsored by India would undoubtedly carry with it the support of a large number of Afro-Asian delegations. The Pakistanis intimated to us that certain Afro-Asians with some persuasion might quickly see a good deal of attraction in our proposal. Mentioned were Turkey, Malaya, Libya, Ghana, Liberia, Lebanon and Thailand. We propose to embark upon friendly persuasion of these and other delegations immediately, but to win general support of the Afro-Asian group, Indian support will be extremely helpful if not essential.

The Indonesians have suggested that a sub-committee might be established to study the question of archipelagos. It is doubtful whether such a sub-committee — or one to study historic bays as suggested by Panama — could, in the time available make the thorough

study necessary to reach sensible conclusions. It may, however, appear desirable, depending upon developments, as a matter of tactics to accommodate these requests in some manner.

Burma, Ceylon, Japan, Roumania, Yugoslavia and Russia have all spoken against the holding of nuclear tests on the high seas. All consider that the Conference is competent to discuss the question. India, in Committee I, had introduced the question of nuclear tests and had said that this Conference was not the proper forum to pursue this subject (see paragraph 12 of our telegram 177 March 10). However, in Committee II this week the Indian delegate said that the Conference was a proper place to consider the question. We asked him privately to explain what seemed to us a contradiction in the two statements and he explained that while his delegation believed in the propriety of discussing the matter at the Conference they did not expect that any practical results would come of their suggestion in Committee II. Russia and Roumania spoke in favour of granting immunity to state-owned ships operating for commercial purposes. The Yugoslav delegate did not refer to the subject. Italy, Japan, India, Ireland and Australia spoke against the granting of immunity. We were very interested to hear the delegate of Colombia speak strongly against such immunity. He has proposed an amendment to Article 33 which would spell out that only state-owned or operated ships used for non-commercial purposes should enjoy the same immunity as warships.

The UK delegate suggested the deletion of Articles 34, 35 and 36 concerning safety of navigation, penal jurisdiction in matter of collision and the duty to render assistance from the I.L.C. report on the grounds that their provisions had been dealt with by existing international conventions and instruments. Ireland, Australia and Greece supported, in general terms, the UK suggestion.

The USSR and Roumania suggested that provision should be made to prevent states from holding naval and air manoeuvres over large areas of the high seas and near the coasts of other states. The Russian delegate named the USA and the UK as being offenders. The USA delegate replied that for centuries naval exercises had been performed by maritime powers. He then went on to say that the USSR had last year set aside some 700,000 square miles in the Barents Sea for manoeuvres and this, he believed, was the largest area which had ever been used by any state.

Committee III: Four meetings were held this week with 21 states including Norway, India, Peru, Japan, US and UK participating in debate. Norway questioned effect of fishery articles on existing international fishery agreements; rights of coastal state in Antarctica where there are many territorial claims, no people and a highly capitalized whale fishery; how enforcement of arbitral decisions were to be carried out. Also indicated Norway would have suggestions for improving articles dealing with arbitral procedures and cautioned that articles must be kept flexible as stocks of fish and techniques for catching them were constantly undergoing change.

India wants 100-mile fishery jurisdiction for coastal state but with no exclusion of foreign fishermen. Peru reviewed usual "scientific" claims for 200-mile territorial zone. Special claims included fertilization of coastal waters by guano birds, organic transport of rivers, richness of Humboldt (Peru) current and lack of continental shelf. Japan supported high seas fisheries regulation on basis of scientific findings; could not see how special claims of coastal state could be reconciled with widely proclaimed support of freedom of seas and fishing especially if the coastal state did no fishing. Did not mention abstention principle. USSR supported scientific research and was against discrimination of any kind, hence was opposed to abstention principle and special rights for coastal states. Claimed

Rome Conference was conclusive in disposing of latter. USA questioned special rights of coastal states (Articles 54 and 55); the articles on compulsory arbitration should be more specific and provision should be made for enforcement; only mentioned, but did not detail, support of abstention principle. UK indicated that freedom of fishing and responsibility for conservation went together. Could not support special rights for coastal states and claimed that all states facing on the seas were coastal states.

As at Rome Conference, the special considerations for the coast state as provided in Articles 54 and 55 is becoming the most contentious subject.

As many States are holding up statements in Committee III until general policy statements are made by delegation heads in Committee I, progress is slow; Canada to make its statement early next week.

Committee IV: Committee IV met daily and debate continued in moderate tone. By the end of the week 38 countries including all the major powers except Canada, had spoken in the general debate. Five countries — Panama, Burma, Mexico, Argentina and France — have tabled formal proposals or amendments. The Panamanian proposal seeks to include both parts of the continental margin — i.e. the continental shelf proper and the continental slope — in the definition contained in Article 67. The Burmese amendment proposes that so-called “bottom fish” be included in the term “natural resources” in Article 68. France has proposed that the criterion of exploitability in Article 67 be deleted and that “bottom fish” should be explicitly excluded from natural resources. The Mexican and Argentinian proposals were directed principally towards strengthening the sovereignty of the coastal state.

Germany circulated a memorandum containing a curious proposal to the effect that the coastal State has no rights over the continental shelf beyond the outer limit of its territorial sea. Accordingly all States should be free to explore and exploit the subsoil outside the territorial sea. The coastal State would act on behalf of the international community in securing the observance of agreed-upon rules to safeguard navigation, protect fisheries and prevent excessive pollution. It is assumed that the Germans have put this proposal forward in the belief that if all the continental shelves of the world were open to all comers, the superiority of German technical knowledge would give them an advantage. There has been no evidence at all of support for this proposal and a number of speakers have specifically rejected it.

On Friday both the USA and the USSR participated in the debate. The Soviet made an obvious appeal to the materially underdeveloped nations by speaking at some length of the danger of a monopoly on exploitation of the continental shelf getting into the hands of powerful interests in certain countries to the detriment of the smaller nations. Otherwise, their speech was conciliatory in tone and they indicated broad general agreement with the ILC recommendations but said that certain proposals would be put forward later.

The US speech delivered by Miss Whiteman (both US and UK are represented by women in Committee IV) was an orderly and well-reasoned presentation. They accept the 200-metre depth and are prepared to explore the exploitability portion of Article 67 but seem to have some reservations as to wisdom of latter. They would prefer the deletion of word “sovereign” in Article 68 and would like to see Article 73 included in any convention. Natural resources, they felt, should include minerals and living organisms which have an attachment to the seabed during the harvesting period of their life — e.g. sponges, corals, oysters.

It now appears that the five main points of difficulty for the discussion ahead are (1) Article 67 with likelihood that exploitability will not be an acceptable criterion; (2)

definition of natural resources; (3) sovereignty; (4) use of imprecise words such as "reasonable" and "unjustifiable"; (5) Article 73 re reference of disputes to International Court of Justice.

Canadian statement will likely be made Monday or Wednesday as Committee is not expected to sit Tuesday because of plenary session. General debate is expected to end not later than Wednesday after which Committee will consider individual articles in detail.

Committee V: General debate continues in Fifth Committee and is expected to be completed late next week. In the early stages of the debate the more extreme minded landlocked countries such as Afghanistan, Nepal and Laos put forward their views and requested as a minimum the adoption by the Conference of the seven principles which emanated from the preliminary conference of the landlocked countries. The manner in which the debate was developed offered little room for optimism until later in the week when the UK and France made well-balanced exposés of their positions expressing sympathy with landlocked countries which while they had no practical problems wished the Conference to place on record certain general principles. Both UK and France suggested that the right of access to the sea of landlocked countries might be recognized, subject to bilateral negotiations between interested governments. The Swiss, the Austrians and the Pakistanis have already expressed privately their willingness to accept this proposal which would have the advantage of offering a compromise solution to the impasse which earlier seemed to be developing between transit and landlocked countries.

Furthermore the UK and French proposals would seem politically desirable since, until now, the Communists have manoeuvred in such a way as to suggest that they were the only ones to show sympathy for the views of landlocked countries like Afghanistan, Bolivia and Nepal. There was a possibility that they might thus have enlisted their support on other issues such as the breadth of the territorial sea. The UK delegation has circulated to friendly delegations a draft of a possible resolution to be adopted by the Fifth Committee along the lines indicated above and while it is yet too soon to determine the nature of the response to their proposal, there are indications that it might be well received by a majority of governments. In addition to recognizing the right of access to the sea of landlocked countries, the draft resolution suggests that those States who have not yet become parties to the Barcelona Convention of 1921 on transit and the Geneva Convention of 1923 on the régime of maritime ports, might do so.

Our own view is that the UK draft resolution would be an acceptable compromise. It would do little more but confirm certain principles already embodied in conventional law. It is important, however, that the initiative in the Committee should not be left to the Soviet Bloc and we believe that a sympathetic Western attitude may have significance as regards the outcome of the debate on broader issues dealt with in other committees.

General: The general debates are about to be concluded in most of the committees and the issues are beginning to emerge.

So far, except perhaps in Committee V, the atmosphere has continued to be relatively calm and conducive to negotiations.

As regards the main issue, the breadth of the territorial sea, there are reasons for encouragement — the assurance of USA support — and for some concern — the developing Afro-Asian manoeuvre possibly in cooperation with the Soviet Bloc.

As we are about to make our major statements, the Conference will enter for us into a more active phase. The prospect of USA assistance will call for close coordination of effort but in certain areas lack of UK support e.g. in relation to countries like Ghana, Iraq and Malaya may make our task more difficult.

The key to success for the Conference may yet be held by the Latin American countries. The present indications are that they are divided and as the crucial debates develop a major effort will have to be made to enlist the support of as many of them as possible.

48.

DEA/9456-RW-2-40

*La délégation à la Conférence sur le droit de la mer
au secrétaire d'État aux Affaires extérieures*

*Delegation to Law of the Sea Conference
to Secretary of State for External Affairs*

TELEGRAM 221

Geneva, March 19, 1958

CONFIDENTIAL.

CONFERENCE ON THE LAW OF THE SEA — CANADIAN PROPOSAL

Our statement in the First Committee yesterday was well received.³⁸ Pakistan voiced support for retention of the 3-mile limit for the territorial sea with an extension of exclusive fishing rights out to 12 miles. Following our statement the Vietnamese representative gave guarded support for our proposal. It is understood that Vietnam is under instructions to seek approval of a 50-mile contiguous zone for fishing but that the representative here will seek instructions to support the Canadian proposal. Ireland also gave unqualified support to the Canadian proposal while Norway gave it qualified support.

2. Norway was in favour of the 12-mile contiguous zone for fishing but wondered whether this might not be coupled with recognition of a territorial limit in excess of three miles, e.g., the Scandinavian league of four miles where this limit was long established and uncontested. In private discussions the Norwegian representative (Stabell) agreed that his suggestion regarding the territorial sea, if accepted, could detract from the acceptability of our proposal by countries like the USA which will support it only if it is accepted as a 3 plus 9 package. We explained to Stabell that we were grateful for Norway's qualified support of our proposal and we were sympathetic to their wish to retain the traditional Scandinavian league for measuring their territorial sea. At the same time we suggested that if they were prepared to come back to the 3-mile limit for the territorial sea this would undoubtedly be regarded as a dramatic gesture on their part, it might at the same time encourage other states to agree to reduce their territorial limits in return for an increase in exclusive fisheries' jurisdiction out to 12 miles. Stabell said that the Norwegian delegation here personally held the view that Norway should agree to do this and that his delegation were seeking instructions authorizing them to fall back to the 3-mile limit. We asked Stabell whether it would be helpful if our Ambassador in Oslo were to talk the matter over with the Norwegian authorities. Stabell preferred that we not repeat not do this at least for the time being.

3. In the general debate, the Canadian delegation had indicated its sympathy for a solution along the lines that had been proposed by India and USSR. On the basis of private

³⁸ Voir: Nations Unies, Conférence des Nations Unies sur le droit de la mer, *Documents officiels*, Volume III: Première Commission (Comptes rendus analytiques des séances et Annexes), pp. 57 à 59.

See United Nations, United Nations Conference on the Law of the Sea, *Official Records*, Volume III: First Committee (Territorial Sea and Contiguous Zone), Summary records of meetings and Annexes, pp. 51-53.

conversations with a member of the Ghanaian delegation it is quite clear, however, that they have no firm instructions to support any particular proposal. They are interested in seeing General Agreement reached and would support any proposal which appeared to have the general approval of the Conference. The Ghanians clearly do not repeat not wish to commit themselves at the moment but promised to give careful consideration to our proposal.

4. In the general debate in Committee One yesterday Australia made it clear that they would support the Canadian proposal if the three-mile limit could be held, that is, if it were a 3 plus 9 package. Iceland also stated that the Canadian proposal would go a long way towards meeting her needs — provided suitable arrangements could be made for fisheries outside that limit such as abstention. South Africa is satisfied with the three-mile limit and does not require an extra limit for fishing since they have no competition. They would passively support our proposal if it appeared to be likely to receive the approval of the necessary majority. The representative of the Holy See has informed us that he believes he will be able to support our proposal. We have had similar intimations from the Turkish and Thailand delegations. For the Turks this will involve reducing their territorial sea from six to three miles, and for the Thailanders reverting from what they consider to be the best breadth for the territorial sea namely six miles.

49.

DEA/9456-RW-2-40

*Le chef de la délégation à la Conférence sur le droit de la mer
au secrétaire d'État aux Affaires extérieures*

*Head, Delegation to Law of the Sea Conference,
to Secretary of State for External Affairs*

TELEGRAM 235

Geneva, March 22, 1958

SECRET. OPIMMEDIATE.

CONFERENCE ON LAW OF THE SEA

Last night Sir Gerald Fitzmaurice, who is leading the UK delegation in the absence of Sir Geoffrey Manningham-Buller, called a special meeting of the leaders of the Commonwealth delegations at 11:30 this morning to discuss a subject which he indicated was of major importance. I attended the Conference with Ozere and Nutt.

2. When meeting opened Fitzmaurice explained that they had just received information regarding a decision by the Government of the UK in regard to what he described as "the Canadian proposal". He said that the UK delegation can not only not repeat not accept 12 mile contiguous zone for fisheries but will have to publicly announce its opposition thereto. He went on to say that the distant fisheries were important not only from the economic and social point of view but also from the defence point of view because of the part that trawlers and their crews had played in two world wars and would be called upon to play again if that necessity arose.

3. He did give figures indicating the effect of a 12 mile contiguous fisheries zone but I need not repeat these because they have been forwarded already.

4. As he had referred specifically to the Canadian proposal I dealt with his statement immediately and pointed out that we had merely placed before the Conference the position we had taken officially for over two years and particularly at the General Assembly of the UN in 1956 and again in a memorandum to the Secretary General of the UN in September

1957. I recalled that this was a matter of historic significance to us because since 1911 we had been denying the right to our own trawlers to fish within a 12 mile contiguous zone and that naturally we sought an international agreement which would establish this as recognized law. I emphasized that our proposal alone had not precipitated this situation. I did in fact refer to an appendix to their own publication on this subject which indicated the very large number of countries which were already unilaterally exercising control over distances ranging from 6 to 12 miles or even more. I pointed out that since this Conference had met other nations had clearly indicated their belief that there should be a 12 mile contiguous zone. Because of the British interest in that fishing area I referred to the speech of the delegate from Iceland last Wednesday in which he made it clear that a 12 mile contiguous zone would be the minimum which they thought would protect their interests and that because of their economic dependence upon fishing they would in fact seek a wider zone in particular areas. Having regard to these facts I suggested that it did not seem likely on the basis of the information now before us that any contiguous zone of less than 12 miles was likely to receive the necessary vote of the delegates at this Conference.

5. I did say that we attached the utmost importance to agreement at this Conference. I pointed out that if there were not agreement it was most unlikely that the UK would in any event be able to fish within 12 miles of the areas in which they have expressed such a keen interest.

6. I went on to point out that there seemed to be every reason to believe that bilateral and multilateral agreements could be made with the countries controlling the particular fishing areas in which they were interested and that they could in this way assure the highest possible rights which would be available to them in any event. I went on to say that if we do desire agreement it seems that we must be prepared to accept the common denominator which will be accepted by the necessary majority of the Conference and that from the opinions already expressed prior to and at this Conference it seemed that a 12 mile contiguous fishing zone would be the figure most likely to receive the support of the majority at this Conference.

7. I expressed our appreciation of the fact that the government of the UK had given us this information immediately as also did the representatives of Australia and other delegations.

8. When asked directly by Bailey of Australia whether the UK contemplated the possibility of any alternative proposal later in the Conference Fitzmaurice said that he was not in a position to discuss that now. He said that compromise proposals are under consideration but there is no immediate intention of putting one forward.

9. Fitzmaurice did say that so far as he knew it was not intended to communicate this information through the High Commissioners of the Commonwealth countries but to rely upon those attending this Conference to inform their own governments. It is our impression that this meeting was suddenly called together on Saturday morning much more for the purpose of seeking to impress the representatives of some of the Commonwealth countries than for the purpose of giving us this information. It does seem possible that it had the very opposite effect to what was intended and that it has in fact consolidated the support of some of the Commonwealth delegations behind our own proposal. While expressing their keen sympathy for the position of the UK government, which we had already emphasized ourselves, the delegates of Ceylon and India did at the same time indicate that the Canadian proposal offered attractive possibilities of reaching agreement. This was the first time that we had heard any such opinion expressed by Ceylon. Bailey for Australia said without reservation that they would support the Canadian

proposal if it appeared that it offered the possibility of agreement which would also preserve the 3 mile territorial limit.

GEORGE A. DREW

50.

DEA/9456-RW-2-40

*La délégation à la Conférence sur le droit de la mer
au secrétaire d'État aux Affaires extérieures*

*Delegation to Law of the Sea Conference
to Secretary of State for External Affairs*

TELEGRAM 239

Geneva, March 22, 1958

SECRET. CANADIAN EYES ONLY. PRIORITY.

Reference: Our Tel 206 Mar 15.

UN CONFERENCE ON LAW OF THE SEA — WEEKLY REPORT NO. 4

Committee I

1. In telegram 221 March 19 we reported that our statement was made on Monday. We also indicated the support which had been voiced for it. It is difficult yet to assess with any certainty what hope the proposal has but there are a few intimations. Professor Bailey (Australia) who is Chairman of Committee I, believes it is the only proposal which has a chance. At the moment, the situation for many delegations seems to be that they would support it if others would. In many cases we believe delegations are seeking instructions. This is certainly so in the case of India and Norway as already reported to you. On the other hand many of the Western European delegations have struck a rigid pose which they appear unwilling to alter. The French, Spanish and Portuguese objections seem to arise primarily because they think that our proposal will work hardships for their fishing industries. It seems unlikely that support of the Western Europeans interested in distant water fishing for the proposal will be forthcoming. As we have already reported the UK has informed us privately that they will oppose our proposal publicly at an appropriate time. If some arrangements could be worked out on a bilateral basis this might alter the disposition of those states interested in distant fishing.

2. With the end of the general debate on Wednesday the Ecuadorian proposal to postpone Articles 1, 2, 3 and 66 (breadth of the territorial sea and contiguous zone) until after April 10 quickly split the Conference. Two full meetings were devoted to a wrangle over this proposal which was finally revised upon the suggestion of Mexico to provide that the articles in question should come on for discussion not later than March 31. During the discussion India supported Mexico and gave as a reason that instructions were being awaited on the Canadian proposal. We found ourselves able to influence Ecuador to accept the Mexican and Indian suggestion. In this form the resolution passed by a vote of 46 in favour (including Canada, US, UK, India), 16 against (including USSR) with 8 abstention (including UAR). The USSR opposed postponement on the grounds that the breadth of the territorial sea was crucial and should be tackled immediately. It was suggested that they and other delegations were fearful that some of the proponents of postponement hope thereby to facilitate no decision on the territorial sea being taken because of lack of time. There are undoubtedly a number of delegations who harbour such motives. The USSR may also be afraid that our proposal is gaining in popularity (certainly it does not lack for

publicity both public and private in the halls of the palais) and hope to head it off by early discussion and perhaps an early vote on their suggestion that States be granted the discretion to decide their own limits between 3 and 12 miles. On the other hand this may be straightforward divisive tactics on the part of the USSR.

3. The Committee will begin its article by article discussion next week beginning with Section III of Part I of the ILC report (Articles 15-25).

Committee II

4. The general debate continued until March 19 when it was concluded. The Ukraine, Czechoslovakia, UAR and Bulgaria all spoke against the holding of nuclear tests and said that the Conference was competent to discuss the question. Pakistan said that this question should be left to the UN Disarmament Commission. The representative of China also stated that the question of nuclear tests was outside the scope of this Conference. The Ukraine supported the point put forward by the UAR that the right to visit ships in "suspect" zones was anachronistic (Article 46 paragraph (b) of subsection 1 should be deleted from the ILC report). The delegate of Liberia gave a long and closely reasoned speech which was a defence of flags of convenience. He opposed what he described as the introduction of novel principles; this was an obvious reference to the genuine link concept.

5. On March 14 we made a very brief general statement in which we suggested postponement of consideration of the matter of freedom of fishing in the high seas until committee on fishing had decided what restrictions if any were to be placed on this freedom. We also said that it would be unprofitable for this Conference to deal with nuclear tests. We concluded by saying that care should be taken to ensure in relation to matters where there were existing conventions that the principles enunciated in various articles did not derogate from the wider obligations under those existing conventions.

6. The Committee adjourned on Wednesday to consider a proposal of the Chairman that the next phase of the work would consist of a consideration of the articles by the same groupings as dealt with in general debate. The Chairman proposed that there be 2 readings on each article and that provisional votes be taken at the first reading. This however with the understanding that States would not be prohibited from voting otherwise at the second meeting. This proposal was objected to by the UK and it was decided to defer decision until Monday March 25. There were 39 speakers in the general debate.

Committee III

7. Debate in Committee III ended Thursday March 20. Eighteen States and the director of FAO fisheries division spoke during the four days. The most contentious matter, as expected, were articles dealing with special rights for coastal states. The extremists for and against these articles are very emphatic and as at Rome, supporters for and those against are about equally divided. Many States, including most Latin Americans, indicated opposition to articles dealing with compulsory arbitration. The term "voluntary arbitration" was suggested by one.

8. Iceland made a plea for special consideration in fisheries' matters due to her great dependence on fisheries. They indicated by means of a very thorough study that a contiguous zone of 12 miles for fisheries and the fisheries' articles dealing with rights of coastal states were not adequate to meet Iceland's special needs.

9. Canada made its statement in committee. On Monday the Committee is considering mechanics and organization for the next state of work, which is the consideration of the individual articles.

Committee IV (Continental Shelf)

10. The general debate in Committee IV came to an end on Wednesday. In all, fifty nations — including the UAR whose credentials were accepted by the Conference in preliminary session Tuesday — participated. The Canadian statement the last in the general debate was given Wednesday and attracted a considerable amount of interest and favourable comment.

11. Consideration of the articles *seriatim* began Thursday and the Chairman announced that three days would be allotted to the discussion of each article. This seemed to us to be a somewhat arbitrary decision since the same amount of time would presumably be given to those articles that are not particularly controversial as to the three articles — 67, 68 and 73 — around which most discussion is expected to take place. However, the Chairman indicated that there would be some latitude in this time-table.

12. At least a score of formal proposals have been placed before the Committee seeking modifications in the various articles. Many of these duplicate one another in intent if not in wording. Canada's amendment to Article 67 was put forward at the week's end. Meanwhile both the UK and the Netherlands had made proposals to establish the outer limit of the continental shelf at the 550-metre depth. Over the weekend the Canadian alternate representative on Committee IV was invited to join with Admiral Mouton and the representative of the UK in an effort to redraft a new proposal which would be submitted jointly by the Netherlands and the UK.

13. If an acceptable wording is developed it is expected that Canada will vote in favour of the 550-metre depth while at the same time indicating that support of this proposal does not mean abandonment of our position as stated earlier in the debate. If this proposal should gain acceptance our own would be withdrawn. If not the Canadian proposal would itself be put to a vote.

Committee V

14. General debate continued sluggishly with only two meetings. The USA expressed sympathy with desires of landlocked countries and said it would give support to all reasonable proposals. The USA representative while stating that "seven principles" appeared in accordance with present conventional law, did not state his government's willingness to agree to them. The German and Italian statements were generally negative in tone but we understand, through private discussions that the Germans are inclined to agree with UK draft resolution mentioned in last weeks report which would recognize right of access to the sea subject to bilateral negotiations. The Italian position remains dogmatic and it is not yet certain whether they would support a resolution along the lines of that proposed by the UK.

15. The only other statement of importance made in this weeks general debate was by Yugoslavia who expressed firm opposition to the request of landlocked states. There would seem to exist a Yugoslav fear that their agreement to requests formulated by landlocked countries might subsequently place them in an awkward bargaining position vis-à-vis bordering states.

16. The UK draft resolution, the highlights of which were summarized in our last report, has not yet been circulated as a committee document. It is hoped that this can be done in the latter part of week of March 24 or as soon as the general debate is completed. The delay is caused by the difficulty in reaching general agreement among maritime countries with regard to some form of recognition of the principle of right of access to the sea.

17. In the meantime the landlocked countries have been meeting under the chairmanship of Zourek who, as you know, is also committee chairman. Needless to say, this is not a sign of impartiality on Zourek's part and it is generally considered that he is too openly entering into activities which associate him too closely with a particular group of countries. We understand that Zourek has put forward a revision of the seven principles which he hopes the landlocked group will endorse. Delegations such as Austria, Luxembourg and Switzerland are stalling for time in the hope that some constructive proposal will be produced shortly by the maritime countries.

18. There are sixteen countries still listed to speak in the general debate which is not expected to be completed before the end of next week. Maritime countries are considering the advantage of requesting a postponement of the committee proceedings for approximately one week following the general debate in the event that their negotiations have not matured by then.

19. You will appreciate that regardless of what is taking place openly in any of the five committees the general debate having largely concluded the Conference has reached the stage where there is extensive discussion between delegations through informal and private meetings. In this we are taking an active part seeking widest possible support for the Canadian proposal.

51.

DEA/9456-RW-2-40

*Le chef de la délégation à la Conférence sur le droit de la mer
au secrétaire d'État aux Affaires extérieures*

*Head, Delegation to Law of the Sea Conference,
to Secretary of State for External Affairs*

TELEGRAM 263

Geneva, March 29, 1958

SECRET. EMERGENCY.

Reference: Your Tel L72 Mar 27.†

For Personal Attention Cadieux.

CONFERENCE ON LAW OF THE SEA — WESTERN EUROPEAN ATTITUDE TOWARDS
CANADIAN PROPOSAL

1. At the suggestion of the USA a meeting was held yesterday between representatives of Canada, USA, France, Italy, Portugal, Spain, Belgium and Norway to discuss the effect of the Canadian proposal on fishing industry of a number of Western European countries.

2. Arthur Dean opened meeting explaining that despite serious damage which Canadian suggestion for 12-mile contiguous zone would cause USA fishing industry, the US government considered that proposal was sound and that it probably constituted the only way of obtaining agreement at the Conference. He made it plain that his government was most anxious to see our proposal adopted.

3. I then explained the reasons which had prompted us to make our proposal expanding along lines already familiar to you. I emphasized the point that we were most anxious to see agreement reached at present Conference, and I strongly urged that when the Canadian proposal was studied representatives should ask themselves whether the complete absence of agreement would not produce a far worse situation than the adoption of our suggestion. I suggested to the Western Europeans that this was not a choice between the Canadian

proposal and the retention of a 3-mile fishing zone, but rather a choice between a 12-mile contiguous zone for fishing and a chaotic situation which would produce far more damaging results for the fishing industry of many Western European countries. I supported my argument with the factual information contained in your telegram L72 which was extremely useful.

4. Following my remarks, Professor Gros of France expressed disagreement with the Canadian and USA arguments. He appeared to be speaking not only for his government but for most of the other Western Europeans present at the meeting. Gros disagreed with our view that chaos would result from an absence of agreement on the breadth of the territorial sea. He said that such a situation would only mean that countries would set their own rules which would have no validity whatever in international law and that France would never accept the legality of unilateral extension of territorial waters. He went on to say that April 24 should not be considered as a magic date and that no more than 15 or 20 articles of the ILC draft would by then be in a state where they could be placed in a convention. He said that "many other jurists of repute" had always agreed with him that a nine-week Conference was not enough to codify the Law of the Sea. He suggested that at the end of April, the Conference could adjourn until next year or until 1960 when it could meet again to carry on its work. In the meantime it was unlikely that a tragic situation would result from the absence of agreement and he compared this Conference with that of 1930.

5. Gros' statement was most cynical and the sense of his remarks suggested that he would not be unhappy if the present Conference were to fail in its chief purpose. It is becoming increasingly clear that he is waging among other Western Europeans a campaign not only harmful to our proposal but detrimental to the success of the Conference. Remarks made to us by other representatives also indicate that Gros has neglected to put all the facts before them and, in this sense, we feel that he has not been entirely truthful. He has ignored the very reasonable position taken by Simonette on March 21 and his frank admission that it was not the loss in Canadian waters which would be important but the effect of a 12-mile fishing zone in Europe and North Africa. In the circumstances I would suggest that you might consider the wisdom of informing the French Embassy in Ottawa immediately that the attitude of their representative here is not conducive to any agreement and hardly consistent with our long years of very close friendship and understanding. I think it might also be very important to emphasize that our own fishing communities are dependent upon fishing just as much as the fishing communities of France. In asking for a 12-mile contiguous fishing zone we are thinking of their interests on the east and west coast.

6. In replying to Gros, Arthur Dean said that his government did not agree that the situation in Geneva in 1958 was similar to that which existed at the Hague in 1930. While in 1930 there were some 40 participants in the Conference on the Law of the Sea, we now had some 87 countries many of whom had recently attained independence. Dean said that he feared that if the present Conference failed, the Soviets would begin a propaganda campaign with the new countries, suggesting to them that it was impossible to obtain agreement with the old countries of Europe. The absence of agreement, Dean suggested would also have an extremely detrimental effect on the economy of a number of small countries. The USA was most concerned about the possibility that small countries might leave the Conference disappointed at the absence of fruitful results. Saunders (USA) and I suggested that if there were no agreement and no régime of law instead of unilateral extension of fishing zones the only way the French attitude could be supported would be to protect their trawlers and other fishing boats by gunboats. In an obvious reference to some

Latin American countries Saunders pointed out that many USA fishing vessels had been arrested in waters which were considered as belonging to the coastal State but that the USA had never thought of enforcing the unilateral rules established by countries who were friendly to them.

7. Supported by the Italians and the Spaniards, Gros retorted to Dean and myself that the price for agreement was too high and that it was only the Western Europeans who were being asked to pay the price. He said that our attitude resembled appeasement and that "France is not prepared to appease because, if now granted what they were claiming new countries would soon after ask for more concessions".

8. At Dean's suggestion and with our concurrence, it was agreed that the fisheries experts of the USA, Canada and some Western European countries should meet next Monday to exchange views on the technical aspects of the problems which our proposal raises for certain European countries. Dean suggested that some form of bilateral or regional agreements might be developed at a later date to minimize the damage which might be caused to those countries.

9. If suggestion about approach to French Embassy appeals to you suggest if possible it be done today as debate starts Monday. Having regard to difference between attitude of Gros and Simonette, who is no longer here, think message to French government repeating concern expressed in Ottawa might result in instructions which would reduce vigour of the campaign against our proposal which largely stems from Gros.

[GEORGE] DREW

52.

DEA/9456-RW-2-40

*La délégation à la Conférence sur le droit de la mer
au secrétaire d'État aux Affaires extérieures*

*Delegation to Law of the Sea Conference
to Secretary of State for External Affairs*

TELEGRAM 268

Geneva, March 31, 1958

SECRET. PRIORITY.

Reference: Our Tel 239 Mar 22.

For Personal Attention of Cadieux.

UN CONFERENCE ON LAW OF THE SEA — WEEKLY REPORT NO. 5
FOR WEEK ENDING MARCH 29

Committee I — Territorial Sea and Contiguous Zone

1. As reported in paragraph 3 of our reference telegram the Committee began its considerations of Articles 15 to 25 on Monday last. The provisional closing date for amendments on these articles was Tuesday morning. At that time no fewer than 125 amendments had been entered in respect of these articles. A good many of these were amendments of form which were set aside for the time being; also many of the amendments had similar aims and working parties composed of the proponents were fairly successful in reaching joint amendments.

2. The main discussion in the Committee has centered around the definition of the right of innocent passage, i.e. Article 15 of the International Law Commission's report and, to some extent, Articles 16, 17 and 18. The two main contentious issues in respect of Article

15 and, in particular sub-paragraph (3) which has come in for the greatest amount of discussion are (a) whether a ship's conduct in passage (as recommended by the ILC) or the passage itself should constitute grounds for a coastal State challenging the innocence of passage; and (b) whether a breach of the ILC articles or other rules of international law should (as the ILC recommends) or should not repeat not render passage not repeat not innocent.

3. Following upon deliberations of a working group the USA has proposed an amendment to paragraph 3 of Article 15 as follows:

"Passage is innocent so long as it is not prejudicial to the security of the coastal State. Such passage shall take place in conformity with the present rules."

We are somewhat puzzled by USA sponsorship of a proposal which leaves to the coastal State such a broad discretion in determining the innocence of passage. This point has been forcefully made by the delegate of Israel.

4. In line with our instructions we have co-sponsored with Denmark, Italy and Yugoslavia a proposal to add a new paragraph 5 to Article 15 to provide as follows:

"Foreign fishing vessels shall enjoy the right of innocent passage through the territorial sea provided they observe the laws and regulations made and published by the coastal State in order to prevent them from fishing in that sea. They shall in particular have their gear stowed away."

With some drafting changes this addition appears likely to be accepted. The UK has indicated that it will be prepared to support the amendment with some formal changes. The USA on the other hand has indicated that it will oppose the amendment on grounds that what is sought to be achieved by this amendment is already covered by Article 18 of the ILC draft. This point of view is tenable but in view of our instructions we felt we should support the position that some other states are taking that there should be an unequivocal provision in the draft articles.

5. At week's end, even though the Committee is now meeting on Saturday, not a single vote has been taken on any provision of Section 3 in the ILC report. Indeed not only was there disagreement concerning the substance of some of the articles we were debating but there were developing lengthy wrangles concerning the procedure to be adopted in voting on the amendments and the ILC articles. Section 3 of the report is of course now put over since Articles 1, 2, 3 and 66 come on for consideration on March 31.

6. As you know we tabled the "Canadian proposal" on Friday³⁹ and we intend introducing it on Monday March 31. There may be a further move to delay discussion of Articles 1, 2, 3 and 66 but in our opinion the Conference has now reached the stage that if it does not attempt to reach some agreement on the breadth of the territorial sea and contiguous zone, it will become hopelessly bogged down in detailed discussion of the individual articles and procedural debate — at least this will apply to Committee One's deliberations.

7. We have no assurance of the number of votes which our proposal taken as a package, will command. It is almost certain that the Committee will also have the opportunity to vote on a proposal which would enable States to fix their own territorial limits between 3 and 12 miles and there is some whispering that the UK with the support of France and

³⁹ Voir *Conférence des Nations Unies sur le droit de la mer, Documents officiels, Volume III: Première Commission*, p. 254.

See *United Nations Conference on the Law of the Sea, Official Records, Volume III, First Committee*, p. 232.

some other Western Europeans may propose an overall 6-mile limit for the territorial sea. Yugoslavia had beaten us to the draw in putting in an amendment to Article 66 which is in principle the same as ours. The text of this proposal is as follows:

"The coastal State is authorized to regulate the exploitation of the living resources of the sea in the contiguous zone and to reserve exclusive fishing rights therein for its nationals. It may exercise the control necessary to prevent and punish infringements of its fishing laws and regulations in its territory, its territorial sea and the contiguous zone."

This is obviously a move to provide all the advantages of our proposal without the obligation of having to withdraw from territorial claims in excess of 3 miles which our package would call for.

Committee II — High Seas: General Régime

8. As reported earlier the general debate concluded on Wednesday March 19. Committee meetings were adjourned until Monday March 24 to enable delegations to consider a proposal by the Chairman concerning the conduct of work in the article by article discussion. The Chairman's proposal was that the work would proceed in two stages. The first stage would consist of a debate upon the substance of the articles and provisional votes would be taken upon the understanding that delegations would be free to alter their positions at the final voting. In the second stage delegations would confine themselves largely to matters of drafting. The subject of provisional voting was a controversial issue. The UK objected to this course. The subject was discussed at a meeting of the Canadian delegation and the decision taken to oppose the proposal for provisional voting mainly upon the grounds that it might have a tendency to harden positions on the part of delegations and also that it might conceivably become a precedent which other committees might follow. This matter was put to a vote on Monday March 24 and a vote taken on a UK proposal for omitting provisional voting and proceeding with the discussion of article by article with final voting at the conclusion of the debate on the various groups of related articles. The UK proposal was carried by a vote of 33 to 17 with Canada voting in favour of the UK proposal.

9. A Peruvian proposal for a postponement of consideration of Articles 26, 27 and 47 until it was known what restrictions upon fishing in the high seas were recommended by the Third Committee. The Peruvian proposal was defeated by a vote of 41 to 7 with four abstentions. Canada was one of the seven voting in favour of the Peruvian proposal.

10. The Committee then proceeded with the article by article discussion, commencing with Article 26 which defines the term "high seas" in paragraph 1 and "internal waters" in paragraph 2. As indicated in the working paper prepared for the general debate, Article 27 was discussed in conjunction with Article 26.

11. The Canadian delegate interposed to speak in favour of a Mexican amendment to Article 27 of which the purport was to declare that the several freedoms covered in the article, including the freedom of fishing could be exercised only in accordance with the rules of the draft code and other rules of international law. The purpose of the intervention was to safeguard the "Canadian proposal"; this course was adopted in accordance with the instructions contained in the commentary.

12. The debate centred mainly about a proposal by three of the iron curtain nations and Yugoslavia which was aimed at banning nuclear tests on the high seas. The UK countered this proposal by introducing a resolution which referred the subject of nuclear tests to the competence of the General Assembly. Somewhat surprisingly India proposed an amendment to the UK proposal which deleted part of the recital and referred the matter to the General Assembly for appropriate action. After some discussion as to the language of

the Indian amendment the UK withdrew its proposal and both UK and USA announced acceptance of the Indian proposal. On the procedural side the Committee adopted a USA proposal to vote upon the Indian resolution before the proposal of the USSR bloc for banning nuclear tests. The vote upon the Indian resolution was finally held on Friday afternoon and was accepted by a vote of 51 to 1 with 14 abstentions. Canada spoke briefly in favour of the Indian proposal and voted for it. The sole vote against the proposal was cast by Japan. The USSR bloc abstained. The Committee then decided not repeat not to deal with the iron curtain proposal for banning nuclear tests.

13. Subsequently on Friday the Committee voted in favour of referring paragraph 2 of Article 26, being the definition of internal waters to Committee I. Otherwise the ILC draft of Article 26 was accepted.

Committee III — High Seas: Fishing

14. Committee III met five times during the week. The Chairman circulated a Conference document in which he formally proposed that the Committee consider Articles 49 to 60 in three main groups:

- (1) the conservation of living resources of the sea (Articles 50 to 56 and Article 60);
- (2) the peaceful settlement of disputes (Articles 57 to 59); and
- (3) the right to fish (Article 49).

This was agreed to. He also placed time limits on the submission of amendments to the articles as follows:

- Article 50, March 25;
- Articles 51 to 53 and 56, March 26;
- Articles 54, 55 and 60, March 28; and
- Articles 49 and 57 to 59, April 8.

It was proposed by Canada and agreed to, that two days should pass between the last day of submitting amendments and the first provisional voting thereon.

15. The order in which articles were to be considered received some attention. Cuba proposed that articles dealing with the competence of non-coastal states should be considered first. This was opposed by other Latin American countries who maintained that rights of coastal states should be given priority. When put to a vote the Cuban proposal carried 41 to 5 with 13 abstentions. A proposal by Poland to begin the discussion with Article 49 was rejected (34 to 14 and 9 abstentions). Yugoslavia submitted three amendments on procedure and priority of articles and all were rejected.

16. Debate on Article 50 started on Tuesday, March 25. This was also the deadline for submission of amendments to this article. Following the two-day rule for voting the article was put to a vote on Thursday March 27.

17. Two amendments were submitted to Article 50; one by Sweden proposing that "conservation programmes should be formulated with a view to securing in the first place a supply of food for human consumption", and one submitted jointly by Costa Rica, Mexico, Peru and the UAR which proposed that "conservation programmes should be formulated with due regard to the special interests of the coastal state in the maintenance of the productivity of the resources of the high seas in the vicinity of its coasts". The first amendment was put to a vote without much debate and was accepted 32 to 7 with 26 abstentions (Canada abstaining) the second amendment was hotly debated with Cuba, Canada, USA, UK and others protesting that this was not repeat not the right place to introduce matters pertaining to the special rights of coastal states, which will be dealt with in Articles 54 and 55. It would only introduce a highly controversial subject into the

definition of conservation. If this concept, they warned, were kept in this context they would be forced to vote against it. The proponents of the amendment on the other hand maintained that this amendment rounded out the definition of conservation, gave it some purpose and that the whole idea was agreed to at the Rome Conference. When put to a vote this amendment was voted down 32 to 26 with 8 abstentions, Canada voting against the amendment. Article 50 was passed as amended.

18. Amendments to Articles 51 to 53 and 56 continue to be submitted and discussed. By Friday night 39 amendments on the remaining fishery articles had been distributed. Articles 51 to 53 and 56 come up for vote in week of March 31.

Committee IV — Continental Shelf

19. This has been a productive week and the Committee has adopted texts for Articles 67 and 68 — the two most important articles in Section III of the ILC report. A beginning was also made Saturday morning on the discussion of Article 69.

20. The amended text of Article 67 as adopted by a vote of 51 in favour, including Canada, 9 against with 10 abstentions is that of the original ILC draft with the addition of an amendment proposed by the Philippines which reads as follows: "All references in the articles to "continental shelf" shall be understood to apply also to similar submarine areas adjacent to and surrounding the coasts of islands." The Canadian proposal was defeated along with similar amendments seeking a 550 metre depth put forward by the UK and the Netherlands. Support for the criterion of exploitability was particularly evident among the Latin Americans while the 200-metre depth enjoyed fairly widespread support among all groups.

21. Article 68 was adopted with five amendments by a vote of 34 in favour, 14 against with 17 abstentions. The only change in the wording of the ILC text was the substitution of the word "exclusive" for "sovereign" as a result of the adoption of the USA proposal which was carried by an exceedingly narrow margin of 21 in favour, 20 against with 27 abstentions. This accounts for the way the vote finally split on the article as amended. It is expected that there will be great difficulty later in reaching a two thirds majority in the plenary session because of the deletion of the word "sovereign". Most of the Latin Americans, the Soviet bloc, the Arabs, Canada and India voted against the USA amendment while UK, Australia, New Zealand and Pakistan abstained.

22. An important amendment adopted to Article 68 was the definition of natural resources put forward in a joint proposal by Australia, Ceylon, Malaya, India, Norway and the UK. While Canada did not co-sponsor this proposal Kask and Carty sat on a small informal Commonwealth group of scientists and lawyers who worked out the definition which excludes bottom fish and crustacea but includes such sedentary species as clams, oysters, pearl oysters, coral and sponges.

23. The remaining three adopted amendments to Article 68 were those proposed by Argentina, Yugoslavia and the UK. The UK amendment made it clear that the rights of the coastal State to exploit the subsoil by means of tunnelling from terra firma was not repeat not subject to any limit in terms of the depth of the superjacent waters. We abstained on the ground that this right already existed. The other two amendments simply sought to incorporate in the text of the article the idea contained in the commentary of the ILC report that if the coastal State does not exercise its rights over the shelf other States may not do so without its consent. These two amendments which both express the same thought will be subject later to drafting changes.

24. Texts of Articles 67 and 68 as adopted by the Committee are being forwarded by air.

Committee V — Landlocked States

25. General debate concluded this week with a number of speakers expressing disagreement with the suggestion that principle of right of access to the sea of landlocked countries should be recognized as part of international law. India, Pakistan and Thailand expressed strong views in that sense. India suggested that discussion was premature and that the matter should be referred to the ILC. Pakistan's view was that codification of any principles would be *ultra vires* of General Assembly resolution. Canada made a brief statement expressing sympathy with and understanding of the problems of landlocked countries and suggested postponement of general debate for three days in order to allow delegations to prepare and examine various proposals.

26. Activity by Committee V was noteworthy this week for corridor discussions. The UK, the Netherlands and Italy have introduced a draft resolution which the Committee will consider as one possibility during the next stage of its debates which began March 29. The landlocked countries to which certain maritime countries have associated themselves have also put forward a formal proposal consisting of nine principles which are similar to those which resulted from the preliminary conference last February.

27. In addition to certain differences of substance the two proposals do not repeat not have the same purpose. The UK-Netherlands-Italian suggestion referred to above is that a resolution be adopted by the Conference recognizing the needs of landlocked countries and recommending that countries concerned take these problems into account. On the other hand the proposal from the landlocked countries tends towards inclusion of principles in the form of articles into a treaty. Ends.

53.

DEA/9456-RW-2-40

*Le chef de la délégation à la Conférence sur le droit de la mer
au secrétaire d'État aux Affaires extérieures*

*Head, Delegation to Law of the Sea Conference,
to Secretary of State for External Affairs*

TELEGRAM 274

Geneva, March 31, 1958

SECRET. OPIMMEDIATE.

CONFERENCE ON LAW OF THE SEA — CANADIAN PROPOSAL

1. This morning I made a statement introducing the Canadian proposal to amend Articles 3 and 66. The text of the statement is incorporated in a separate telegram.†

2. Following my statement the representative of Yugoslavia made an explanation of the Yugoslav amendment to Article 66 which seeks to accomplish the same result as our amendment to Article 66, but in a more detailed manner. (See paragraph 7 of Our Tel 268, March 31, 1958.) The Yugoslav representative suggested that the Canadian proposal in respect of Article 66 would be examined by them, but took pains to point out that this would be without prejudice to the Yugoslav position on Article 3. This position, which had been explained during the general debate, was that States should be free to determine their own territorial limits between 3 and 12 miles.

3. The Mexican representative then introduced a formal proposal that "every State is entitled to fix the breadth of its territorial sea up to a limit of 12 nautical miles measured from the baseline which may be applicable in conformity with Articles 4 and 5". The

Mexican representative explained that this proposal was being put forward by his delegation along with that of India. The reason behind this proposal, he stated, was that international practice clearly indicated that the 3-mile limit was not the rule on the breadth of the territorial sea; that there was clearly a variable factor in international practice which had to be taken account of in any codification of a rule and that the outside limit with few exceptions which States claimed for the territorial sea was 12 miles.

4. Just before the Mexican representative introduced the joint Mexican-Indian proposal, Sen (Chairman of the Indian Delegation) spoke to me privately and explained that Indian co-sponsorship of the joint proposal did not signify a firm position on India's part. They were in fact still awaiting instructions on what their final attitude should be towards the Canadian proposal, their co-sponsorship of the Mexican proposal merely arose from the fact that their initial position which had already been stated in the general debate, was that a 3 to 12 mile "choose it yourself" rule might be an acceptable solution. Sen said that while they had allowed their name to go forward as a co-sponsor of this proposal, they would not speak immediately and hoped in the meantime to receive final instructions.

The debate on Articles 1, 2, 3 and 66 has been adjourned until Wednesday to enable delegations to submit their amendments.

[GEORGE] DREW

54.

PCO

*Note du ministre des Pêcheries
pour le Cabinet*

*Memorandum from Minister of Fisheries
to Cabinet*

CABINET DOCUMENT NO. 51-58

[Ottawa], April 2, 1958

SECRET

INTERNATIONAL CONFERENCE ON THE LAW OF THE SEA
GENEVA, FEBRUARY- APRIL 1958

Perhaps the most important problem now being debated at the Conference on the Law of the Sea is that of the breadth of the territorial sea. Mexico and India have recently proposed that states be allowed to settle in their own discretion the breadth of the territorial sea between three and twelve miles. While this position appears attractive to some Latin-American and many African and Asian countries, and is strongly supported by the Soviet Union, it is opposed by leading maritime powers, particularly the United States and United Kingdom, which consider that an extension of the territorial limits to twelve miles would have serious effects on the operation abroad of their naval vessels and aircraft. In view of this opposition, it is unlikely that the proposal of Mexico and India will be acceptable to a two-thirds majority of the Conference. On the other hand, it is equally unlikely that the Conference will agree on retaining the traditional three-mile territorial limit for all purposes, including fishing.

2. On March 17, the Head of the Canadian Delegation put forward a compromise plan (approved by Cabinet on February 18, 1958,) which calls for the establishment of a twelve-mile contiguous zone in which *exclusive* fishing rights would be reserved for coastal states. In effect, the Canadian proposal involves acceptance of the International Law Commission's recommendation that a twelve-mile contiguous zone be established for

customs, fiscal and sanitary purposes, with, however, the modification that it cover fisheries as well. As our proposal allows the traditional three-mile territorial limit to be retained, it obviates the security objections put forward by the United States and United Kingdom.

3. While the Canadian statement elicited favourable support from a wide number of delegations, it is too early to assess with any certainty what are its possibilities for success. There are, however, intimations that it is the only plan which has a reasonable chance of being acceptable to a two-thirds majority of the Conference. The United States has recently informed us that they are prepared to give it their support and India appears to be reconsidering its earlier position. However, the positions of the United Kingdom and France, as well as that of a few other Western European Delegations interested in distant water fishing, appear distinctly unfavourable. Their opposition appears to be based on the fact that if the Canadian proposal is accepted by the Conference, it will result in the adoption of a new general rule of law involving the exclusion of foreign fishermen from the contiguous zone. Although, according to most recent data, France, Portugal and Spain take approximately only 10 per cent of their total cod production from within a twelve-mile area off Canadian coasts, and the United Kingdom an even smaller percentage, the *total* amount of cod production of these countries which takes place within twelve-mile zones off other coasts is of course significantly greater. (France possesses treaty rights along certain Canadian coasts, which presumably would not be affected by our proposal.) In the past, we have pointed out to these countries that while there is no question that as an alternative to the general acceptance of the straight three-mile territorial sea the Canadian proposal will involve sacrifices for certain countries, nevertheless, it is apparent that, if the Conference were to fail, many states would not adhere to the three-mile limit, but would claim exclusive fishing rights in even wider areas.

4. It was hoped earlier that these Western European countries, recognizing that a situation highly prejudicial to their interests was likely to develop if the Conference failed to reach any agreement, would adopt a less unfavourable attitude to the Canadian proposal; most recently however it appears that their opposition to our proposal has been hardening. The French have intimated us that they would prefer the Conference break up without any agreement whatsoever on this matter rather than our proposal be adopted. The United Kingdom, which has let it be known that they plan to oppose our proposal publicly in the near future, has now formally proposed to the Conference a six-mile limit to the territorial sea.

5. In view of the fact that the Canadian proposal is likely to continue to meet with strong opposition from these influential countries, thus lessening appreciably its chances for success, and that whether or not the Conference adopts our plan, we may be faced with a lingering ill-will in several Western European countries, it would seem desirable to take measures to meet this situation in some appropriate manner.

6. There seems little question that these states would consider most satisfactory the recognition by countries off whose coasts they fish (for example, Canada, Iceland, Norway and Denmark) of so-called traditional fishing rights. That agreement on our part to recognize such rights would defeat the purpose of our proposal is at once apparent, having regard to the fact that its chief appeal arises from the fact that it calls for the establishment of a twelve-mile zone exclusively reserved for the fishermen of the coastal state. This approach would also seem equally unsatisfactory from the point of view of countries like Iceland, Norway and Denmark, whose position must, of course, be considered in the formulation of any plan which is directed at reducing the opposition of fishing countries to our proposal.

7. A second approach would be to recognize the "rights" of countries which have traditionally fished within the twelve-mile zone, but subject to the imposition of quotas concerning the amount of fish that can actually be taken. Entirely aside from the fact that it would, of course, be difficult to reach agreement on the amount of these quotas, any such arrangement would be exceedingly troublesome to enforce. Furthermore, while this manner of dealing with the problem, like that of unqualifiedly recognizing "traditional" rights, might prevent certain countries which have not, in the past, fished regularly off our eastern coasts, — for example, the Soviet Union — from doing so in the future, nevertheless it might establish a dangerous precedent with regard to fishing off our Western coasts by Soviet and Japanese nationals.

8. A third possibility, which is not open to the objections raised in the earlier cases, would be to allow those European countries claiming traditional rights in contiguous zones to continue their present operations in such areas over a period of years while their fishing fleets were being adjusted to slightly different fishing areas. As any such arrangements could hardly be worked out during the course of the Conference, it would seem that the most that could be done would be to give an assurance that negotiations would be undertaken later with a view to concluding a series of bilateral agreements between those countries claiming "traditional rights" and those off whose coasts the alleged rights are exercised. Even if our proposal is adopted by the Conference, a period of from two to three years is likely to elapse before the Convention embodying it is generally ratified and our proposal implemented. It might therefore be agreed between ourselves and countries whose position is similar to ours that during a period of approximately five years, (an upward adjustment could be made if circumstances require) countries claiming "traditional rights" might be allowed to continue their current areas of fishing operations pending any necessary adjustments. It would be understood that such arrangements would only be contemplated if the opposing Western European countries were prepared to alter their attitude concerning our proposal.

9. I therefore recommend, with the concurrence of the Secretary of State for External Affairs, that Cabinet approve the course of action described in the immediately preceding paragraph; that, as a first step, the Delegation in Geneva be authorized to approach Denmark, Iceland and Norway, and other Delegations should this prove necessary; and that, should these countries be agreeable to our suggestion, the Delegation be authorized to raise it with those European Delegations concerned.

J. ANGUS MACLEAN

55.

Extrait des conclusions du Cabinet
Extract from Cabinet Conclusions

[Ottawa], April 3, 1958

SECRET

Present

The Prime Minister (Mr. Diefenbaker) in the Chair,
 The Minister of Public Works
 and Acting Minister of Defence Production (Mr. Green),
 The Minister of Finance (Mr. Fleming),
 The Minister of Veterans Affairs (Mr. Brooks),
 The Solicitor General (Mr. Balcer),
 The Minister of National Defence (Mr. Pearkes),
 The Minister of Trade and Commerce (Mr. Churchill),
 The Minister of Justice and
 Acting Minister of Citizenship and Immigration (Mr. Fulton),
 The Minister of National Revenue (Mr. Nowlan),
 The Minister of Agriculture (Mr. Harkness),
 The Secretary of State (Mrs. Fairclough),
 The Minister of Fisheries (Mr. MacLean),
 The Minister of Labour (Mr. Starr),
 The Postmaster General (Mr. William Hamilton),
 The Minister without Portfolio (Mr. Macdonnell),
 The Minister of Mines and Technical Surveys (Mr. Comtois),
 The Minister of National Health and Welfare (Mr. Monteith),
 The Minister of Northern Affairs and
 National Resources (Mr. Alvin Hamilton),
 The Secretary of State for External Affairs (Mr. Smith).
 The Secretary to the Cabinet (Mr. Bryce),
 The Assistant Secretaries to the Cabinet (Mr. Fournier), (Mr. Martin),
 The Registrar of the Cabinet (Mr. Halliday).

INTERNATIONAL CONFERENCE ON THE LAW OF THE SEA; FURTHER
 INSTRUCTIONS TO CANADIAN DELEGATION
 (PREVIOUS REFERENCE MARCH 4)

33. *The Secretary of State for External Affairs* said that, while the Canadian compromise for a twelve-mile contiguous zone, in which exclusive fishing rights would be reserved for the coastal states, had been favourably received by a large number of delegations at the Conference on the Law of the Sea, and the United States had recently indicated they were prepared to support it, the United Kingdom and France, with other western European delegations, were against the plan and it was unlikely to carry.

However, it appeared that, of all the proposals, the Canadian was the only one that had a reasonable chance of obtaining the necessary two-thirds majority and it seemed desirable to do something. It was thought that a proposal for an interim period of adjustment might have some success. This would mean that the 9-mile contiguous zone for fishing would be agreed to but would not come into force for approximately five years, during which period the fishing fleets of other countries would adjust themselves to different fishing areas. Arrangements with individual countries claiming traditional rights could not be worked out during the conference but an assurance would be given that negotiations would be undertaken for a series of bilateral agreements on this point. It would be understood that

such an undertaking would only be given if the opposing western European countries were prepared to alter their attitude on the original Canadian proposal.

The Minister of Fisheries, with Mr. Smith's concurrence, had therefore recommended that this course of action be approved and that, as a first step, the Canadian Delegation be authorized to approach Denmark, Iceland, and Norway, and other delegations, if necessary, and if there was agreement, the delegation be authorized to raise the plan with the west European Delegations concerned.

An explanatory memorandum was circulated, (Memorandum, Minister of Fisheries, April 2, 1958-Cab. Doc.51/58).

34. *During the discussion* the following points were made:

(a) Latest press reports indicated that the United Kingdom had altered its position and was recommending a six-mile zone. It was not clear whether this was three and three, or a full six-mile territorial limit.

(b) The paragraph in the circulated document setting out the adjustment suggestion, seemed to imply that it would only concern European countries. Fishermen on the west coast were much concerned over U.S. fishing in Canadian waters within twelve miles of the coast. It must be made certain that the adjustment plan would not confirm or recognize any U.S. traditional rights and it should be stated clearly that the compromise applied to America as well as Europe and that the contiguous zone would be recognized by the U.S. at the end of the adjustment period. On the other hand, the U.S. Delegation had already come around to the Canadian proposal of the three and nine mile zones.

35. *The Cabinet* agreed that the Canadian Delegation at the International Conference on the Law of the Sea, at Geneva, be authorized to make the necessary approaches to European Delegations concerned, with a view to obtaining approval for a plan by which the contiguous zone for control of fishing would be adopted only after a period of adjustment of, say five years; it being understood that this approval was contingent on the United States firmly accepting the proposal as applying to their fishing in waters adjacent to Canada.

R.B. BRYCE
Secretary to the Cabinet

56.

DEA/9456-RW-2-40

*Le chef de la délégation à la Conférence sur le droit de la mer
au secrétaire d'État aux Affaires extérieures*

*Head, Delegation to Law of the Sea Conference,
to Secretary of State for External Affairs*

TELEGRAM 291

Geneva, April 3, 1958

SECRET. OPIMMEDIATE.

(For Personal Attention Cadieux).

BREADTH OF THE TERRITORIAL SEA

1. Monday evening March 31, Manningham-Buller invited me to see him, Fitzmaurice and Curtis also being present. UK explained that they proposed as result of recent Cabinet

decision to hand in a proposal⁴⁰ Tuesday afternoon in First Committee. Text of their proposal is included in Manningham-Buller speech of yesterday telegraphed to you. UK explained that this decision compelled them [to] state openly their opposition to Canadian proposal.

2. I expressed keen disappointment at this decision which created wholly new situation. The UK move would not only draw away support for Canadian proposal but brought into question the integrity of the arguments for the 3-mile limit put forward by UK both at press conference by Manningham-Buller and by UK statement to First Committee. UK position then had been that 3-mile limit not only essential but in law the one recognized limit departure from which would be retrograde step. Now even before vote taken on Canadian proposal UK was coming forward with a proposal which was inconsistent with earlier position taken by them. UK replied Canadian proposal wholly unacceptable to them because of 12-mile fishing zone. On this UK could and would not repeat not budge because 12-mile fishing zone would be ruinous UK fishing industry. UK expressed confidence that their proposal would command substantial support and that Canadian proposal not repeat not likely to gain the necessary majority. I strongly insisted that up to the present point Canadian proposal was attracting a good deal of support and stood a good chance of gaining a sufficient vote for its adoption. I was equally emphatic that I did not think UK proposal would gain sufficient votes. I insisted that if there was a danger of a 12-mile territorial sea being accepted by the Conference this danger would be greatly increased by UK proposal because the moment the UK departed from 3-mile limit arguments would immediately be strengthened that territorial sea should be 12 miles. UK replied that their proposal was a concession by them for the sake of agreement and under no repeat no circumstances would they go beyond six.

3. Stabell of Norwegian Delegation with an adviser joined discussion. Stabell indicated that Norway had decided to support Canadian proposal and expressed deep concern on learning of UK intentions. Stabell's position paralleled the Canadian position, Stabell arguing strongly against UK proposal and advisability of its introduction particularly at this point.

4. A second meeting took place with both UK and USA representatives on afternoon of April 1st. After Manningham-Buller had opened by referring to the UK decision I asked whether he was aware of the Indian amendment just filed to Article 49 to provide exclusive fishing up to 12 miles. I referred to the UK understanding indicated at the previous meeting that India was likely to support the new UK position. (My understanding from Sen had been contrary to the UK indication). Manningham-Buller was clearly taken by surprise and an invitation was sent to Sen to join the meeting.

5. On enquiry after he arrived Sen stated that the Indian amendment had been decided on before they knew of the UK decision and had been advanced as a "compromise". They hoped that by providing separately for the fishing problem the possibility of compromise on the territorial sea would be increased. They understood that the UK proposal was strictly a 6-mile proposal on fishing. Manningham-Buller appeared satisfied with this

⁴⁰ La proposition du Royaume-Uni prévoyait une mer territoriale de six milles, sans zone de pêche contiguë de 12 milles. Voir *Conférence des Nations Unies sur le droit de la mer, Documents officiels, Volume III: Première Commission*, p. 271.

The United Kingdom proposal called for a territorial sea of six miles with no 12 mile contiguous fishing zone. See *United Nations Conference on the Law of the Sea, Official Records, Volume III, First Committee*, pp. 247-248.

although there was nothing to support the previous suggestion stated by him that India was likely to be satisfied with 6-miles for fishing.

6. Further discussion took place on merits of Canadian and UK proposals and effect on Conference of introduction of UK proposal. In the course of this Mr. Dean stated with great bluntness and vigour that USA would not repeat not in any circumstances and at any stage compromise on the 3-mile limit for territorial waters. They would support the Canadian proposal and would oppose the UK proposal with all possible vigour.

7. The meeting concluded without any move from the positions of either [texte manquant/text missing].

8. In the Commonwealth meeting April 2, although the agenda did not include breadth of the territorial sea, Manningham-Buller immediately set forth UK decision and explained their position. He said the Canadian proposal was unacceptable and that the UK would openly oppose it and pursue its opposition relentlessly. He sought to close discussion at this point but I insisted that the Canadian attitude should be explained and did so. I said I wanted it understood by Commonwealth representatives that the UK decision came as a complete surprise and was marked departure from their position on the 3-mile limit which along with USA position had influenced Canada strongly in working out its proposal. I said we intended to follow through on our proposal vigorously. In reply to enquiry by Ceylon and India as to whether UK decision altered the Canadian position I said it did not repeat not.

9. I said that our main concern at all times had been in regard to a 12-mile fishing zone which had been enforced against our own trawlers for many years. While not so much directly concerned with width of territorial sea we had been impressed by arguments put forward privately by UK and USA Delegations in regard to the vital military importance of retaining the 3-mile limit for the territorial sea. We had therefore put forward a single proposal which we had hoped would gain the support of those who rigidly adhered or had said they did to a 3-mile territorial limit in the hope that we might in turn gain their support of those nations which demanded a much larger fishing zone.

10. Notes are being sent by airbag giving full details on the meetings of March 31 and April 1.

11. Yesterday in Committee One the UK proposal was introduced as planned. Mr. Dean immediately gave a statement on the USA position. He said that he had listened with sincere regret to the statement by Manningham-Buller. On behalf of the USA he said they were in favour of retaining 3-mile territorial limit as best for all nations and all circumstances. USA believes any departure would be a blow to free world and obligations USA has assumed. USA believes Canadian proposal a constructive step forward and in best interest of states old and new and its adoption would make Conference a real success. USA support for Canadian proposal not repeat not a bargaining position but as help to success of Conference. Dean made clear that USA cannot repeat not compromise on 3-miles. USA would oppose UK proposal and Dean reiterated support of Canadian proposal.

12. Earlier in day USA had filed a proposal which except for different phrasing of Article 3 is duplicate of Canadian proposal. Dean explained privately that purpose of USA filing was to put on record USA support of Canadian proposal.

[GEORGE] DREW

DEA/9456-RW-2-40

57.

*Le chef de la délégation à la Conférence sur le droit de la mer
au secrétaire d'État aux Affaires extérieures*

*Head, Delegation to Law of the Sea Conference,
to Secretary of State for External Affairs*

TELEGRAM 294

Geneva, April 3, 1958

SECRET. PRIORITY.

Reference: Our Tel 268 Mar 31.
(For Personal Attention Cadieux).

UN CONFERENCE ON THE LAW OF THE SEA — WEEKLY REPORT NO 6
FOR WEEK ENDING APRIL 3

Committee One (Territorial Sea and Contiguous Zone)

On March 31 the Committee again took up Articles One, Two, Three and 66 which had been postponed. As reported in our telegram 274 March 31 we introduced our proposal with a statement the text of which you have.

2. As outlined in above-mentioned telegram two other proposals were introduced: one an amendment to Article 66 by Yugoslavia and the other a proposal co-sponsored by Mexico and India and introduced by Mexico. The Yugoslav amendment to Article 66 provides: "The coastal State is authorized to regulate the exploitation of the living resources of the sea in the contiguous zone and to reserve exclusive fishing rights therein for its nationals. It may exercise the control necessary to prevent and punish infringements of its fishing laws and regulations in its territorial sea and the contiguous zone." (Document C1/54).

3. The joint India-Mexico proposal provides: "Every State is entitled to fix the breadth of its territorial sea up to a limit of 12 nautical miles measured from the baseline which may be applicable in conformity with Articles 4 and 5." (Doc. C1/79).

4. Following the introduction of these proposals the debate was again adjourned until April 3 and a provisional time limit for receipt of proposals was set for the evening of April 2.

5. In the meantime the Committee went on with its consideration of Articles 15, 16, 17 and 18 and adopted the texts indicated in Articles 15(3), 17 and 18.

Article 15(3): "Passage is innocent so long as it is not prejudicial to the peace good order or security of the coastal State. Such passage shall take place in conformity with the present rules and to other rules of international law." 55 in favour (including Canada) none against and 8 abstentions.

Article 17(1): "The coastal State may take the necessary steps in its territorial sea to prevent passage which is not innocent." 36 (including Canada) in favour. 21 against and 10 abstentions.

Article 17 paragraph 2 of the ILC text was adopted without vote.

Article 17(3): "Subject to the provisions of paragraph 4 the coastal State may without discrimination among foreign ships suspend temporarily in specific areas of its territorial sea the innocent passage of foreign ships if such suspension is essential for the protection of its security. Such suspension shall take effect only after having been duly published." 31 in favour (including Canada) 27 against and 5 abstentions.

Article 17(4): "There shall be no suspension of the innocent passage of foreign ships through straits which are used for international navigation between one part of the high seas and another part of the high seas or the territorial sea of a foreign State." 31 in favour (including Canada) 30 against and 10 abstentions.

France proposed the addition of a paragraph providing: "The measures which can be taken by the coastal State under paragraphs 1 and 2 above include checking the radio activity emitted by a nuclear power ship including checking board of the crew and of any material that may leave the ship from the time of its entry into territorial waters when the ship is bound for a port of the said "State." The vote on this proposal was 16 in favour 23 against 25 abstentions (including Canada). Also the Netherlands and Greece proposed a new paragraph providing: "The passage of foreign ships traversing the territorial sea without entering internal waters shall not be suspended for reasons based on the provenance or destination of the ship its crew passengers or cargo". This was defeated by a vote of 18 in favour (including Canada) 31 against and 19 abstentions.

6. It will be seen that the amendments to Article 17 of the ILC text carried only by bare majorities and it is doubtful if they can command the necessary 2/3 majority in plenary. As to the likely outcome in plenary it is perhaps significant that after many hours of discussion much of it procedural wrangling the Committee finally adopted the ILC version of Article 18 by a unanimous vote. 57 in favour (including Canada) none against and 3 abstentions).

7. It seems that most delegations can actually live with the ILC draft articles if their own amendments are unsuccessful. Unfortunately for the course of the Conference too many delegations seem to be under the impression that the Conference can draft a better set of articles in nine weeks than the ILC has done in eight years.

8. The debate on Articles 1, 2, 3 and 66 was taken up again on Wednesday April 2. The first statement was that of the UK introducing its proposal which provides in part: "The limit of the breadth of the territorial sea shall not extend beyond 6 miles. Extension to this limit shall not however affect existing rights of passage for aircraft and vessels including warships outside 3 miles." (C1/L134). The UK statement was followed immediately by an announcement by the USA of its support for the Canadian proposal.

9. The following are the more important amendments which have been submitted for Articles 3 and 66:

1. Sweden: "The breadth of the territorial sea shall be fixed by the coastal State but may not exceed 6 marine miles." (C1/12).

2. USSR: "Each State shall determine the breadth of its territorial waters in accordance with established practice within the limits as a rule of 3 to 12 miles having regard to historical and geographical conditions, economic interests, the interest of security of the coastal State, and the interest of international navigation." (C1/L80).

3. Ceylon: "The territorial sea shall extend to 6 nautical miles from the baseline drawn in a manner provided in Articles 4 and 5." (C1/L136)

4. Greece: "The territorial sea extends to 3 nautical miles from the baseline drawn in accordance with Articles 4 and 5." (C1/L136).

5. Italy: "Each State has the right to fix the breadth of its territorial sea but in no case shall that breadth exceed 6 nautical miles." (C1/L137).

6. USA: substitute the following text for Article 3: "The breadth of the territorial sea is 3 miles." Article 66: Add the following as paragraph 2 (the present paragraph 2 being renumbered 3): "The coastal State has the same rights in respect of fishing and the exploitation of the living resources of the sea in this zone as it has in its territorial sea".

(CT1/L140). The USA proposal has a comment reading: "In the view of the sponsor the above constitutes a single proposal and should be discussed and voted upon as such."

7. Proposes that a new paragraph should be added at the end of Article 66 reading: "In exceptional circumstances where the people are primarily dependent on its coastal fisheries for its livelihood and/or economic development the State concerned has the right to exercise exclusive jurisdiction over the fisheries up to the necessary distance from the coast in view of relevant local consideration." (C1/L131).

Committee II (High Seas — General Régime)

10. On March 31 voting proceeded on Article 27 — freedom of the high seas. A Yugoslav proposal for the deletion of the Article in its entirety and the substitution of a new article was defeated. The real purpose of the Yugoslav proposal was to add to the ILC draft a provision prohibiting the use of the high seas for purposes which might adversely affect nationals of other states. This was obviously aimed at the question of nuclear tests. A UK proposal to amend Article 27 by adding a provision, the tenor of which was that States should have reasonable regard for the rights of others in the use of the high seas, was accepted. Also accepted was a Mexican proposal which provided that the exercise of freedom must be in accordance with these rules and other rules of international law. Except for these amendments the ILC draft of Article 27 was accepted. Text of article as accepted is being forwarded.

11. The Committee agreed to postpone voting on groups II, III and IV until the conclusion of the debate on all three groups in order that voting could proceed *seriatim* instead of in the order of the groupings.

12. The debate on Articles 28, right of navigation, 34, safety of navigation, 35, penal jurisdiction in matters of collision, 36, duty to render assistance, 29, nationality of ships, 30, status of ships, and 31, ships sailing under two flags, has now concluded. From the tenor of the debate there appears to be a possibility that the ILC draft will be accepted with minor amendments. As regards Article 29 there is wide acceptance of the "genuine link" concept as amended by an Italian proposal which provides that the flag state must exercise jurisdiction and control in the administrative technical and social fields. This appears acceptable to Canada and other Commonwealth nations have expressed agreement.

13. Four meetings were held during the week on Articles 51 to 53 and 56. Eleven amendments were submitted to Article 51 but consolidated by France, Germany, Italy, Japan, the Netherlands, UK and Yugoslavia into a joint amendment. At the instance of Latin American countries it was agreed 57 to 9 with 6 abstentions that the special interests of the coastal State be accepted in principle and incorporated into the appropriate articles by the drafting committee.

14. The joint proposal when put to a vote was accepted 57 (including Canada) to 0 with 6 abstentions. Article 51 as amended carried by 58 (including Canada) to 2 with 4 abstentions. As amended it read as follows: "A State whose nationals are engaged in fishing any stock or stocks of fish or other living marine resources in any area of the high seas where the nationals of other States are not thus engaged shall adopt for its own nationals measures in that area when necessary for the purpose of the conservation of the living resources affected."

15. Fourteen amendments were submitted for Article 52 paragraph 1. Nine countries (France, Germany, Italy, Japan, the Netherlands, Portugal, Sweden, UK and Yugoslavia) again consolidated their several amendments into one. Their joint amendment was passed 42 to 0 with 5 abstentions and read as follows: "If the nationals of two or more States are engaged in fishing the same stock or stocks of fish or other living marine resources in any

area or areas of the high seas these States shall at the request of any of them enter into negotiations with a view to prescribing by agreement for their nationals the necessary measures for the conservation of such resources."

16. Consideration of paragraph 2 of Articles 52 and 53 is postponed until Articles 57 and 59 are considered.

17. Twelve amendments were submitted to paragraph 1 of Article 53. A joint USSR-Polish amendment providing that newcomers to a fishery should be admitted "on an equal footing" and no "discrimination" in matters of conservation measures was defeated. It was agreed 54 to 0 with 4 abstentions that a Yugoslav proposal introducing "no discrimination" would be handled by the drafting committee.

18. Six States (France, the Netherlands, Portugal, Sweden, UK and USA) submitted a joint consolidated amendment to paragraph 1 of this article which was adopted.

19. Article 53(1) as amended was passed 32 to 7 with 13 abstentions: "If subsequent to the adoption of the measures referred to in Articles 51 and 52 nationals of other States engage in fishing the same stock or stock of fish or other living marine resources in any area or areas of the high seas the other States shall apply the measures which shall not discriminate against them to their nationals no later than 7 months after the date on which the measures shall have been notified to the Director General of the Food and Agriculture Organization. The Director General shall notify such measures to any State which so requests and in any case to any State specified by the State initiating the measure".

20. Eleven amendments were submitted to Article 56.

21. A French proposal placing the burden of scientific proof on the non-fishing but interested States when they asked that conservation measures be adopted was approved 35 to 6 with 15 abstentions. After some debate Article 56 with amendments was accepted by a vote of 45 to 2 with 14 abstentions. The exact wording of the amendment as adopted was not available at the time of reporting.

22. On disposing of Articles 50-53 and 56 the Committee took up Articles 54 and 55. Fourteen amendments had been submitted for Article 54. The Chairman asked the sponsors of the amendments to Article 54 to get together to see if they could be consolidated. Consideration of the consolidated articles is to take place next.

Committee IV: (Continental Shelf)

23. Committee IV adopted texts for Articles 69 and 70 as well as an additional article provisionally numbered 68A. Details on voting were reported in our telegram 277† and 278† April 1. Article 71 was adopted with a number of amendments April 3. Details on voting will follow.

Committee V: (Landlocked Countries)

24. The second phase of committee work has begun and will comprise study of the two proposals enclosed in our letter 208.† Chairman (Zourek) suggested that 19-power proposal be considered first and that examination of UK-Dutch-Italian draft resolution would follow. In his view the Committee should consider only at the end of its work the form in which decisions should be embodied.

25. Many friendly delegations objected to the Chairman's suggestions with regard to organization of the Committee's work. Zourek finally gave in and it was agreed that both proposals would be considered concurrently it being understood that delegates could refer to the [group corrupt] Convention declaration or resolution during the discussions.

26. Debate is not progressing rapidly and the delegates are still arguing as to the purpose of the expression "right of access to the sea" as contained in paper submitted by 19-powers.

27. At opening of the discussions earlier this week Switzerland, Austria and Luxembourg objected strongly to inclusion of maritime countries as co-sponsors of the nine "principles". We understand that Czechoslovakia, Afghanistan and Bolivia without consulting their landlocked partners arranged to add countries like Albania, Bulgaria, Tunisia, UAR, etc. to list of sponsors. Ambassador Ruegger of Switzerland said in furious mood that impression was being given that some maritime countries had participated in drafting of nine principles. He considered it "premature and irregular" to seek co-sponsorship of sea-faring countries. Obviously there exists many disagreements among landlocked countries and things are not going well between them. However, it is yet too soon to predict what will come out of Committee V.

58.

DEA/9456-RW-2-40

*Le secrétaire d'État aux Affaires extérieures
à la délégation à la Conférence sur le droit de la mer*

*Secretary of State for External Affairs
to Delegation to Law of the Sea Conference*

TELEGRAM L-102

Ottawa, April 7, 1958

SECRET. OPIMMEDIATE.

CONFERENCE ON THE LAW OF THE SEA

Tyler Thompson, USA Minister in Ottawa, informed us today that the Embassy had been requested by Washington to express to us the serious concern of USA about the prospects for success of the Canadian formula in view of the latest developments at the Conference. These were mentioned as the recent UK proposal for a 6-mile limit to the territorial sea and joint proposal for a 3 to 12 mile discretionary limit. In view of this concern USA considers it important to obtain greater Western European support for our proposal and that it should therefore be amended so as to take care of those countries concerned about their historic fishing fights.

2. Thompson informed us that USA still estimates that the 12-mile contiguous fishing zone is the only formula which can swing the Conference away from the 12-mile limit, and for this reason considers it imperative to have a formula with the greatest possible appeal. They regard some form of understanding as necessary so that nations will not repeat not be excluded from areas where their nationals have historically fished, if the Canadian proposal is to carry the important Western European group.

3. We were also given to understand by Thompson, on an informal basis, that such a move as suggested by them would be important in the USA because of mounting pressures in "industry" (presumably fishing) which might render USA ratification of our formula difficult.

4. We are passing this on to you now for your information and will, if necessary send you any further comments we may have after further consideration by officials tomorrow, Tuesday.

59.

DEA/9456-RW-2-40

*Le chef de la délégation à la Conférence sur le droit de la mer
au secrétaire d'État aux Affaires extérieures*

*Head, Delegation to Law of the Sea Conference,
to Secretary of State for External Affairs*

TELEGRAM 306

Geneva, April 9, 1958

SECRET

Reference: Your Tel L85 Apr 4.†

PERIOD OF ADJUSTMENT FOR HISTORIC FISHING PRACTICES

Pursuant to the Cabinet decision as set forth in your telegram, I had a meeting yesterday with the Heads of the Delegations of Denmark and Iceland and Stabell, the Deputy Head of the Delegation of Norway. Robertson and Curtis were with me.

2. Portugal has filed an amendment to the Canadian proposal which would require the preservation of historic fishing practices in the contiguous zone and I used this amendment as a point of departure in raising the question as to whether the representatives of the other countries present thought it would be advantageous at this stage to make some move to meet the difficulties of the countries that have been fishing within the contiguous zone. I did not repeat not put forward the detailed proposal in your telegram at the outset as I thought it would be better first to get the general reaction of the other countries.

3. It became apparent that all had given some thought to the problem of adjustment for the countries that have been fishing hitherto. Denmark referred particularly to the need to negotiate with the UK in respect of fishing near the Faroes, and Norway also indicated that thought had been given to some bilateral arrangement for a period of adjustment. The Icelandic position was not repeat not as clear in this regard and I gained the impression they would be more reluctant to enter into any arrangement for an adjustment period but that it was not entirely to be excluded. With these indications of view the representatives also made it clear that they did not repeat not think there was any chance that their governments would be prepared to take a decision specifically on periods of adjustment before the Conference ends. Moreover, they were completely unanimous in the view that it would be thoroughly undesirable to have any amendment to our proposal that would provide either for the principle of adjustment or a period of adjustment as a general proposition.

4. Discussion then proceeded to the question whether there would be any advantage in indicating either confidentially or otherwise that we and the other countries present would be prepared to consider and enter into bilateral arrangements for a period of adjustment if our proposal were supported by the Western European countries and accepted. Mr. Stabell of Norway said bluntly that he did not repeat not think one single vote would be gained for our proposal by making any such indication and the other representatives agreed with him most emphatically. They all thought that such a move could not repeat not possibly gain Western European support at this stage. They also thought that if indications were given even on a confidential basis that such arrangements would be entered into this would become known and would be interpreted as a willingness to bargain away certain aspects of our proposal.

5. There was a good deal of discussion which is relevant to this question as to the sequence in which it would be desirable to have the various proposals voted on in order to improve the chances of success for the Canadian proposal. It was felt by all the representatives present, and this view is shared by the delegation here, that our proposal stands the best chance of success if it is voted on at or near the end. If it is voted on at an early point there seems little chance that it can gain a majority with other possibilities in the background. Stabell suggested the possibility of trying to arrange that voting should begin on the most extreme proposals with regard to the territorial sea and from those extreme limits move "inward" to our three-mile package proposal.

6. Following the meeting with Denmark, Iceland and Norway, I attended a meeting last night in Bailey's room for informal discussion on this question of the procedure in handling the proposals on the breadth of the territorial sea and especially of handling package proposals such as ours. Representatives of a number of countries were present including USA, UK, USSR, India, Mexico and other countries that have made proposals. It is apparent that there will be resistance by the USSR to voting on our proposal as a package but support for its treatment in this way will be forthcoming from most other countries. The meeting did not repeat not get around to more than a general discussion of sequence in voting and is to resume tomorrow.

7. In the light of the attitude of Denmark, Iceland and Norway and of the other considerations referred to above, I am strongly of the view that we should make no repeat no further move at this time in relation to a period of adjustment. I gather this is in accordance with the Cabinet view since your telegram refers to possible discussions with other countries only in the event that Denmark, Iceland and Norway were agreeable to the idea and it is certain that they are not repeat not.

8. With regard to the views expressed by Thompson, as set forth in your telegram L102 April 7, I think it likely that they are based more on pressure from and the interests of the USA fishing industry than on any conviction that an amendment of our proposal would gain Western European support.

9. Altogether I doubt if there are any new moves that can gain additional support for our proposal in the initial stages. Its main prospects depend upon the possibility of having it come after other proposals have been eliminated.

[GEORGE] DREW

60.

DEA/9456-RW-2-40

*Le chef de la délégation à la Conférence sur le droit de la mer
au secrétaire d'État aux Affaires extérieures*

*Head, Delegation to Law of the Sea Conference,
to Secretary of State for External Affairs*

TELEGRAM 326

Geneva, April 14, 1958

PRIORITY.

Reference: Our Tel 294 Apr 3.
(For Personal Attention Cadieux).

UN CONFERENCE ON THE LAW OF THE SEA — WEEKLY REPORT NO. 7
FOR THE WEEK ENDING APRIL 11

Committee I (Territorial Sea and Contiguous Zone)

The Committee spent most of the week considering the remainder of Articles 15-25. The texts adopted for Articles 15(6) and 15(5), 16, 19, 20, 21 were reported in our telegrams Nos. 294 and 317†.

2. The text adopted for Article 24 and the vote thereon is as follows:

Article 24

“(1) The coastal State may make passage of warships through the territorial sea subject to previous authorization or notifications. Normally it shall grant innocent passage subject to the observance of the provisions of Articles 17 and 18:

(2) During the passage the warship shall enjoy complete immunity from the jurisdiction of every State other than its flag State.” 54 in favour 5 against (USA and UK) 8 abstentions (including Canada).

3. The Committee returned intermittently to consideration of Articles 1, 2, 3 and 66. A statement was made by India and was referred to in our telegrams 311† and 312†. Ceylon has entered an amendment (C1/L.149) to the Canadian proposal which would increase the territorial sea to six miles. Colombia introduced its proposal (C1/L.82 Corr.1) for a 12 plus 12 package and argued against the Mexico-India proposal because of its indefiniteness. Burma commended the Canadian proposal but said it suffers from the fact that the 3-mile limit is still in the foreground. But while urging compromise the representative of Burma expressed his “hearty support” for the India-Mexico proposal and the Soviet proposal. Pakistan came out strongly for the Canadian proposal and referred to the real spirit of compromise displayed by the USA in accepting the Canadian proposal.

4. Australia also made a further statement in support of our proposal.

5. The Portuguese have not yet introduced their amendment (C1/L.144) to our proposal (Reference our telegram 306 of April 9). This amendment would provide:

Add to paragraph 2:

“When however in zones which previously were where high seas nationals of other States have fished (for a long period of years) without damage to the stock the coastal State is bound to respect and maintain the right of those nationals to fish that stock subject only to the conservation measures internationally accepted in that area for that stock.”

Alternative

Should the last sentence of this amendment be rejected the following alternative wording is proposed:

“...subject only to non-discriminatory scientifically based measures of conservation.”

Comment:

“The expression “(for a long period of years)” is left to be defined to the satisfaction of the Committee and to be adequately drafted by the drafting committee”.

6. Saudi Arabia has also introduced a proposal (C1/L.152) in the form of a resolution intended “to be adopted in the event that the other main proposals based on the 12-mile limit are rejected.” The operative part of the resolution is as follows:

“Decides:

1. To request the Secretary-General of the UN to study ways and means including the convocation of a special conference with a view to arriving at an agreement on the extent of the territorial sea:

2. To accept the following principles until such agreement is realized:

- (a) International practice is not uniform as regards the delimitation of the territorial sea:
- (b) International law does not permit an extension of the territorial sea beyond twelve miles:
- (c) The extension by a State of its territorial sea to a twelve-mile limit is not a breach of international law:
- (d) The three-mile limit as a minimum is recognized as a rule of existing international law."

7. The UAR claiming that the Canadian proposal overlooked that many States want a territorial sea wider than 3 miles for reasons of defence stated its support of the India-Mexican proposal its merit being seen as a recognition of present international practice.

8. The Ukrainian SSR, Albania, Byelorussia and the USSR itself spoke in favour of the Soviet proposal.

9. The representative of the Lebanon indicated that his delegation would support the Mexican-Indian proposal and said that the USSR proposal merely codified anarchy.

10. The Committee began consideration of Article 4 ending by referring all but one of the amendments to the Committee on Form, the remaining amendment to stand over discussion when Article 5 is before the Committee.

Committee II (High Seas — General Régime)

11. At the opening of the meeting on April 8 the Chairman announced that April 16 was the time limit fixed for concluding the work of the Committee. Debate on Articles 32 and 33, immunity of warships and of other governments ships, was concluded.

12. Voting on Articles 28, 29, 30, 31 and amendments thereto then took place.

13. With respect to Articles 28, 30 and 31 all amendments were rejected and the ILC text was adopted with no dissenting votes and no abstentions.

14. In the case of Article 28 two amendments, one proposed by Italy and one by France, were adopted. These amendments added to the end of paragraph (1) the following words: "in particular the State must effectively exercise its jurisdiction and control over ships flying its flag in administrative technical and social matters."

The ILC text as so amended was adopted by a vote of 40 to 7 with 11 abstentions.

15. At the beginning of the meeting Rumania attempted to have Articles 32 and 33 referred to Committee I; this was defeated 42 to 11 with 2 abstentions.

16. By a vote of 29 votes to 12 with 14 abstentions a new article to be inserted after Article 31 was adopted. The text is:

"The provisions of the preceding articles do not prejudice the question of ships employed on the official service of an intergovernmental organization flying the flag of the organization." Voting then continued on Articles 32, 33, 34, 35 and 36. The ILC text of Article 33 proposed by the USA was adopted which accords immunity only to State-owned ships used on government non-commercial service.

17. A new text for Article 34 proposed by the UK and the Netherlands was adopted, the new text is a somewhat "watered-down" version of the ILC text. Articles 35 and 36 were adopted with relatively minor amendments.

18. At the evening meeting on April 9 debate on Articles 37, 38, 46 and 47 was commenced. Canada's chief interest in this group of articles arises in connexion with the "Canadian proposal" and whether hot pursuit may be commenced in the contiguous fishing

zone. The UK and Western Europeans hewed strictly to the classical view that hot pursuit related only to offences committed within territorial waters. The debate continued on April 10 and in addition Article 48 was debated.

19. The debate on Article 48 raised anew the matter of nuclear tests. Surprisingly, the alignment of nations was somewhat different than in the case of the earlier debate. The USA and UK submitted a joint proposal for the deletion of paragraphs 2 and 3 of Article 48. In the debate the yeas and nays on this proposal seemed to be about evenly divided. Voting took place on Articles 37, 38, 39, 40, 41, 42, 43, 44 and 45. The ILC text of Articles 37, 38, 41, 42, 43 and 44 was adopted. Articles 39, 40 and 45 were adopted with minor amendments.

20. On Friday morning debate on Articles 61 to 65 was commenced. The USA withdrew a proposal for the deletion of Articles 62, 63 and 65 on the understanding that the UK would introduce a proposal which would make the articles subject to the 1884 Convention.

21. On the evening of April 11 voting took place on Articles 46, 47 and 48. The ILC text of Article 46 was adopted. With respect to Article 47 the main concern for Canada was the matter of hot pursuit in the contiguous zone. A proposal by Poland and Yugoslavia for permitting hot pursuit in the contiguous zone in respect of offences for the prevention of which the zone was established was adopted by a vote of 33 to 9 with 16 abstentions. The first paragraph of the ILC text of Article 48 was adopted. The proposal of USA for the deletion of paragraphs 2 and 3 and the adoption of a resolution was passed by a vote of 30 to 29 with 6 abstentions.

22. On April 12 voting took place on Articles 61 to 65. Articles 61, 62, 63 and 65 with minor amendments to Articles 61, 62 and 63 were adopted. Article 64 was deleted and the ILC text of Article 65 was adopted.

23. Still outstanding is a Colombian proposal pursuant to which disputes arising out of Committee II articles would be referred to the International Court of Justice unless the parties agreed upon other means of peaceful settlement. Also outstanding is a proposal by Portugal for defining warships, other government ships and merchant ships together with an attempt by Argentina, Ceylon, India and Mexico to re-open the article on pollution of the seas by radio-active waste and fall out.

Committee III (Fishing)

24. Six meetings were held during the week. Articles 54 and 55 were under consideration. On recommendation of the delegate of France a short general debate was held on these articles. A number of the high seas (non-coastal) fishing countries were prepared to accept the ILC articles with some modifications but only if compulsory arbitration articles went with them.

25. After complicated voting on amendments, Article 54 paragraphs 1 and 2 as amended carried. The Article reads as follows:

"1. A coastal State has a special interest in the maintenance of the productivity of the living resources in any area of the high seas adjacent to its territorial sea.

2. A coastal State is entitled to take part on an equal footing in any system of research and regulation for conservation purposes in that area even though its nationals do not carry on fishing there.

3. A State whose nationals are engaged in fishing in any area of the high seas adjacent to the territorial sea of a coastal State shall at the request of that coastal State enter into negotiations with a view to prescribing by agreement the measures necessary for the conservation of the living resources of the high seas in that area.

4. A State whose nationals are engaged in fishing in any area of the high seas adjacent to the territorial sea of a coastal State shall not enforce conservation measures in that area which are opposed to those which have been adopted by the coastal State but may enter into negotiations with the coastal State with a view to prescribing by agreement the measures necessary for the conservation of the living resources of the high seas in that area."

26. Fourteen amendments were submitted to Article 55. These were boiled down to two, one of these sponsored by eleven States (Burma, Chile, Costa Rica, Ecuador, Indonesia, Korea, Mexico, Nicaragua, Philippines, Vietnam and Yugoslavia). The other proposal was by nine States (Belgium, France, Greece, Italy, Netherlands, Norway, Poland, Portugal and UK).

27. The 11-state amendment was considered first. NZ, USSR, Norway, Pakistan, Cuba, Poland, USA, UK, Portugal and Australia spoke against the proposal while Uruguay, Mexico, Yugoslavia, Peru, El Salvador, Panama and India spoke for it. The 5-minute time limit "imposed" by the Chairman was at times carried to almost an hour.

28. Following this the UK asked to be permitted to explain the 9-state amendment before the 11-state amendment was put to a vote. This was agreed to.

29. India suggested that the two amendments were not too far apart and took the initiative in trying to reconcile them.

30. A new 11-state amendment was produced which had been accepted by the USA. This was debated and passed, the USSR voting for the amendment.

31. Article 55 as amended was put to the vote and passed 39 to 22 with 4 abstentions. The USSR voted against the new article which was very near the ILC article and which they indicated they would support. The exact language of the new article is not yet available.

32. Articles 57-59 are now up for consideration.

Committee IV (Continental Shelf)

33. Committee IV adopted texts for Articles 72 and 73 thus completing the consideration of all articles assigned to the Committee. However, there remained a proposal submitted by Argentina for the inclusion of an entirely new article on fishing which in our judgement was entirely unrelated to the work of Committee IV. We were prepared to support the UK delegate in a proposal that the General Committee be requested to submit the Argentina proposal to Committee III for consideration. If UK move had been unsuccessful we were prepared to propose that General Committee be requested to convene joint meeting of Committee III and IV. However, at last minute Argentina on April 11 voluntary withdrew proposal and indicated that it would be submitted to Committee III.

34. Article 72 as amended follows the ILC text with two additions as follows:

(1) In each of paragraphs 1 and 2 the words "the nearest points of" have been added after the words "equidistant from";

(2) A third paragraph has been added requiring boundaries to be drawn with reference to charts and geographical features as they exist at a particular date and with reference to fixed permanent identifiable points on the land.

These changes resulted from a joint UK-Netherlands proposal that received widespread support. Voting on article as amended which took place April 9 was 36 in favour and none against with 19 abstentions.

35. Original ILC text of Article 73 was adopted without change on April 10 by roll-call vote of 33 in favour and 15 against with 14 abstentions. Negative votes were registered by Soviet bloc, some of Latin Americans and India, Indonesia and Korea. Australia, Ceylon and several Latin Americans abstained. Amendments proposed by Argentina, Netherlands, India and Venezuela (re—introduction of Soviet proposal previously withdrawn in favour of Argentina amendment) were all rejected.

36. The Chairman on April 11 announced the appointment of a drafting committee of six persons including Wershof to review the texts of the articles as adopted and to report back to the Committee next week.

Committee V (Landlocked States)

37. The Committee has completed a rather superficial examination of the 3-power resolution and the 19-power proposal. Following this study the Chairman proposed that a working party of 12 countries be established for the purpose of marrying the two documents. This was opposed by many Western representatives who considered that the working party would have to be given precise terms of reference with regard to the form or forms in which the results of the Committee's work should be embodied. A Swedish proposal to this effect was adopted by 29 in favour (Canada) 11 against and 13 abstentions. The working party which has been established as a result of the Swedish proposals is to report to the Committee by Monday April 14.

38. On April 11 the Swiss Delegation put forward a proposal the effect of which would be to amend Articles 15, 27 and 28 to make it clear that the provisions of the future convention also apply to maritime countries. In addition the Swiss proposal seems to have been well received by a number of countries and while it is still difficult to foresee what may come out of Committee V it could well be that the proposal will commend itself to a majority of delegations as the only way out of a developing deadlock. Ends.

61.

DEA/9456-RW-2-40

*Le chef de la délégation à la Conférence sur le droit de la mer
au secrétaire d'État aux Affaires extérieures*

*Head, Delegation to Law of the Sea Conference,
to Secretary of State for External Affairs*

TELEGRAM 327

Geneva, April 14, 1958

SECRET. OPIMMEDIATE.

CONFERENCE ON LAW OF THE SEA

1. At his invitation I called on Dean of the USA Delegation this afternoon accompanied by Robertson and Curtis. To our surprise he informed us that he had just received instructions from the President to put forward a new proposal in the name of the USA Delegation in an attempt to prevent the failure of the Conference.⁴¹ I am convinced that this

⁴¹ Voir *Conférence des Nations Unies sur le droit de la mer, Documents officiels, Volume III: Première Commission*, p. 276.

See *United Nations Conference on the Law of the Sea, Official Records, Volume III, First Committee*, p. 253.

proposal had just been communicated to him because he has been very frank with us and in a conversation earlier in the day there was no indication of a change in their position.

2. There has been a very considerable change in the situation since Easter and it was my intention in any event to report to you today the situation as we see it. The British proposal unsettled things, generally weakened the arguments in support of the 3-mile territorial sea and by this departure from a very firmly stated position whetted the appetites of those who are seeking a still wider territorial sea. It was in this atmosphere that the Indian-Mexican proposal suddenly began gaining ground as a result of appeals to intense nationalism, the special interests of the Arab states and the support of the Soviet bloc which see in this proposal the same results they would achieve by their own.

3. Dean referred first to this situation and then said that their political officers had become convinced that with the developments that have taken place, and particularly the adverse effect of the British proposal, our proposal did not now have a chance of gaining a two-thirds majority. He said that he thought sufficient opposition could be organized to prevent the Indian-Mexican proposal getting a two-thirds majority but in that event there was nothing but failure ahead of the Conference as there is no chance that the British, the Soviet or any other proposal could now receive the necessary support. Because of this he had been instructed to introduce an amendment to their own proposal on Wednesday which would declare that the territorial sea could extend from the baseline to a distance of not more than six miles, that there would be a contiguous fishing zone up to 12-miles from the baseline in which all the rights over fishing exercised in the territorial sea would be established provided however that in the fishing zone outside of the territorial sea traditional fishing rights would be preserved to the fishing vessels of those nations which had been fishing there continuously for at least five years.

4. I pointed out the difficulty that this would present to Canada having regard to our firm commitment to do everything possible to secure a 12-mile fishing zone and I also pointed out the difficulties that would be presented by continuing indefinitely fishing rights in an area where our own trawlers have for so long been denied the right to fish.

5. He said that he recognized those difficulties but that a quick assessment today by their political officers convinced them that this would obtain a two-thirds majority. It is too early to express a well considered opinion on the accuracy of this assessment because I am reporting this conversation immediately for your information. However I do think I should give you our assessment of the situation as of noon today which was confirmed by an independent assessment by the USA Delegation immediately before we were informed of this new proposal they intend to make. It should be recognized that what follows does not take into consideration the effect of the new USA proposal. At the first stage it appears that we can at present count on the support of only 24 countries on the first vote. It had been our expectation as it had been that of the USA that the number would be very much higher and that there would be a substantial swing to our support after some of the other proposals had been disposed of. The countries definitely indicating their support for our proposal are: Denmark, Iceland, Ireland, Norway, Brazil, Cuba, Dominican Republic, Haiti, Honduras, Nicaragua, Paraguay, Israel, Liberia, Pakistan, Turkey, South Africa (possibly but not definitely), Australia, Cambodia, China, NZ, Thailand, Vietnam, USA and Canada. The USA Delegation sets the definite opposition at 47. Subject to three or four who might shift at some stage this looks like a pretty realistic and firm assessment of opposition. It agrees with the one we have independently arrived at in the past few days. Probable abstentions are fifteen including the Holy See and the Philippines. We had hoped for support from both but it does not appear likely that it will be forthcoming.

6. The opposition countries are more numerous than we had reason to expect two weeks ago and this arises I think mainly from two factors. One is the hardening and solidifying of Afro-Asian positions since India definitely came down for the 3 to 12-mile formula and since Sen stated the view that our proposal is not a satisfactory compromise and does not protect the essential requirements of smaller countries. I think there is no doubt that this has had a good deal of influence. The other which has reinforced the first factor is the UK's 6-mile proposal. Whatever the purposes behind it, it has undoubtedly whetted the appetite of the advocates of more extreme positions as I have already explained and it has also strengthened their view that more can be got if they take an intransigent attitude. This has, I am sure, led many countries to move into the Indian-Mexican camp who might otherwise have supported our proposal.

7. This was the assessment we had intended to place before you. It was clear that our position had steadily deteriorated for the reasons which have been given. Now that the USA intend to introduce their new proposal I think it is clear that there is no hope whatever of our present proposal being accepted.

8. I do therefore submit the following for your consideration. It has been discussed with Mr. Hamilton and meets with his approval. Our main reason for proposing a 3-mile limit to the territorial sea was because of the argument put forward by the UK and USA in regard to the military factors and the right of overflight by commercial aircraft. As the two major maritime powers of the free world will now have declared for a 6-mile territorial sea then it seems that we can have no reason for asking the Conference to approve a lower figure. So far as overflight is concerned it would seem that this can best be dealt with through ICAO by way of amendments to their own regulations. I therefore suggest the advisability of authorizing us to amend our own proposal by a provision that territorial sea may be up to six miles. I think there is reason to believe that our proposal would then have as good or even a better chance than the USA proposal. We would lose the support of some of the European nations doing distant fishing which would support the USA proposal with its reservation of traditional fishing rights but on the other hand we would gain the support of nations such as Norway, Denmark and Iceland with the probability of additional support from some of those younger nations which are concerned about such a reservation for the reasons already explained. If this change were to be made in our proposal we should if possible be advised by Wednesday morning as it seems likely that voting on Articles 1, 2, 3 and 66 will begin on Wednesday. This would make our proposal the same as the USA proposal except that there would be no reservation of traditional fishing rights.

[GEORGE] DREW

62.

DEA/9456-RW-2-40

*Le chef de la délégation à la Conférence sur le droit de la mer
au secrétaire d'État aux Affaires extérieures*

*Head, Delegation to Law of the Sea Conference,
to Secretary of State for External Affairs*

TELEGRAM 329

Geneva, April 15, 1958

SECRET. EMERGENCY.

Reference: My Tel 327 Apr 14.

(For Immediate Attention Cadieux).

BREADTH OF THE TERRITORIAL SEA: REVISION OF CANADIAN POSITION

Since my RefTel we have been giving urgent consideration to the situation as it is developing here following upon the USA decision. It is apparent that their amendment if carried would place Canada in an extremely difficult position. It is also clear that they are getting in touch with as many delegations as possible and as urgently as possible to mobilize the maximum support for their new position. In these circumstances the loss of a few hours in action by us may be vital. Would you please therefore telephone to me just as soon as a decision is taken on the question raised in my RefTel.

2. In view of the present urgency I am meeting this morning with representatives of Norway, Iceland and Denmark to advise them of my request for authority to revise our position. I feel confident that they will support.

3. The USA decision increases the likelihood that the Indian-Mexican proposal can be blocked at the plenary stage. Mexico will be strongly opposed to the USA position. India has less direct reason to oppose it but might be open to persuasion to prefer our position if they are convinced that their own proposal may be blocked. In these circumstances our new proposal if authorized by the government would stand the best chance of success over the American proposal if we could secure the co-sponsorship of India and Mexico.

4. After discussion with Mr. Hamilton, who is going to telephone to the Prime Minister this morning, I am arranging a meeting with the Heads of the Indian and Mexican Delegations to see if they might be persuaded to withdraw their proposal and co-sponsor ours on the new basis.

5. If the government is in agreement it would be most helpful as an emergency matter also to have our representatives in Delhi and Mexico city make representations to the two governments along these lines.

6. I should add that we have learned that the Indian and Mexican Delegations have transmitted the USA decision to their governments. They will not repeat not of course receive the information until some time today so immediate action by our representatives could overtake it.

[GEORGE] DREW

63.

DEA/9456-RW-2-40

*Le chef de la délégation à la Conférence sur le droit de la mer
au secrétaire d'État aux Affaires extérieures*

*Head, Delegation to Law of the Sea Conference,
to Secretary of State for External Affairs*

TELEGRAM 333

Geneva, April 15, 1958

SECRET. EMERGENCY.

Reference: My Tel 329 Apr 15.
(For Immediate Attention Cadieux).

BREADTH OF THE TERRITORIAL SEA — REVISION OF CANADIAN POSITION

Since my RefTel Mr. Hamilton has telephoned to the Prime Minister about further urgent developments. This telegram will confirm the information given to him.

2. In my meeting this morning with the Heads of the Indian and Mexican Delegations they made it clear that they thought there was no repeat no chance of our proposal revised

to six miles securing a two-thirds majority even if co-sponsored by them. They stated that it is definite that the Soviet bloc and the Arab bloc countries now at 12 miles will not repeat not withdraw from their present limits no matter what may be agreed on by this Conference. They stated that in their definite view the only proposal that would have any prospect of success would be one that recognized these facts.

3. The Indian and Mexican representatives suggested that a proposal that could gain a majority would be one which set a general limit for the territorial sea up to six miles but recognized already-established positions from six to twelve miles while providing that any limits over 12 miles would not be recognized. They indicated that if Canada were prepared to sponsor a proposal along these lines they would be prepared to drop their present proposal and join as co-sponsors.

4. Neither India nor Mexico is prepared to go along with the USA proposal for a fishing zone which would preserve traditional rights. The plan would therefore be to move an amendment to the USA proposal which would accept up to six miles as the general territorial limit with provision as indicated above and remove the clause that would preserve traditional fishing interests in the fishing zone.

5. The reason for acting in the form of an amendment to the USA proposal is to ensure that this new formula if approved would be voted on before the USA proposal itself.

6. In brief the amendment co-sponsored by Canada, India and Mexico would amend the USA provision that the territorial sea be up to six miles by adding a proviso that existing limits between six and 12 miles remain as at present but that no limits over 12 miles be recognized and secondly that in the fishing zone of 12 miles from the baselines there would be no repeat no reservation of traditional fishing interests.

7. It is the view of both the Indian and Mexican Delegations that this proposal would gain a two thirds majority. I share this view.

8. The situation here is extremely urgent. It is essential that a decision as to whether we can co-sponsor the above proposal be communicated today. If authority could possibly be given by 4:00 o'clock Ottawa time we can then hold a meeting tonight with Indian and Mexican Delegations to prepare the proposal for introduction and for vote which might have to be taken tomorrow.

9. If affirmative decision is given it is also most important our representatives in Delhi and Mexico City be advised on an emergency basis and asked to pursue with the two governments at once.

10. Co-sponsorship of this proposal and its success would reduce the possibility of a Soviet diplomatic triumph through having a flexible formula along their lines approved or alternatively of having the Conference break down through alleged Western intransigence. It would also do much to strengthen the Canadian position with the Afro-Asian group as well as with Latin America.

11. Our position if we co-sponsor this may well be criticized by the UK, the USA and other countries with traditional fishing interests as being selfish. It would help to soften the blow to them if we could indicate that the Government of Canada would, if this proposal were approved by the Conference, be willing to consider a short transitional period that would enable countries affected to adjust to the new situation. Please indicate whether a statement to this effect could be made if it is considered desirable when the proposal is introduced or in the course of discussion.

[GEORGE] DREW

64.

PCO

*Extrait des conclusions du Cabinet**Extract from Cabinet Conclusions*

SECRET

[Ottawa], April 15, 1958

Present

The Prime Minister (Mr. Diefenbaker) in the Chair,
 The Minister of Public Works
 and Acting Minister of Defence Production (Mr. Green),
 The Minister of Finance (Mr. Fleming),
 The Minister of Veterans Affairs (Mr. Brooks),
 The Minister of Transport (Mr. Hees),
 The Minister of Trade and Commerce (Mr. Churchill),
 The Minister of Justice and
 Acting Minister of Citizenship and Immigration (Mr. Fulton),
 The Minister of National Revenue (Mr. Nowlan),
 The Minister of Fisheries (Mr. MacLean),
 The Minister of Labour (Mr. Starr),
 The Postmaster General (Mr. William Hamilton),
 The Minister without Portfolio (Mr. Macdonnell),
 The Minister without Portfolio (Mr. Browne),
 The Minister of Mines and Technical Surveys (Mr. Comtois),
 The Secretary of State for External Affairs (Mr. Smith).
 The Secretary to the Cabinet (Mr. Bryce),
 The Assistant Secretary to the Cabinet (Mr. Fournier).

...

INTERNATIONAL CONFERENCE ON THE LAW OF THE SEA; FURTHER
 INSTRUCTIONS TO CANADIAN DELEGATION
 (PREVIOUS REFERENCE APRIL 3)

3. *The Prime Minister* reported that Mr. Alvin Hamilton and Mr. Drew had telephoned him from Geneva earlier that day to say that, in view of recent developments which had taken place at the Conference on the Law of the Sea, they would need immediate further instructions.

4. *The Secretary of State for External Affairs* reviewed the original instructions given to the Canadian Delegation and the subsequent changes which were made to meet changing situations. After a brief review of the recent developments at the conference, he stated that U.S. State Department officials had told him in Washington on the previous day that the United States was considering a proposal for a six mile territorial sea and a contiguous fishing zone up to twelve miles, on which traditional fishing rights would be preserved to those nations which had been fishing there continuously for at least five years. He pointed out that such an amendment, if adopted, would create difficulties for Canada because it would preserve foreign fishing rights in an area where Canadian trawlers, as a conservation measure, had for a long time been denied the right to fish. Mr. Dulles, with whom he had discussed the matter, had appeared uninformed on the subject and unaware of the adverse effects which the U.S. proposals might have on Canadian interests. Accordingly, in order to prevent a swing to such a proposal, if it were put forward, and to attract Afro-Asian and Latin American support away from schemes leaving discretion to countries to determine the breadth of their territorial sea up to twelve miles, Mr. Drew was seeking authority to join India and Mexico as co-sponsors in proposing the following plan:

(a) countries could choose the breadth of their territorial sea up to six miles (if they had not already gone beyond this limit);

(b) countries which had already adopted a limit between six and twelve miles would retain such a limit;

(c) countries which claimed more than twelve miles would be required to accept twelve miles as a maximum limit; and,

(d) within a contiguous zone beyond the territorial sea and up to twelve miles from the baselines, countries could claim exclusive fishing rights for their nationals.

There would be no question of recognizing traditional fishing rights in the area between the limit of the territorial sea and that of the contiguous zone.

The Minister pointed out, however, that French and U.S. rights under their existing treaty arrangements to fish up to the coastline in certain areas would, of course, not be effected as a result of the adoption of the scheme proposed.

5. *Mr. Smith* said that it was not expected that the new Canadian proposal would be acceptable to France, Spain, Portugal, the United Kingdom, and the United States all of which claimed extensive traditional rights. It was thought, however, that the proposal would have a good chance of emerging as a conference decision. It was urgent to let *Mr. Drew* know whether he could submit the proposal so that he might prepare it for introduction with the Indian and Mexican Delegations. A vote might have to be taken the following day.

Mr. Drew thought the Canadian proposal would be criticized by the U.K., the U.S. and other countries which claimed traditional fishing rights, and it would help to soften the blow if Canada would indicate that, should its amended proposals be approved by the conference, it would be willing to consider a transitional period, perhaps of five years, that would enable countries affected to adjust to the new situation.

6. *During the discussion* a number of objections were raised to *Mr. Drew's* suggestion concerning a transitional period during which the countries which claimed traditional fishing rights could adjust to the new situation. This suggestion would most certainly receive an unfavourable reaction amongst the fishermen of Nova Scotia, Newfoundland, and British Columbia. There was need for discussion of a number of questions in the field of American-Canadian relations at some future date and it was desirable to have a few bargaining points in reserve. The United States might be informed that, when such discussions took place, questions arising out of the law of the sea could be examined.

7. *The Cabinet* agreed,

(a) that the Canadian Delegation at the International Conference on the Law of the Sea at Geneva be authorized to join with India and Mexico in proposing the following plan:

(i) countries could choose the breadth of their territorial sea up to six miles; (if they were not now beyond this limit);

(ii) countries which had already adopted a limit between six and twelve miles would retain such a limit;

(iii) countries which claimed more than twelve miles would be required to accept twelve miles as a maximum limit;

(iv) within a contiguous zone, between the territorial sea and a line twelve miles from the baselines, countries could claim exclusive fishing rights for their nationals; (there would be no question of recognizing traditional fishing rights in this contiguous zone); and,

(b) that the delegation, in presenting the above proposals, be instructed not to put forward any suggestion whereby Canada would be willing to consider a transitional period in order to enable countries affected by the proposal to adjust to the new situation created.

...

65.

DEA/9456-RW-2-40

*Le chef de la délégation à la Conférence sur le droit de la mer
au secrétaire d'État aux Affaires extérieures*

*Head, Delegation to Law of the Sea Conference,
to Secretary of State for External Affairs*

TELEGRAM 344

Geneva, April 16, 1958

OPIIMMEDIATE

(For Personal Attention Cadieux).

CONFERENCE ON THE LAW OF THE SEA — CANADA, INDIA, AND MEXICO
PROPOSAL

Following is text of proposal which we have co-sponsored with India and Mexico. We decided to submit this as a new proposal rather than as an amendment to the American proposal in the interests of simplicity and clarity:

“Article 3

1. A state is entitled to fix the breadth of its territorial sea up to a limit of six nautical miles measured from the baseline which may be applicable in conformity with Articles 4 and 5 provided that if a state had prior to February 24, 1958 declared the breadth of its territorial sea to be in excess of six nautical miles so measured the breadth so fixed is the breadth of its territorial sea up to but not exceeding twelve nautical miles similarly measured.

2. Where the breadth of its territorial sea is less than 12 nautical miles measured as above a state has a fishing zone contiguous to its territorial sea extending to a limit twelve nautical miles from the baseline from which the breadth of its territorial sea is measured in which it has the same rights in respect of fishing and the exploitation of the living resources of the sea as it has in its territorial sea.”

2. I introduced the joint proposal this afternoon. Outline of statement follows immediately.† Text will not be available until tomorrow morning since statement was made extemporaneously.

[GEORGE] DREW

66.

DEA/9456-RW-2-40

*Note du sous-secrétaire d'État adjoint aux Affaires extérieures
pour le secrétaire d'État aux Affaires extérieures*

*Memorandum from Assistant Under-Secretary of State for External Affairs
to Secretary of State for External Affairs*

SECRET

[Ottawa], April 17, 1958

CONFERENCE ON THE LAW OF THE SEA: FURTHER REVISION
OF THE CANADIAN PROPOSAL

I spoke to Mr. Drew this afternoon to enquire as to when our proposal was likely to be voted on and whether he felt it would be useful if we were to send a circular to certain of our missions to enlist the support of the governments concerned.

2. Mr. Drew said that he had to report on new developments. To his surprise, late this afternoon the leaders of the Mexican and of the Indian Delegations explained that the provisions in our proposal relating to those countries which have adopted a limit of more than six miles for the territorial sea had further whetted the appetite of extremists, and that the members of the Asian block as a whole were not prepared to accept that part of our proposal which they consider to be inadequate. Because of their instructions to keep in line with the Afro-Asian group, the Indians were, therefore, withdrawing from co-sponsorship of our proposal.

3. In the circumstances, and because the part of our proposal which deals with limits of the territorial sea beyond six miles is not likely to be generally acceptable, Mr. Drew, and Mr. Hamilton concurs in this, proposes in effect to introduce a new proposal calling for a territorial sea of six miles and for six additional miles within which the coastal states will enjoy exclusive fishing rights. This is in effect the United States proposal without, however, the recognition of traditional fishing rights.

4. Rather than allow the Indians and the Mexicans to withdraw their support from our proposal, Mr. Drew is convinced that it is tactically preferable for us to take the initiative of introducing a new proposal and to explain that, as certain features of our earlier proposal were not likely to commend themselves generally as a basis for agreement, we had thought it preferable to simplify our proposal and to introduce it under our own name.

5. Mr. Drew considers that the situation in Geneva is now so uncertain as regards the breadth of the territorial sea that it is unlikely that there will be a majority for any particular scheme. The idea in introducing a new proposal is that there will be two votes. The first vote on the breadth of the territorial sea may well result in defeat for that part of our scheme, but there will be another vote on fishing rights and in this regard Mr. Drew is confident of success.

6. Both Mr. Drew and Mr. Hamilton consider that the revised Canadian scheme is in line with Cabinet instructions, and they propose to go ahead immediately as there is no time to await confirmation that the Government as a whole are in agreement. The plan is to table the proposal tonight, and to proceed with the explanation tomorrow morning.

7. Mr. Drew stressed that while this recent development is surprising, he is not downhearted as to the prospects of safeguarding our interests, at least insofar as fishing is concerned. While the Indians and the Mexicans will not be with us, both countries will endorse the second part of our proposal, i.e., the twelve-mile exclusive fishing zone. I told

Mr. Drew that I would report this new situation to you. I attach a short memorandum to the Prime Minister in case you feel that he should be advised of this new situation.⁴²

M. C[ADIEUX]

67.

DEA/9456-RW-2-40

*L'ambassadeur aux États-Unis
au secrétaire d'État aux Affaires extérieures*

*Ambassador in United States
to Secretary of State for External Affairs*

TELEGRAM 828

Washington, April 17, 1958

SECRET. OPIMMEDIATE.

Repeat Seadel Geneva from Ottawa (Information).

LAW OF THE SEA

Governor Herter (Under Secretary of State) asked me to see him this afternoon. He was worried and distressed about the drift of things in Geneva. He felt that the USA had gone a very long way in seeking a tolerable compromise solution by proposing their new formula of a 6 mile territorial sea plus a 6 miles exclusive fishing strip subject to historic fishing rights. They had been prepared to support the Canadian formula when it appeared to have a chance of adoption. They had hoped that we could accept their new position as the best attainable if the Conference were ever to achieve substantial agreement.

2. Herter read me Dean's telegrams of the last day or two reporting a pretty forthcoming and encouraging response from a large proportion of the countries he had been able to canvass. In particular he said that Sen, Leader of the Indian Delegation, had welcomed the American compromise and had promised to urge it on Nehru. Stavropoulos, UN Legal Adviser, at the Conference, had informed him that Hammarskjöld was prepared privately to urge India to accept the American proposal.

3. Against this background the Americans were puzzled by our apparent alignment with the Mexican-Arab-Indian position which seemed to them to amount in effect to a full acceptance of the Soviet position with all compromise to be made by other countries.

4. It seems to me that if some measure of compromise is worth making in order to secure substantially general agreement, then we would be pretty well served by accepting the American proposal. The 6 mile territorial sea would in itself double the area in which we can give effective protection to our own fishermen against disturbance from trawlers under other flag (except possibly for those countries possessing treaty rights). This would represent an important extension of sovereignty on both coasts and would not repeat not be subject to claims based on historic usage. With this territorial sea measured, as I presume it would be, from recognized baselines running from headland to headland the effective

⁴² Une note adressée au premier ministre avait été autorisée par Sidney Smith, mais H.B. Robinson avait ajouté dans la marge que cette note était « superseded by events before it could be sent to P.M. » Voir secrétaire d'État aux Affaires extérieures au premier ministre, 17 avril 1958, MAE/9456-RW-2-40.

A memorandum for the prime minister was authorized by Sidney Smith, but a marginal notation on this document written by H.B. Robinson states that the memorandum was "superseded by events before it could be sent to P.M." See Secretary of State for External Affairs to Prime Minister, April 17, 1958, DEA/9456-RW-2-40.

increase in areas available for our exclusive exploitation should look very considerable in realistic terms compared with past practice if not repeat not with our more ambitious objectives.

5. In the second place, I believe we should give very serious and sympathetic consideration to the recognition of historic fishing rights in the 6 mile zone contiguous to the territorial sea. Other countries' fishermen are quite as sensitive and articulate concerning their position in what has always been an open sea. The history of Canadian-American fishing disputes over the last hundred years provides plenty of evidence of the bitterness and resentment that they can provoke and of the way in which such disputes can affect other aspects of our commercial relations. I think we have usually had equity and fair dealing on our side in our arguments with the USA. I do not repeat not think we would have if we insist on disregarding their claim to a right to continue to share in fishing the 6 mile strip outside our new territorial sea in which they presently have exactly the same rights and interests as we have.

[NORMAN] ROBERTSON

68.

DEA-9456-RW-2-40

*Le secrétaire d'État aux Affaires extérieures
à l'ambassadeur aux États-Unis
Secretary of State for External Affairs
to Ambassador in United States*

TELEGRAM L-118

Ottawa, April 18, 1958

SECRET. OPIMMEDIATE.

Reference: Your Tel 828 of Apr 17 and telephone conversation with Legal Adviser Apr 18. Repeat Seadel Geneva (Information).

CONFERENCE ON LAW OF THE SEA

The Legal Adviser raised with the Minister today the points mentioned in your telegram and in your telephone conversation under reference.

2. The Minister considers that Cabinet has adopted a firm position in favour of a twelve-mile contiguous fishing zone reserved exclusively for the fishermen of the coastal state. Under these circumstances the Minister is not prepared at this time to raise with Cabinet the question of altering the Canadian position so as either to permit support for the USA proposal or to offer any concessions (e.g. allowing a 5 or 10 year period of adjustment before implementation of our proposal, should it be adopted) to states claiming traditional fishing rights within a 12-mile contiguous zone off our coasts.

3. Should it develop that a new situation emerges when the Conference has completed its voting in committee and goes into plenary session, it is of course possible that Cabinet might wish to examine again the Canadian position on territorial sea and contiguous zone.

69.

DEA/9456-RW-2-40

*La délégation à la Conférence sur le droit de la mer
au secrétaire d'État aux Affaires extérieures*

*Delegation to Law of the Sea Conference
to Secretary of State for External Affairs*

TELEGRAM 351

Geneva, April 18, 1958

OPIMMEDIATE

Reference: Telephone conversation with Cadieux Apr 17.
(For Personal Attention Cadieux).

Following is text of revised Canadian proposal which replaces proposal co-sponsored by Canada, India and Mexico text of which was incorporated in our telegram 344 April 16.

"Article 3:

1. A state is entitled to fix the breadth of its territorial sea up to a limit of six nautical miles measured from the baseline which may be applicable in conformity with Articles 4 and 5.

2. A state has a fishing zone contiguous to its territorial sea extending to a limit twelve nautical miles from the baseline from which the breadth of its territorial sea is measured in which it has the same rights in respect of fishing and the exploitation of the living resources of the sea as it has in its territorial sea". Ends.

70.

DEA/9456-RW-2-40

*Note du sous-secrétaire d'État adjoint aux Affaires extérieures
pour le sous-secrétaire d'État aux Affaires extérieures*

*Memorandum from Assistant Under-Secretary of State for External Affairs
to Under-Secretary of State for External Affairs*

CONFIDENTIAL

[Ottawa], April 18, 1958

CONFERENCE ON THE LAW OF THE SEA:
U.S. AND CANADIAN PROPOSALS

Shortly after 1:00 p.m. today, I spoke to Mr. Robertson in Geneva.

I reported first that the Minister had considered Mr. N.A. Robertson's suggestion that he might recommend that Cabinet consider adopting the U.S. proposal. The Minister felt that his colleagues were not inclined to recognize traditional rights, that their position had been explored thoroughly within the last few days, and there would be no point in raising the matter again.

I then said to Mr. Robertson that we had been giving consideration at the official level within the Department to the situation which might arise should the U.S. proposal be adopted. I outlined the two possible lines of action which are mentioned in the attached draft telegram to Geneva. In the course of our conversation, I mentioned that the Deputy Minister of Fisheries was now prepared to agree to a period of adjustment of ten years, but emphasized that the two schemes in question had not been considered or approved at Ministerial or Cabinet level.

Mr. Robertson said that they themselves in Geneva had envisaged a scheme similar to our first one, e.g. a period of accommodation. He expects that voting will begin tomorrow morning, and that our proposal is likely to come up for consideration quite early. The Delegation are convinced that our proposal has no chance of being adopted as a whole. It is expected, however, that a motion will be introduced either by the Afro-Asians alone or by the Afro-Asians in combination with the Latin Americans, calling for a vote paragraph by paragraph. The prospect is that our first paragraph (calling for a territorial sea of 6 miles) will be defeated, but the second paragraph (calling for an exclusive fishing zone of 12 miles) will succeed. If our paragraph 2 is defeated, and the U.S. proposal carries, Mr. Robertson says that the delegation will then assess the situation and put forward suggestions as to the best course to follow. One point is clear, however, and that is that new proposals can no longer be introduced. If the U.S. proposal is adopted and our own is defeated, there will be time for us to consider our position and to decide on the best course to follow before the matter comes up for final decision in plenary.

Mr. Drew, who was with Mr. Robertson, then intervened to say that in his view there was no chance that the U.S. proposal would be adopted. The main danger, in his opinion, arose from a possible revival of the earlier Indian-Mexican scheme allowing countries to choose the breadth of their territorial sea between 6 and 12 miles. He thought that such a scheme could count on Soviet and substantial Afro-Asian and Latin American support.

In the course of the conversation, Mr. Drew made the following additional points:

(a) He felt that we should consider carefully the new American proposal as amended. In his view, it goes further than anything we have anticipated.

(b) If there is any suggestion that our proposal has involved the compromise of strategic interests, Mr. Drew feels that we should not be reluctant to point out that it is unrealistic to expect that the U.S.S.R. and her associates will pull back from 12 miles to a lower limit, and that if the situation is unsettled about the breadth of the territorial sea, the chief responsibility lies with the U.S. and the U.K. who have sold the pass after having insisted that we should present a firm and united front on the 3-mile sea. Mr. Drew feels most strongly that we should argue that the shoe is on the other foot, and that we should maintain that the U.S. and the U.K. are responsible for any threat that may develop to the joint security position. The trouble we are now facing stems from the unilateral action which these countries have taken.

M. C[ADIEUX]

71.

DEA/9456-RW-2-40

*Le secrétaire d'État aux Affaires extérieures
à l'ambassadeur en Italie*

*Secretary of State for External Affairs
to Ambassador in Italy*

TELEGRAM L-119

Ottawa, April 18, 1958

SECRET. OPIMMEDIATE.

Repeat Athens from Rome (OpImmediate) (Information).

Repeat Hague, Paris, Accra, Wellington, Canberra, Delhi, Colombo, Ankara, Kuala Lumpur, Rio, Bogoto, Buenos Aires (OpImmediate) (Information).

Repeat Bern, Vienna from Geneva, Pretoria from New York, Beirut from Cairo, Santiago from Washington, SEADEL Geneva (OpImmediate) (Information).

CONFERENCE ON LAW OF THE SEA

Recent developments at Conference indicated earlier Canadian proposal for 12-mile contiguous fishing zone and 3-mile territorial sea was not repeat not likely to command sufficient support in order to be adopted by the Conference. In view of this fact and of general belief that 3-mile territorial sea could not repeat not be maintained, USA Delegation has formally put forward new resolution, which calls for up to 6-mile territorial sea measured from baselines and for 12-mile contiguous fishing zone in which areas States have "The same rights in respect of fishing and the exploitation of the living resources of the sea provided that such rights shall be subject to the right of the vessels of any State whose vessels have fished regularly in that portion of the zone having a continuous baseline and located in the same major body of water for the period of five years immediately preceding the signature of this convention to fish in the outer six miles of that zone under obligation to observe therein such conservation regulations as are consistent with the rules on fisheries adopted by this conference and other rules of international law." Please note that a clause at end of USA resolution provides that "It is proposed that this article be entered into with the express understanding that each party to the Convention undertakes to consider sympathetically the request of another party to consult on the question of whether the rights granted by the article are being exercised in such manner as to work an inequity upon one or more of the other parties and if so what measures should and can be taken to remedy the situation."

2. USA resolution would, if adopted, not repeat not be acceptable to Canada as it involves recognition of traditional fishing rights which we are not repeat not prepared to do. Additional difficulty for us is that these fishing rights would be partly in areas where our trawlers have long been denied right to fish.

3. Shortly after introduction of new USA proposal Canada joined with Mexico and India in introducing new joint resolution which recognized existing territorial limits between 6 and 12 miles and rejected exercise of traditional fishing rights in this area. Because of insufficient support among Afro-Asians this proposal has been withdrawn by all sponsors including Canada and is not repeat not now before Conference.

4. In its place Canada has introduced another proposal which calls for a territorial sea of up to 6 miles and for six additional repeat additional miles within which the coastal States will enjoy exclusive repeat exclusive fishing rights. This is, in effect, USA proposal with important qualification that there be no repeat no recognition of traditional rights. Text of latest Canadian proposal, replacing earlier Canada, India and Mexico text, is as follows: "A State is entitled to fix the breadth of its territorial sea up to a limit of six nautical miles measured from the baseline which may be applicable in conformity with Articles 4 and 5. A State has a fishing zone contiguous to its territorial sea extending to a limit twelve nautical miles from the baseline from which the breadth of its territorial sea is measured in which it has the same rights in respect of fishing and the exploitation of the living resources of the sea as it has in its territorial sea."

5. According to latest assessment above compromise formula has good chances for success. While it will no repeat no doubt be opposed by USA, UK, France, Portugal and Spain which wish to reserve their fishing "rights" off our coasts and of other countries, our new plan would probably attract support of other European countries such as Iceland, Norway, Denmark, and various other states which appear to consider 3-mile territorial sea does not repeat not adequately protect their essential requirements. On the other hand,

while USA proposal will be supported by UK and have fair measure of support, doubtful if it will be able to obtain two-thirds majority vote of Conference, in view of fact that it requires perpetual reservation of fishing rights without limitation as to number of ships that can engage in coastal fishing nor size of catch. In fact, for many countries USA reservation regarding traditional fishing rights would seem to render 12-mile fishing zone almost meaningless.

6. We do not repeat not consider that additional clause at end of USA resolution, set out in paragraph 1 above, alters general attempt by USA to create perpetual reservation of traditional fishing rights. While it might under some circumstances be interpreted as favouring position of coastal States within whose contiguous zones traditional rights are claimed, nevertheless application of this clause would also favour states claiming "traditional fishing rights" in waters which were formally high seas but which under 6-mile rule would be territorial waters of coastal States.

7. Notwithstanding the swiftly fluctuating situation at Conference, we consider that Canadian proposal as set out above represents main alternative to failure of Conference to reach agreement. Voting takes place at end of this week or Monday. Suggest that on an urgent basis you approach authorities of country to which you are accredited at high level, in order to request immediate instructions to be issued to their delegation in Geneva to support new Canadian resolution. Please advise urgently both us and SEADEL Geneva.

8. For Bern only: You might point out to Swiss authorities that our Delegation in Geneva has been authorized to support their new compromise proposal on right to access to sea of landlocked States. This fact may be of some help in your attempt to enlist Swiss support.

72.

DEA/9456-RW-2-40

*Le chef de la délégation à la Conférence sur le droit de la mer
au secrétaire d'État aux Affaires extérieures*

*Head, Delegation to Law of the Sea Conference,
to Secretary of State for External Affairs*

TELEGRAM 357

Geneva, April 20, 1958

CONFIDENTIAL. OPIMMEDIATE.

BREADTH OF THE TERRITORIAL SEA: ACTION IN COMMITTEE ONE

Beginning with the afternoon meeting of April 19, Committee One reached the dramatic point of voting on the provisions before it with regard to Article Three. After nearly 7 hours of session and 14 votes the result left only paragraph 2 of the Canadian proposal with a majority.

2. The afternoon began with Viet Nam moving that priority be given to the USA proposal. As there was no substantive article in the International Law Commission draft proposals had been listed in order of submission. The USA proposal was last and this would raise it above all other proposals. We, the UAR, the USSR and Mexico objected to giving priority. The voting on the motion was lost 31- 38 (Canada)- 12.

3. Sweden withdrew its proposal for a 6 mile limit in favour of the Italian proposal and thus the Canadian proposal came for consideration first. Ghana moved with previous consent from us to have paragraphs one and two voted on separately. The UK and France

objected while Ecuador and the USSR supported. The motion to divide was carried 36(Canada)- 28- 18.

4. Prior to the vote Cuba and the UK had asked Portugal to withdraw its amendment to our proposal obviously for the reason that they expected it would be defeated and thus might compromise the USA proposal which treated the fishing zone in much the same way. Portugal withdrew.

5. Paragraph one of our proposal was lost 11(Canada)- 48- 23. Paragraph 2 was carried 37(Canada)- 35- 9.

6. We had expected paragraph 2 to receive support from the entire Arab bloc, from virtually all the other Afro-Asian countries, nearly all the Latin American group and possibly from the Communist bloc. There had thus been some chance of a better majority than emerged. The Communist bloc however voted solidly against paragraph 2. We have yet to determine why. They indicated to the Indians last night that they had voted against the proposal although they really favoured it and that the reason was that they feared their support would lead to Latin American opposition. They indicated that they would support our paragraph 2 when it comes to the plenary. The alleged reason sounds quite specious especially in view of the narrow result but it may well be that they will support our proposal at the plenary stage. In the case of Latin America opposition votes were cast by Colombia, Cuba, Nicaragua, the Dominican Republic and Brazil and abstentions by Honduras and Bolivia. The Afro-Asian group went solidly for our proposal with the exception of China and Pakistan which both abstained. The Arab bloc supported solidly the proposal as expected except Lebanon which abstained. The European countries opposed paragraph 2 solidly also as expected with the exception of Iceland, which of course supported it, and Denmark, which abstained. We had expected Switzerland to abstain but it voted against us. Austria, Finland and the Holy Sea abstained as expected.

7. Following the success of paragraph 2 there were procedural attempts by the Union of South Africa and the UK in the hope of securing new votes or ruling the proposal as "not operative" but both were ruled out of order by the Chairman.

8. The Peruvian proposal was withdrawn and the Committee proceeded to the Indian-Mexican proposal. As with all other votes of the day except one this was a roll-call vote and when the call was complete it was immediately apparent that there was a tie. Several Latin American countries had tried to resolve the opposing pressures of the Latin American group and the USA by abstention. These included Chile, Colombia, Costa Rica, Ecuador, Honduras, Paraguay and Peru. Before the result was announced by the Chair the delegate of Ecuador asked for the floor. The second representative seized the microphone from the chief delegate and said that the vote of Ecuador should have been recorded as "yes". Pandemonium was immediate and complete. The Chair ruled that the vote could be explained but not altered. It was argued that it was not a change but a correction and finally the USSR appealed the ruling. The appeal was lost 17- 49(Canada)- 17. The result of the vote on the Indian-Mexican proposal was then announced as for 35- against-35(Canada)- Abstain-12.

9. India moved for reconsideration under Article 32 and the Chair ruled that there could be no such motion until the vote was complete.

10. In the voting on the USSR proposal several of the Latin American countries that had abstained on the previous vote tried to save the day by voting for this motion. These included Ecuador (to great laughter), Peru and Costa Rica. Iceland, which had unwisely abstained on the previous proposal, voted for this. Many other countries, however, were

against the USSR proposal either because it was sponsored by the USSR or because it really set no limit whatever on the territorial sea. It was lost 29- 44(Canada)- 9.

11. The UK withdrew its proposal.

12. During the dinner hour Latin American activities led Colombia to try to "clarify" its motion by having it provided that the territorial sea "may extend" to 12 miles rather than provide specifically that it does so extend. The Chair ruled this out of order and an appeal was rejected 17- 47(Canada)- 18. The Colombian proposal was then defeated 33- 42(Canada)- 7.

13. The Swedish-Italian proposal for a 6 mile limit was defeated on the single vote by show of hands. The result was 16(Canada)- 49- 14.

14. We and other delegations favourable to the Canadian proposal had agreed that it would be best to have the USA proposal divided for voting rather than voted on as a whole. It had been understood that Mexico would move for such division as we thought it preferable that we should not take the lead in doing so. Owing to some misunderstanding Mexico did not so move and I had to act by moving that the proviso in the USA proposal in relation to the fishing zone be voted on separately. Mexico then intervened to suggest a somewhat different basis of division and the UK further muddied the waters by suggesting that the principle of division should be voted on rather than my specific motion. The USA strongly opposed division as did Italy. After a good deal of confusion the Chair ruled that the Mexican suggestion should be voted on first as an amendment to my motion. The Mexican amendment was lost 33(Canada)- 39- 11. It became clear from this that there was a majority against division partly I think induced by the confusion that had resulted from the competing suggestions. This led some to move out of the minority camp and my motion was lost 30 (Canada)- 40- 13.

15. The USA proposal as a whole was defeated 36- 38(Canada)- 9.

16. The result was within the margins we had calculated as probable. It had seemed clear to us that it was uncertain whether the USA proposal would or would not get a majority. They had as you know amended their proposal somewhat to gain further support and they introduced a final revision yesterday morning which made no important change of substance but was designed to please certain delegations. They had worked very hard on the Latin American group and the Afro-Asian group, while Mexico in the one case and the Arab countries in the other had worked equally hard against. As a result the Latin Americans vote was completely split: 8 for the USA proposal, 9 against and 2 abstentions. Those for were Bolivia, Brazil, Cuba, the Dominican Republic, Haiti, Honduras, Nicaragua and Paraguay. Abstentions were Chile and Costa Rica. The Arab group were of course solidly against the USA proposal but the rest of the Afro-Asian bloc was badly split. Six countries voted for it: Liberia, Pakistan, Thailand, Vietnam, Cambodia and China. Four countries abstained: Iran, Nepal, Philippines and Japan. One (Laos) apparently suffered a nervous collapse under the strain. It voted for the Mexican plan to divide the USA proposal, abstained on ours and was absent when the main vote came. The European countries voted solidly for the USA proposal except Finland, Sweden, the Holy See (all abstentions) and Iceland, which voted against.

17. Following this vote India again put the motion to reconsider the Indian-Mexican proposal. It was defeated 36- 39(Canada)- 7.

18. The result of the day's operations was that on the article regarding the breadth of the territorial sea no single proposal was carried that attempted to define it. Paragraph 2 of our proposal stands alone.

19. We have not as yet had an adequate opportunity to analyze the complex situation emerging from the above votes. This will be done at once and further info sent as soon as possible.

[GEORGE] DREW

73.

DEA/9456-RW-2-40

*La délégation à la Conférence sur le droit de la mer
au secrétaire d'État aux Affaires extérieures*

*Delegation to Law of the Sea Conference
to Secretary of State for External Affairs*

TELEGRAM 363

Geneva, April 21, 1958

SECRET

Reference: Our Tel 326 Apr 14.
Personal Attention Cadieux.

WEEKLY REPORT NO. 8 FOR THE WEEK ENDING APRIL 19

For report on other committees see following telegram 364.

Committee I

Committee I this week adopted Articles 4 to 10 inclusive and 22 and 23 subject to drafting changes. In addition the Committee came out of a twelve hour voting session on Saturday with an Article 3 which did not define the territorial sea but instead (in the terms of paragraph 2 of the Canadian proposal) defined the twelve mile fishing zone.

2. The texts adopted have been communicated separately. There were two important alterations to the ILC text. One in Article 7 substituting a 24 mile closing line for the ILC's 15 mile one and the introduction into Article 5 of a provision limiting the length of baselines to 15 miles on those coasts which are "deeply indented and cut into, or (have) a fringe of islands along the coast in its immediate vicinity ..." "... except where justified on historical grounds or imposed by the peculiar geography of the coast concerned ...".

3. The 24 mile closing line for bays was sponsored by the USSR (C.1/L.103) and was adopted by a vote of 31 in favour to 27 against (including UK and USA) with 13 abstentions (including Canada). According to our instructions a 15 mile closing line would be satisfactory given Article 5 on baselines. On this assumption (Article 7 was voted on before Article 5) we considered that we could be modest in our demands and therefore neither grasped for more nor refused it. In the light of the modification to Article 5, which if it stands in plenary could at least lead to more challenges to the application of the straight baseline system than would be the case if the ILC text were adopted and bearing in mind particularly Newfoundland bays, we shall be inclined to support a 24 mile closing line. In the light of the close vote in committee and the need for a 2/3 vote in plenary, we think it likely that the ILC text will be reestablished as a compromise between the 24 mile line adopted in committee and the 10 mile line advocated by the maritime powers (Greece, Germany, Japan and the USA, documents C.1/L.63, L.102, L.104 and L.109 respectively).

4. The qualification on the length of baselines introduced into Articles 5 on the initiative of the UK (C.1/L.62/Corr.1) was adopted by a vote of 31 in favour (including the USA and UK), 23 against (including Canada and the Soviet bloc) with 12 abstentions. Article 5 as a whole which is substantially the same as the ILC article (except for the 15 mile qualifica-

tions) but different in form was adopted by a vote of 45 in favour (including Iceland) to 9 against (including Canada and the Soviet bloc) with 13 abstentions; we think on the basis of the first vote on the qualifications (31-23-12), that if a motion is made in plenary to vote on the 15 mile qualification separately it will not secure the necessary 2/3 majority.

5. During the discussion of Article 10 (Islands) there was some discussion on archipelagoes which culminated in the revival of a suggestion that further study of the question was necessary. This suggestion appeared to represent the consensus of the opinion of the Committee. There is already before the Committee a proposal co-sponsored by Panama and India (L.156/Rev.1) recommending that the Conference recommend to the General Assembly that the juridical régime of historic waters including historic bays be studied. It seems likely that the question of the study of archipelagoes will be joined with this proposal.

6. Towards the end of the week most of the Committee's time was devoted to consideration of Articles 1, 2, 3 and 66. During Thursday and Friday particularly, events moved rapidly as proposals were revised, withdrawn and re-submitted. This and the accompanying intense behind-the-scene activity culminated in three meetings of the Committee on Saturday lasting until virtually midnight. Out of the 14 votes (13 of which were roll-call) as already mentioned above and as outlined in detail in our telegram 357, the 12 mile fishing zone of the Canadian proposal (besides a number of interesting procedural decisions) was the one concrete proposal to be adopted, the American counter-proposal being defeated.

74.

DEA/9456-RW-2-40

*La délégation à la Conférence sur le droit de la mer
au secrétaire d'État aux Affaires extérieures*

*Delegation to Law of the Sea Conference
to Secretary of State for External Affairs*

TELEGRAM 364

Geneva, April 21, 1958

Reference: Our Tel 326 Apr 14.

Attention Cadieux.

WEEKLY REPORT NO. 8 FOR THE WEEK ENDING APRIL 19

Committee II (High Seas: General Régime)

1. The Committee met on April 14 and considered a proposal by Colombia that, in the absence of agreement on other means of settlement, disputes should be decided by the International Court of Justice. After statements by USA and USSR the delegate from Colombia moved that his proposal be referred to the plenary session. This motion was adopted 46 to 0 with two abstentions.
2. The Committee had earlier decided to reopen the discussion on the new Article 33A, containing a definition of government ships. After statements by various representatives, the UK announced its readiness to abandon the proposal. Article 33A was therefore withdrawn.
3. On April 15 the Portuguese withdrew their proposal for defining the various classes of ships including warships and government ships.
4. The new article introduced by Argentine, Ceylon, India and Mexico in effect, reintroduced in modified form paragraphs 2 and 3 of Article 48 dealing with the disposal of

radio-active wastes. The resentment expressed by a number of delegations at the earlier rejection by only 1 vote of these two paragraphs had apparently caused the UK and USA to give second thought to the subject; statements made by both were conciliatory. A wording of the new article was framed in such manner as to be acceptable to both USA and UK and adopted 58 to 0 and 0 abstentions.

5. A discussion then ensued upon the kind of instrument to be adopted. There was considerable opposition to a proposal by South Africa for embodying the work in a declaration; most delegations seemed to favour a convention.

6. The Committee met on April 16 and adopted by a substantial majority with only 1 dissenting vote and 4 abstentions, a proposal by Turkey that the Committee did not wish to express by means of vote its view on the kind of instrument it should adopt and that a report of the discussions upon the subject should be sent to the plenary session.

7. On April 18 the Committee met and accepted the report of the drafting group. The only work left is to receive the report of the rapporteur.

Committee III (Fishing)

8. During the week all remaining Articles 57 to 60 and 49 were amended and adopted.

9. Article 55 as amended reads:

Article 55

"1. Having regard to the provisions of paragraph 1 of Article 54, any coastal state may, with a view to the maintenance of the productivity of the living resources of the sea, adopt unilateral measures of conservation appropriate to any stock of fish or other marine resources in any area of the high seas adjacent to its territorial sea, provided that negotiations to that effect with the other States concerned have not led to an agreement within six months.

2. The measures which the coastal state adopts under the previous paragraph shall be valid as to other States only if the following requirements are fulfilled:

(a) that there is a need for urgent application of conservation measures in the light of the existing knowledge of the fishery;

(b) that the measures adopted are based on appropriate scientific findings;

(c) that such measures do not discriminate against foreign fishermen.

3. These measures shall remain in force pending the settlement, in accordance with the pertinent provisions of this Convention, of any disagreement as to their validity.

4. These measures do not apply to seas adjacent to the coasts of uninhabited territories.

5. If these measures are not accepted by the other States concerned, any of the parties may initiate the procedure contemplated by Article 57. Subject to paragraph 2 of Article 58 the measures adopted shall remain obligatory in force, pending the decision of the special commission.

6. The principles of geographical demarcation as defined in Articles 12 and 14 shall be adopted when coasts of different States are involved."

10. The first of the arbitration articles drew heavy fire from Latin Americans, the Soviet bloc and Japan who did not want compulsory arbitration of any kind. They preferred voluntary referral of disputes to the International Court of Justice or that disputes be handled under Article 33 of the UN Charter. Freedom of sea countries, on the other hand, wanted the strongest possible compulsory arbitration machinery.

After much manoeuvring the article passed as amended (roll-call vote on amendment 38 to 14 with 10 abstentions). It reads as follows:

11. Article 57:

"1. Any disagreement arising between States under Articles 52, 53, 54, 55 and 56 shall, at the request of any of the parties, be submitted for settlement to a special commission of five members, unless the parties agree to seek a solution by another method of peaceful settlement, as provided for in Article 33 of the Charter of the UN.

2. The members, one of whom shall be designated as Chairman, shall be named by agreement between the States in dispute within three months of the request for settlement in accordance with the provisions of this article. Failing agreement they shall, upon the request of any State party, be named by the Secretary-General of the UN, within a further three-month period, in consultation with the States in dispute and with the President of the International Court of Justice and the Director-General of the Food and Agriculture Organization, from amongst well-qualified persons being nationals of countries not involved in the dispute and specializing in legal, administrative or scientific questions relating to fisheries, depending upon the nature of the dispute to be settled. Any vacancy arising after the original appointment shall be filled in the same manner as provided for the initial selection.

3. Any State party to a proceeding under these articles shall have the right to name one of its nationals to the special commission, with the right to participate fully in the proceedings on the same footing as a member of the commission but without the right to vote or to take part in the writing of the commission's decision.

4. The commission shall determine its own procedure, assuring each party to the proceeding a full opportunity to be heard and to present its case, and it shall also determine how the costs and expenses shall be divided between the parties to the dispute, failing agreement by the parties on these questions.

5. The special commission shall render its decision within a period of five months from the time it is constituted unless it decides, in case of necessity, to extend that time limit not to exceed three months.

6. The special commission shall, in reaching its decisions, adhere to these articles and to any special agreements between the disputing sides regarding settlement of the dispute.

7. Decisions of the commission shall be by majority vote."

12. On passage of Article 57, Thailand, Sweden, Mexico, France, USSR and Korea withdrew their amendments to Article 58. Two remained — one by Yugoslavia and one jointly submitted by Greece, Pakistan and the USA. The latter was debated first, amended and passed, the Yugoslav amendment was then withdrawn. Article 58 as amended reads as follows:

Article 58

"1. The special commission shall, in disputes arising under Article 55, apply the criteria listed in paragraph 2 of that article. In disputes under the remaining fishery articles the commission shall apply the following criteria, according to the issues involved in the dispute:

(a) common to the determination of disputes arising under Articles 52, 53 and 54 are the requirements:

- (i) that scientific findings demonstrate the necessity of conservation measures;
- (ii) that the specific measures are based on scientific findings and are practicable; and
- (iii) that the measures do not discriminate against fishermen of other States.

(b) applicable to the determination of disputes arising under Article 56 is the requirement that scientific findings demonstrate the necessity for conservation measures, or that the conservation programme is adequate, as the case may be.

2. The special commission may decide that pending its award the measures in dispute shall not be applied, provided that, in the case of disputes under Article 55, the measures should only be suspended when it is apparent to the commission on the basis of prima facie evidence that the need for the urgent application of such measures does not exist."

13. On passage of Articles 57 and 58 all amendments to 59 were withdrawn except one by Uruguay which was accepted. The article as amended reads:

Article 59:

"The decisions of the special commission shall be binding on the states concerned and the provisions of paragraph 2 of Article 94 of the Charter of the UN shall be applicable to those decisions. If the decision is accompanied by any recommendations, they shall receive the greatest possible consideration."

14. Norway proposed two additional Articles 59a and 59b. One of these 59a was adopted 39 to 2 with 9 abstentions. This read:

Article 59a:

"1. If the factual basis of the decision of the special commission is altered by substantial changes in the conditions of the stock or stocks of fish or other living marine resources or in methods of fishing any of the States concerned may request the other states to enter into negotiations with a view to prescribing by agreement the necessary modifications in the measures of conservation.

2. If no agreement is reached within a reasonable period of time, any of the States concerned may again resort to the procedure contemplated by Article 57 provided that at least two years have elapsed from the original award."

15. The proposed Article 59b was withdrawn.

16. On passage of the arbitration articles the appropriate paragraphs of Articles 52 to 56 were adopted which completed acceptance of these articles. The only change of consequence made in these paragraphs was changing "reasonable period of time" to "12 months."

17. Article 60 which deals with a very special situation in South East Asia was piloted through by India. Four amendments were submitted. One amendment by Ghana carried. The amended article reads:

Article 60:

"1. The regulation of fisheries conducted by means of equipment embedded in the floor of the sea in areas of the high seas adjacent to the territorial sea of a State may be undertaken by that State where such fisheries have long been maintained and conducted by its nationals, provided that non-nationals are permitted to participate in such activities on an equal footing with nationals except in areas where such fisheries have by long usage been exclusively enjoyed by such nationals. Such regulations will not, however, affect the general status of the areas as high seas.

2. Fisheries conducted by means of equipment embedded in the floor of the sea in this article means those using gear with supporting members embedded in the sea floor, constructed on a site and left there to operate permanently, or, if removed, restored each season on the same site."

18. Five amendments were submitted to Article 49. A UK amendment carried and the article now reads:

Article 49:

"1. All States have the right for their nationals to engage in fishing on the high seas, subject (a) to their treaty obligation (b) to the interests and rights of coastal states as provided for in this convention and (c) to the provisions contained in the following articles concerning conservations of the living resources of the high seas.

2. All States have the duty to adopt or to cooperate with other States in adopting such measures for their respective nationals as may be necessary for the conservation of the living resources of the high seas."

19. Five further amendments were submitted with Article 49 which made claims to exclusive or preferential fishing rights by virtue of special conditions. The joint submission on abstention by Canada and the USA comes under this heading as does Iceland's case for exclusive rights beyond the agreed-to fishery zone under cases of demonstrated need. These items are now being debated. The abstention principle was opposed by Western European fishing nations, the Soviet bloc and Japan. Some support is developing in Latin America and among Afro-Asians.

20. Also passed was a resolution originally submitted by Nepal but worked over by a committee appointed by the Chairman consisting of delegates from Australia, Monaco and Nepal dealing with humane killing of marine life. A non-governmental agency representing the humane society has had a delegate, Dr. Lillie, present throughout the whole conference. The resolution reads:

"The UN Conference on the Law of the Sea requests States to prescribe, by all means available to them, those methods for the capture and killing of marine life, especially of whales and seals, which will spare them suffering to the greatest extent possible."

21. The deadline for completing Committee III's work is April 19. Some doubt remains as to whether this can be accomplished on time.

Committee IV (Continental Shelf)

22. Committee IV concluded its work on April 18 with the adoption of the report to the Conference on the Committee's work.

23. Earlier in the week the Committee discussed the recommendation of the General Committee to consider the kind of instrument required to embody the results of its work and the content of final clauses. It would seem that the Latin American group wanted to prevent the Committee from making any recommendation to the Conference and to reserve their position on the continental shelf until the outcome of the work of other committees was known. They took the line that the discussion of instruments and final clauses was a matter for the plenary conference and outside the competence of the Committee. This was inconsistent with the fact that Committee IV had received a specific invitation from the General Committee to make recommendations on these matters.

24. Canada put forward a specific proposal in the following terms: "That Committee IV recommends to the Conference that the results of its work be embodied in a separate convention relating only to the continental shelf." After much discussion we accepted an amendment proposed by the USSR to delete the words "separate" and "only." Admittedly this weakened our proposal somewhat but it appeared to us to be superior to the alternatives of either making no recommendation or recommending some instrument other than a convention. The Canadian proposal as amended by the USSR was adopted by 39 to 6 with 7 abstentions.

25. On the question of final clauses the Committee agreed 21 to 19 with 10 abstentions that recommendations would be made to the plenary conference and then considered

various types of sample clauses provided in a note prepared by the Secretariat (A/Conf.13/L.7). Recommendations were adopted on the form of each of the following final clauses: signature, ratification, accession, entry into force, revision, notifications and deposit of the Convention and languages.

26. The one disappointing feature of the debate on final clauses was the failure to reach agreement on a reservations clause. Four alternative reservation clauses had been provided in the note by the Secretariat. As a result of voting on each, it was agreed that alternative IV should be recommended. This clause provided for reservations to articles other than those specifically excepted. The Committee then voted article by article to determine on which of these articles reservations would not repeat not be permitted. As a result of this series of votes it was decided that reservations would be allowed only to Article 72. However, when the clause as a whole, with the inclusion of the articles to which no reservations could be made was put to a vote it was lost 21 to 20 with 5 abstentions. This matter may be reopened in plenary. In the course of the week's work the Committee also considered and approved the report of the drafting committee (A/Conf.13/C.4/L.65) which had made a number of useful revisions in the text of the articles as adopted by the Committee during the course of its five meetings. The most important revisions concern Articles 68 and 71 but there were minor drafting changes in 67 and 72 as well.

27. Three points should be mentioned re paragraph 68: (1) previous paragraphs 3 and 4 were combined to become paragraph 2; (2) Article 68A has been inserted [group corrupt]; (3) previous paragraph 5 was placed as a separate article and numbered 73. This of course necessitated the renumbering of previous Article 73 as 74.

28. Re Article 71, much consideration was given to the apparent incompatibility between paragraphs 1 and 8. However the drafting committee made no change and Committee IV itself decided against reopening consideration of the matter. The drafting group had combined purely as a matter of drafting the previous paragraphs 5 and 6. However, they consulted with the original sponsors of these paragraphs — the Netherlands, UK and Pakistan who then provided a composite text. In the Committee's consideration of the drafting committee's report this text was rejected in favour of a new text for paragraph 5 jointly proposed by Canada and India.

29. The Committee concluded its work with a general expression of appreciation to the Chairman of the Committee, the officers and Secretariat and the interpreters.

Committee V (Landlocked States)

30. Except for the consideration of its report to plenary the Committee this week completed its work. By an overwhelming majority, the Swiss proposal attached to our letter 239 April 11† was approved. A joint amendment (France, Netherlands, Germany, USA and Bolivia) to the second part of the Swiss proposal had previously been submitted and was also approved by a substantial majority. This amendment makes the Swiss proposal more satisfactory from the point of view of the transit and maritime countries while going a long way towards meeting the wishes of the more extreme-minded landlocked states. Canada supported both the amendment and the main proposal.

31. The draft resolution originally submitted by the UK, Netherlands and Italy had previously been withdrawn in a spirit of compromise. On the other hand the document submitted by 19 powers (No C.5/L.6) was never withdrawn by the sponsors and was given short shrift.

75.

DEA/9456-RW-2-40

*Note de l'adjoint spécial du secrétaire d'État aux Affaires extérieures
pour le premier ministre*

*Memorandum from Special Assitant to Secretary of State for External Affairs
to Prime Minister*

CONFIDENTIAL

[Ottawa], April 25, 1958

From reports received during the past twenty-four hours from Mr. Drew, it appears that the position at the Law of the Sea Conference is as follows:

- (a) the vote on the territorial sea and fishing zones item is taking place in Geneva at this time;
- (b) it seems not unlikely that all proposals so far advanced may fail to secure a two-thirds majority;
- (c) there is a possibility that a proposal will be advanced providing that the question of territorial limits would be reconsidered at a new conference to be held in a relatively short time, i.e., a few months, pending which the status quo will be maintained; and
- (d) Mr. Drew intends to support or, if necessary, propose such a resolution if the conference fails to reach agreement on any other proposal.⁴³

H.B. R[OBINSON]

76.

DEA/9456-RW-2-40

*Le chef de la délégation à la Conférence sur le droit de la mer
au secrétaire d'État aux Affaires extérieures*

*Head, Delegation to Law of the Sea Conference,
to Secretary of State for External Affairs*

TELEGRAM 385

Geneva, April 25, 1958

SECRET. OPIMMEDIATE.

Reference: My Tel 384 Apr 24.†

BREADTH OF THE TERRITORIAL SEA

My reference telegram did not attempt to give any detail as to the present situation and likely prospects.

2. As I indicated, the vote on Articles 3 and 66 is to occur today at 5 o'clock. The decision to recommend this was taken at a meeting of the plenary conference yesterday on the recommendation of the General Committee. The basis of procedure for today on these articles is quite unusual and is required by the shortness of time before the conference must end and the determined resistance to the USA effort to secure reconsideration of their proposal in committee. In effect the USA agreed to abandon that attempt in consideration of the following procedure that has now been agreed on:

⁴³Note marginale :/Marginal note:

Note for file: Shown to P.M. 11.30 am April 25. P.M. agreed to Mr. Drew's proposing procedural resolution for reconvening conference at a later date. H.B. R[obinson]

"1. The order of procedure in relation to voting on Articles 3 and 66 in the plenary session is to be decided by the President. Delegations are urged as far as possible not to appeal against the decisions of the President.

2. All proposals presented in plenary relating to Articles 3 and 66 are to be put to the vote at 5pm on Friday.

3. No proposals for postponement of voting on the above proposals relating to these articles shall be considered before the proposals referred to are voted on.

4. No amendments to, or motions for division of, proposals may be submitted or discussed.

5. Speeches to be limited to two speakers for and two against each proposal and to ten minutes duration each. Whether or not all speeches are concluded, voting will start at 5pm."

3. The plenary meeting on Articles 3 and 66 is to begin at 3 o'clock. As you will see from paragraph 4, there can be no repeat no amendment to our paragraph 2 (which will of course go forward from the Committee) nor to the USA or any other proposal that is put in. There can of course be new proposals which could be designed to supersede either our paragraph 2 or the USA proposal. It was made clear at the plenary conference yesterday afternoon that proposals approved in committee will be considered first. Our paragraph 2 will thus be voted on before the USA proposal.

4. It is difficult to say what the result will be on our paragraph. I have already reported on the heavy USA pressure. The situation is fluid and it would be unwise to anticipate the results of the voting on our proposal today.

5. As to the USA proposal we do not think they can get two-thirds. This view is shared by Bailey of Australia. I think the USA effort to reopen their proposal in committee is also evidence that they share the view that they cannot get a two-thirds vote in plenary. I think the main motive in their surprise move was to get a snap decision in favour of their proposal in the Committee and then to argue that this superseded the Canadian proposal. As the General Committee was heavily loaded in their favour this would have given them a distinct advantage.

6. After the USA motion of April 23 for reconsideration of their proposal there were two motions that were voted on: one for suspension of the meeting and one for adjournment of the discussion. These motions failed by votes: 35(Canada)-38-10 and 36(Canada)-38-8. We know that the opposition figures of 35 and 36 will not stand firm when the USA proposal comes to plenary. Ceylon and India, who are included in the figures, will definitely vote for USA. Ghana is not certain and that is the reason I asked that a message be sent to Accra. Chile, Ecuador and Uruguay may abstain. These changes will reduce the opposition vote to 29 or 30. This is precisely the figure we had come to by an independent assessment two days before. Our present estimate is that there will be six or seven abstentions. If this is correct the USA proposal will fail of getting a two-thirds vote.

7. If the above is correct and if, as appears certain, no other proposal gets a two-thirds majority there will be two possibilities: (a) the conference may break up with no action on the breadth of the territorial sea, or (b) a last-minute formula may emerge which will hold things in line with a view to a new effort on this item in a very short time.

8. I think there is a strong general view that course (a) is very undesirable.

9. As to course (b) there is a resolution by Saudi Arabia which in the form in which it now stands would (1) request the Secretary General of the UN "To study ways and means, including the convocation of a special conference, with a view to arriving at an agreement

on the extent of the territorial sea" and (2) would also accept principles such as stated in Article 3 of the ILC text. This resolution would of course leave the way open for countries to change their limits of territorial sea and would not set any date for a conference. I understand there will be an amendment moved to delete the second portion of this resolution and call upon all countries to make no change in their territorial limits before the conference occurs. As this proposal has been before the conference for some time it will have priority after the articles are disposed of and in its amended form it may prove attractive. There is also the possibility of a draft resolution which would in its own terms call for this conference to meet again in a matter of a few months to consider Article 3 alone and call upon all countries to stand still as to territorial limits in the meantime.

10. We have been considering whether this result could not be achieved in a somewhat different manner by having the substance of this situation written in as an Article 3 for adoption. Naturally this could not be introduced before the voting at 5 o'clock today as it would weaken the position of our paragraph 2. There may be no repeat no opportunity to consult you on this matter before action is necessary today. I am assuming however that action along the above lines, if it becomes necessary would be acceptable to the government. If you have any comments I would of course be extremely glad to have them.

11. In the course of a conversation yesterday Bailey advised Robertson that he thought a standstill agreement could be secured if it were joined with a decision to have a conference on Article 3 not later than August or September of this year. He does not repeat not think that agreement could be secured to stand still for a period as long as a year or even until next February.

[GEORGE] DREW

77.

DEA/9456-RW-2-40

*La délégation à la Conférence sur le droit de la mer
au secrétaire d'État aux Affaires extérieures*

*Delegation to Law of the Sea Conference
to Secretary of State for External Affairs*

TELEGRAM 395

Geneva, April 25, 1958

OPIMMEDIATE.

Personal Attention Cadieux.

Following is the result of the voting in plenary this afternoon:

1. Article 3 as adopted by Committee One (i.e. second paragraph of the Canadian proposal for fishing zone) 35 in favour, 30 against, with 20 abstentions.

2. USA proposal, 45 in favour, 33 against, with 7 abstentions.

3. Soviet Union proposal, 21 in favour, 47 against (Canada), with 17 abstentions.

4. Proposal co-sponsored by Burma, Colombia, Indonesia, Mexico, Morocco, Saudi Arabia, UAR and Venezuela, providing for the fixing of a territorial limit up to 12 miles and where the limit were less than 12 miles for a 12-mile fishing zone, 39 in favour, 38 against (Canada) with 8 abstentions.

5. The ILC text of Article 66 was adopted with the addition of immigration and of a provision for delimiting the contiguous zone between two adjacent or opposite States by a vote of 60 in favour (Canada), 0 against, with 13 abstentions. The version of Article 66

adopted in Committee One which included provision for enforcement of security regulations was defeated by a vote of 40 in favour, 27 against (Canada), with 9 abstentions.⁴⁴

78.

DEA/9456-RW-2-40

*Le chef de la délégation à la Conférence sur le droit de la mer
au secrétaire d'État aux Affaires extérieures*

*Head, Delegation to Law of the Sea Conference,
to Secretary of State for External Affairs*

TELEGRAM 397

Geneva, April 26, 1958

SECRET. OPIIMMEDIATE.

Personal Attention Cadieux.

For immediate delivery.

CONFERENCE ON LAW OF THE SEA

1. More detailed report on voting yesterday will follow, but in the meantime thought I should give an impression of the results of voting reported in our telegram 395.

2. Doubtful if there has ever been such pressure on governments represented at any conference of this kind. During past 48 hours one delegate after another told me that his government had been forced to submit to the heaviest type of pressure mainly based on economic dependence. Various types of pressure exerted on countries which are receiving aid in one form or another. This even went to extent of representations on other grounds at highest level to the Vatican by the British Minister. As a result of Dupuy's prompt and effective intervention, Holy See delegate did abstain on our proposal but still voted for American proposal.

3. As you know we did obtain majority but considerably short of two-thirds. Our main concern at end was possibility of USA proposal getting two-thirds, and I regard failure of USA efforts after the extent to which they had exercised their dollar imperialism as a real victory in the defence of our own fishing interests which would have suffered so greatly under the USA proposal.

4. It now seems unlikely that anything very unusual will happen but there will be valuable conventions covering all articles except No. 3. This in itself is a very outstanding achievement in the codification of the law of the sea.

5. There seems to be almost unanimous agreement today that by reference back to the UN a time should be set for a special conference dealing with the measurement of the territorial sea and fishing zone. In fact various groups of delegates who were opposed yesterday are working together to draft a satisfactory resolution.

⁴⁴ Pour le texte officiel de toutes les propositions concernant les articles 3 et 66 mises au vote lors de la séance plénière de la conférence le 25 avril, voir *Conférence des Nations Unies sur le droit de la mer, Documents officiels, Volume II, Séances Plénières*, pp. 130 à 133, 142 à 143, 145.

For the official text of all proposals relating to Articles 3 and 66 put to a vote in the April 25 plenary session of the conference, see *United Nations Conference on the Law of the Sea, Official Records, Volume II, Plenary Meetings*, pp. 115-117, 125-126, 132.

6. You will realize under what tremendous pressure all our delegation working today, so shall defer more detailed report until Monday.

[GEORGE] DREW

79.

DEA/9456-RW-2-40

*Le chef de la délégation à la Conférence sur le droit de la mer
au secrétaire d'État aux Affaires extérieures*

*Head, Delegation to Law of the Sea Conference,
to Secretary of State for External Affairs*

TELEGRAM 401

Geneva, April 28, 1958

EMERGENCY.

(Personal Attention Cadieux)

CONFERENCE ON LAW OF THE SEA

1. The Conference concluded at 2.15 this morning after nearly 13 hours of a very strenuous session during the morning, afternoon and evening. The fact that the Conference did not reach agreement on the measurement of the territorial sea and a contiguous fishing zone does not mean that this Conference has been a failure. On the contrary I should think that this has been the most successful general conference ever convened by the UN. It has produced a comprehensive code of the Law of the Sea covering all articles submitted by the International Law Commission except Article 3, and in addition several articles not embraced in the original recommendation.

2. The articles which were adopted in the plenary session cover every aspect of maritime law and give form to several new concepts never previously defined. That is particularly true in the case of the new law relating to the continental shelf and recognition of the position of land-locked states included in the recommendations of the Fifth Committee which will be incorporated in a single convention. There is also recognition for the first time of the special rights in regard to conservation of fish by the coastal states.

3. One of the most significant features of the Conference is the unqualified acceptance at the conclusion of the Conference of the need for a fishing zone. Although this subject was not even mentioned by the International Law Commission, it gained such increasing acceptance that in the final discussions yesterday no speaker even suggested that this would not be one of the two points considered at the new conference which has been requested to deal particularly with the unfinished business relating to Article 3. This in itself has been a very substantial success from the Canadian point of view.

4. The articles submitted by each of the five committees, with the amendments and changes made in the plenary session, are to be incorporated in five separate conventions which are to be presented for signature either tomorrow afternoon or Wednesday morning. There will also be a protocol on jurisdiction by the International Court. Several states have already received authorization to sign these conventions, and protocol subject of course to ratification, and there is to be a formal ceremony presided over by Prince Wan which will emphasize the truly substantial success of this Conference in the codification for the first time of the Law of the Sea.

5. I hope it will be the decision of the government to authorize signature by Canada in view of the part which our delegation has played in this conference, and particularly the

fact that the articles which have been approved are completely satisfactory in every respect to Canada.⁴⁵

6. I should add that during yesterday's session several changes were made which greatly improved the articles from our point of view, particularly the elimination of any limitation of length of baselines. This was done at our request and against the vigorous opposition of the UK, USA and most of the Western European countries. One particularly significant feature of this conference is the measure of support we have been receiving from the newer countries in Asia and Africa as well as the older countries of Latin America.

7. Before adjournment early this morning the Conference approved a resolution "to request the UN General Assembly to study at its 13th session (1958) the advisability of convening a second international conference of plenipotentiaries for further consideration of the questions left unsettled by the present conference." In the discussions relating to this resolution it was made clear that the questions to which reference is made are the breadth of the territorial sea and the fishing rights of coastal states in the contiguous zone. What was particularly satisfactory from our point of view was the evidence of a general desire to have this special conference convened at the earliest practical date. In some way it may be best that this has been the result. It will give an opportunity for an exchange of information and particularly for down-to-earth discussions with the USA. It is clear that if there is to be general agreement on this point we must convince them of the correctness of our position and if possible find some common ground for a definition of these rights. It is not too much to say that if we can find such common ground with them, agreement at the special conference will not likely be difficult.

8. While I shall be making an extensive personal report⁴⁶ I do wish at this time to express my great admiration for the untiring efforts of every member of the Canadian Delegation. It was evident that their knowledge of the subject and their constant attention to the business of the conference gained the respect of all the other delegations.

[GEORGE] DREW

⁴⁵ Le 29 avril 1958, le Cabinet « agreed that the head of the Canadian delegation be vested with full powers to sign on behalf of Canada, subject to ratification, any conventions open for signature by the conference. »

On April 29, 1958, Cabinet "agreed that the head of the Canadian Delegation be vested with full powers to sign on behalf of Canada, subject to ratification, any conventions open for signature by the conference."

⁴⁶ Un exemplaire du volumineux rapport final de la délégation se trouve aux ANC, BCP, Accession 1990-1991/154, dossier C-100-25. Pour un bref rapport sur les délibérations de la conférence, voir Canada, ministère des Affaires extérieures, *Affaires Extérieures*, vol 10, Nos 4 et 5, avril-mai 1958, pp. 86 à 89, 111.

A copy of the delegation's voluminous final report can be found in NAC, PCO, Accession 1990-1991/154, file C-100-25. For a brief report on the conference proceedings, see Canada, Department of External Affairs, *External Affairs*, Vol. 10, Nos. 4-5, April-May 1958, pp. 86-89, 111.

80.

PCO

*Note du chef du Comité du Cabinet sur les eaux territoriales
pour le Cabinet*

*Memorandum from Chairman, Cabinet Committee on Territorial Waters,
to Cabinet*

CABINET DOCUMENT NO. 182-58

[Ottawa, n.d.]

SECRET. CANADIAN EYES ONLY.

LAW OF THE SEA: CANADIAN POLICY

As Canada does not intend to adopt unilateral action at this time, it would seem that the only possible line of approach for Canada to realize its objective of achieving a wider coastal area reserved for the exclusive use of its fishermen would be to continue to seek international recognition of a coastal state's right to establish such a zone. As it is clear that this objective could more appropriately be realized at a general international conference, rather than at a regional or series of regional meetings, it would seem desirable for Canada to support, at the forthcoming session of the United Nations General Assembly in September, the convening of a new international general conference, at an early date after the conclusion of the next session of the General Assembly, and in a 'neutral' location such as Geneva.

2. At the recent Geneva Conference, the Canadian proposal for a six-mile territorial sea and an exclusive twelve-mile fishing zone fell short of obtaining the necessary two-thirds majority vote. The United States proposal, which was most unsatisfactory from a Canadian point of view in that it would have converted into firm legal and perpetually expanding rights, the fishing practices, in the outer six miles of the twelve-mile zone, of several European states and the United States, also fell short of achieving a two-thirds majority but obtained ten more affirmative votes, notwithstanding the fact that it was introduced relatively late in the proceedings of the Conference. There have recently been indications that in the course of the next few months the United States and United Kingdom will be conducting a vigorous campaign in favour of the United States proposal.

3. Since the conclusion of the Geneva Conference there have been certain important international developments affecting the question of a coastal state's right to a twelve-mile exclusive fishing zone which may be regarded as generally favourable to the Canadian proposal. The Icelandic Government has recently announced that, on September 1, it will extend its fisheries regulations to twelve miles and will exclude foreign fishermen from these areas. The Faeroe Islands, under the sovereignty of Denmark, have also declared that they will adopt a twelve-mile fisher regulation, and the Danish Government has now endorsed this position. The Norwegian Government has stated that in the light of these developments it may "be forced to take necessary steps to protect its coastal fishing grounds." This trend towards our position undoubtedly places those countries concerned in distant-water fishing (particularly the United Kingdom) in an exceedingly difficult position, leaving them, it would seem only the following three possible courses of action:

(a) resist by force if necessary the implementation of the Icelandic regulation; in this event the position, at a future conference, of the United Kingdom, the United States and those countries favouring the recognition of "traditional fishing rights" is likely to be seriously prejudiced;

(b) on a bilateral or multilateral basis, enter into a compromise agreement with Iceland; as Iceland has clearly rejected the United States proposal, as put forward at Geneva, such an agreement, whether interim (i.e., pending a new conference) or otherwise, would seem likely to be more favourable to coastal states seeking an exclusive fishing zone than the position formulated in the United States proposal;

(c) take no steps to resist the implementation of the Icelandic regulation, although not extending recognition to it; this would help to place the Icelandic precedent on a more secure footing.

4. As will be recalled, Canada favours the settlement of the Icelandic-United Kingdom dispute through bilateral negotiations between the two states concerned; we are opposed to a regional approach, — either in a NATO context or among North Atlantic states outside of NATO, — to a problem concerning a subject which has world-wide implications. The reasons for our policy are that:

(i) a forum for discussion of this dispute which would be restricted to Atlantic states would be likely to put Canada at a distinct bargaining disadvantage;

(ii) any decision on our part to enter into discussions with North Atlantic states on this matter may be regarded as a breach of faith with those Afro-Asian and Latin American states with which we worked closely at the Geneva Conference and which shared objectives similar to our own;

(iii) it is not open to a limited number of states to create a régime which would have general validity for all coastal states;

(iv) a regional approach to the problem might be likely to arouse an inclination in other regions to settle the general questions of the breadth of the territorial sea and of a contiguous fishing zone on purely regional terms; and

(v) Canadian participation in regional discussions would be likely to lead us to a compromise of the Canadian proposal, which we are not prepared to accept at this time.

5. Our present policy would therefore seem to call for Canada to hold to its present position and to await further developments in the North Atlantic area, at least until after the beginning of September when it has become clear whether the United Kingdom or other European states will attempt to resist by force the implementation of the Icelandic fishing regulation. Should Iceland be able to implement its decision, there is no question that, as this would help place the Icelandic precedent on a more secure foundation, it would constitute an important step in the recognition of a coastal state's right to a contiguous fishing zone.

6. In the meantime there would appear to be advantage in Canadian representatives approaching at this time certain of those Afro-Asian, Latin American, European and Commonwealth countries with which we worked closely at the Geneva Conference or which played an important role at the Conference, in order to receive an account of their thinking on several matters of interest to us, and to gain and consolidate support for our position. Thus our representatives could, by means of such discussions:

(a) seek to determine whether these countries share our view that the prospects for the success of the Canadian proposal are improving;

(b) seek an assessment of their thinking on the type of proposal which they consider likely to be successful at a future conference;

(c) seek an indication of their reaction to the Icelandic-United Kingdom dispute, and in particular with regard to the United Kingdom intention to use force if necessary to protect their fishing vessels in waters affected by the Icelandic decree;

(d) emphasize that, in accordance with our position taken at Geneva, we do not favour unilateral action at this time but the convening, in the near future, of a new international general conference; at the same time it could be pointed out that we have serious reservations about a regional approach to problems which are essentially of world-wide concern;

(e) emphasize that the United States proposal could never be satisfactory to states seeking preservation of their own fishing interests in view of the highly unsatisfactory and unprecedented nature of the fishing rights which the United States proposal would create in the outer six miles of the contiguous fishing zone;

(f) explain why Canada considers its proposal for a twelve-mile exclusive fishing zone to be the best possible basis for international agreement.

It would, of course, be understood that Cabinet will be informed of the results of these consultations when they are completed.

7. There are, however, two eventualities which may arise in the course of the next few months which it may be necessary to bring to Cabinet's attention:

(a) if a compromise is reached among those Atlantic states concerned in the Icelandic dispute, it would not seem unlikely that this position will be the position advanced by the Atlantic states at any future general conference. As this compromise formula will presumably constitute a modification of the United States proposal in the direction of our own, it may possess better prospects for success at a future general conference than the United States proposal in the form put forward at Geneva. Canada may therefore be required, immediately upon any compromise agreement being reached among the states concerned, to re-examine the position it will adopt at a future international conference;

(b) the Icelandic-United Kingdom dispute may deteriorate, i.e., force may be used by either side to uphold its position. A dispute will thus have developed between two of our NATO allies which, in addition to introducing a new and highly undesirable area of tension in the Western alliance, will be almost certain to be exploited by the Soviet Union (in fact, the Soviet Union has already welcomed the Icelandic decision to take unilateral action). In the event the situation does deteriorate, the situation will, of course, be brought to the immediate attention of Cabinet.

8. Having regard to Canadian policy as outlined in paragraphs 4 and 5 *supra*, I therefore recommend⁴⁷ with the concurrence of the Secretary of State for External Affairs and the Minister of Fisheries:

(1) that, at the next General Assembly of the United Nations, Canada support the convening, in the near future, and in a 'neutral' location, of a new international general conference to deal with the questions of the breadth of the territorial sea and a contiguous fishing zone;

(2) that no change be made at this time in the Canadian proposal for a twelve-mile contiguous fishing zone and that, after September 1, when the implications of the Icelandic-United Kingdom dispute will have developed further, or prior to that time in the event that an agreement is reached among the Atlantic states, the Canadian position be again re-examined by Cabinet;

(3) that the Canadian representatives in certain countries, such as India, Pakistan, Ceylon, Ghana, The Netherlands, Denmark, Norway, Brazil, Mexico, Columbia, Australia, South Africa and the Philippines, determine what is the thinking of these Governments on

⁴⁷ Approuvé par le Cabinet le 12 juillet 1958.
Approved by Cabinet on July 12, 1958.

matters of interest to us of the nature indicated in paragraph 6 (sub-paragraphs (a) to (c)), and attempt to gain and consolidate support for the Canadian proposal, particular emphasis being given to the matters mentioned in sub-paragraphs (d) to (f) of paragraph 6.

[ALVIN HAMILTON]

81.

DEA/9456-RW-3-40

*Note du sous-secrétaire d'État aux Affaires extérieures
pour le secrétaire d'État aux Affaires extérieures*

*Memorandum from Under-Secretary of State for External Affairs
to Secretary of State for External Affairs*

SECRET. CANADIAN EYES ONLY.

[Ottawa], October 16, 1958

LAW OF THE SEA: CANADIAN POSITION

In accordance with the Cabinet decision of July [12], our representatives abroad made approaches in thirty countries in order to determine what was their thinking with regard to recent developments on the law of the sea, the Icelandic fisheries dispute, the chances for success of the Canadian proposal and other related matters. A detailed tabulation of the twenty-three replies received to date (many of which are only provisional) is set out in an annex† to this memorandum. The replies so far received generally tend to be rather inconclusive. The impression is gained that states are adopting a rather cautious, wait-and-see attitude to the question of what type of proposal may succeed at a future conference, although the view appears to be growing that, if a conference is to succeed, there may have to be some compromise adopted between the United States and Canadian positions. This view was tentatively suggested by Turkey, as well as by the following supporters of the United States proposal: New Zealand, Australia, Netherlands and Denmark.

2. Very generally, the replies seem to indicate that those states which supported the Canadian proposal at Geneva and which did not support the United States proposal (e.g., the Philippines, Uruguay, Colombia, Chile, Argentina, Peru, Turkey) are prepared to continue to support the Canadian proposal in the future. While it appears that a majority of those states approached which supported the United States proposal and either *voted against* the Canadian proposal (e.g., Netherlands, Sweden, Belgium, Australia, New Zealand, South Africa), or *abstained* on the Canadian proposal (Malaya), continue to regard the United States formula as preferable to our own, there have nevertheless been several indications that some states in this category might be prepared to change their positions with regard to our proposal. Thus, Norway now intends to give its full support to the Canadian proposal at a future conference. Among other states *voting against* or *abstaining* on the Canadian proposal, there have been some signs that Denmark and Pakistan, and perhaps Brazil, might also be wavering. It also seems possible that Turkey and Ghana, which supported both the Canadian and United States proposals at Geneva, might not continue to give support to the United States position at a future conference.

3. The replies indicate fairly wide support for the convening of a new international conference (15 in favour, 4 doubtful, with 4 giving no indication of opinion). Many of the countries approached do not regard themselves to be in a position to comment on the chances for success of the Canadian proposal or whether they are improving. However, Belgium, Brazil, Uruguay, the Philippines and Turkey have stated that they consider the chances for success of our proposal are strengthening. The reaction to the United Kingdom-Icelandic dispute was largely one of concern, considerable sympathy being

demonstrated for the Icelandic position. As you know, the replies from two states — Ireland and New Zealand — were rather critical of the Canadian position and seemed to indicate that they consider our present position as somewhat inflexible.

4. Replies have not, as yet, been received from Burma, Iran, Cambodia, Viet Nam, Thailand, Ecuador and Haiti. The approaches to the representatives of the first six of these countries are being made in London and it is hoped that when those replies are received and further consultations have taken place in New York, it should be possible to assemble results of our survey in a more complete form and accordingly to draw more definite conclusions.

5. At the present time, discussions are about to take place at the General Assembly in New York on the question of convening a new conference. The United States and Commonwealth countries appear to favour a conference and, while a two-thirds majority support for a new conference seems likely, it cannot be regarded as assured. It appears that some states (in particular Mexico) have doubts as to whether it would be desirable to convene a new conference if the breach which developed at Geneva between coastal states and distant-water fishing states was not to some extent healed. The Soviet Bloc is thought to be opposed to a conference, but it is doubtful if they can muster the number of votes necessary to defeat the convening of a new conference. On the basis of preliminary discussions in New York, it seems rather unlikely that agreement can be reached on a date for the conference before the summer of 1959.

6. The Delegation in New York has drawn up a draft proposal on convening a new conference which is contained in telegram No. 1613 of October 10 (copy of which is attached),† which it plans to use in informal discussions with states which appear to favour the convening of an early conference — for example, Ghana, Norway and Denmark. You might wish to indicate whether this draft proposal seems acceptable as a basis for a formal proposal to be put forward at a later date when discussions at the Sixth Committee get under way.

7. A copy of this memorandum and annex, as well as the attached telegram from the Delegation in New York, is being sent to Mr. Drew in London, as well as to the Deputy Ministers of Fisheries and Northern Affairs and National Resources in order that they might bring these documents to the attention of their Ministers.

R.M. MACDONNELL
for Under-Secretary of State
for External Affairs

82.

DEA/9456-RW-3-40

*Le chef de la délégation à l'Assemblée générale des Nations Unies
au secrétaire d'État aux Affaires extérieures*

*Chairman, Delegation to United Nations General Assembly,
to Secretary of State for External Affairs*

TELEGRAM 1876

New York, November 12, 1958

SECRET. EMERGENCY.

Repeat Washington, London, NATO Paris, Paris (OpImmediate) (Information).
By Bag Oslo, Copenhagen from London.

SIXTH COMMITTEE: LAW OF THE SEA

Debate on the question of a new conference is likely to begin on Monday of next week.

2. There have been two important recent developments which may have a bearing on our position: (a) It appears that the February date envisaged in our suggested draft resolution set out in telegram 1613 of October 10[†] will not repeat not be able to attract more than a slight amount of support, perhaps a dozen votes at most. The general feeling of the committee members seems to be that if the General Assembly does not repeat not decide until December to convene a conference, as seems likely, February will definitely be regarded as too early. As you know, the USA and UK have been pressing for a July-August date, and have now informed us that they feel fairly confident that they can get the necessary majority support for this date. (b) Although we had no repeat no previous intimation of this development before yesterday the USA and UK have decided to submit and have now submitted a draft resolution on a new conference which is set out in our telegram 1877.[†] You will note that it is substantially similar to the suggested draft proposal contained in our telegram of October 10, except for the question of the date and the place of the conference. It will be noted that the USA-UK proposal leaves out the place of the conference as in the case of General Assembly Resolution 1105(XI), convening the International Conference on the Law of the Sea (presumably the place of the conference will therefore be determined by the Secretary-General).

3. USA and UK have requested Canada to join as an original co-sponsor of this draft resolution (see paragraph 9 below). They have expressed the view that the July date will have the best chance of obtaining widest possible support if countries supporting various substantive positions can come together and support July.

4. As you know, our feeling to date has been that it would be better to encourage the earlier date (February) (a) for tactical reasons (some countries might propose a 1960 date and July would accordingly be a compromise), and (b) because we believe that the situation with regard to territorial limits is so fast deteriorating that any delay is dangerous.

5. In the light of these recent developments, it seems to us that it might not repeat not be desirable to press for the February date (although making clear that it would have been our preference) and that there are several reasons why we ought accordingly to give consideration to co-sponsoring the USA-UK resolution for July. These reasons are as follows:

(a) If we press for February, and introduce an amendment or resolution calling for this date, we are very likely to suffer a substantial defeat on this vote. It might be most undesirable for states associated with the twelve mile fishing zone to suffer a defeat on a matter of this nature where questions of substance are not repeat not involved.

(b) By advancing the February date we may have to vote against July; if our opposition to July is coupled with that of states opposed altogether to a new conference or favouring a 1960 date, we may be creating a risk of defeating both 1959 dates and thus opening the way for a postponement to 1960 or even later.

(c) If we do not repeat not associate ourselves at the outset with the UK-USA proposal, but maintain a position which is very likely to be defeated, we might in a sense find ourselves losing the initiative on this question. The conference may accordingly be a UK-USA venture, i.e., one set in motion by states claiming "traditional" fishing rights. Although the USA and UK state that they are out to obtain as wide a co-sponsorship as possible, the omission of Canada and Norway, main contenders for a twelve mile exclusive fishing zone, may be regarded by some as a matter of significance. If we are to maintain the initiative we have heretofore possessed it would seem to follow that having regard to the apparent general sentiment that February is too early a date, it would seem desirable for

Canada to co-sponsor July as being the earliest practicable date for the conference, on which general agreement can be reached.

6. Our position is, however, seriously complicated by the position of Norway and Denmark. It might be said at this point that we have had a number of discussions with the Icelandic representatives in New York and they seem also to feel that we ought not repeat not to lose the initiative on the matter of a new conference. The Icelanders are now prepared to attend the conference but they have stated that, from their point of view, a February or July date is immaterial. Consequently, although the UK is a co-sponsor of the proposal for a July date and Iceland is not repeat not, we see in this circumstance no repeat no impediment to our co-sponsoring the July resolution.

7. With regard to the positions of Denmark and Norway, they have informed us that although they are convinced that a February date is not repeat not likely to possess any chance whatever of success, the political situation in their respective countries requires them to press and to continue to press for a February date for the conference. As they are not repeat not insensible to the undesirable effects of a substantial defeat for a resolution cosponsored by Canada, Norway and Denmark, for February, they seem to think that we ought not repeat not to co-sponsor any resolution whatever; Norway, Denmark and Canada should rather content themselves with stressing in their statements a preference for a February date. This would not repeat not involve us trying to defeat a July date, and we could support a July date when the matter comes to a vote. They do not repeat not seem to regard the matter of a Canadian-Norwegian initiative as of any importance, but their main concern is, we believe, with domestic political feelings in their own countries. As you know, since Iceland established its fishing zone, both the Danish and Norwegian governments have been under some pressure to extend fishing limits for their own nationals. These governments have apparently made clear to their fishing interests that they will do all they can to bring about agreement on a conference at the earliest possible date, i.e., February. They therefore have to continue to give at least formal adherence to this date. They have informed us that they will discuss this question with their delegations today, but feel that their view is (a) likely to remain that we ought simply to state our preference for February and be prepared to support the July proposal, without co-sponsoring, and (b) that their position might be untenable if Canada departed from this line.

8. We have outlined what we considered to be the principal reasons which might suggest that we and other countries like Norway, Denmark, Ghana, Turkey and other potential supporters of our substantive position, should join the July resolution as co-sponsors, all of us working for the success of this resolution. As pointed out above, our concern is not repeat not to advance or press for a position which (a) seems likely to fail; (b) we do not repeat not regard as essential to our position, and (c) the Icelanders also do not repeat not regard as essential. However, it also seems to us that these arguments in favour of co-sponsoring will be fully convincing only if we could carry Norway and Denmark with us which does not repeat not appear to be the case. We believe that the views of our close partners should be given fullest consideration, particularly in view of the fact that any departure by Canada from our common position might conceivably be construed as evidence of weakness. On balance, therefore, we are inclined to maintain our common line with Norway and Denmark which would involve our refusing to co-sponsor the USA-UK resolution at this stage, stating firmly in the debate our preference for a February date (but without putting forward a resolution or amendment). This of course leaves open the possibility of Norway, Denmark and Canada joining as co-sponsors later, if there would appear to be any tactical advantage in our doing so. It goes without saying that even if we do not

repeat not co-sponsor Canada's firm position in favour of an early conference at a most practicable date will continue to be stressed.

9. The USA has already submitted its resolution although debates have not repeat not yet begun. By so doing they have obtained priority over a possible Soviet or other resolution calling for a 1960 or later date. It appears, however, that it is still possible for others to add themselves as original repeat original cosponsors of USA, UK resolution. We should be grateful for any comments you might have.⁴⁸ (It should be noted that having regard to conference commitments there is no repeat no alternative to February/March or July/August during 1959).

83.

DEA/9456-RW-3-40

*Le chef de la délégation à l'Assemblée générale des Nations Unies
au secrétaire d'État aux Affaires extérieures*

*Chairman, Delegation to United Nations General Assembly,
to Secretary of State for External Affairs*

TELEGRAM 1958

New York, November 19, 1958

SECRET. OPIMMEDIATE.

Repeat London, Washington, NATO Paris (OpImmediate) (Information).
By Bag Oslo, Copenhagen from London.

QUESTION OF CONVENING A NEW CONFERENCE ON LAW OF THE SEA

It appears from developments in the past day or two that the situation with regard to the convening of a new conference is highly fluid and the USA may have miscalculated in believing that the necessary majority support for their resolution was assured.

2. Up until today it was not repeat not entirely clear what form the opposition to a new conference would take and what countries would adopt a negative position with regard to this question. It was of course assumed that the Soviet Bloc would not repeat not give its support to a 1959 date for a new conference and that certain Latin American states would join them in this position. We have also had several intimations that the Mexicans had decided not repeat not to favour the convening of a new conference in 1959 and the position taken by the Mexican Sixth Committee Representative, Garcia Robles, seems to reflect this attitude. However it was felt that opposition to a 1959 conference would not repeat not extend beyond the Soviet Bloc and some Latin American states.

3. It now appears that the opposition to a new conference in 1959 will take one of two forms: (A) a resolution or amendment to the 11-power proposal may be put forward calling for postponing consideration of a new conference until the 14th Session of the General Assembly in September 59, or (b) a resolution or amendment may be put forward to the effect that the 14th Session of the General Assembly should itself discuss the substantive questions of the breadth of a territorial sea and a contiguous fishing zone and attempt,

⁴⁸ La Délégation canadienne à New York avait pour instruction de ne pas coparrainer la résolution des États-Unis et du Royaume-Uni, et de déclarer uniquement qu'elle soutenait la tenue d'une seconde conférence en février 1959.

The Canadian Delegation in New York was instructed to refuse to co-sponsor the U.S.A.-U.K. resolution and to state only that they supported a second conference in February 1959.

within the framework of the General Assembly itself, to reach a solution to these two problems.

4. It also appears likely that the Indian Delegation will co-sponsor an amendment or resolution along either of these lines. Today, of course, it appeared that while the Indian Government was not repeat not in favour of a very early date for a new conference they were not repeat not actually opposed to the convening of a conference. However, it now seems that India intends to join Poland, the UAR, Mexico and some other countries in a resolution or amendment calling for either of the above two approaches to this question. There seems very little doubt that either of these variants constitutes an attempt to defeat the convening of a conference in 1959.

5. The first variant — putting the entire question on the next session of the General Assembly — is obviously designed to shelve the matter for the time being. The second variant — calling for substantive discussions at the 14th Session (which seems the more likely of the two to be put forward as a proposal) may have a certain specious appeal in that the co-sponsors of such a resolution would appear to want to reach a solution to these two problems. However, having regard to the fact that the General Assembly is hardly a conducive atmosphere for the discussion of these two highly complex and difficult questions as well as the fact that other items are likely to be placed on the agenda of the 14th Session, thus probably crowding the law of the sea discussions (as was the case this year); the conclusion seems clear that either of the variants mentioned above are designed essentially to defeat a new attempt being made in 1959 to reach a solution to the questions of the breadth of a territorial sea and fishing zone.

6. We might add that the countries contemplating co-sponsorship of a proposal calling for postponement until the 14th Session appear to be attempting to woo the Icelandic Delegation. From what Andersen of the Icelandic Delegation has informed us it seems not repeat not unlikely that the Icelanders may not repeat not be entirely unsympathetic to this delaying approach. This fact is perhaps a reflection of Iceland's ambivalent attitude to the question of convening a new conference.

7. We have approached the Indian Sixth Committee Representative, Pathak, and requested an opportunity to discuss the Indian position. We are meeting him tomorrow afternoon and unless advised by you to the contrary will strongly urge the Indians to reconsider their position. It is likely that the positions of many Afro-Asian countries are as yet not repeat not crystallized and Indian co-sponsorship of a resolution calling for consideration of the problem at the 14th Session may very well have a significant effect on their voting. We propose to point out to Pathak that it is clear that many countries may interpret Indian co-sponsorship of such a proposal as evidence of the fact that India does not repeat not regard the convening of a new conference as a highly urgent problem and that in view of the close co-operation between our two countries in the past on this question we would hope that they would not repeat not adopt any position which is designed to shelve for the time being an attempt to reach a new solution to these pressing problems.

8. We might add parenthetically that it seems possible that Kirshna Menon may have had some influence in the decision by India to put forth a resolution of this sort. It is also perhaps possible that Indian co-sponsorship of the proposed resolution is a reflection of the continuing rivalry between Menon and Sen which was in evidence at the Geneva Conference.

9. In view of the fact that the proposed resolution might be put forward at any date it is clear that time is of the essence. You may therefore wish to give consideration to the desirability of making representations in Delhi on an urgent and high level basis in order to

inform the Indians that if a solution is to be reached to these highly pressing problems we regard it as absolutely essential that a new conference be convened at the earliest possible date in 1959 and we accordingly hope that both our countries will continue to work together for the common achievement of this aim.

84.

DEA/9456-RW-3-40

*Le chef de la délégation à l'Assemblée générale des Nations Unies
au secrétaire d'État aux Affaires extérieures*

*Chairman, Delegation to United Nations General Assembly,
to Secretary of State for External Affairs*

TELEGRAM 2055

New York, November 30, 1958

SECRET. CANADIAN EYES ONLY. OPIMMEDIATE.

Reference: Our Tel 2054 Nov 30.†

Repeat London, Washington, Geneva, NATO Paris (OpImmediate) (Information).

By Bag Oslo from London.

SIXTH COMMITTEE: QUESTION OF CONVENING NEW CONFERENCE
ON LAW OF THE SEA

The debate on the Law of the Sea is now entering its final week. The general debate will probably close on Wednesday, and the vote on the two proposals before the Committee (the 11-power proposal calling for a July conference and the 7-power amendment postponing consideration of the problems until the 14th Session) will probably take place on Thursday or Friday.

2. You will note from our telegram 2054 and earlier reports that the debates have revealed that a considerable amount of support exists for postponing the question until the 14th Session — particularly among the Arabs and Latin American countries.

3. Unfortunately it appears that the influence of some important countries like India and Mexico is being used to bolster the Soviet thesis that the present issues are rather in the nature of "colonial" or imperialist "questions and that the convening of a new conference is nothing more than a device to impose the will of the great maritime powers on the smaller countries. Needless to say the Iceland-UK dispute has provided the Soviet group with very useful material in this connection. The Soviet Union is in fact sparing no repeat no effort in attempting to cause as much dissension and confusion as possible and to discredit and cast doubts upon the sincerity of any arguments put forward in favour of a conference. Thus the Ukrainian Representative stated in yesterday's debate that the putting forward of a February date for a conference is merely a tactic of USA to allow them to give the appearance of a concession in proposing July or August for the conference.

4. The USA and UK believe that they can obtain for their resolution a majority in committee and increased votes in plenary session; on the other hand, the co-sponsors of the amendment seem hopeful that they can obtain 40 votes or more for the amendment and thus defeat the 11-power resolution. Our discussions with a wide number of delegations during the past week, particularly Afro-Asian, have indicated that the entire situation is highly fluid and the outcome of the debate remains doubtful.

5. However, it appears from our most recent discussions yesterday with representatives of Ceylon, Philippines, Afghanistan, Pakistan, Turkey, Burma and others that the 11-power

resolution seems likely to carry by a small margin. There seems to be a realization on the part of a number of Afro-Asian states that the 7-power amendment is essentially negative and may result in a burial of the subject for some time. The hard core of the opposition to a conference exists chiefly among the Latin-American, Soviet and Arab states. Among the Afro-Asian countries Ceylon, Pakistan, Afghanistan, Japan, Iran, Philippines, Turkey, Burma, Thailand, Ghana and Malaya will probably support the proposal for a new conference. The rest are largely opposed, although a few may be doubtful (Libya, Lebanon, Ethiopia, Cambodia). The Latin American states are divided; Chile, Ecuador, Venezuela and, of course Mexico are all committed to the joint amendment; a few are doubtful (Argentina, Brazil and perhaps Colombia, Cuba, Bolivia).

6. On balance we would think it unnecessary to make representations among the doubtful countries, having regard to the fact that the USA and UK have already made representations and that there would be little advantage in associating ourselves at this stage with those representations. Furthermore, it appears that in many cases the delegations here have a good deal of discretion and we are therefore actively attempting to encourage as many states as possible to support a conference in order to work out a solution satisfactory to coastal states.

7. You will also have noted from our reports that a wide number of delegations have entered into the substance of the questions at issue. In fact, almost all states which have spoken against a July conference have argued for the 3 to 12-mile discretionary rule for the territorial sea and have challenged the co-sponsors of the resolution to state what new elements have arisen which would suggest that a new conference can be successful when the last failed.

8. Our impression is that when we next intervene in the debates to speak against postponing the issue until the 14th Session (Wednesday or Thursday) it might be useful, if, in addition to attempting to expose the entirely negative aspect of the 7-power amendment, we also attempted to give emphasis to the fact that we are confident that the elements of compromise existed at the Geneva Conference and that agreement can be reached within the framework of the concepts proposed at that debate. We could go on to point out that several states have indicated in the debate that there is a good deal of flexibility in their positions and that their statements confirmed that the lessons of Geneva would seem to point in the direction of a greater recognition of the needs of coastal states with regard to the economic resources in their adjacent seas. By emphasizing these points, we might then be able to pick up some of the useful statements which have been made and accordingly to negate the idea that we have to look to some extraneous event before a new conference can be successful. It might well be that another intervention by Canada along these lines might help to give emphasis to the fact that it is a fallacy to expect that a solution can be reached to these problems through any manner other than negotiations and discussions at a conference; furthermore, it may tend to bring home to some states that it is truly in the interest of coastal states to have a conference notwithstanding the fact that it is the maritime powers which have put forward a proposal for another meeting. We will submit to you the text of any statement which we think could usefully be made along these lines.

9. We ought to point out, however, that we are to some extent concerned about the fact that there appears to be a rather widespread lack of feeling for convening a new conference. There seems little question that the USA and UK activities at the Geneva Conference have left the rather unfortunate impression that at a new conference the major maritime states might not repeat not be prepared to make any substantial concessions to coastal states and that in fact at a new conference these countries might again apply pressures in favour of a solution which might not repeat not be satisfactory to the needs of newer states.

To some extent, reference by these states at this debate to the 3-mile rule has, perhaps, tended to confirm this impression that no repeat no substantial concessions may be expected from the maritime powers. It has, of course, not repeat not been difficult for the Soviet Union, and the Mexicans and Indians as well, to exploit this feeling that at a new conference USA pressures might again be brought to bear.

10. In the course of a conversation yesterday between the Canadian adviser on the Sixth Committee and the First Secretary of the Indian Permanent Mission, the Indian representative remarked that India would be willing to support any attempt to convene a special session to deal with the Law of the Sea. It is difficult to know whether this suggestion was at all seriously put forward, particularly having regard to the delaying tactics they have heretofore adopted, and whether it could conceivably become Indian policy in the event that the 7-power amendment of which India is a co-sponsor fails to be adopted in the Sixth Committee. Probably any proposal by India or others for the convening of a special session in 1959 would meet with very strong opposition from the USA, UK and a very wide number of delegations, primarily in view of the fact that, if a special session were convened, the danger would exist that its agenda could be expanded to deal with a number of difficult political issues, such as China, Cyprus, Algiers and others.

11. You will recall that when the question of a special session was raised recently in the Fourth Committee in order to deal with the Cameroons question it was strongly opposed chiefly because of the danger that a special session would devote itself to a wider range of political questions. Consequently, when agreement was reached on a compromise proposal calling for the reconvening of the 13th Session to deal exclusively with the Cameroons question in February of next year, great emphasis was placed by a large number of delegations on the fact that the resumed session should be competent to deal only with the Cameroons problem.

12. By the end of next week, when the vote in the Sixth Committee takes place on the 11-power proposal and 7-power amendment, you will of course be in a better position to know whether the Indian suggestion was at all seriously made. It is of course quite clear that India is not repeat not likely to want to develop this idea unless their present policy calling for postponement until the 14th Session meets with failure in the Sixth Committee.

85.

DEA/9456-RW-3-40

*Le chef de la délégation à l'Assemblée générale des Nations Unies
au secrétaire d'État aux Affaires extérieures*

*Chairman, Delegation to United Nations General Assembly,
to Secretary of State for External Affairs*

TELEGRAM 2084

New York, December 4, 1958

CONFIDENTIAL. OPIMMEDIATE.

Repeat Washington, London, NATO Paris, Geneva (OpImmediate) (Information)
By bag Oslo from London.

QUESTION OF CONVENING A NEW CONFERENCE ON THE LAW OF THE SEA

Following are the results of the voting in the Sixth Committee on the Eleven-Power resolution (A/C.6/L.435) calling for a new conference in July and the Seven-Power amendment (A/C.6/L.40) postponing the question until the 14th Session of the General Assembly;

(a) Vote on paragraph 1 of the Seven-Power amendment (specifying that considerable preparatory work was necessary to ensure the success of the conference); 37 votes in favour of the amendment, 35 against, with 9 abstentions. Paragraph 1 of the amendment was thus adopted.

(b) Vote on the first operative paragraph of paragraph 2 of the Seven-Power amendment (placing the question of a new conference on the agenda of the 14th Session); 37 votes in favour, 38 against, with 6 abstentions. The operative part of the amendment was thus rejected. The difference in the results in the voting on these two paragraphs arose from the fact that Bolivia, the Philippines and Jordan changed their votes from an abstention on the first vote to a negative vote on the operative part of the amendment.

(c) The vote on the joint Eleven-Power resolution (as amended so as to include the preambular paragraph regarding the necessity for considerable preparatory work) was then adopted by 42 votes in favour, 28 against, with 10 abstentions. Afghanistan and Nepal voted in favour of the amendment but also in favour of the joint Eleven-Power resolution. Burma, Cambodia and Greece abstained on the amendment but voted in favour of the resolution. Iceland, India, Indonesia, Ghana, Brazil, Saudi Arabia and Yugoslavia voted in favour of the amendment but abstained on the resolution.

2. There were several votes which were a source of surprise. It appears that a considerable amount of pressure was being applied on certain African, Asian and Latin American states, both by the USA as well as by India and others. In the course of the past two days the opposition to the convening of a new conference to some extent hardened further, and, as of this morning, the outcome of the debate was completely in doubt. Thus, to give one example, notwithstanding the firm position which Ghana took earlier in the debate in favour of a conference in the spring of 1959, the Ghanese Delegation voted in favour of the Seven-Power amendment (apparently pursuant to last minute instructions received from Accra).

3. The Sixth Committee then decided by a show of hands that the conference should be convened in Geneva rather than in New York (47 in favour of Geneva and 20 in favour of New York). The exact date of the conference will be set by the Secretary General.

4. In a telegram tomorrow we will give you a further analysis of the voting and an assessment as to possible developments in plenary session. At the present time it would seem likely that the resolution calling for a July conference will pick up more votes in plenary session, although it is also likely that the joint Seven-Power amendment will again be introduced.

86.

DEA/9456-RW-3-40

*Le chef de la délégation à l'Assemblée générale des Nations Unies
au secrétaire d'État aux Affaires extérieures*

*Chairman, Delegation to United Nations General Assembly,
to Secretary of State for External Affairs*

TELEGRAM 2150

New York, December 10, 1958

OPIMMEDIATE.

Repeat Washington (OpImmediate) (Information).

Repeat London (OpImmediate) from Ottawa; NATO Paris, Geneva from London.

Airmail Oslo from New York.

SECOND CONFERENCE ON THE LAW OF THE SEA

This morning the seven co-sponsors of the committee amendment put in a new amendment deleting the July-August 1959 date for the convening of the second conference, and substituting a March-April 1960 date in the Sixth Committee's resolution.⁴⁹

2. The USA and UK, which were apparently of the view that this amendment would succeed in plenary session, agreed to support it, and as a result it was adopted by a large majority in plenary session. The voting on the 7-power amendment calling for the deletion of the July-August 1959 date and substituting the convening of the conference "at the earliest convenient date in March or April 1960" was adopted in plenary session by a vote of 68 in favour, 6 against (Canada, Norway, Denmark, Finland, Ireland and Sweden) with 3 abstentions (Iceland, NZ and Cambodia). The amended resolution was then adopted by a vote of 72 in favour, including Canada and Ireland, none against, with 6 abstentions (Cambodia, Denmark, Finland, Iceland, Norway, Sweden).

3. A full analysis and assessment of the voting as well as the implications arising from some of the statements made today in plenary session will be sent tomorrow.

4. The Canadian Delegation made a statement in explanation of vote which pointed out that we were voting against the amendment because we have urged throughout that a conference should be called as early as possible (February-March 1959) and that if a rule of law was not repeat not established soon there was a grave possibility that disorder and further confusion may result which could only be injurious to the international community of nations. We also explained that we were however voting in favour of the amended resolution because we keenly desired a conference, and because the March-April 1960 date appeared to be the earliest one acceptable to the members of the UN as a whole.

5. The Norwegian representative in plenary session stated that the situation off Norway's coast was very grave and that Norway could not repeat not commit itself to abstain beyond 1959 from taking remedial action.

87.

DEA/9456-RW-3-40

*Note de la Direction juridique
pour le sous-secrétaire d'État adjoint aux Affaires extérieures*⁵⁰

*Memorandum from Legal Division
to Assistant Under-Secretary of State for External Affairs*⁵⁰

SECRET. CANADIAN EYES ONLY.

[Ottawa], December 18, 1958

LAW OF THE SEA

I thought you might be interested in receiving a personal report on some impressions of the recent debate in the United Nations General Assembly on the convening of a new

⁴⁹ Pour le texte final de cette résolution (1307(XIII)), voir Nations Unies, *Documents officiels de l'Assemblée générale, treizième session, Supplément N° 18 (A/4090)*, pp. 56 à 57.

For the final text of this resolution (1307(XIII)), see United Nations, *Official Records of the General Assembly, Thirteenth Session, Supplement No. 18 (A/4090)*, pp. 54-55.

⁵⁰ Note marginale :/Marginal note:

Many thanks. Copy referred to R.G. R[obertson] with suggestion that we might discuss soon at official level. M. C[adieux]

Conference on the Law of the Sea and some of the conclusions that might possibly be drawn.⁵¹

2. The profound degree of opposition which developed at the debates to the convening of a new conference cannot adequately be explained on the grounds of indifference on the part of some countries or mere uncertainty about the likelihood of such conference being a success. It was only with the greatest difficulty and effort, and after having made representations on a world-wide basis on perhaps several occasions, that the United States and United Kingdom were able to defeat the seven power Latin-American African-Asian amendment putting off consideration of convening a new conference until the fourteenth session of the General Assembly. You will recall that the amendment was rejected by a majority of one vote only. In fact, an hour or so before the voting in the Committee, the United States authorities were prepared to accept the fact that the amendment was likely to carry. The outcome of the debate actually depended on last minute instructions being received from two or three Latin-American countries whose governments directed the delegations concerned to vote against the amendment — presumably as a result of United States representation.

3. The nature of the debate was, I think, an accurate reflection of the fact that the situation with regard to coastal jurisdictions has not been a static one since the Geneva Conference. The debates indicated that a significant change seems to have taken place in the general attitude of many states since the Geneva Conference. This change, I should describe, as essentially a belief on the part of many African, Asian and Latin-American states that it is to their interest to achieve a twelve-mile territorial sea and that time is very much on the side of states favouring extensions of the territorial sea to such a limit. Accordingly, the belief seems to be growing that any attempt to limit the territorial sea to six miles — with or without a further jurisdiction for fishing and whether or not such jurisdiction is exclusive — is contrary to the trend of history, to the interests of smaller states and to the ultimate development of international law. It also follows, of course, from this line of reasoning, that as a conference would, from a western view-point, be essentially designed to reach agreement on a territorial limit of less than twelve miles, it would not be in the interest of the states claiming a twelve-mile territorial sea to have such a conference — at least until the twelve-mile limit achieves greater potential support.

4. There are, it would seem, several reasons which lead up to the development described in the foregoing paragraph.

(a) While the three-mile limit lost enormous ground at the Geneva Conference, I doubt whether many governments fully realized until some time later that there exists what amounts to a legal vacuum in this area of international law, and that, accordingly, it cannot be categorically stated that extensions of the territorial sea to greater limits than three miles are contrary to positive international law.

(b) United Kingdom protective action off Iceland created, it would seem, a more profound impression on many states than at first appeared. Having regard to the fact that a great number of states believe that there exists a legal vacuum with regard to the territorial sea, the decision to resort to force by a great maritime power — and one traditionally associated with the three-mile limit as well as the United States proposal at Geneva — has created a seemingly wide impression that the three-mile limit and, by association, the

⁵¹ Note marginale :/Marginal note:
Seen [R.G.] R[obertson] 1.1.59

six-mile limit and the United States proposal itself, is an aspect of Western economic imperialism, advanced without even the existence of a sure footing in international law.

(c) The decision of Communist China to establish a twelve-mile territorial sea has made it obvious that the governments of the people of over half the world claim the twelve-mile territorial limit. The decision of mainland China so to extend its territorial limits possesses potential ramifications in the entire area of South East Asia.

(d) In addition, Iceland, Communist China, Iraq, Libya and most recently Panama (and Iran has now a bill before its legislature calling for a 12-mile territorial sea), have taken unilateral action since the Geneva Conference. The implications are of course self-evident for the smaller states; the longer a new conference could be postponed the more likely it would be that a twelve-mile limit would prove to be the rule of law; conversely, the demand of the Western Powers for a new conference is essentially to prevent the universal adoption of the twelve-mile limit.

5. It is of course not possible to be dogmatic as to what national interests the African and Asian countries believe the twelve-mile territorial limit will serve. In New York there was a considerable amount of talk about the "security interests" of coastal states which was often difficult to reduce to precise terms. The Cambodian representative emphasized, in a private conversation, that the twelve-mile limit was no longer a matter of logic or self-interest, if it ever was that. Indeed, the Canadian proposal would suit most smaller countries equally well from the economic point of view. The question was rather a political one, and a highly emotional one, having roots in the cold war and in the question of East-West alignments. Thus, even relatively independent African-Asian states — for example, Tunisia and Iran both spoke very strongly in the debates in favour of the discretionary three-to-twelve-mile limit. Their statements came well before the extraordinary activity of India and Mexico to achieve solidarity among the African, Asian and Latin-American countries in favour of postponing the issue. You will recall these activities had notable effects, even with regard to Ghana, which stated in the Committee debates that they were in favour of convening a new conference in March-April 1959, but nevertheless then proceeded to vote in favour of the seven-power amendment. The fact that virtually half of the United Nations could vote in favour of what was chiefly a negative approach to the questions of the territorial sea and fishing zones is, I think, an accurate reflection of the fact that the vote on these questions would not now follow the patterns of the Geneva Conference, where states were more able to vote according to their own national self-interest rather than being carried along by bloc pressures and cold war political considerations.

6. The records of the last Conference would appear to demonstrate clearly that the threat of the proposal for a discretionary three-to-twelve-mile limit is an exceedingly grave one. There has, perhaps, been something of a tendency on our part to look upon the Geneva Conference as a dramatic opposition of the positions of the United States of America and Canada. But the joint proposal at Geneva of Burma, Colombia, Indonesia, Mexico, Morocco, Saudi Arabia, United Arab Republic and Venezuela received in plenary session 39 affirmative votes — six less than the number cast in favour of the United States of America proposal and four more than the Canadian proposal received. Thus Mexico and India, at the last session of the General Assembly, strongly endeavoured to seek a forum for new discussions where several non-members of the United Nations, which voted against the three-to-twelve-mile discretionary rule could be eliminated. If San Marino, Monaco, the Vatican, Switzerland, West Germany, Vietnam and Korea — all non-members of the United Nations — would not have participated at Geneva, the three-to-twelve-mile discretionary rule would have received exactly the same amount of affirmative votes as the United States proposal.

7. Furthermore, by 1960, there may be several new African members of the United Nations which did not participate at the Geneva Conference. Guinea was, of course, admitted at the last session; these are all potential votes for the three-to-twelve-mile territorial limit. Another factor which might further strengthen the position of this proposal is the possibility of unilateral action by Norway. If a new dispute occurs between, for example, the United Kingdom and Norway, and if the United Kingdom should again take "protective" action, such a development could only serve to increase the antipathy to the position of the Western maritime powers, and accordingly, to bolster the position of the extremists. We have already seen at New York that Iceland lent its full and unqualified support to India and Mexico and the extent to which the Icelandic situation was exploited by them and by the Soviet Union.

8. The debates in the Sixth Committee also confirmed what our own survey carried out last summer seemed to indicate — that the United States proposal reached its high-point at Geneva and was now very much on the wane. I do not think this is wishful-thinking, but an accurate assessment, shared by many Delegations in New York of the changing world temperament with regard to these problems. Thus, during the United Nations debates, several states which supported the United States amendment at Geneva, and which also voted in favour of or abstained on the Canadian proposal, indicated a changing attitude towards the United States proposal. Norway clearly stated in the debates that it considered the Canadian proposal and not the United States proposal as the best compromise formula for reaching agreement; Ghana stated that its attendance at a future Conference would be on the assumption that the notion of traditional fishing rights would be repudiated; Turkey indicated clearly that it was the Canadian proposal which stood the best chance of proving the successful formula at a new Conference; the Indian representative volunteered to us that India would never again vote in favour of the United States proposal and that its support for the United States position at that time was a mistake (a reflection, perhaps, of the personal influence of Krishna Menon); the Pakistani and Irish representatives also indicated preferences for the Canadian proposal and optimism about its future. This was also true of the representatives of Ceylon and Afghanistan, particularly the latter, who seemed to regard the Canadian proposal as the hope for the future Conference. Our assessment last summer indicated that Brazil's position might also be more flexible vis-à-vis the Canadian proposal.

9. The conclusions which I think might be drawn from the foregoing analysis are as follows:

(a) That the twelve-mile territorial limit appears to be growing in potential support and that, as such a limit affects the strategic policy of the United States — in particular with regard to Communist China's claims to the offshore islands of Quemoy and Matsu, it constitutes a growing threat to Western defence policy.

(b) that time is clearly in favour of extreme provisions and, accordingly, by April 1960, several more states might be likely to adopt unilaterally a twelve-mile territorial sea.

(c) that the United States proposal recognizing "traditional" fishing rights is losing strength and cannot be considered sufficiently strong enough successfully to counter the growing support in favour of the twelve-mile territorial limit.

(d) that any changes in the United States proposal which are variations on its major theme — that of recognition of fishing rights — will not be likely to improve the appeal of this proposal. The basic defect in any proposal designed to protect traditional fishing rights — that it is discriminatory as against newer states which have not had in the past the

wherewithal to finance distant water fishing fleets — is likely to bring about equally strong opposition from Africa, Asia and Latin-American states.

(e) that the position of the Canadian proposal has been steadily strengthening since the Geneva Conference.

(f) that it is doubtful whether the Canadian proposal, notwithstanding its improved position, is "extreme" enough to obtain two-thirds majority support even with the backing, at a future conference, of the major western maritime powers.

10. The chief question which accordingly seems to arise is whether, if the United States is willing to give its full and unqualified support to the Canadian proposal at the next conference, will it be able to obtain the necessary two-thirds majority support. The hardcore of opposition to any proposal other than one recognizing the twelve-mile limit is bound to be very strong, having regard to the increasingly intense political atmosphere which surrounds the problem of the territorial sea. Thus, if the votes of the Soviet bloc (which seemed, at New York, to be showing some signs of apprehension regarding the possibilities of success for the Canadian proposal) most of the Arab states and several extreme Latin-American states (such as Ecuador, Chile, Peru and Venezuela) and Asian states (such as Indonesia and Philippines) are added up, not many more additional votes may be needed to prevent any agreement whatever being reached at the next conference.

11. The essential fact is, I believe, that the potential weakness of the Canadian proposal, if it has one, is that it might not prove "extreme" enough to attract two-thirds of the members of the international community. A position somewhere in between the United States and the Canadian proposals would, I think, have virtually no chance for success at a future conference. It follows that perhaps the only hope for a satisfactory solution at the next conference is to persuade the United States and ultimately, the United Kingdom and Western European powers to give their full and unqualified support to the Canadian proposal; nothing less would be likely to have a chance to stop the tide in favour of the twelve-mile limit. It seems that in the past United States and United Kingdom policy regarding this question has unfortunately been somewhat behind events; to think now in terms of a halfway house between the United States and Canadian positions is essentially anachronistic and is not likely to prove productive, even in the short run.

12. This is, of course, not to say that we ought not to approach the United States authorities and begin discussions with them at the earliest possible date regarding the law of the sea. I think it must be undisputable that such discussions are a *sine qua non* for the success of a future conference; such discussions could have two functions:

(a) they could serve an educative purpose; the United States must be brought around to a full appreciation of the fact that (1) the Canadian proposal seems to be the only possible counter to the twelve-mile territorial sea, which might prove capable of preserving the Western strategic position, and (2) that even if the United States gives its full support to our position its success cannot be regarded as assured. It would, therefore, seem necessary for them as well as for us to undertake world-wide discussions in an attempt to achieve support for the Canadian proposal.

(b) In order to achieve United States and United Kingdom support for our proposal, it would seem desirable for us to be able to adopt a conciliatory and flexible attitude to the question of United States as well as United Kingdom, French and Portuguese fishing practices off our shores. These, however, should be viewed as essentially bilateral questions which operate outside of and quite independently of the rule of the law itself. The essential area of compromise between the Canadian and United States positions, which it might be both necessary and desirable to explore, should be able to be worked out without affecting

the Canadian proposal as such. If the Canadian proposal's appeal lies in the fact that it unconditionally gives to states all the economic value which they would achieve under the twelve-mile territorial rule, it should in no way be watered down.

13. In any case one of the chief difficulties in the United States proposal seems to have been that it attempted to treat as a matter of law what were really questions of fact. The situation with regard to fishing rights undoubtedly differs enormously from country to country; these problems can appropriately be dealt with individually among the countries concerned, without affecting the rule of law as such. There is undoubtedly bound to be hardships arising from the bringing into operation of a new rule of law, but these are not appropriately dealt with within the terms of the rule of law itself. The rule of law and question of procedures for bringing about adjustments of situations arising from its application should, it would seem, at all times be regarded as distinct matters which operate on different planes. Thus the United States and Canada could appropriately approach their mutual problems bilaterally, and in the framework of the many other outstanding territorial waters' problems which exist between the two countries — Hecate Strait, Dixon entrance, Gulf of St. Lawrence, Hudson Strait and perhaps the Arctic Archipelago. United States support for the Canadian proposal could probably be facilitated through an understanding that, if it becomes adopted at a new conference, fair and appropriate arrangements will be made on a bilateral basis.

14. The impression was gained in New York that many states have come to rely upon the Canadian proposal and to look upon it as a firm proposition; it has really become a concept in its own right and is looked upon as one of the main possible lines of solution to the problems of the territorial sea and fishing zones. To attempt to deal, within the framework of the rule of law itself, with varying questions of fact which, by their very nature, cannot be appropriately cast in terms of the generalities ordinarily found within the scope of legal rules, would, I think, largely defeat the appeal of the Canadian proposal based, as it is, on the fact that it is an easily-applied universal formula.

15. I can, therefore, see no persuasive reason why we should approach the problem of making necessary adjustments for local fishing practices in certain specific areas through amending the Canadian proposal; i.e. through attempting to mould the Canadian proposal into a formula which could cover particular problems in particular areas. These problems belong to the spheres of bilateral discussions and if they are approached in this manner we might possibly stand a better chance of both coming to terms with the United States and United Kingdom and at the same time bringing about the success of the Canadian proposal.

16. One illustration of the value of our entering into discussions with the United States and United Kingdom may be found in connection with the recent debate in the General Assembly concerning the convening of a new conference. Earlier discussions with the United States and United Kingdom would perhaps have enabled us to map out together with them a suitable strategy for dealing with that item. We might have been able to bring home to them the danger involved in their pressing for a date late in 1959, as well as in the great maritime powers co-sponsoring a resolution for the conference. Had we been able to bring home these matters to United Kingdom and United States while their policy was still in a formative stage, I think the United Nations might well have established a 1959 date for the convening of a conference.

17. There is one other aspect of this problem I should also like to mention, which, when the question of Canadian policy is being examined, it might be desirable to bear in mind. I think that, from a Canadian point of view, the problem of the breadth of a territorial sea

and fishing zones has, in the course of the past few weeks, taken on a rather different complication from that which it possessed earlier. The effects of displacement of the Western European fishing fleets from Icelandic shores has only just begun to be felt. The situation off Norway's coast has become very grave, foreign fishing having trebled there within the past few months. If Norway takes unilateral action, as seems likely, the situation in the North Atlantic is likely to deteriorate further, bringing in its train political difficulties perhaps exceeding in seriousness those arising from the Icelandic-United Kingdom dispute.

18. In the event that Norway does take unilateral action, the problem may arise whether Canada will continue to oppose discussions of the North Atlantic fishing problem on a regional basis. While the problem is a hypothetical one at the present time, it might, of course, become concrete in the near future. In that event it might not be easy for us to take an entirely negative view towards regional discussions (even though they might be considered dangerous from a Canadian standpoint), in view of the fact that a solution on a world-wide basis cannot possibly be reached until the late spring of 1960.

19. We may, however, be affected not only indirectly by Norwegian remedial action; the displacement of the Western European fishing fleets might conceivably lead to considerably increased fishing in the Grand Banks and off our coasts generally. This of course is a development which has in a sense been anticipated since the last war, but which nonetheless may cause serious problems with regard to conservation of fishing stock in the Grand Banks and to domestic political pressures within Canada for a unilateral extension of our coastal fishery jurisdiction.

A.E. GOTLIEB

SECTION E

FONDS SPÉCIAL SPECIAL FUND

SUBDIVISION I/SUB-SECTION I

DOUZIÈME SESSION DE L'ASSEMBLÉE GÉNÉRALE TWELFTH SESSION OF THE GENERAL ASSEMBLY

88.

PCO

*Note du secrétaire d'État aux Affaires extérieures
pour le Cabinet*

*Memorandum from Secretary of State for External Affairs
to Cabinet*

CABINET DOCUMENT NO. 302-57

[Ottawa], November 19, 1957

CONFIDENTIAL

ECONOMIC AID TO UNDER-DEVELOPED COUNTRIES THROUGH THE UNITED NATIONS

The question of making more aid available through the UN to under-developed countries, which has been under discussion in UN forums for at least eight years, will very

soon reach a decisive stage at the current meeting of the General Assembly. The question has come to an issue in the form of two competing resolutions: one calls for the establishment of a special UN fund for economic development (SUNFED); the other, put forward by the United States, calls for the expansion of existing UN Technical Assistance Programme and the setting-up of a *special project fund*.

2. For eight years a diminishing group of countries, including Canada, the US and the UK, have been able to prevent the issue being joined by temporizing, delaying, and diverting the pressure by procedural devices. This is no longer possible. Almost all of the UN membership, including the US, now favour the establishment of some [type] of UN fund.

3. The nature of the resolutions now before the Assembly — and their backing — means that if they both go forward independently, they could both secure broad support in the General Assembly. This would not be in the interest of the United Nations, which now requires that it be given a positive and clear cut role in assistance to economic development. Nor would this be in Canada's interest. Canada would inevitably be pressed to support one or other or both of two UN programmes; neither would be entirely to our liking and yet neither could be ignored. Both these proposals cannot be voted down — one at least will go forward. The developments in the last session of ECOSOC, which completely isolated Canada, the UK and the US on the SUNFED issue, make it clear that we cannot expect to defeat the SUNFED resolution by simply making a head-on attack.

3. However, the US proposal offers some possibility of manoeuvre. It has some attractions for the under-developed countries. Although it is not entirely to our liking, it might be modified in such a way that it could be used to contain the pressure for SUNFED. At the same time it could be made more acceptable to us. This Memorandum, after briefly reviewing the nature and history of the two proposals, goes on to recommend a course of action based on the assumption that Canada's interest requires that our Delegation intervene in the current debate.

SUNFED

4. The under-developed countries, with some support from the U.S.S.R., have been pressing for the establishment of a SUNFED since 1948. It is generally recognized that such a Fund, to be effective, would have to be of the order of \$250 million. This would be made up of voluntary contributions by member governments; it would be used to assist underdeveloped countries by grants or low-interest loans for development projects which might not otherwise be financed. In 1953 the UN adopted a declaration put forward by the US that when there is a measure of internationally-supervised disarmament, a portion of the money thus saved should be used to establish such a UN fund.

5. Canada accepted this SUNFED idea *in principle* and voted for the 1953 resolution. However, more recently it has taken the position in the General Assembly that a decision to establish such a Fund should depend on two conditions being met: one, that there be suitable administrative arrangements; and two, that there be sufficient financial support to make the fund practicable, i.e., that there will be financial support from the US and the UK.

6. Neither of these conditions have been met. The current SUNFED proposal involves unfortunate administrative features, although the SUNFED countries have modified their views over the years in an attempt to meet our objections. Further, the US and UK continue to oppose SUNFED on the ground that it must await a measure of world-wide internationally supervised disarmament. In NATO the US has recently argued that the current SUNFED proposals conflict with western objectives in the under-developed countries,

particularly in the Middle East, because they would create new opportunities for Soviet economic penetration.

7. The position of the USSR has been equivocal; it has supported the establishment of SUNFED without, at least until recently, offering a large and useable contribution. A Soviet contribution in the form of industrial goods and machinery has been mentioned. However, it has been reported that the USSR may announce a contribution of one million roubles (\$25 million at the formal rate of exchange but much less in real terms) when the SUNFED resolution is debated in the Second Committee.

8. In view of US and UK opposition and the reluctance of any other countries to offer substantial contributions, the underdeveloped countries had been willing until last summer's Session of ECOSOC to accept procedural resolutions for further study of this question which were designed to prevent any decision being reached. In July of this year, however, the under-developed countries in ECOSOC, supported and led by the Netherlands and France, decided to force the issue to a decision. A resolution was passed by ECOSOC calling for the early establishment of SUNFED. Only Canada, the US and the UK voted against this resolution.

9. The SUNFED proposal is now embodied in a draft resolution, which will come up shortly in the Second Committee. It is sponsored by the Netherlands, India, and Mexico; they can count on the support of a large number of other countries from Western Europe, Asia and Latin America. The resolution calls for the establishment of a United Nations Economic Development Fund to begin operations by January 1, 1960.

The U.S. Proposal

10. The United States Administration has now come to consider that some expansion of economic assistance through the UN is necessary if the pressure for SUNFED is to be contained. Congressional leaders now accept this view. As put forward by the US Delegations to the UN and to NATO, as announced in Washington, and as contained in an aide-mémoire given to officials by the United States Embassy last Friday, the US proposes that, beginning in 1959 (a) the existing United Nations Technical Assistance programme should be expanded to \$50 million from \$31 million, and that (b) the scope of this programme should be broadened through the creation of a \$50 million *special project fund* to finance resources surveys, training centres, industrial pilot projects and research projects. The operation of this fund would be fitted into the existing machinery for administering the technical assistance programme; a preparatory commission would be appointed to define, among other things, the changes which it would be necessary to make in this machinery to ensure the effective use of the fund. The total effect of the US proposal would ultimately involve an increase in UN technical assistance expenditures of \$69 million. The US is willing to provide \$15 million of this increase, and possibly somewhat more in the initial year (1959).

11. American officials principally concerned with formulating the US counter proposal have emphasized to Mr. Dulles that they do not regard it as a permanent substitute for a SUNFED. But they do believe that if their proposal receives significant support from countries such as Canada and the countries of Western Europe, the pressure for the immediate creation of some sort of SUNFED might be deferred for several years. Further, they believe that an expansion and broadening of the UN programme would in itself be a useful and constructive move.

Evaluation of US Proposal

12. In its present form the US proposal has two weaknesses. In the first place, it is questionable whether the existing machinery for administering the technical assistance programme could be satisfactorily modified to ensure effective use of the special project fund. Eight international organizations participate in the programme; the co-ordination of their activities through the Technical Assistance Board poses some very difficult problems. In the second place, the US proposal is not now formulated in terms which would be likely to induce under-developed countries to forego the benefits they hope to receive by pressing at this session for immediate establishment of SUNFED. At the same time it should be recognized that the US proposal represents a very significant step forward: for the first time the US is offering to finance capital projects through the UN. The Administration has persuaded Congressional leaders that to do any less would involve significant damage to US interests. The US will, however, continue to oppose SUNFED.

13. The US proposal does contain three features which make it attractive to the under-developed countries. It contains elements of the SUNFED proposal insofar as it involves the financing of some types of capital projects as distinct from the established technical assistance (training) programmes. Second, it involves United States participation in the financing on a grant basis of certain types of capital projects in under-developed countries through the United Nations. This is an objective which these countries have been striving to reach for some years; many of them are beginning to realize that they are unlikely to reach this objective if they continue to press for "SUNFED now". Third, it calls for a sizeable expansion in the Technical Assistance Programme, and gives to this programme, which the under-developed countries strongly support, a fresh impetus.

The Canadian Interest

14. It is possible that the US proposal could be presented to the under-developed countries in a fashion that might enable them to eventually abandon the SUNFED proposal permanently. Tactically, what is required is to present the US proposal in a way that would enable pro-SUNFED countries to proceed without loss of face in the UN. This would involve pointing out to them what will become obvious fairly soon in any event — that the need for capital aid is being recognized by the establishment of a *special project fund*, and that the experience gained from the operation of this fund will be invaluable in deciding the future of capital aid in the UN. The Canadian Delegation could, by pointing out the implications of the US proposal, do much to divert pressure away from SUNFED. If the Canadian Government were willing to authorize the Delegation to take initiatives in this direction, it should be recognized that these initiatives would involve on our part a moral commitment to give financial support to any sound and realistic plan, which might result if our initiatives are acceptable.

15. As mentioned above, it is doubtful that the existing technical assistance machinery can be effectively adapted to administer a special project fund. However, the World Bank has demonstrated that, of all multilateral agencies, it can administer economic aid most vigorously and effectively. Its management has the confidence of the US and its machinery could, if necessary, be expanded to administer capital aid programmes financed by the UN. From informal conversations it is believed that the Bank would be willing to consider proposals to manage a project fund; senior Bank officials support the view that more aid channelled through the UN and on a grant basis is needed. Further, if the USSR wished to participate in a fund managed by the Bank, it would have to do so on terms and conditions which we accept and which would limit the possibility of Soviet penetration. While the Delegation should refer to management by the Bank as one possibility, it would not be

desirable to give too much prominence to the case for management by the Bank. A definitive proposal in the General Assembly at this stage would merely encourage Soviet and satellite opposition and also the opposition of some under-developed countries which have criticized the Bank for its rigorous lending policies. Our main objective would be reached if the terms of reference of the preparatory commission which would be set up by the Assembly were wide enough to allow it to examine various alternative methods of administering the project fund. However, the Delegation would seek informal agreement from a broadly representative group of delegations (including the US and other potential contributors) that they will, in the Preparatory Commission, support a recommendation (to ECOSOC and the Thirteenth General Assembly) to establish a *special project fund* managed by the Bank.

16. It should be noted that the US propose that it would double its present contribution to the technical assistance programme, thus raising the US contribution to \$31 million, if the total sum which all countries would make available could be raised from the present \$31 million to about \$100 million. The Canadian contribution to the existing Technical Assistance Programme now runs at \$2 million a year. Because the response of other countries to the US proposal is still not clear, it is difficult to envisage what an appropriate Canadian contribution might be. If the US contribution is to be doubled and the programme expanded from \$31 million to \$100 million, (as now proposed) all other contributors, taken as a group, would have to raise their contribution in 1959-1960 from \$15 1/2 million to \$62 million and to \$69 million in 1960-1961.

17. The Delegation has suggested that there might be some advantages in having a Canadian contribution in part tied to the purchase of Canadian capital goods, engineering services, etc. even though past experience shows that inconvertible contributions reduce the effectiveness of multilateral aid programmes and cause administrative difficulties. However, this question should not be decided now; it should be considered later in the light of the detailed proposals to be worked out by the preparatory commission. To make any decision now would unnecessarily restrict the freedom of manoeuvre of the Delegation.

18. If the Delegation is not authorized to take an initiative along the lines indicated above, a possible alternative is to continue either opposing or abstaining on SUNFED and to abstain on the US resolution. This would mean that perforce Canada would be silent in a debate of major importance. There will be inevitable pressures which will call for a decision as to whether or not Canada will play a part in a new UN operation. This decision would have to be taken only after the current proposals had been considerably advanced, when it might be impossible to have Canadian views on organizational and financial arrangements taken into account. In addition to these reasons there are even more substantial political reasons for not postponing a decision on this matter.

19. The demand for the establishment of a UN Fund has now secured the support of virtually all UN countries except the English-speaking members of the Commonwealth and the US. The proposal to establish a SUNFED has brought together into one camp our friends in Asia, our friends in Europe, and the Soviet countries. They have formed a working alliance to fight through an issue in which many feel a deep sense of conviction. Of course there are among the SUNFED group some delegations (e.g. Pakistan) who are not perhaps as thoroughly convinced of the merits of their case as others, but if the issue comes to a vote, the resolution will undoubtedly be accepted by an overwhelming majority. Canada will then be faced with the establishment in the near future of a new UN agency which neither we nor our closest friends support and in which neither we nor our friends will have a voice. New opportunities for Soviet mischief-making would be created. Thus we would soon find ourselves faced with having to consider whether or not we should

make a financial contribution to this new agency in order to have some share in making its decisions.

20. It is therefore desirable to present and seek support for a more acceptable proposal. The chances of success for a compromise proposal are not clear. They turn on the willingness of the SUNFED countries and of the US to have their resolutions referred to the same preparatory commission. It is clear that proposals must be put forward which some of the SUNFED countries, such as the Netherlands, France, and possibly Pakistan, are prepared to support and for which they are prepared to use their influence with other pro-SUNFED countries. The Netherlands and France now find themselves in the uncomfortable position of siding with the Soviet on this issue, and may welcome an initiative which would enable them to re-align themselves with their major allies in the West. This sort of consideration may help the US to accept the necessary changes in their proposal.

21. In the light of these considerations I recommend⁵² that the Canadian Delegation to the UN be instructed as follows:

(1) The Delegation should present the Canadian view on the US proposal, as outlined in paragraphs 12 to 17 above, to friendly delegations; the Delegation is to indicate to them that Canada would be prepared to give sympathetic consideration to making an appropriate contribution in 1959-1960 to a multilateral aid programme similar to the one envisaged in the US proposal, provided that two conditions are met:

(a) that the SUNFED resolution is withdrawn, or if it is not withdrawn that it will be referred to the same preparatory commission as will be considering the US proposal, and that it is understood among major friendly contributors that in the commission it will be merged with the US proposal; and

(b) that the terms of such a preparatory commission are broad enough to include examination of the possibility of having the proposed capital aid fund managed by the World Bank.

(2) Subsequently, if in the judgment of the Delegation there is a reasonable measure of agreement that these conditions will be met, then the Delegation may indicate during the course of debate that if a sound and realistic plan emerges which commands broad support in the UN, the Canadian Government will give sympathetic consideration to asking Parliament to make a reasonable financial contribution. In the debate the Delegation should suggest that the preparatory commission to be set up should be authorized to examine the possibility of the proposed capital aid fund being managed by the World Bank and should seek membership for Canada on such a commission.

(3) When and if such a preparatory commission is established, and if Canada is a member, the Canadian Delegation should seek to ensure that the report of the preparatory commission recommends that suitable arrangements be worked out with the World Bank to manage the capital aid programme.

(4) If in the judgment of the Delegation the conditions are not met, then when the SUNFED and US resolutions come to a vote it should seek instructions from Ministers concerned as to how it should cast its vote.

SIDNEY SMITH

⁵² Approuvé par le Cabinet le 29 novembre 1957.
Approved by Cabinet on November 29, 1957.

89.

DEA/11423-40

*Le représentant permanent auprès des Nations Unies
au secrétaire d'État aux Affaires extérieures*

*Permanent Representative to United Nations
to Secretary of State for External Affairs*

TELEGRAM 2577

New York, November 22, 1957

CONFIDENTIAL. OPIMMEDIATE.

Repeat Washington, London, Paris, NATO Paris (Information).

ECONOMIC AID TO THE UNDERDEVELOPED COUNTRIES THROUGH THE UN

We have been most grateful for the opportunity to discuss with Pollock the memorandum to Cabinet dated November 19. Unfortunately, Mr. Black had left New York before Pollock arrived. However, Pollock had conversation with Lopez Herrarte, IBRD representative here, and by phone with Demuth of the IBRD in Washington. Prior to Pollock's arrival we had informal conversation with Stibravy of the USA delegation and several discussions with the Minister, which are reflected in the following comments which Pollock has seen.

2. We were grateful for the interpretation which Pollock was able to give us of paragraph 21 (i)(b) of the memorandum to Cabinet. By "managed by the World Bank" we now understand the memorandum to Cabinet to mean "with an appropriate participation by the IBRD".

3. As our USA and Bank colleagues suggested the Bank would not want to assume responsibility for managing projects which are directly within the competence of other specialized agencies, for example WHO and FAO. In addition, as Demuth suggested, the Bank would have difficulty in managing projects involving the use of USSR and satellite contributions. We gather that the Bank officials themselves are thinking of terms of "informal arrangements" for securing adequate bank participation in the management of proposed UN economic aid programmes rather than "formal institutional relationship".

4. The Bank officials confirmed ideas which are already mentioned in paragraph 15 of the Cabinet memorandum on the need for care during the general debate in the Second Committee to avoid giving too much prominence to the role the Bank might play in relation to the proposed fund. What the Bank officials fear is that a few statements favouring close integration of the new fund's activities with the IBRD might provoke a flood of statements opposing such a suggestion. This might prejudice acceptance of the idea in the preparatory commission. You may be interested to know that USA authorities and officials of the UN Secretariat have already been discussing the possibility of a small, perhaps three man, board including a representative of the IBRD which would be responsible for allocating funds to the projects to be financed by the new fund. So far as the USA authorities tell us there has been no discussion of Bank management of projects excepting those which would naturally fall within the present competence of the Bank. It could be expected that the percentage which projects within the competence of the Bank would bear to the total number of projects undertaken by the new fund would be high since there is no other specialized agency with direct responsibilities in the field of industrialization and in the broad field of the promotion of economic development.

5. The second point which we have discussed separately with the Minister and with Pollock is the detailed nature of some of the tactical instructions contained in the memorandum for Cabinet. Pollock has had informal discussion with the Netherlands, Cuban, Indian, USA and other delegations. It is evident that it would be premature at this stage to seek any firm agreement of the kind suggested in the last sentence of paragraph 15 from "a broadly representative group of delegations" that they will in the preparatory commission support a recommendation that the special project fund be managed by the Bank.

6. The USA delegation pointed out in this connection that their Treasury officials might have some difficulty with this suggestion since it could be considered to represent the first step in the establishment of a UN fund for large scale capital assistance.

7. We have also discussed with Pollock paragraph 21 (i)(a). It is, of course, impossible to predict the outcome of the next two weeks of negotiations with any certainty. We do not think it should be assumed that either or both the SUNFED and the USA resolutions will be voted on in their present form and we intend to do our best to prevent such a situation. We believe that our first objective should be to promote a resolution acceptable to the USA, the less developed countries, the Netherlands and France, and which would also be consistent with achievement of the objectives in the Cabinet memorandum. As a first step the Indian and Yugoslav delegations have agreed to meet with ourselves, the USA and other delegations early next week to discuss the drafting of a text. After this meeting we should have a clearer idea regarding the possibility of a compromise.

8. Pollock will report personally on these and other discussions in which he will participate prior to his return to Ottawa over the weekend.

9. The Minister asked to receive a copy of this message but it was not available before his departure. Would you please provide him with one.

[R.A.] MACKAY

90.

DEA/11423-40

*Le secrétaire d'État aux Affaires extérieures
au représentant permanent auprès des Nations Unies*

*Secretary of State for External Affairs
to Permanent Representative to United Nations*

TELEGRAM E-1845

Ottawa, November 29, 1957

CONFIDENTIAL. OPIMMEDIATE.

Reference: Your Tel 2577 Nov 22.

Repeat Washington, London, Paris, NATO Paris (Information)

ECONOMIC AID TO UNDER-DEVELOPED COUNTRIES THROUGH THE UN

Cabinet has approved the memorandum to Cabinet dated November 19. It is a matter for your judgment as to what delegations and in what detail you discuss Canadian views on this subject. However, you should bear in mind that we will need to know some time in advance when you plan to make a public statement in the Second Committee in which you indicate Canadian willingness to giving sympathetic consideration to making a contribu-

tion in 1958-1959. There have been some questions asked in the House⁵³ about this matter and it may be that the Minister will wish to make a statement in the House at the same time as is done in New York.

2. The representatives of the UK, Australia and New Zealand here have indicated considerable interest in knowing what the Canadian line would be and we propose to inform them generally of the approach authorized by Cabinet. The US Embassy also has requested (in an aide mémoire) some indication of our views on the US proposal. We will be speaking to them in the near future.

3. When Mr. Pollock returned from New York he reported to a meeting of senior officials here. He amplified the comments set out in your telegram under reference. At the meeting it was decided that it would be useful to have further information from senior officials of the World Bank as to the attitudes of the Bank on this subject. As a result, Mr. Hockin reported from Washington in telegram 2521 of November 27,† a copy of which was referred for information to Permisi New York. In the course of the meeting officials reviewed the ideas which were set out in the memorandum to Cabinet in the light of your comments and Pollock's report. As we are sure you will realize after your discussions with Pollock, it was not our intention to discourage you from participating in any moves in New York to find a compromise based on the US proposal, provided that such a compromise was acceptable to the Netherlands, France, and the under-developed countries, as an alternative to SUNFED at this session. What seemed equally important to us was that such a compromise should be designed to contain the pressure for a UN capital aid programme until such time as the conditions set out in our reply to the SUNFED questionnaire are met. In this connection it seems very important to us that the US has indicated that it will not be willing to contribute to a capital aid programme until "sufficient progress has been made to internationally-supervised disarmament".

4. We doubted that the US proposal, in its present form, was completely satisfactory or that it would serve to contain the pressure for immediate or early action on SUNFED. Officials were not willing to recommend to ministers that Canada take an initiative which would commit US to an increase in the Canadian contribution to a larger technical assistance programme which might not be completely effective, while at the same time we continued to be exposed to sharp criticisms for our failure to support the SUNFED issue. The recommendations accepted by Cabinet were designed to authorize you to advance proposals which might facilitate agreement at this session and to offer an advantageous basis for any further action that might be necessary to meet continuing pressures for capital aid. In this connection we thought it important to secure a major role for the World Bank in the management of such increased resources as member states might contribute for economic development. It was our view that the maximum participation possible of the Bank might minimize, if not entirely eliminate, the centrifugal conflicts among the agencies. It would also provide an instrument which would be capable of managing major projects which might result from any future increase in capital aid funds. Since the Bank has the confidence of the US, participation by the Bank in the management of the Fund might even encourage the US to provide more funds.

5. To reach these objectives it seemed desirable that you should mention the World Bank during the course of the general debate. Such a reference would be in general terms but would give an indication of the direction of our thinking. At the same time we thought that the delegation could effectively put forward our ideas informally and confidentially to

⁵³ Voir Canada, Chambre des Communes, *Débats*, 1957-58, volume II, p. 1595.

See Canada, House of Commons, *Debates*, 1957-58, Volume II, p. 1516.

some of the major potential contributors to the Fund and to some of the key recipient countries to attempt to ensure that in any preparatory commission they might endorse such an approach. The minimum that seems desirable from a Canadian point of view was to ensure that any preparatory commission established to examine the US proposal is given authority to consider the role we propose for the Bank. Detailed proposals for participation of the Bank would, of course, not be advanced until the preparatory commission begins its work.

6. There seemed to us to be many ways in which the Bank might participate effectively; these would have to be worked out in detail in consultation with the Bank, prior to the inauguration of any formal discussion in the preparatory committee. The fact that different officers of the Bank have somewhat different views in these matters and that in the event the thinking of the Bank has not gone very far, will be evident to you from Washington's telegram 2521. In the preparatory commission we would be seeking maximum participation, limited only by the views of the Bank itself, on what it considers desirable and practical, and, of course, by the willingness of the members of the preparatory commission to agree to a practical programme acceptable to the Assembly.

7. We recognize and share your concern about the difficulties involved in working out such an arrangement but they seem to us to be no more difficult, and perhaps more fruitful, than the current attempts in the Second Committee to devise a formula to embrace what have been hitherto the irreconcilable desires of the under-developed countries for capital aid and the expressed view of the US that it will not provide capital aid at present.

8. If all these efforts do not produce a clear and more nearly final solution to the problem at this assembly, at least the Canadian Delegation will be in the position of defending constructive proposals rather than in the more dubious position it has found itself in the past of merely opposing proposals advanced by the Netherlands, France, and our friends amongst the under-developed countries. Members of the delegation will recall that after the last ECOSOC meeting the Canadian Delegation was of the view that because of the lack of initiative, Canada was constantly being placed in the individious role of permanent opposition to aid proposals though we were one of the main contributors to economic aid and could reasonably expect to receive credit for playing a constructive role.

9. As a next step, and before the time arrives when you make a public statement of our attitude, it might be useful if the Delegation were to draft a resolution embodying our views and designed to secure broad support in the Second Committee. We would be grateful to have an opportunity to examine such a draft resolution before you show it to other delegations.

91.

DEA/11423-40

*Le chef de la délégation à l'Assemblée générale des Nations Unies
au secrétaire d'État aux Affaires extérieures*

*Chairman, Delegation to United Nations General Assembly,
to Secretary of State for External Affairs*

TELEGRAM 2627

New York, November 29, 1957

CONFIDENTIAL. PRIORITY.

Repeat London, Washington, Paris, NATO Paris (Information).

ECONOMIC DEVELOPMENT ASSISTANCE THROUGH THE UN

Our telegram 2628† contains the text of a draft resolution presented to the USA, UK, French and Canadian Delegations by the Delegation of India on behalf of the SUNFED group.

2. During the preliminary consideration of this draft the USA representative suggested that the proposed Special Fund was more clearly divorced from the operations of the expanded programme than seemed desirable. A number of other drafting suggestions were made but the major point of difference will clearly center around the relationship of the proposed new Special Fund to existing UN programmes. The under-developed countries are now, as this text indicates, willing to recognize that until sufficient funds are available, a large scale UN capital aid fund cannot be established. Section C of the Indian text appears to accept this situation pending reconsideration by the General Assembly when large enough additional resources become available.

3. In the course of discussion it also became clear that figure to be inserted in paragraph 3 might be \$100 million and that figure to be inserted in paragraph 5 might be considerably higher, the idea being to leave a twilight zone for expansion of concept of a special project and exploration of possibility of large scale capital assistance.

4. We have been giving consideration to the possibility of reconciling views of SUNFED group, as expressed in the draft telegram, with USA proposal, in a resolution which would provide for establishment of an economic development fund under which there would be two programmes — the present expanded technical assistance programme and a special projects programme — both of which might report to something like present TAC. TAB (and IBRD) might be represented on board set up to administer special projects and the present technical assistance machinery would be used as much as possible. Potentially there might be a third programme which could deal with large scale capital assistance, and this might be anticipated in the resolution somewhat in the manner in which it is anticipated in paragraph 5 of the draft that we are transmitting — provided this were acceptable to USA.

5. Countries might earmark contributions for one or both programmes but TAC (or its successor) would take steps to preserve proper balance. (Possibly, first \$35 million would go to technical assistance, second \$35 million to special projects, with any amount in excess of \$70 million to be allocated 50/50 or as deemed appropriate.)

6. Arrangement along lines suggested above would meet USA desire for a single fund, would assure continuance of expanded programme of technical assistance, and should go a long way towards meeting desire of SUNFED group for a separation of technical assistance and special projects. We would be free to press for association of IBRD in administration of special projects.

7. We shall try to prepare language for a resolution expressing these ideas, which we shall send you as soon as possible.

8. We would certainly not discuss this with other delegations without express authority. It would be most helpful if you could let us have your views in time for a further meeting with SUNFED group which is scheduled for Wednesday December 4.

9. On receipt of instructions after Cabinet consideration it is possible that the delegation may be able to assist drafting of an improved resolution. We agree with our USA colleague, however, that the Indian text provides a useful basis for further negotiation.

92.

DEA/11423-40

*Le chef de la délégation à l'Assemblée générale des Nations Unies
au secrétaire d'État aux Affaires extérieures*

*Chairman, Delegation to United Nations General Assembly,
to Secretary of State for External Affairs*

TELEGRAM 2631

New York, November 29, 1957

CONFIDENTIAL. PRIORITY.

Repeat London, Washington, Paris, NATO Paris (Information).

ECONOMIC ASSISTANCE TO UNDERDEVELOPED COUNTRIES THROUGH THE UN

USA, UK and French Positions

USA Views: We are forwarding by bag copies of an explanatory statement on the USA proposal which Judd made on November 27.† This was an important statement which we do not propose to summarize here since it was most carefully worded and lengthy. Two points are worth emphasizing.

(1) Mr. Judd reiterated his government's view that the new programme would "facilitate in the years to come new capital investments of all types private and public, national and international by creating conditions which will make such investments either feasible or more effective. It will thus help to increase the flow of capital resources to underdeveloped countries, the need for which we are the first to recognize". We believe that eventual agreement with the SUNFED group will centre around the interpretation of this statement in the form of a resolution.

(2) Judd also clarified the relationship between USA proposal and SUNFED in the following terms: "Regardless of the decision taken by this Committee on the USA proposal, my government would find it impossible to support the establishment of a capital development fund at this time. We continue to support the principle of the establishment of such a fund when circumstances give promise of its attaining a meaningful size in terms of the capital needs of the less developed countries. We cannot anticipate exactly when this time will come". It will presumably be possible on the basis of this statement, for the USA to accept a fairly forthcoming expression of hope for the eventual establishment of SUNFED as a large scale capital aid programme.

2. *UK Views:* The UK statement on November 27 was a general exposition of the role which the UK has played and continues to play as a capital exporting country. The UK representative made it clear that his government was "not in a position to contribute" to SUNFED and referred directly to the USA proposal in the following sentence only: "The proposals of the USA delegation accordingly seem to us to offer a constructive approach, and we think the Committee would be well advised to study it in this light". We have seen London's instructions on this subject which make it quite clear that while the UK could vote for some suitably worded compromise resolution, it would have to emphasize that a contribution could only be expected "when possible". Our UK informants seem convinced that under present UK economic and political conditions, a contribution to the USA scheme is not likely to be agreed even in principle in 1958. The UK is also urging that the USA proposal be considered separately from the technical assistance programme since the UK is not prepared to consider increasing its technical assistance contribution at the present time. The UK delegation agrees, however, that their position might lead to the creation

of a separate organization for the new fund which they have also been instructed to oppose on grounds of economy. As one UK delegate put it, "We don't have much flexibility to our position on this issue at the moment".

3. *French Position:* As we reported to Ottawa by phone, the French position on SUNFED has changed, we understand chiefly as a result of conversations between Mr. Pineau and Mr. Dulles in Washington. In Washington, Mr. Pineau is reported to have said that his delegation would "go all the way with the USA proposal". The French delegation in New York is, however, taking a rather less clear cut line which might best be described by quoting the concluding paragraph of the French statement on November 25: "Ceci dit, et compte tenu de ces commentaires, il va de soi que quelle que soit la formule envisagée et retenue, la contribution française sera maintenue. Elle s'appliquera avec les modalités appropriées, soit à l'assistance technique accrue et au financement du fonds pour projets spéciaux que se distinguerait techniquement et administrativement de l'assistance technique, soit au financement du fonds initialement prévu, et cela sans attendre un désarmement que ma délégation considère cependant plus nécessaire et plus urgent que jamais". The meaning of this statement is apparently that the French delegation would no longer support the immediate establishment of SUNFED and that at least part of the contribution which it had envisaged for a possible SUNFED would be made available if something like the USA proposal was adopted. The French statement also contained, however, reference to the need for an international code of ethics governing private capital investments. It is difficult at this point to anticipate with any accuracy in financial terms what the French position means.

4. There have been no other statements of major interest in the Committee. We have reported elsewhere the stage which negotiations concerning a draft resolution have reached.

93.

DEA/11423-40

*Le sous-ministre adjoint du ministère des Finances
au sous-secrétaire d'État aux Affaires extérieures
Assistant Deputy Minister, Department of Finance,
to Under-Secretary of State for External Affairs*

Ottawa, December 3, 1957

Attention: Mr. L.E. Couillard

Dear Sir:

RE: ECONOMIC DEVELOPMENT ASSISTANCE THROUGH THE UN⁵⁴

We have received copies of telegrams nos. 2627, 2628 and 2631 on SUNFED from our Delegation to the United Nations.

These telegrams suggest that the situation in the United Nations is developing along lines which, in our view, provide a favourable climate for advancing successfully the ideas contained in the memorandum on this question which Cabinet approved. The under-developed countries, as represented by India, want to disassociate the *special projects fund*

⁵⁴ Note marginale :/Marginal note:

Text-Phoned to Hadwen 6:30 pm Dec 3. R. Grey

from the technical assistance programme in order to remove the limitations which such a connection implies. The U.S. wants to maintain a close connection between the special fund and technical assistance. Would not close association of the International Bank with the special fund offer a sound and attractive middle course? Similarly, the U.K. would like to separate the U.S. proposal from the technical assistance programme, but fears that this might lead to the creation of a separate organization. Here again, the International Bank seems to offer a way out.

We do not understand why the Delegation does not seize the opportunity to promote with selected delegations the ideas included in the memorandum approved by Cabinet and to pave the way for later consideration in the preparatory commission of our suggestions for a major role for the International Bank. We find it difficult to reconcile some of the information provided in the telegrams with the conclusions. For instance, telegram no. 2631 reports that the U.S. representative stated that his "Government would find it impossible to support the establishment of a capital development fund at this time". Yet, the conclusion is reached that it will presumably be possible for the U.S.A. to accept a fairly forthcoming expression of hope for the eventual establishment of the fund. Can we accept this as an accurate statement of the current U.S. position?

We also note that the Annex to the Indian resolution seems to fix in advance important organizational features of the proposed special fund thereby limiting seriously, if it does not effectively preclude, the opportunity for developing arrangements in which the International Bank will play a significant role in the administration of the special fund. As you know, the Cabinet memorandum establishes two conditions for consideration of Canadian participation. The Indian resolution entirely ignores the condition set forth in paragraph 21 (1) b.

The Delegation proposes to submit a resolution which would provide that "the present technical assistance machinery will be used as much as possible", yet Cabinet has agreed that the U.N. technical assistance machinery is not suitable for purposes of administering the new fund. Insofar as we can determine, there seems to be little difference between the Delegation's position and the U.S. proposal even though the Cabinet agreed that the U.S. proposal was not satisfactory without modification. It is possible that paragraph 4 of telegram no. 2627 is intended to answer these questions, but it does not provide a clear picture of the situation. As far as we can see, it calls for the multiplication of programmes, boards and funds — in other words, for making the operation and administration of the programme as complicated as possible. In this system, the International Bank would play a minor role, its influence lost.

The Delegation should ensure that its position is consistent with the instructions approved by Cabinet. In particular, we would wish to be in a position, at the very least, to present to the Preparatory Commission our views on the role which we believe the International Bank should play in the operation of a *special projects fund*. This means, in practical terms, that there should be enough flexibility in terms of reference of the Preparatory Commission to allow full consideration of the Bank's possible role. It does not mean that the Delegation need vigorously promote the role of the Bank in public at this time. The Delegation is the best judge of what promotion can be done now.

Yours very truly,

A.F.W. PLUMPTRE

94.

DEA/11423-40

*Le chef de la délégation à l'Assemblée générale des Nations Unies
au secrétaire d'État aux Affaires extérieures*

*Chairman, Delegation to United Nations General Assembly,
to Secretary of State for External Affairs*

TELEGRAM 2695

New York, December 5, 1957

CONFIDENTIAL. OPIMMEDIATE.

Repeat Washington (OpImmediate), London, Paris, NATO Paris (Information).

SECOND COMMITTEE: ECONOMIC DEVELOPMENT OF UNDERDEVELOPED COUNTRIES

It appears that there are two main problems that will have to be resolved if a compromise between the USA proposal and the Eleven Power proposal is to be achieved. One problem concerns the name of the proposed special projects fund or programme and its relationship to the expanded programme of technical assistance, which has to meet USA requirement that it be eligible for funds under "technical assistance" and yet save face of delegations that have been pressing for SUNFED. The other problem concerns a paragraph providing for reopening of SUNFED.

2. Paragraph 5 of the Indian draft (our telegram 2628) deals with the latter problem, and USA delegation is trying to redraft it. As soon as they have a text, we shall send it to you.

3. With a view to resolving the first problem we have prepared a draft resolution based partly on the Indian draft. We believe that this draft reflects Canadian policy, and we think, on basis of talks that we have had with USA delegation, that it would be acceptable to USA. We should be grateful for your comments as soon as possible. In the meantime we are discussing the problem with other delegations.

4. Eventually it may be desirable for us to sponsor or co-sponsor a draft resolution along lines of this text. Text begins:

The General Assembly,

In conformity with the determination of the UN, as expressed in its Charter, to promote social progress and better standards of life in larger freedom and, for these ends, to employ international machinery for the promotion of the economic and social advancement of all peoples,

Conscious of the particular needs of the less developed countries for accelerated economic development,

Recognizing that the UN expanded Technical Assistance Programme is of proven effectiveness in promoting the economic development of the less-developed countries,

Considering that, in order to supplement the efforts being made by the UN and by individual countries to provide economic and technical assistance to the underdeveloped countries, it is desirable to take such steps as are practicable to enlarge the financial resources and scope of existing UN technical assistance programmes,

Convinced that an increase in such assistance through the UN to the less-developed countries would help to create favourable conditions for increasing the flow of capital to such countries and would, by stimulating their social and economic advancement, contribute to the stability and peace of the world,

Noting the recommendation of the Economic and Social Council in its resolution 662B (XXIV) that the General Assembly take steps to establish a special UN Fund for the financing of the economic and social development of under-developed countries,

Recognizing, however, that the establishment and successful operation of such a Fund would not be feasible at this time,

1. Commends the Ad Hoc Committee on the question of the establishment of a special UN Fund for economic development for its work as embodied in its final and supplementary reports prepared in accordance with General Assembly Resolution 923 (X) December 9/55, and 1030 (XI) February 26/57;

2. Decides that there should be established, within the general context of the programmes of technical assistance, a Special Fund which would provide systematic and sustained assistance in certain basic fields essential to the integrated technical, economic and social development of the less developed countries;

3. Decides further that, in the light of the resources prospectively available to it, the Special Fund shall be used to enlarge the scope of the current UN programmes by undertaking special projects in certain basic fields, for example, inventories of natural resources and the most appropriate methods for their utilization, and the creation or development of technological institutes;

4. Considers that although some new machinery will be required for the administration of the special fund, the fullest possible use should be made of the existing machinery of the expanded programme of technical assistance, and of the specialized agencies, including the International Bank for Reconstruction and Development.

5. An amended version of the Indian draft resolution which now reads as follows:

Considers further that, as and when the resources available to the special fund exceed ____, or if circumstances otherwise permit, it shall after due report to and approval of the General Assembly undertake projects of assistance in more extended fields designed to accelerate the integrated economic and social development of the less-developed countries, principally their economic and social infrastructure.

6. Establishes a Preparatory Committee composed of ____ members of the UN to be designated by the President of the General Assembly;

7. Decides that the Preparatory Committee shall

(a) define the basic fields, the types of projects which should be eligible for assistance.

(b) Define such changes in existing UN machinery and procedures as may be necessary in order to assure the early and effective operation of the Special Fund.

(c) Prepare any necessary draft amendments to UN resolutions governing existing programmes.

(d) Ascertain the extent to which governments would be willing to contribute to UN expanded programme of technical assistance and to the Special Fund;

8. Invites the Secretary General to provide the Preparatory Committee with all the necessary facilities, including the provision of such expert consultants as might be required;

9. Requests governments to assist the Preparatory Committee in its work by submitting their views and suggestions through the Secretary General and, in particular, by indicating the extent to which they would be willing to contribute to the Special Fund;

10. Invites the specialized agencies, the Technical Assistance Administration and the Technical Assistance Board to submit their views and suggestions to the Preparatory Committee through the Secretary General;

11. Requests the Preparatory Committee to submit the results of its work in the form of a report and recommendations to the Twenty-sixth Session of the Economic and Social Council;

12. Requests the Economic and Social Council to transmit the Preparatory Committee's report, together with its own comments, to the 13th Session of the General Assembly for final action;

13. Looks forward to the establishment of the Special Fund as of January 1, 1959;

14. Appeals to all States members of the UN, in a spirit of cooperation and solidarity, to give the greatest possible support to the Special Fund.

95.

DEA/11423-40

*Le chef de la délégation à l'Assemblée générale des Nations Unies
au secrétaire d'État aux Affaires extérieures*

*Chairman, Delegation to United Nations General Assembly,
to Secretary of State for External Affairs*

TELEGRAM 2696

New York, December 5, 1957

CONFIDENTIAL. OPIMMEDIATE.

Repeat Washington (OpImmediate) (Information).

SECOND COMMITTEE: RELATIONSHIP OF IBRD TO NEW UN AID PROGRAMME

You will have seen the paragraph in Mrs. Fairclough's speech referring to the IBRD. We showed this paragraph to the New York representatives of the Bank who approved.

2. As you will have seen from the draft resolution we are forwarding to you separately,⁵⁵ we have inserted a separate reference to the IBRD.

3. We have had conversations with the USA, UK, Netherlands, Yugoslavia and Indian delegations on the basis of which we believe there is strong support for association of IBRD with the new UN programme. It has not so far been possible to obtain from these delegations any firm statement of exactly what role of IBRD should be. The IBRD representative here has told us that the Bank would not, at this stage, like to be tied down to any specific function in relation to the new programme when no decisions have yet been taken regarding its organization and operation.

4. Principally as a result of USA insistence, it appears likely, however, that in addition to a close relationship with the IBRD, the new programme will also have to have a close relationship with present UN technical assistance machinery, particularly the field offices. It is generally accepted, however, that the new programme would not be subject to the direction of the Technical Assistance Board, nor would it be guided by the agency allocation procedure. It is possible, however, that situation, may change as the various specialized agencies bring pressure to bear on the governments most ready to accept their views.⁵⁶ In this connection we have passed to the local FAO representative your comments about FAO's record concerning joint projects in which Canada participates.

⁵⁵ Voir le document précédent./See previous document.

⁵⁶ Note marginale :/Marginal note:
any evidence [?] [R. Grey]

96.

DEA/11423-40

*Le secrétaire d'État aux Affaires extérieures
au chef de la délégation à l'Assemblée générale des Nations Unies*

*Secretary of State for External Affairs
to Chairman, Delegation to United Nations General Assembly*

TELEGRAM E-1891

Ottawa, December 6, 1957

CONFIDENTIAL. OPIMMEDIATE.

Reference: Your Tels 2695 and 2696 Dec 5.

Repeat Washington, London, Paris, NATO Paris (Routine) (Information).

SECOND COMMITTEE: ECONOMIC DEVELOPMENT OF UNDER DEVELOPED COUNTRIES

The discussion in the Second Committee on this subject seems to be moving toward the position called for by the Cabinet memorandum. We recognize that there will be difficulties in defining the relationship of the Special Projects Programme (SPP) to the existing Technical Assistance Programme. However, the draft resolution set out in your telegram 2695 seems to us to give undue emphasis to a close relationship between the SPP and the existing Technical Assistance Programme. We do not quarrel with the idea that these two programmes should be properly coordinated and that the field offices should serve the SPP, but we hope that IBRD activities under the programme would not be subject to TAB.

2. We have a few comments on your draft resolution which may be of some use to you in discussion with other delegations. We would certainly hope that the resolution as it finally emerges would be such that you could co-sponsor it but we would want to see a final text beforehand; we would also wish at that time to have your views on an assessment of the organizational arrangements which the Preparatory Commission is likely to recommend.

3. In the fourth paragraph of the preamble to your draft resolution the words "technical assistance" should be deleted from the last line. We would hope that the US could accept this change.

4. Operative paragraph 4 of the resolution might begin as follows: "Considers that effective use should be made of the existing machinery and facilities of the UN and of the specialized agencies, including IBRD". If the role of the International Bank could be given more prominence, for example by saying "particularly the International Bank" rather than "including the International Bank" this paragraph would be much improved, but we recognize that such a change might be unacceptable to other delegations.

5. Operative paragraph 5 as amended from the Indian draft resolution seems to us to be quite dangerous. We think the underdeveloped countries should recognize that if there is a paragraph of this nature in the resolution which provides that when the Special Fund exceeds a stated amount, the scope of the programme may be broadened, this gives the major donor country full control over the scope of the programme. If the USA continues to be opposed to capital programmes a clause of this kind would, in fact, lead them to limit the size of any contribution which would bring a capital aid programme closer. This is not in the interests of the underdeveloped countries. This paragraph should be replaced by much more general language which merely indicates that when the resources available to the Fund are increased and other circumstances permit, consideration should be given to widening the scope of the Fund's activities. Possibly the American redraft of this para-

graph to which you refer will meet some of these difficulties. We would have thought that the present version would be quite unacceptable to the United States.

6. Operative paragraph 9 is undesirable in that most countries including ourselves would not wish to indicate the extent to which they would be willing to contribute to the Special Fund until after the Preparatory Commission has reported. If it is necessary to put this request to governments in paragraph 9, governments should also be invited to indicate the conditions under which they would be prepared to contribute to the fund.

7. Operative paragraph 10 might be redrafted along the following lines: "Invites the Secretary General to submit his views on this matter to the Preparatory Committee and invites the Secretary General to seek the views of the specialized agencies, Technical Assistance Administration and the Technical Assistance Board, and to submit their views to the Preparatory Committee". Before proposing such a change you should seek reasonable informal assurances that the Secretary General's views are likely to reflect views of de Seynes rather than Technical Assistance personnel.

8. Reference paragraph 4 your telegram 2996 you should not hesitate to emphasize to representatives of the specialized agencies that if they press unreasonably for their special interests they will merely encourage strong demands to exclude them as far as possible from playing an active role in the new programme, to their own detriment.

97.

DEA/11423-40

*Le chef de la délégation à l'Assemblée générale des Nations Unies
au secrétaire d'État aux Affaires extérieures*

*Chairman, Delegation to United Nations General Assembly,
to Secretary of State for External Affairs*

TELEGRAM 2731

New York, December 7, 1957

UNCLASSIFIED. OPIMMEDIATE.

Repeat Washington (OpImmediate); London from Ottawa; Paris, NATO Paris from London (Information).

SECOND COMMITTEE: ECONOMIC ASSISTANCE

The following is the text of the USA draft resolution circulated at a meeting with representatives of the SUNFED group on December 7. Our comments follow in a separate message. Begins:

The General Assembly, in conformity with the determination of the UN, as expressed in its Charter, to promote social progress and better standards of life in larger freedom, and for these ends, to employ international machinery for the promotion of the economic and social advancement of all peoples,

Conscious of the particular needs of the less developed countries for international aid in achieving accelerated economic development, including aid designed to strengthen their economic and social infrastructure,

Recalling General Assembly Resolution 724A(viii) regarding the establishment of an "international fund within the framework of the UN, to assist development and reconstruction in underdeveloped countries",

Noting the recommendation of the Economic and Social Council in its Resolution 662B(XXIV),

Recognising that the UN expanded technical assistance programme is of proven effectiveness in promoting the economic development of the less developed countries,

Recognising, however, that the expanded technical assistance programme cannot now meet certain urgent needs for technical assistance which, if met, would advance the processes of economic and social development for the less developed countries, and, in particular, would facilitate new capital investments of all types — private and public, national and international — by creating conditions which will make such investments either feasible or more effective,

Convinced that a rapidly achieved enlargement in the financial resources and scope of the UN programmes of technical assistance up to 100 million dollars annually would constitute a feasible and constructive advance in UN aid which would be of immediate significance in accelerating the economic development of less developed countries,

A

Commends the Ad Hoc Committee on the question of the establishment of a Special UN Fund for Economic Development for its work as embodied in its final and supplementary reports prepared in accordance with General Assembly Resolutions 923(X) December 9, 1955 and 1030(XI) February 26, 1957;

B

1. Decides that subject to the conditions prescribed hereunder there shall be established as part of the technical assistance programs of the UN a separate Special Projects Fund which would provide systematic and sustained assistance in certain basic fields essential to the integrated technical, economic and social development of the less-developed countries,

2. Decides, further, that in view of the resources prospectively available at this time, the operations of the Fund shall be used to enlarge the scope of the UN programmes of technical assistance so as to include special projects of assistance in these basic fields to be defined by the Preparatory Committee provided for in paragraph 4 below, such as intensive surveys of water, mineral and potential power resources; the establishment, including staffing and equipping, of training institutes in public administration, statistics and technology, and of industrial research and productivity centers,

3. Considers that, while the fullest possible use should be made of the existing machinery of the expanded program of technical assistance, the Special Fund will require some new administrative and operational machinery,

4. Decides to establish a Preparatory Committee composed of representatives of _____ governments participating in the UN programmes of technical assistance to do the following:

(a) define the basic fields of assistance which the Special Fund should encompass and, within these fields, the types of projects which would be eligible for assistance;

(b) define the changes which will need to be made in the administration and machinery of the UN expanded technical assistance programme in order to assure rapid and effective use of the Special Fund;

(c) ascertain the extent to which governments would be willing to contribute to the Special Fund;

(d) prepare the necessary draft amendments in the present procedures and legislation of the expanded programmes;

5. Requests the President of the General Assembly to appoint the members of the Preparatory Committee;

6. Invites the Secretary General to provide the Preparatory Committee with all the necessary facilities, including the provision of such expert consultants as might be required;
7. Requests governments to assist the Preparatory Committee in its work by submitting their views and suggestions to the Preparatory Committee through the Secretary General and, in particular, by indicating the extent to which they would be willing to contribute to the Special Fund;
8. Invites the Specialized Agencies, the Technical Assistance Administration and the Technical Assistance Board to submit their views and suggestions to the Preparatory Committee through the Secretary General;
9. Requests the Preparatory Committee to submit the results of its work in the form of a report and recommendations to the Twenty-sixth Session of the Economic and Social Council;
10. Requests the Economic and Social Council to transmit the Preparatory Committee's report, together with its own comments, to the Thirteenth Session of the General Assembly for final action;
11. Looks forward to the establishment of the Special Fund as of January 1, 1959;
12. Appeals to all states members of the UN, in a spirit of cooperation and solidarity, to give the greatest possible assistance to the Special Fund.

C

13. Subject to the recognition that many countries cannot make financial commitments except with the approval of legislatures and on an annual basis; and that amounts made available to any multilateral capital development fund would in some cases involve reductions in contributions made bilaterally for development purposes;
14. Resolves that when at least 500 million dollars are prospectively available on an annual basis to the UN for development aid beyond that provided by the Special Fund, the General Assembly upon notification of such fact by the Secretary General shall consider the desirability of undertaking a program of capital development by the establishment of a capital development fund principally designed to assist in the development of the economic and social infrastructure of the less-developed countries.

98.

DEA/11423-40

*Le chef de la délégation à l'Assemblée générale des Nations Unies
au secrétaire d'État aux Affaires extérieures*

*Chairman, Delegation to United Nations General Assembly,
to Secretary of State for External Affairs*

TELEGRAM 2732

New York, December 8, 1957

CONFIDENTIAL. OPIMMEDIATE.

Reference: Your Tel E-1891 Dec 6 and Our Tel 2731 Dec 7.
Repeat Washington, London, Paris, NATO Paris (Information).

SECOND COMMITTEE: ECONOMIC DEVELOPMENT OF UNDERDEVELOPED COUNTRIES

1. Our telegram 2731 contains the text of a draft based partly on the Indian draft which was given to us yesterday morning by the USA delegation at a meeting attended also by

UK and French delegations. Subsequently, we all met with representatives of the Indian, Netherlands, Yugoslav, Chilean and Venezuelan delegations.

2. The most important elements of the USA proposal are contained in operative paragraphs B1 and C14 of the USA draft.

3. Operative paragraph B1 provides for the establishment "as part of the technical assistance programmes of the UN" of a special projects fund. Please note that in this paragraph and elsewhere throughout the draft resolution the words "technical assistance programmes" are not capitalized. The words are capitalized only when the expanded programme of technical assistance is referred to specifically. The fund might be called a "Special Fund" or a "Special Projects Fund". The USA delegation has, however, rigid instructions to see to it that any Fund that is established is regarded as within the technical assistance programmes of the UN. Apparently, Congress will vote money for technical assistance but not for capital assistance through the UN. The USA agrees that the Special Projects Fund should be separate from the expanded programme of technical assistance: the need for separate machinery is recognized in paragraphs B3 and B4. It is unfortunate that the USA definition of technical assistance embraces some forms of what other people call capital assistance. If the delegations that have long supported the idea of a capital assistance fund would be able to report to their governments that a limited capital assistance fund would be established, much face would be saved. The acceptability of the USA proposal, which in substance marks a step forward, is greatly reduced by the insistence on describing it as a form of technical assistance.

4. Operative paragraph C14 twists the idea contained in paragraph 5 of the Indian draft resolution. The Indians and their co-sponsors envisage a special fund that might eventually engage in larger and more ambitious projects than those envisaged in the USA proposal. USA delegation admits privately that the step forward may prove to be a first step towards the establishment of a capital assistance fund but they cannot accept any language that contemplates this: to do so they say would entail moral commitment to contribute eventually to a large scale capital assistance fund. When asked how the Secretary General might ascertain the fact that \$500 million was prospectively available for development aid beyond that provided by the Special Fund, Congressman Judd said that presumably the Secretary General would enquire of governments each year. We expressed distaste for this idea and said that we thought that the phrase "upon notification of such fact by the Secretary General" might be omitted: we said that when \$500 million appeared to be available it would certainly be brought to the attention of the Assembly. Operative paragraph C13 is, of course, a preambular paragraph to paragraph C14. Dr. Judd explained that the second part of operative paragraph 13 was not intended as a threat but merely as honest notice that an increase in contributions to multilateral programmes might involve a switch in appropriations from bilateral programmes. The USA delegation has extremely rigid instructions on the texts of paragraphs C13 and C14. In the time available it will be very difficult to obtain any amendments whatsoever. We appreciate the apprehensions expressed in paragraph 5 and your telegram E-1891. We would point out, however, that the USA contribution cannot very well be cut in the manner that you suggest so long as the matching formula is contained in effect.

5. Now we should like to comment of other paragraphs of the USA draft.

6. The first five paragraphs of the preamble require no comment. If preambular paragraphs 6 and 7 should encounter any opposition, we might in the consequent redrafting try to insert the ideas contained in our own preambular paragraphs 4 and 5.

7. Operative paragraph A1 which commends the Ad Hoc Committee requires no comment. Paragraph B2 needs some slight redrafting, although the ideas expressed in it seem to be clear enough. Paragraph B3 might be redrafted along the lines suggested in paragraph 4 of your telegram. We shall try to obtain a reference here to the International Bank. Paragraph B4 requires some clarification. In paragraph B7(d) and paragraph B9, we shall try to obtain the elimination or amelioration of the provision that governments should be asked to indicate the extent to which they would be willing to contribute. With regard to paragraph 8 we shall consult with the Secretariat before suggesting changes proposed in paragraph 7 of your telegram E-1891. The other operative paragraphs require no comment.

8. You will recall that the Indian draft resolution contained an annex setting forth certain principles on the basis of which the Preparatory Committee would draft the rules to govern the administration and management of the Special Fund. The USA and UK delegations and we ourselves consider that there are some principles in the annex which are unacceptable and that there are others that would prejudice the decisions to be taken by the Preparatory Committee. We have, however, extracted a few principles which would seem to be acceptable and which might be included in an annex if the Indian delegation and their co-sponsors insist. A draft of a proposed annex is set for in my telegram 2733.

9. We should now like to comment on points raised in your telegram E-1891 which have not already been dealt with above. With regard to your paragraph 1 there is no question of the Special Projects [Fund] being made subject in any way to TAB. With reference to your paragraph 3, you will have noted from what we have already said that the USA delegation insists on inclusion of the words "technical assistance".

10. We are very conscious of the strong feelings regarding SUNFED that are held by many governments that have been advocating for years the establishment of a capital assistance fund. In substance the USA proposal offers them a limited measure of capital assistance, but the insistence of USA that the proposed "special projects" be a form of technical assistance makes it difficult for the advocates of SUNFED to accept USA proposal as a substantial step forward. Delegations and governments are likely to be disappointed and even bitter if they have to report to their peoples that their efforts over the years have yielded only some more technical assistance. We fear that the mention of a figure of \$500 million or \$400 million in paragraph C14 will be regarded as an attempt to deal a mortal blow to SUNFED, and the result is likely to be the opposite of that desired, that is, perennial agitation for the establishment of SUNFED.

11. We most earnestly suggest that our Embassy in Washington express our grave misgivings to the State Department as soon as possible. In particular, the Embassy might point out the desirability of omitting the explicit provisions that Special Projects Fund be "part of the technical assistance programmes of UN", while safeguarding position elsewhere in resolution by providing for close coordination of operations of Special Projects Fund and EPTA, including utilization of technical assistance machinery where possible and appropriate.⁵⁷ As for a provision regarding conditions in which establishment of a large scale capital assistance fund might be considered, we would suggest inclusion in resolution of a paragraph providing that when resources annually available to the Special Projects Fund are substantially in excess of \$100 million, the Assembly should consider the desirability of establishing a capital assistance fund. Such a provision would give all the supporters of SUNFED a motive for making a success of the Special Projects Fund. We cannot expect advocates of SUNFED to undertake to stop agitating for a period of several years, but a

⁵⁷ Note marginale :/Marginal note:

I spoke with Mr. Ritchie on Mon. am in this sense. R. G[rey]

provision along the lines suggested would enable USA, UK and ourselves to refuse with a clear conscience to enter into serious discussions at least until Special Projects Fund is operating successfully at a fairly high financial level. If USA cannot accept this idea, they might be persuaded to withdraw paragraphs C13 and C14 entirely. In this event they could make it clear in debate that they could not agree to discuss SUNFED seriously until the Special Projects Fund had reached a highly successful level, and presumably we might take similar line.

12. We have received indications today that Indians *et alios* are preparing amendments to USA draft in which they accept idea that Special Projects Fund be part of the technical assistance programmes of the UN, reject reference to bilateral programmes in paragraph C13, and delete figure of \$500 million in paragraph C14. Regardless of what they are prepared to accept, we think it important that resolution be in terms that can be accepted wholeheartedly not only by India, Netherlands and their associates, but also by other advocates of SUNFED, particularly Latin Americans, some of whom are pretty bitter about USA proposal. It is most desirable to do everything possible to restore good feeling. We therefore recommend that Washington Embassy urge upon State Department desirability of more positive and forthcoming attitude. Congressman Judd has told us that he and the members of USA delegation here have done all they can and that representations by our Embassy in Washington might have very useful effects.

13. Time is running out. Second Committee will discuss draft resolutions concerning commodity problems on Monday December 9 and will take up the question of the Special Fund on Tuesday, if a compromise text has been worked out, or at the latest on Wednesday. It is therefore most desirable that the Embassy in Washington take action at earliest possible moment, preferably on Monday.

[W.K.] NESBITT

99.

DEA/11423-40

*Le chef de la délégation à l'Assemblée générale des Nations Unies
au secrétaire d'État aux Affaires extérieures*

*Chairman, Delegation to United Nations General Assembly,
to Secretary of State for External Affairs*

TELEGRAM 2733

New York, December 8, 1957

RESTRICTED. OPIMMEDIATE.

Reference: Our Tel 2732 Dec 8.

Repeat Washington (OpImmediate), London, NATO Paris, Paris (Information).

SECOND COMMITTEE: ECONOMIC DEVELOPMENT OF UNDERDEVELOPED COUNTRIES

Following is draft of annex to resolution that might be included if Indians and others insist. Begins:

"In drafting proposals for the administration of the Special Fund the Preparatory Committee shall, so far as possible, give effect to the following principles:

(a) The Special Fund shall be a multilateral fund of the UN, with financial resources principally derived from voluntary annual contributions of governments and other in (or transferrable into) currency usable by it and as much as possible pledged or indicated for a number of years;

(b) Assistance from the Special Fund shall be given only to projects which would make a contribution to the economic development of the requesting country or countries. The operations of the Special Fund shall be in conformity with the principles of the Charter of the UN;

(c) The Special Fund shall be administered under policies which shall be in accordance with such rules and principles as may be laid down by the General Assembly and the Economic and Social Council. Decisions on questions of policy, including the allocation of funds, shall require a qualified majority vote;

(d) The Special Fund shall establish close cooperation with the Specialized Agencies. The staff of the Special Fund shall be kept to a minimum." Ends.

100.

DEA/11423-40

*Le secrétaire d'État aux Affaires extérieures
au chef de la délégation à l'Assemblée générale des Nations Unies*

*Secretary of State for External Affairs
to Chairman, Delegation to United Nations General Assembly*

TELEGRAM E-1910

Ottawa, December 9, 1957

CONFIDENTIAL. OPIMMEDIATE.

Reference: Your Tels 2731 of Dec 7, 2732 of Dec 8 and 2733 of Dec 8; Our Tel E-1891 of Dec 6.

Repeat Washington (OpImmediate), London, Paris, NATO Paris (Routine) (Information).

SECOND COMMITTEE — ECONOMIC DEVELOPMENT OF UNDER-DEVELOPED COUNTRIES

We have asked Embassy Washington to speak to the State Department in the sense of paragraph 11 of your telegram 2732.

2. We have a number of comments on the draft resolution as set out below.
3. The first six paragraphs of the preamble are acceptable.
4. Paragraph 7 of the preamble — replace "technical" by "economic".
5. Operative paragraph (A) is acceptable.
6. Operative paragraph (B1). There are various ways this paragraph might be improved. The most desirable improvement would be to delete the phrase "as part of the technical assistance programs of the UN". Failing this, you might substitute "economic" for "technical". Failing that, you might say "as an adjunct to the technical assistance programs" rather than "as part of the technical assistance programs".
7. Operative paragraph 2 might read as follows: "Decides, further, that in view of the resources prospectively available at this time, the operations of the Fund shall be used to enlarge the scope of UN programs of economic assistance and to provide special projects of assistance in basic fields to be defined by the Preparatory Committee provided for in paragraph 4 below, including intensive surveys of water, mineral and potential power resources, training institutes in public administration, statistics and technology and industrial research and productivity centres".
8. Operative paragraph (B3): Our comments in paragraph 4 of our telegram E-1891 are relevant.

9. Operative paragraph (B4) might be revised as follows beginning with part (b): "In accordance with paragraph 3 above, define the changes in the organizational and administrative machinery necessary in order to assure rapid and effective use of the Special Fund; (c) (delete); (d) prepare the necessary draft amendments in the present procedures and legislation".

10. Operative paragraph (B5) — On December 2, the Minister stated in the External Affairs Committee that Canada hoped to be a member of the [Preparatory] Committee. We hope that the question of membership can safely be left to the President of the General Assembly on the understanding that a relatively balanced committee including Canada will be appointed.

11. Operative paragraph (B8) should be revised in accordance with paragraph 7 of our telegram E-1891.

12. Operative paragraph (C13) — We have no strong objections to this paragraph on our own account but we would think that the underdeveloped countries would find it offensive. You might wish to urge the US delegation to delete this paragraph and possibly provide that the rapporteur's report make reference to this view.

13. Operative paragraph (C14) — This paragraph seems to us to be unacceptable to the under-developed countries. We suggest that it be replaced by a paragraph along the following lines: "Resolves that at the end of ... years from the date the program is established the Economic and Social Council should re-examine the efficiency of the machinery established to administer the program and should consider whether the experience gained and other circumstances would justify an enlargement of the scope of the Fund to finance types of projects other than those recommended by the Preparatory Commission and approved by the Thirteenth General Assembly". The minimum number of years which should elapse before such a re-examination takes place should be two years. You might initially suggest four or five so as to be able to concede some ground. We would be glad to see the Indian redraft of this paragraph when it is available.

14. Any annex such as that set out in your telegram 2733 still seems to us undesirable. These are all matters which should be left to the Preparatory Commission but might well be explored informally beforehand with the Indians with the aim of finding some common ground. However, any attempt to specify some of these points in an annex at this time opens a whole new range of problems. For example we (and, we assume, the US) would object to the reference to voting control.

101.

DEA/11423-40

*L'ambassadeur aux États-Unis
au chef de la délégation à l'Assemblée générale des Nations Unies
Ambassador in United States
to Chairman, Delegation to United Nations General Assembly*

TELEGRAM 45

Washington, December 9, 1957

CONFIDENTIAL. OPIMMEDIATE.

Reference: Your Tel 2732 Dec 8.

Repeat External (OpImmediate), London, NATO Paris, Paris (Information).

SECOND COMMITTEE: ECONOMIC DEVELOPMENT OF UNDERDEVELOPED COUNTRIES

On the basis of your message we discussed the situation this afternoon with Walter Kotschnig, Director of the State Department's Office of International Economic and Social Affairs.

2. Kotschnig agreed that the difficulties which were being experienced in drafting the resolution regarding the Special Projects Fund were serious and that there was a risk of losing some of the important advantages which they had hoped to gain from their original initiative. The fact remained, however, that a fund was in the process of being created which could be of real value to the underdeveloped countries. He was anxious that this fact should not be obscured by wrangling over the terms of a resolution, but he did not see how such controversy could be ended to the satisfaction of all concerned.

3. We put forward the suggestions and made the points set out in your paragraph 11. He appeared to find merit in them but indicated that the USA position had been fairly precisely defined by Secretary Dulles himself after some two days of discussion here. While they had some room left for manoeuvre, he was doubtful that they could go quite as far as we were suggesting, particularly concerning the provision regarding conditions in which the establishment of a large scale capital assistance fund might be considered. He undertook, however, to have our ideas examined further as a matter of urgency. He himself is going to New York but others responsible in the State Department will probably be in touch with us tomorrow. He also promised that they would let us know if it appeared that further intervention by us at other levels in the State Department would be helpful.

102.

DEA/11423-40

*Le chef de la délégation à l'Assemblée générale des Nations Unies
au secrétaire d'État aux Affaires extérieures*

*Chairman, Delegation to United Nations General Assembly,
to Secretary of State for External Affairs*

TELEGRAM 2759

New York, December 10, 1957

CONFIDENTIAL. OPIMMEDIATE.

Reference: Your Tel E-1910 Dec 9.

Repeat Washington, London, Paris, NATO Paris (Information).

SECOND COMMITTEE: ECONOMIC DEVELOPMENT OF UNDERDEVELOPED COUNTRIES

We had a discussion this afternoon at which the Indian delegation presented a revised version of the draft sent in our telegram 2731 December 7. The text including certain amendments agreed upon at the meeting is in our telegram 2760. We did not have your telegram E-1910 until after the meeting.

2. When the meeting broke up it was agreed to have a further meeting tomorrow to discuss certain points of difference, as follows:

(a) In paragraph B(1), the USA delegation wishes to insert the words "certain basic" after "assistance in".

(b) In paragraph B2 the USA delegation wishes to delete the words "more immediately". These two points arise out of the desire of the SUNFED group to regard the Special Fund as one which, as resources become available, might gradually engage in capital assistance

for the development of the economic and social infrastructure of the less developed countries.

(c) In paragraph B4, the USA delegation wishes to delete the words "having due regard to the principles set out in the annex" because it objects to the inclusion of an annex. The objection to the annex is that it prejudices certain matters relating to the organization of the Special Fund on which the USA government has not made up its mind. We objected to the inclusion of an annex on the same grounds.

(d) Part (c) is unacceptable to the USA which suggested the following alternative text: "Resolves that subject to the recognition that the amounts made available to any multilateral capital development fund would in some cases involve reductions in contributions made bilaterally for development purposes when at least \$500 million are prospectively available on an annual basis to the UN for development aid beyond that provided by the Special Fund, the General Assembly upon notification of such fact by the Secretary General shall consider the desirability of undertaking a program of capital development by the establishment of a capital development fund designed to assist in the development of the economic and social infrastructure of the less developed countries". This alternative text appeared to be unacceptable to the SUNFED group. After much discussion the USA delegation agreed to try to get approval of a text proposed by us as follows: "Decides that as and when the resources available are considered by the General Assembly to be sufficient to enable the UN to enter into the field of capital development, principally the development of the economic and social infrastructure of the less developed countries, the General Assembly might decide to take the steps necessary to enable the Special Fund to expand its activities, or establish a new fund, or take such other action as it might deem appropriate". It is not clear whether this is acceptable to the SUNFED group but it is being considered by them. The SUNFED group considered irrelevant the first part of the USA redraft of part (c) which recognizes amounts made available to any multilateral capital development fund would in some cases involve reductions in contributions made bilaterally. It is not clear whether the USA delegation will be able to accept the deletion of this provision. If it is essential to USA to have something along these lines we might in order to avoid breakdown propose a preambular paragraph somewhat as follows: "Recognizing that the amounts contributed by governments to multilateral programmes have a bearing on the amounts that they are able to contribute to bilateral programmes and vice versa".

3. Our comments on your telegram E-1910 are as follows: Re your paragraph 4 there is no chance of replacing "technical" by "economic". "Technical" has been accepted by the SUNFED group and USA can accept no change as it is regarded as essential to Congressional approval of appropriations. Re your paragraph 6 there is no chance of deleting "as part of the technical assistance programmes of the UN" which has been accepted by the SUNFED group as "as a part of the technical assistance programmes of the UN and the Specialized Agencies". Re your paragraph 7 we shall support the USA request for deletion of "more immediately". If both sides accept the remainder of the text we would consider it unwise at this late stage to suggest further changes. Re your paragraph 8 we suggested "effective" instead of "fullest possible" but all the other delegations believed that "fullest possible" was better. You will note that the new text refers to the Specialized Agencies which of course include the International Bank and also refers to the existing international financial institutions. All concerned agreed that the text was intended to cover use of the facilities of the IBRD and we shall stress it in our statement in the Committee. Re your paragraph 9 we think that paragraph B4 (a) and (b) are in line with your desires and we would prefer not to attempt to obtain any further changes. As for paragraph 4 (c) there was a general desire that it be retained and general recognition that the word "extent" did not

necessarily involve specific pledges of financial support. Re your paragraph 10 there has been little discussion of the composition of the Preparatory Committee but we fully expect that Canada will be a member and that membership will be well balanced. Re your paragraph 11 we think that the text of paragraph B (8) in substance meets your wishes since in fact it will be the Secretary General who will request the executive heads of the Specialized Agencies to forward their views. Re your paragraphs 12 and 13 we have already dealt above with the discussions on part (C). Re your paragraph 14 as noted above, we have opposed the inclusion of an annex. We have not been able to report to you all the various stages in the discussions on the financing of economic development in which we have participated. There has been a series of meetings by our delegation with the USA, UK and French delegations; another series of meetings with larger group of western minded delegations including Japan, Pakistan, the Scandinavians, Western Germany and Switzerland; and finally a so-called negotiating group has been meeting which consists of the USA, UK, Canada and France and the Netherlands, Yugoslavia, India, and sometimes a Latin American. The positions of all these delegations other than those in the negotiating group have not been very clear since there is no specific proposal before them. It is, however, our impression that many more delegations are prepared to side with the USA, UK and Canada principally as a result of the USA initiative than was the case at previous sessions of the General Assembly and certainly at ECOSOC. The Italians, Danes and Japanese have been particularly helpful. The Indian delegation has in its statements in the Committee and outside consistently taken the position that a mutually acceptable compromise is the solution to which the Committee should work. Together with the Netherlands and Yugoslav delegations the Indian representatives have succeeded in securing agreement by the eleven sponsors of the SUNFED resolution to support in general terms the substance of the USA proposal and to withdraw their draft resolution. We are as sure as one can be in relation to UN proceedings that neither the USA proposal nor the original 11-power text will be voted upon by the Committee and that a compromise text will emerge. The French delegation, after discussion between Pineau and Dulles in Washington, now in general supports the USA position. Even the Netherlands delegation has withdrawn from the extreme position which it took at the 23rd Session of ECOSOC. The Yugoslav delegation is likewise playing a much more responsible role than was the case in earlier ECOSOC and General Assembly debates. There is also some disposition on the part of the delegations of Cuba, Peru and Venezuela to support a moderate position. In the development of these attitudes we believe the Canadian delegation has played a useful role. On the other side of the picture the USA is now negotiating on the basis of a text very different from that originally presented. We believe the latest text in general meets the conditions set out in the Cabinet memorandum. We have urged a more flexible position on the USA delegation. We believe we have secured in the text of the resolution now under discussion satisfactory protection of our point of view concerning the IBRD. It is most difficult to anticipate how discussion in the Preparatory Commission will develop. It has been emphatically stated both by the underdeveloped countries such as India and Yugoslavia and by the USA that the new fund would not operate under the procedures of the expanded programme of technical assistance and that it would be a separate fund requiring some new organizational and administrative machinery. On the other hand the underdeveloped countries have clearly stated that they do not regard the proposed Special Fund as involving anything like a new specialized agency and that the existing facilities of the UN and the Specialized Agencies including IBRD would be used in order to avoid costly administrative expenditures. The underdeveloped countries, USA, UK and ourselves have emphatically stated that the new programme would not come under the TAB nor would it be subject to the present system of agency

allocations under the expanded programme. Apart from these general indications it is not possible now to envisage how the work of the Preparatory Commission will develop except that the principles set out in the annex to the original SUNFED resolution will probably be basic to the position of those delegations from amongst 11 sponsors who may be appointed to the Committee.

103.

DEA/11423-40

*Le chef de la délégation à l'Assemblée générale des Nations Unies
au secrétaire d'État aux Affaires extérieures*

*Chairman, Delegation to United Nations General Assembly,
to Secretary of State for External Affairs*

TELEGRAM 2760

New York, December 10, 1957

UNCLASSIFIED. OPIMMEDIATE.

Reference: Our Tel 2759 Dec 10.

Repeat Washington (OpImmediate) (Information).

SECOND COMMITTEE: ECONOMIC DEVELOPMENT OF UNDERDEVELOPED COUNTRIES

The General Assembly in conformity with the determination of the UN, as expressed in its Charter, to promote social progress and better standards of life in larger freedom, and for these ends, to employ international machinery for the promotion of the economic and social advancement of all peoples, conscious of the particular needs of the less developed countries for international aid in achieving accelerated development of the economic and social infrastructure, recalling its resolutions on the establishment of an international fund for economic development within the framework of the UN and, in particular, reaffirming its unanimously adopted Resolution 724 A and B(VIII) of December 7, 1953, noting the recommendation of the Economic and Social Council in its Resolution 662 B(XXIV), recognizing that the UN expanded technical assistance programme is of proven effectiveness in promoting the economic development of the less developed countries, recognizing, however, that neither the expanded technical assistance programme nor other existing programmes of the UN or the Specialized Agencies can now meet certain urgent needs which, if met, would advance the processes of technical, economic and social development of the less developed countries, and, in particular, would facilitate new capital investments of all types private and public, national and international by creating conditions which will make such investments either feasible or more effective, convinced that a rapidly achieved enlargement in the financial resources and scope of technical assistance rendered by the UN and the Specialized Agencies to the less developed countries would constitute a constructive advance in UN assistance and would be of immediate significance in accelerating their economic development, recognizing that, while long term pledges are desirable, some governments are unable to make financial commitments except with the approval of their legislatures and on an annual basis,

(A) Commends the Ad Hoc Committee on the question of the establishment of a Special UN Fund for Economic Development for the work as embodied in its final and supplementary reports prepared in accordance with General Assembly Resolutions 923(X) of December 9, 1955 and 1030(XI) of February 26, 1957;

(B) 1. Decides that, subject to the conditions prescribed hereunder, there shall be established as a part of the technical assistance programme of the UN and the Special-

ized Agencies a separate Special Fund which would provide systematic and sustained assistance in fields essential to the integrated technical, economic and social development of the less developed countries,

2. Decides further that, in view of the resources prospectively available at this time, which are not likely to exceed one hundred million dollars annually, the operations of the Fund shall be used to enlarge the scope of the UN programmes of technical assistance so as to include special projects in certain basic fields to be defined by the Preparatory Committee provided for in paragraph 4 below, for example, intensive surveys of water, mineral and potential power resources, the establishment, including staffing and equipping of training institutes in public administration, statistics and technology, and of agricultural and industrial research and productivity centers;
3. Considers that while, without impairing the separate identity of the Special Fund, the fullest possible use should be made of the existing machinery of the UN, and of the Specialized Agencies (including that of the expanded programme of technical assistance and of the existing international financial institutions), the Special Fund will require some new administrative and operative machinery;
4. Decides to establish a Preparatory Committee composed of representatives of _____ governments to do the following, having due regard to the principles set out in the annex:
 - (a) define the basic fields of assistance which the Special Fund should encompass and, within these fields, the types of projects which should be eligible for assistance;
 - (b) define in the light of paragraphs 3 above, the administrative and operational machinery recommended for the Special Fund, including such changes as may be required in the present procedures and legislation of the expanded programme of technical assistance;
 - (c) ascertain the extent to which governments would be willing to contribute to the Special Fund;
5. Requests the President of the General Assembly to appoint the members of the Preparatory Committee;
6. Invites the Secretary General to provide the Preparatory Committee with all the necessary facilities, including the provision of such expert consultants as might be required;
7. Requests governments to assist the Preparatory Committee in its work by forwarding their views and suggestions to the Preparatory Committee through the Secretary General and, in particular, by indicating the extent to which they would be willing to contribute to the Special Fund;
8. Invites the Secretary General, the Executive Heads of the Specialized Agencies [and] the Executive Chairman of the Technical Assistance Board to forward their views and suggestions to the Preparatory Committee;
9. Requests the Preparatory Committee to submit the results of its work in the form of a report and recommendations to the Twenty-sixth Session of the Economic and Social Council;
10. Requests the Economic and Social Council to transmit the Preparatory Committee's report, together with its own comments, to the Thirteenth Session of the General Assembly for final action;
11. Looks forward to the establishment of the Special Fund as of January 1, 1959;

12. Appeals to all states members of the UN, in a spirit of cooperation and solidarity, to give the greatest possible assistance to the Special Fund;

(C) Decides that as and when the resources available to the Special Fund are considered by the General Assembly or the Fund itself to be sufficient to enable the Fund to expand its activities into the field of capital development, principally the development of the economic and social infrastructure of the less developed countries, the General Assembly shall, upon report from the Fund or on its own initiative, take such action as it may deem appropriate.

Annex:

I. The Special Fund shall be a multilateral fund of the UN, with financial resources principally derived from voluntary annual contributions of governments and others in (or transferrable into) currency useable by it and as much as possible pledged or indicated for a number of years;

II. Assistance from the Special Fund shall be given only to projects which would make a contribution to the economic development of the requesting country or countries. The operations of the Special Fund shall be in conformity with the principles of the Charter of the UN and shall not be influenced by political considerations;

III. The Special Fund shall be administered by a Chief Executive Officer and the policy established by an executive body in accordance with such rules and principles as may be laid down by the General Assembly and the Economic and Social Council. The membership of the executive body shall be equally distributed between two groups, one consisting mainly of major contributing countries and the other consisting mainly of less developed countries. Each member of the executive body shall have one vote. Decisions of the executive body on questions of policy, including the allocation of funds, shall require a qualified majority vote.

104.

DEA/11423-40

*Le secrétaire d'État aux Affaires extérieures
au chef de la délégation à l'Assemblée générale des Nations Unies*

*Secretary of State for External Affairs
to Chairman, Delegation to United Nations General Assembly*

TELEGRAM E-1922

Ottawa, December 11, 1957

CONFIDENTIAL. EMERGENCY.

Reference: Your tels 2759 and 2760 Dec 10.

Repeat Washington (OpImmediate), London, NATO Paris, Paris (Routine) (Information).

SECOND COMMITTEE — ECONOMIC DEVELOPMENT OF UNDERDEVELOPED COUNTRIES

We appreciate that the negotiations which were reported in your telegram 2759 are moving into a difficult stage and that it may be impossible for you to report back further in any detail before final positions have to be taken. The position of the Canadian delegation when the final resolution emerges as to whether it is to sponsor, co-sponsor, vote for, or abstain, is a matter for the delegation to decide.

2. Your position will have to be assessed in the light of the two main considerations emphasized in the Cabinet memorandum. The first is that the resolution must be a compromise resolution which is broadly supported. By broadly supported is meant that the resolu-

tion must have the support of the leading underdeveloped countries, particularly of Canada's main Asian friends, of the Western European countries which have given support to SUNFED in the past, and of the United States. The second consideration is that suitable organizational arrangements should be made. In this connection the Canadian view might be summed up by saying that, insofar as the World Bank is associated with the management of the Fund, and insofar as the Fund is free from the log-rolling tendencies to which it might be exposed if it were too closely associated with the technical assistance programme, to that degree Canada would have confidence in the arrangements and be prepared to consider making a contribution.

3. In this connection you will be interested in the statement made yesterday before the External Affairs Committee by the Assistant Under-Secretary. This statement was authorized by the Minister. Recapitulating Mrs. Fairclough's remarks before the Second Committee, Mr. Matthews stated that: "Mrs. Fairclough had been authorized to inform the UN that if the USA initiative could be shaped into a generally acceptable proposal to broaden the basis of UN economic aid, and — this is a very important qualification of the Canadian undertaking — if suitable organizational arrangements are made, the Canadian government would give sympathetic consideration to seeking the approval of Parliament for an appropriate contribution." The External Affairs Committee would draw the inference from this statement that we place considerable emphasis on there being suitable organizational arrangements and that the Canadian government's undertaking was clearly conditional on these arrangements being satisfactory to Canada. You may wish to spell out these conditions during the debate to indicate the circumstances under which the Canadian commitment would apply.

4. We are commenting below on some aspects of the draft resolution set out in your telegram 2760. While we appreciate that the drafting may have overtaken some of these comments, they may nonetheless give you some guidance as to how these matters appear to us.

5. In paragraph B.1 we think it would be useful if you continue to press for the phrase "as an adjunct" rather than "as a part of". You could accept the USA suggestion that "in certain basic" be added after "sustained assistance" in this paragraph.

6. In paragraph B.2 we are not clear why there is the reference to "staffing and equipping" of training institutes in a list which is intended to be merely illustrative. This seems to add unnecessary detail to the description of one example of the type of projects to be carried out. We would have thought that staffing of such institutes would be the function of ETAP rather than of the special project programme.

7. Paragraph B.3. This paragraph we feel barely covers our position with regard to the World Bank. If it was weakened in any way we would think that you would find the resolution unacceptable.

8. Paragraph B.4. We think that the reference to the principles set out in the annex might be deleted from this paragraph, as will be clear from our comments below on the annex.

9. Paragraph B.4(c). This is one of two references in the resolution to the extent to which governments would be willing to contribute to the Special Fund. Both of them we feel are undesirable at this stage. We think that many governments, and certainly Canada, would not wish to indicate the extent to which it would contribute to the fund until after the Preparatory Committee reports. We would hope that you could achieve the deletion of at least one reference to this subject, and in any event, provide in this paragraph, if it remains, that the Preparatory Committee should "ascertain the extent to which, and the conditions under which, governments would be willing to contribute to the Special Fund."

10. Paragraph B8. Our comments on this paragraph are set out in paragraph 7 in our telegram E-1891 December 6. Either the Secretary General should be asked to submit his own views, in addition to transmitting the views of the Specialized Agencies, or even better the views of the Specialized Agencies should be evaluated by the Secretary General in his report to the Preparatory Committee. Before proposing this, you should as we suggested seek reasonable informal assurances that the Secretary General's views are likely to reflect the views of de Seynes, who we know is favourable to the Canadian view rather than the views of the technical assistance personnel. It seemed to us unfortunate that paragraph B8 places the Secretary General apparently at the same level as the Heads of the Specialized Agencies.

11. As for Part C we would of course prefer the draft you proposed in your telegram 2759 or the draft set out in your telegram 2760, rather than the USA draft. You should we think continue to press strongly for acceptance by the USA of a draft less patently objectionable than one they themselves propose. The USA draft would give us some difficulty but we think that you should be prepared to accept whatever draft on this contentious point is acceptable to both the USA and to the key western delegations in the SUNFED group.

12. The proposed annex raises much more serious problems than those discussed above. On the solution to these problems will depend on your decision to vote for or abstain with possible withdrawal of Canadian conditional offer of financial contribution. We think there are two positions that the delegation might take on the annex. First, as the most desirable alternative, you should press to have it deleted, using the argument that this is merely an attempt to prejudge the very matters on which the Preparatory Committee should report. You should not hesitate to emphasize to both the SUNFED group and the USA that our undertaking to give sympathetic consideration to making a contribution rests on the Preparatory Committee providing for suitable organizational arrangements, and any attempt to pre-judge this matter at this stage would of course affect this commitment.

13. The second position which you might take, only if you are satisfied that it will be impossible to get this annex deleted, will be to have it written in clearly permissive language. It might begin by some such phrase as "in making its report the Preparatory Committee might pay particular attention to the following principles ...". As to the specific points mentioned in the draft annex we would of course agree that the Special Fund should be a multilateral fund of the UN. However the reference to the sources of the Fund should not refer to sources other than voluntary annual contributions by governments. We accept the provisions set out in Part II of the annex. As for Part III there are real difficulties. You could if necessary agree to some permissive language which suggested that the fund should be administered by a small executive committee of say three members on which it was understood that the IBRD would play a prominent role. Of course if you had firm assurances that the Chief Executive Officer would be a nominee of the World Bank you would wish to accept the present wording but this may be difficult to ensure. As to the executive body you should not agree that it should be established, and if established constituted as provided in the draft annex. For the present we do not wish to prejudge this crucial issue in any way. However, it seems to us that the present proposal does not ensure that the executive body will reflect adequately the views of the major contributors: further, it might well give the Soviet group a deciding voice. You could, however, accept the notion of a qualified majority.

14. Part III of the annex, which should open with some broad permissive language, might thus read as follows: "The Special Fund might be administered by a small executive committee possibly of three members of which one member might be a representative of the World Bank; the executive committee might report to an executive body which would

establish policy in accordance with such rules and principles as may be laid down by the General Assembly and the Economic and Social Council. The Preparatory Committee in considering how any executive body might be constituted, should bear in mind the desirability of providing that decisions of the executive body should be by a qualified majority vote."

15. You will realize from these comments on the annex that as far as the draft before us is concerned we doubt very much whether the delegation should be prepared to vote for a resolution in which this appeared. In pressing for the deletion of the annex or failing that for its appropriate amendment the delegation should not hesitate to indicate that if such an attempt is made to so completely prejudge the outcome of the Preparatory Committee's work on these matters the delegation might feel itself obliged to recommend to the Canadian government that it reserve its position. The USA and the members of the SUNFED group should be left in no doubt that the Canadian commitment made by Mrs. Fairclough depended on suitable organizational arrangements being made (as well as broad support). Mrs. Fairclough made these points clear but they will bear repetition.

16. In the event that the final resolution proposed for the Second Committee includes a mandatory annex with a Part III like the one now before us, you will want to reserve your position and report to us.

105.

DEA/11423-40

*Le chef de la délégation à l'Assemblée générale des Nations Unies
au secrétaire d'État aux Affaires extérieures*

*Chairman, Delegation to United Nations General Assembly,
to Secretary of State for External Affairs*

TELEGRAM 2809

New York, December 16, 1957

CONFIDENTIAL. PRIORITY.

Reference: Your Tel E-1922 Dec 11.

Repeat Washington (Priority), NATO Paris, Paris, London (Information).

SECOND COMMITTEE: ECONOMIC DEVELOPMENT OF UNDERDEVELOPED COUNTRIES

This message summarizes developments in which our delegation participated in pursuance of the policy laid down in your reference telegram and in the Cabinet memorandum. As you anticipated events on December 13-14 moved very rapidly.

2. Our telegram 2810† contains the text of the resolution finally adopted.⁵⁸ In the Committee separate votes were requested by Roumania on behalf of the USSR bloc on the last paragraph of the preamble which recognizes that while long term pledges are desirable some governments are unable to make financial commitments except with the approval of their legislatures and on an annual basis. This paragraph was inserted in the final compromise draft mainly at the request of the USA delegation.

3. Separate votes were also requested on operative paragraph B2 which contains the main elements of the original USA proposal and on operative paragraph B4 which makes refer-

⁵⁸ Pour le texte final de cette résolution (1219(XII)), voir Nations Unies, *Documents officiels de l'Assemblée générale, douzième session, Supplément N° 18 (A/3805)*, pp. 15 à 16.

For the final text of this resolution (1219(XII)), see United Nations, *Official Records of the General Assembly, Twelfth Session, Supplement No. 18 (A/3805)*, pp. 15-16.

ence to the annex. On all these votes the USSR bloc (9 countries) abstained, the remaining delegations present (63) voting in favour.

4. The 12 sponsors of the original SUNFED resolution had submitted on December 12 a revised version prepared during the preceding week's negotiations. However, on three points final agreement had not yet been reached. The USA delegation therefore submitted amendments in Document A/C.2/L.360. These amendments which our delegation played a part in preparing were designed to ensure that there could be no misunderstanding concerning the scope of the Fund which was being established. The USA delegation was not able to accept any text which implied that the proposed Special Fund could be interpreted as being SUNFED or was intended by the Assembly to proceed into the field of capital assistance or necessarily to form the organizational basis for an eventual large scale capital aid programme.

5. Two of the USA proposals were acceptable to the SUNFED co-sponsors. One of these included an amendment to which we attach particular importance in the light of the Cabinet memorandum and of your telegram E-1922. This amendment inserted after the word "annex" in operative paragraph B4 the words "and the views and suggestions put forward by governments pursuant to paragraph 7 below." Paragraph 7 requested governments to assist the Preparatory Committee by forwarding their views and suggestions. This amendment, originally suggested by the Canadian delegation, was designed to place the views and suggestions which any government might make before the Preparatory Commission so that the annex, also to be taken into account, had no special status. In accordance with your instructions we were also able to get the original reference to the way in which the Preparatory Committee should consider the annex modified to language which in our view was "permissive".

6. The USSR objected in the Committee (and in plenary) to the first paragraph of the annex, this paragraph raises the currency utilization question with which you will be familiar from previous TAC, ECOSOC and Second Committee debates. In response to a question from the delegate of Roumania, the Chairman stated that no vote was needed on the annex. The delegate of the USSR then asked for a separate vote on the reference to the annex in operative paragraph 4 with the result reported above. We believe that our delegation was fully protected in relation to the suggestions contained in the annex not only by our own amendment but by the Chairman's interpretation which appears in the report of the Committee.

7. At a late stage in a meeting on December 13, the delegation of Iran suggested wording which would amend operative paragraph B1 to read "there shall be established as an expansion of the existing technical assistance and development activities of the UN ...".

8. This proposal was accepted by the delegation of India on behalf of the eleven sponsors and by the delegation of the USA which then became a co-sponsor. Canada and France were added as co-sponsors just prior to the adoption of this resolution unanimously by the Second Committee.

9. The delegations of India, Yugoslavia and Ceylon in explaining their votes accepted the position with regard to the Special Fund contained in the resolution but expressed their regret that it had not been possible to proceed with the establishment of SUNFED during the Eleventh Assembly. The USSR and some of its satellites emphasized that in their view the resolution was not satisfactory since it represented a much less ambitious proposal than the SUNFED concept originally envisaged. The Canadian delegation intervened on an explanation of vote to refer once again to the terms of the undertaking contained in Mrs. Fairclough's speech and to emphasize the assumptions on which that undertaking had

been made. The first of these was that there should be general agreement. The Canadian Delegation had indicated its willingness to co-sponsor the compromise draft on the understanding that this position had to a large extent been achieved. The second condition on which the Canadian government would be willing to consider making an appropriate contribution was that suitable organizational and administrative arrangements would be made. We indicated that we attached importance to the amendment which had been made to operative paragraph B4 ensuring that the annex attached to the resolution would have no different status to the views and suggestions which governments might put forward as anticipated by operative paragraph 7.

10. In the plenary on December 14, the delegation of France urged support for the practical decision which the Second Committee had taken. The UK delegation expressed appreciation for the "modest, constructive and practical programme which had been started after the frustrations of past years." The UK reiterated their view that resources of sufficient magnitude for SUNFED could not be conceived without international supervised disarmament. However, the UK undertook to "play its full part in the Preparatory Committee", and the government of the UK stood ready "when circumstances allow" to make a contribution to the special fund. The USSR delegation reiterated its previous stand on SUNFED and in particular its opposition to the first paragraph of the annex. An exchange between the delegations of the USA and India followed which, while moderately phrased, suggested that some differences of opinion still remained as to the amount of money which would be required to begin an expansion of the activities of the UN into the field of capital development. The resolution was adopted unanimously and the following 16 countries appointed to the Preparatory Commission: USSR, USA, UK, Canada, France, The Netherlands, Japan, Denmark, India, Pakistan, Egypt, Ghana, Yugoslavia, Mexico, Peru and Chile.

11. It is difficult for the delegation to assess its own role in the achievement of the compromise resolution adopted. However, the greater part of the language in the compromise text was the result of consultations in which we played an active part. In the informal meetings which were held, we were able to exercise an important moderating influence. We believe the final text meets the situation envisaged by the Cabinet memorandum and that our freedom of action to press for a satisfactory relationship between the IBRD and the new agency has been secured. We also believe, on the basis of evidence now available, that enough other delegations hold similar views to make it possible for the Preparatory Committee to suggest organizational machinery acceptable to us.

12. It will not be possible for delegations to urge the establishment of SUNFED in the future with anything like the same degree of success as at previous sessions of ECOSOC and the General Assembly. We consider also that the action taken at this session of the Assembly could result in a useful and practical extension of UN activities in the field of economic development. In any case, it has at long last been possible for the USA, Canada, France and The Netherlands to co-sponsor a resolution on this subject with the underdeveloped countries.

13. The USA delegation, as we understand, emphasized to Washington the value which this practical UN action may have in relation to the discussion at the NATO summit conference in Paris. According to The Netherlands delegation, thus UN action would seem to suggest one of the best ways NATO country members can cooperate in providing economic assistance to less developed countries.

14. We will forward, as soon as possible, a fuller and final report by bag.†

SUBDIVISION II/SUB-SECTION II

COMITÉ PRÉPARATOIRE
PREPARATORY COMMITTEE

106.

DEA/11423-6-40

*Le sous-ministre adjoint du ministère des Finances
au sous-secrétaire d'État aux Affaires extérieures*
*Assistant Deputy Minister, Department of Finance,
to Under-Secretary of State for External Affairs*

BY HAND

Ottawa, February 4, 1958

Attention: Mr. L.E. Couillard⁵⁹

Dear Sir:

ORGANIZATION AND ADMINISTRATION OF THE UN SPECIAL PROJECTS FUND

On December 18th, during my absence from Ottawa, Mr. Pollock convened an informal meeting to discuss the proposed United Nations Special Projects Fund. Although it was not possible to bring together all the officials in Ottawa who would normally be concerned with this matter, the meeting was able to focus attention on the main organizational problems to be examined by the Preparatory Committee and to suggest tentative Canadian positions during these discussions. In the time that has elapsed since the meeting, we have endeavoured to develop ideas based on the discussions which we have incorporated in the attached paper and which might form the basis for further inter-departmental consideration of this matter.

Mr. Pollock is away this week and I will be away next week. I would therefore suggest that a meeting be held in my office early in the week starting February 16th.⁶⁰

The attached paper has not been approved by the Minister. However, I have sent him a copy and he may wish to suggest some changes.

Yours very truly,

A.F.W. PLUMPTRE

⁵⁹ Note marginale :/Marginal note:
to see & retain. (I am holding a second copy) R. G[rey]

⁶⁰ Note marginale :/Marginal note:
date not yet fixed — but according to Hadwen, the sooner the better. R. G[rey]

[PIÈCE JOINTE/ENCLOSURE]

*Note du ministère des Finances**Memorandum by Department of Finance*

[Ottawa], January 31, 1958

CONFIDENTIAL

THE UNITED NATIONS SPECIAL PROJECTS FUND

I. Functions of the Special Projects Fund

1. The Special Projects Fund should finance in less developed countries special technical assistance projects in the fields and of the types described below.⁶¹

II. Resources of the Special Projects Fund

2. All expenses of the Special Projects Fund should be financed from voluntary annual contributions from member governments. Contributions should be pledged, but not paid, nine to twelve months in advance of the financial year in respect to which they are pledged.

3. Contributions to the budget should normally be in the form of convertible currencies. (The provisions respecting contributions which apply to the Expanded Programme of Technical Assistance might be adapted to the Special Projects Fund.)

III. Method of Disbursing the Special Projects Fund's Resources

4. Assistance given by the Special Projects Fund should be in the form of grants.

*IV. Structure of the Special Projects Fund**A. Membership*

5. Participation in the Special Projects Fund, either as a donor or recipient, should be open to any state which is a member of the United Nations or of one of the specialized agencies of the United Nations.

B. The Special Projects Committee

6. The Special Projects Committee should be composed of eighteen members elected by the General Assembly for three years, one-third of the members being elected each year.⁶² In the first instance, one-third of the members should be elected for one year, one-third for two years, and one-third for three years. Retiring members should be eligible for re-election. Representatives of the Specialized Agencies could be invited to attend meetings as observers; but they would not have the right to vote.

7. The membership of the Committee should be equally distributed between two groups, one consisting of major contributors and the other of countries electing to receive aid from the Special Projects Fund. Each member should have one vote. In addition, a representative of the country in whose territory a project is located or of the group of countries for whose immediate benefit a project is undertaken should also sit in the Committee and have the right to vote when that project is considered by the Committee.

⁶¹ Note marginale :/Marginal note:

This is the way UN Sec Gen. Staff wish to approach the problem — i.e. define projects first. [R. Grey]

⁶² Note marginale :/Marginal note:

IBRD prefer no Committee — SPP would report back to ECOSOC — that seems to me quite impractical. [R. Grey]

8. Decisions of the Committee on questions of policy, including the approval of projects, should require [12] votes when the country in which a project is located or when the group of countries directly interested in a project is already represented in the Committee; in other cases, such decisions should require 13 votes.

C. *The Special Projects Board*

9. The Special Projects Board should be composed of a representative⁶³ of the International Bank for Reconstruction and Development, a representative of the Secretary-General of the United Nations and the Chairman of the Technical Assistance Board.⁶⁴ The representative of the I.B.R.D. shall be Chairman of the Special Projects Board and Executive Director of the Fund.⁶⁵ He shall be an ex officio member of the Special Projects Committee without, however, having the right to vote in the Committee. (Consideration should also be given to having him act as Chairman of the Special Projects Committee.)

D. *The Executive Director*

10. The Executive Director should be a high official of the International Bank seconded to the Special Projects Fund on a continuing basis. He shall also act as Chairman of the Special Projects Board.⁶⁶

V. *Functions of the Organs of the Special Projects Fund*

A. *The Special Projects Committee*

11. The main functions of the Special Projects Committee should be:

(a) to keep under review the general policies, rules and regulations established by the General Assembly and the Economic and Social Council and, taking into account the advice of the Special Projects Board, to recommend to these two bodies any changes in these policies, rules and regulations, and to submit to them an annual report on the operations of the Special Projects Fund;

(b) to review projects which the Special Projects Board has recommended;

(c) to approve those projects which, it concludes, the Special Projects Fund should and can finance;⁶⁷

(d) to review progress achieved in implementing the projects financed by the Special Projects Fund with a view to ensuring that they are carried out in accordance with the general policies, rules and regulations laid down by the General Assembly and the Economic and Social Council;

(e) to review the progress reports submitted to it by the Special Projects Board.

B. *The Special Projects Board*

12. The Special Projects Board should not be responsible for the day-to-day operations of the Fund.⁶⁸ Its main functions should be:

⁶³ Note marginale :/Marginal note:

Who would instruct him? [L. Couillard]

⁶⁴ Note marginale :/Marginal note:

or possibly a rep. of ECOSOC? [R. Grey]

⁶⁵ Note marginale :/Marginal note:

This is really straining — we will have to be prepared to back away. [R. Grey]

⁶⁶ Note marginale :/Marginal note:

Where w[oul]d the IBRD's influence come from? [L. Couillard]

⁶⁷ Note marginale :/Marginal note:

Can they initiate & approve? — see 16 below [R. Grey]

⁶⁸ Note marginale :/Marginal note:

? of the projects [L. Couillard]

(a) to examine the technical, economic and financial aspects of each project submitted to the Special Projects Fund⁶⁹ and, when necessary, refer such projects for detailed examination and advice to the I.B.R.D., or, if this is inappropriate,⁷⁰ to one of the other specialized agencies of the U.N.;

(b) to submit for concurrence⁷¹ to the Special Projects Committee recommendations on each approved project including recommendations on the best way of carrying the projects and on the conditions which should be imposed on the requesting country as a condition of Fund financing;⁷²

(c) to keep under review the progress of the projects financed by Special Projects Fund and to submit periodically progress reports on these projects to the Special Projects Committee.

C. *The Executive Director*

13. The Executive Director⁷³ should be responsible to the Special Projects Board for the day-to-day operations and general management of the Special Projects Fund. Among other things, his functions should include the preparation of the administrative budget of the Special Projects Fund, staff matters, the processing of applications, overseeing the execution of agreements between the Special Projects Fund and the recipients of the Fund aid.

VI. *Allocation of the Resources of the Special Projects Fund*

14. The main criterion which the Special Projects Fund should apply in allocating its resources should be the soundness of the projects. However, over a period of years, it should strive also to allocate its resources on a reasonable geographical basis.⁷⁴

VII. *Procedures*

A. *Applications for Assistance*

15. Applications for assistance should be submitted directly to the Special Projects Fund. In processing the applications, the Special Projects Board should decide whether it requires the assistance and advice of the I.B.R.D. or, in appropriate cases, of other⁷⁵ specialized agencies of the United Nations. Should the Board decide that an application does not warrant further examination, it should inform the Special Projects Committee that the project is unacceptable and that it should be rejected or withdrawn by the applicant. Should the Board decide that a project deserves further examination, it would consult with the I.B.R.D., and/or other specialized agencies in appropriate cases, on the arrangements for implementation. In general, any project involving capital expenditure or the purchase of

⁶⁹ Note marginale :/Marginal note:
who is this? [L. Couillard]

⁷⁰ Note marginale :/Marginal note:
drafting [R. Grey]

⁷¹ Note marginale :/Marginal note:
sec 11.c? [R. Grey]

⁷² Note marginale :/Marginal note:
terms and conditions under which the Fund will fin[ance] the project. [L. Couillard]

⁷³ Note marginale :/Marginal note:
IBRD [R. Grey]

⁷⁴ Note marginale :/Marginal note:
country? [L. Couillard]

⁷⁵ Note marginale :/Marginal note:
drafting [R. Grey]

large quantities of equipment should be referred⁷⁶ to the I.B.R.D. The I.B.R.D. should also have primary responsibility for multi-purpose projects. Other specialized agencies should be invited, as required, to collaborate in projects submitted to the Bank and to undertake other projects within their specific sphere of responsibility. In the case of projects not falling within the specific responsibility of the UN TAA or a specialized agency, the appropriate agency should be the I.B.R.D.⁷⁷

16. After completing its consultations with other agencies, the Special Projects Board may include the project in the programme recommended to the Special Projects Committee. In the case of a favourable Board recommendation, the Committee may accept or reject the recommendations of the Board. In the case of an unfavourable recommendation, the Committee would be informed of the reasons for rejection but would not have authority to reconsider the proposal.⁷⁸ A member could, however, resubmit a rejected proposal at a later date, provided it can satisfy the Board that it has overcome or eliminated the factors leading to initial rejection.

B. *Time of Meetings*

17. The Board shall meet at the call of the Chairman to review applications submitted. The Board shall inform member states of the latest date at which applications must be submitted in order to permit consideration within a specified programme.⁷⁹

18. The Committee shall meet twice a year to review programme recommendations and receive progress reports from the Special Projects Board on approved projects. At one of these meetings a broader general policy review shall be undertaken in order to permit⁸⁰ annual reports to be submitted to the summer session of ECOSOC.

C. *The Execution of Projects*

19. The Special Projects Fund should employ on a fee basis (based on estimated cost of participation) the services of the specialized agency selected in accordance with paragraph 15 to act as its agent in the execution of a project. Normally, the same specialized agency that was chosen to examine a project should also be hired as agent.

20. The same procedures as are applied by the I.B.R.D. should apply to capital expenditures, large expenditures on equipment and the hiring of a firm to carry out a survey. The same procedures as are applied by the Expanded Programme should apply to the hiring of experts. Agreement shall be reached prior to inauguration of a project on the nature and extent of further financial assistance to be provided out of the Special Projects Fund to cover any running operational expenses.⁸¹

⁷⁶ Note marginale :/Marginal note:
? [L. Couillard]

⁷⁷ Note marginale :/Marginal note:
awkward [R. Grey]

⁷⁸ Note marginale :/Marginal note:
sec 11 c [R. Grey]

⁷⁹ Note marginale :/Marginal note:
? [L. Couillard]

⁸⁰ Note marginale :/Marginal note:
prepare [L. Couillard]

⁸¹ Note marginale :/Marginal note:

This is pretty idealistic — our C[olombo] Plan experience, and Canadian experience generally, would suggest that this cannot be done. [R. Grey]

VIII. *Staffing*

21. The Special Projects Fund should, in the examination and execution of projects, rely to the fullest extent practicable on the facilities and staff of the International Bank and other⁸² specialized agencies. As much as possible, it should strive to obtain from the specialized agencies, on a reimbursement basis, the services of particular experts for particular projects. It should also have a small clerical and administrative staff of its own plus 10 or 12 general experts to advise the Special Projects Board on reports received from the specialized agencies, to make field visits, etc.

107.

DEA/11423-G-40

*Le secrétaire d'État aux Affaires extérieures
au représentant permanent auprès des Nations Unies*

*Secretary of State for External Affairs
to Permanent Representative to United Nations*

TELEGRAM E-352

Ottawa, March 11, 1958

CONFIDENTIAL. OPIMMEDIATE.

Repeat Washington (OpImmediate), London (Priority) (Information).
By Bag Geneva from London.

UN SPECIAL PROJECTS FUND

Following is the text of a memorandum of instructions for the Canadian Delegation to the Preparatory Committee — U.N. Special Projects Fund. Text Begins:

General Objectives

In accordance with the Cabinet's directive on the establishment of the United Nations Special Projects Fund, the Canadian Delegation should be guided by the following general objectives:

- (a) the proposals to be drawn up by the Preparatory Committee should have the broad support of both the major donor and the major recipient countries;
- (b) the organization of the Special Fund should be such as to differentiate it from the expanded programme of technical assistance;
- (c) the organizational and administrative arrangements of the Fund should be such as to lead to the selection of sound projects and to their careful and economic execution.

2. In connection with the third general objective, the delegation should try to ensure that:

- (a) the International Bank for Reconstruction and Development has an important role and, if possible, a decisive role, in the selection of projects to be financed by the Fund;
- (c) the organization of the Fund, and in particular, the voting arrangements, provide for an ultimate control or veto power in the hands of the major contributing countries.

The Views of the Secretary-General

3. The paper prepared by the Secretary-General (A/AC.93/L2) provides a satisfactory basis for initiating discussion in the Preparatory Committee. However, a number of points

⁸² Note marginale :/Marginal note:
drafting [R. Grey]

in the paper require clarification and elaboration; others are not entirely consistent with our general objectives. These points are discussed below under the following headings; the Executive Board, the Executive Officer, the Joint Advisory Committee, relationship with Specialized Agencies, and scope of operations.

The Executive Board

4.(a) The Canadian Delegation should press strongly for the establishment of a new inter-governmental body (the Executive Board) to govern the Special Fund.

(b) It should also press strongly for the equal representation of donors and recipients on the Executive Board and for a voting procedure based on a qualified (two-thirds) majority.

(c) It should strongly oppose giving the Executive Board power to initiate projects and programmes. The power to initiate projects should be the exclusive right of governments and projects should be submitted directly by governments. The Executive Board, however, should be empowered to reject recommendations on projects submitted to it.

5. The delegation should resist proposals to entrust the supervision of the Special Fund to the Technical Assistance Committee. Such an arrangement would entail three serious disadvantages:

(a) by identifying the Special Fund with, rather than differentiating it from, the expanded programme of technical assistance, use of the Special Fund to contain the pressures for SUNFED would be seriously hampered and SUNFED could soon become an issue again;

(b) it would tend to reduce the role and the effectiveness of the IBRD in both the selection and execution of projects;

(c) it would make it extremely difficult to provide that the Board should represent donors and recipients equally and that the decisions of the Board should be taken by a qualified majority.

6. The delegation should bear in mind that departments concerned might be prepared to consider a change in the position as to the establishment of a new and separate inter-governmental body to deal with special projects, as outlined above, should it develop that the USA is completely unable or unwilling to support the Special Fund in terms of two separate inter-governmental bodies, one for the Special Fund and one for the expanded programme. A single inter-governmental body could be accepted only if agreement was reached on the three points mentioned in paragraph 4 above. Further, departments would wish to be satisfied that representatives on the single inter-governmental body would have the technical qualifications to deal with the problems arising out of the operations of the fund.

7. There are other points of importance relating to the Executive Board. It would be desirable to introduce an element of continuity by having the terms of membership on the Board last three years with one-third of the members retiring each year. The delegation may also propose that the members of the Board should be elected by the General Assembly, although the election of members of ECOSOC would be acceptable. The general policies of the Fund will be established by the General Assembly and ECOSOC. However, the Board should be empowered to recommend, in the light of experience, changes in these policies and in the rules governing the Fund's operations.

The Chief Executive Officer

8. The general objective of establishing a close relationship between the Special Fund and the International Bank would be advanced if the Chief Executive Officer was to be a high official of the Bank seconded to the Fund. The delegation should explore this idea in private to find out whether it is generally acceptable and whether an informal

understanding on it can be reached. It should not press it, however, either in private or in public as it might prove controversial and mar from the outset the relationship between the Fund and the Bank.

9. The day-to-day operations of the Fund should lie in the hands of the Chief Executive Officer working in close collaboration with the Joint Advisory Committee. He should therefore be given greater independence of action than is contemplated in the Secretary-General's memorandum. In particular, he should be given substantial discretionary authority in dealing with the representatives of potential recipient governments, particularly in the initial investigation of projects and proposals which have not yet been formally submitted to the Fund for financing.

10. When a project has been formally submitted to the Fund the Executive Officer should be obliged to seek the views of the Joint Advisory Committee before making any recommendations to the Executive Board. If projects which were not unanimously approved by the Advisory Board could not be forwarded to the Board except for information purposes, the Fund would be less likely to finance projects which are not sound. The delegation should explore the acceptance of such a rule by the Preparatory Committee. If the rule proves unacceptable, the delegation should insist as a minimum that in all cases the Executive Officer should report the views of the Advisory Committee in making his recommendations to the Board.

11. The delegation might put forward the view that the Executive Officer should be Chairman of the Inter-Governmental Board, as is the case in the World Bank, although it might concede that the Chairman should be elected by the Board from among its own members.

Joint Advisory Board

12. We do not consider it essential that members of the Joint Advisory Board should attend meetings of the Executive Board; indeed the International Bank may object to such an arrangement.

13. As pointed out in paragraph 10 above the delegation should explore the possibility of placing an absolute or limited veto power in the hands of the Joint Advisory Board.

Relationship with the Specialized Agencies

14. The delegation should press for considerable independence for the special fund *vis-à-vis* the Specialized Agencies. It should also bear in mind the need to give the World Bank as important a role as possible in the selection and execution of projects. It will find guidance on both these points in the paper prepared by the Department of Finance, copies of which have been sent to New York. The same paper contains guidance on the related question of procedure.

Scope of Operations

15. The delegation should bear in mind the desirability of concentrating the Fund's limited resources on projects which are most likely to further the economic development of recipients by examining areas of potential investment suitable for private or public capital. Subject to this general limitation, the delegation should favour a fairly broad scope of operations for the Fund. In general, it should resist attempts to limit the scope of the operations of the Special Fund to forms of technical assistance. Text Ends. Message Ends.

108.

DEA/11423-G-40

*Le représentant permanent auprès des Nations Unies
au sous-secrétaire d'État aux Affaires extérieures*

*Permanent Representative to United Nations
to Under-Secretary of State for External Affairs*

LETTER NO. 359

New York, May 8, 1958

CONFIDENTIAL

FINAL REPORT OF THE MEETINGS OF THE PREPARATORY COMMITTEE
OF THE SPECIAL FUND

Enclosed is the report of the Canadian Delegation to the Meetings of the Preparatory Committee of the Special Fund. This report follows the pattern discussed with Mr. Pollock while he was in New York. We would be prepared to provide further information in respect of any particular point either in the report of the Canadian Delegation or in the report of the Preparatory Committee which you might find necessary.

C.S.A. RITCHIE

(PIÈCE JOINTE/ENCLOSURE)

*Rapport**Report*

CONFIDENTIAL

REPORT ON THE MEETINGS OF THE PREPARATORY COMMITTEE
OF THE SPECIAL FUND

The Canadian Delegation to the Preparatory Committee of the Special Fund consisted of Mr. S. Pollock, Representative, with Mr. Rodney Grey and Mr. J.G. Hadwen as Advisers. Unfortunately Mr. Pollock and Mr. Grey were both obliged to leave New York before the conclusion of the Preparatory Committee's work. This report is, therefore, subject to the additional comments and changes which they might wish to make. The Canadian Delegation's instructions for these meetings are contained in Department of Finance paper dated January 31, 1958 "The United Nations Special Projects Fund"⁸³ and Ottawa telegrams E-328 of March 6† and E-352 of March 11, (the latter containing the text of a memorandum of instructions for the Canadian Delegation). These instructions were amplified by telephone as the meetings progressed.

Telegram E-352 sets out the three general objectives which the Canadian Delegation was instructed to pursue. This report will consist of an analysis of the extent to which the Delegation was successful in achieving these objectives together with a description of the specific problems which can be expected to arise in ECOSOC and in the General Assembly before the Fund is established and in the Governing Council after its establishment. No effort is made to describe in detail the sometimes lengthy negotiations which were conducted on the important issues.

⁸³ Voir la pièce jointe au document 106.

See the enclosure to Document 106.

Section I — Objective A

"The proposals to be drawn up by the Preparatory Committee should have the broad support of both major donor and major recipient countries." It is difficult to indicate categorically whether this objective has been achieved and the Canadian authorities may not have a clear understanding of the consequences of establishing the Special Fund until after the 13th General Assembly or even later. However, the report of the Preparatory Committee was adopted with a minimum of reservations by members of the Committee. The Soviet Union, as expected, made quite substantial reservations but presumably this need not concern us very greatly unless the Soviet position affected many of the Delegations from the less developed countries. The Indian and Yugoslav Delegations made some reservations principally on the currency utilization question and on language which do not fully accept their proposals for giving the Special Fund some SUNFED — like features. There were other reservations in connection with the role of the General Assembly in selecting the Managing Director and in electing the members of the Governing Council and some minor reservations on procedural points. On balance, however, the report of the Preparatory Committee has the support of the major donor countries (except for the Soviet Union) and of the major recipient countries (except for some expected reservations).

Objective B

"The organization of the Special Fund should be such as to differentiate it from the Expanded Programme of Technical Assistance." In general the organization and operations of the Special Fund are substantially different from the organization and operation of the Expanded Programme of Technical Assistance. All delegations supported this general objective.

The Special Fund will carry out a programme of economic assistance substantially different from that of the Expanded Programme of Technical Assistance, the projects being larger in size, for longer terms, more concentrated in certain fields and more extensive in nature than the fellowship, scholarship and equipment programmes of the EPTA. The USA Delegation was hard-pressed by the representatives of the less developed countries and the Soviet Union for a complete separation of the Special Fund from the EPTA.

To promote practical procedures, some useful links were established between the two programmes (e.g. on the financial provisions and in the use of field staff). The situation with regard to the formal and organizational relationship between the two programmes is somewhat less satisfactory. In the first place the USA was obliged to insist on the description of this programme as an enlargement of "the scope of the United Nations programmes of technical assistance". There was a considerable reaction to this position from the less developed countries. The Canadian Delegation both in Committee, and in informal discussions, and directly with the USA Delegation, stated its views which in essence were opposed to the USA position. (For a description of the Canadian Delegation's viewpoint, see Washington telegram 505 of March 6, 1958,† particularly the memorandum quoted in paragraph 1).

However, the USA after a month of negotiations received firm instructions, which the USA representative frankly placed before the Committee, to disassociate itself from the work of the Preparatory Committee if a statement on the scope of the Special Fund such as that set out above was not included in the report. As the USA representative described it, both the executive and legislative branches of the USA Government took the position that the extent and degree of USA participation in any proposed Fund hinged heavily on this point. The USA Delegation came to an agreement on this subject with the Indian Delegation.

tion in the first place and subsequently with other delegations including most of the less developed countries and it was accepted subsequently by the Committee as a whole.

With regard to the organizational relationship between the Special Fund and the Expanded Programme of Technical Assistance, the USA was again obliged to insist on some measure of unified governmental control. It was agreed as set out in the Preparatory Committee's report that there would be a separate governing council for the Special Fund. The USA Delegation insisted, however, that principally for purposes of co-ordinating the two programmes, there must be a unified review by ECOSOC of their reports. For ease of reference the following is the text of the relevant paragraph in the Committee's report.

"With a view to facilitating the effective discharge of ECOSOC's responsibilities for formulating general rules and principles for the Special Fund, reviewing its operations and considering our relationships between the Special Fund and EPTA, it was recommended 'that the Economic and Social Council establish a committee of the Council concerning the Special Fund and the EPTA and of such questions relating to their operations as the Council may refer to it.'"

This language leaves open to further negotiation the exact nature of the Committee which ECOSOC would establish. It is possible that by the time this question arises (i.e. the summer of 1959, 28th Session of ECOSOC) the USA may be willing to accept either the Coordination or the Economic Committees of ECOSOC as the appropriate committees for this purpose. The use of the TAC may even be reconsidered. However, it is also possible that the USA will insist on some new additional *ad hoc* committee of the Council with these responsibilities. This admittedly absurd arrangement was regarded by the USA as the minimum which its delegation could accept. It was necessary for Washington to be able to point to some single governmental body other than the Economic and Social Council itself with responsibilities for both programmes. Members of the Preparatory Committee were willing to accept this USA view which appeared to be a condition of USA participation in the Fund. In general, however, the separate organization which the Special Fund was given is such as to make it possible for the Canadian and other delegations to consider their overall objective of keeping the two programmes distinct as achieved.

Objective C

"The organizational and administrative arrangements should be such as lead to the selection of sound projects and to their careful and economic execution." It will be necessary to study the programme of the Special Fund after its establishment to see whether this objective has been attained. However, the proposals contained in the report of the Preparatory Committee appear, on the basis of experience with other programmes, to make possible the successful operation of the Special Fund.

The Canadian Delegation took the lead in negotiating the establishment of a consultative board to advise the Managing Director composed of the Secretary-General of the United Nations, the Executive Chairman of the TAB and the President of the IBRD, or their designated representatives. In this way the advice and assistance of the IBRD will be available to the Special Fund. The Canadian Delegation was also able to secure arrangements (principally through informal discussions) for consultation between the Secretary-General of the United Nations and the President of the IBRD in selecting the Managing Director. The representatives of the IBRD in New York and Washington were also consulted from time to time in order to ensure that insofar as possible the recommendations of the Preparatory Committee took the views and positions of the IBRD into account.

There was some opposition from the Soviet Union and some of the less developed countries to an association of the IBRD with this new programme. The Canadian Delegation

tion was successful, however, in arguing that the association of the IBRD brought substantial benefits in terms of expert advice and also in terms of promoting possible capital assistance as a result of the operations of the Special Fund.

While the report of the Preparatory Committee appears to take into account our views on the relationship of the Special Fund to the IBRD, it is nevertheless important to ensure that within its terms of reference the Special Fund develops along lines which will encourage IBRD cooperation.

Issues Which May Arise in the Economic and Social Council and in the General Assembly.

1. There will be the usual political objections by the Soviet Union and like-minded governments to the usual provisions concerning membership and participation in the new programme which is limited to "States Members of the United Nations or of the Specialized Agencies, or of the International Atomic Energy Agency." These objections will be defeated on the usual voting pattern unless there is some change in the General Assembly's consideration of issues concerning the representation of China, East Germany, etc.

2. It is unlikely, but there may be objections to the proposed "Committee of the Council," on which the USA insisted, as described above. Presumably Canadian Delegations would not oppose this provision.

3. There will also be various suggestions concerning the authority of the General Assembly in respect to the Special Fund. The under-developed countries prefer the General Assembly as the authority for holding elections, considering reports, etc., since the Assembly gives them a greater voting control. The developed countries and contributors prefer ECOSOC in which there is a better balance, or the Governing Council in which there is an equal balance between donors and receivers. This issue may, therefore, arise in ECOSOC and in the General Assembly on a number of points connected with the establishment of the Special Fund.

4. There may also be opposition to the provision for equal representation and to the requirement for two-thirds majority vote but these provisions have been given general support by the under-developed countries both during the 12th General Assembly and the meetings of the Preparatory Committee.

5. The Soviet Union will make a number of objections to the proposed organization of the Fund in addition to the political ones already mentioned.

(a) The Soviet Union will object to any relationship between the EPTA and the Special Fund (this position is deliberately designed to aggravate difficulties between the USA and less developed countries).

(b) The USSR will object to the fact that industrialization has not been given any special emphasis in the work which the Special Fund will conduct.

(c) The USSR will object to any references to the use of private consultations or firms by the Special Fund (on grounds of Marxist economic principles).

(d) The Soviet Union will object to almost any provision concerning currency utilization.

(e) The Soviet Union will object to any statement prohibiting contributions in the form of goods and services rather than in currency.

(f) The Soviet Union will also object to any provisions which appear to call for any Soviet financial contribution.

6. There will be continued differences of opinion concerning the "independence" of the Special Fund. Some delegations would like to see the Special Fund "independent" even of

the United Nations. The Canadian Delegation has endeavoured to ensure that particularly in regard to the financial provisions the Special Fund is governed by General Assembly financial regulations.

7. The U.K. will continue to object to any references in the report which appear to envisage or call for substantial financial contributions.

8. The Specialized Agencies have in general accepted the principle that they will not have the same control over expenditures under the Special Projects Fund as they do over EPTA. However, suggestions may be made for increasing the significance of the role which the Specialized Agencies play in the operation of the Special Fund beyond the provisions contained in the report of the Preparatory Committee. Such efforts will presumably be resisted by Canadian Delegations.

9. The IMF will presumably continue to object to the fact that the Special Fund and its Managing Director have similar names to the IMF and its Managing Director. The Canadian Delegation suggested that the authorities of the two programmes should make arrangements so that confusion and uncertainty could be avoided. The USA may, however, suggest that the Special Fund be called "The Special Programme for Under-Developed Regions" (SPUR) which is a Cabot Lodge proposal designed to give the Fund sex appeal publicity-wise in the USA. This proposal has not been greeted by much enthusiasm since there is emotional content for the SUNFED supporters involved in the use of the term "Special Fund".

10. There may be differences concerning the choice of a Managing Director. The USA is now pushing at the official level, John Davis, the unsuccessful USA candidate for the post of Director General of FAO. It will be recalled that Mr. Davis withdrew in favour of Mr. Sen the present Director General. There does not appear to be much enthusiasm in New York for Mr. Davis. Other names mentioned in this connection are Mr. C.V. Narasimham, Executive Secretary of ECAFE, who may not be available; Mr. Paul Hoffman, who would be popular and may be interested. Martinez-Cabanas, who is presently Deputy Director General of UNTAA and who is believed to have the strong support of the Latin American delegations. Some Canadian names have even been mentioned, for example, that of Mr. J.J. Deutsch. Dr. Hugh L. Keenleyside's name has also been mentioned since he is due to retire shortly as Director General of UNTAA. Should the Canadian authorities have any views on this subject it would be useful if they would communicate it to the Secretary-General at an earlier stage.

11. There may be a series of proposals designed to change the formula on the convertibility of contributions contained in the Preparatory Committee report. (The Canadian Delegation was active in negotiating this text). In the first place the less-developed countries would like to be exempted from any provisions concerning the transferability of the currencies of any contributions they might make. The Soviet Union would like to be able to change the system of contributions to suit its own purposes as set out above. Presumably the present formula should be defended by Canadian delegations even though it does not go as far as we would have liked towards convertibility.

12. The Governing Council will have a series of decisions to make in respect of the organization of its Secretariat and the detailed procedures to be used in establishing the programme.

13. The Yugoslav Delegation has suggested on a number of occasions that unless a substantial volume of money is collected for the Special Fund and for the first year of its operation it might not be worthwhile to establish the Fund at all. This position may cause difficulties during the Thirteenth General Assembly.

14. Another and probably the most difficult difference between delegations will arise in connection with the financial relationship between EPTA and the Special Fund. Most delegations have agreed that the establishment of the Special Fund should not necessarily mean a reduction in the size of EPTA programme or the stabilization of the EPTA at a relatively lower level. However, no delegation has yet brought forward any specific proposals in this connection. It is probable that there will be discussions between delegations prior to the Thirteenth General Assembly. It is believed that the U.S.A. will make its own pledge in terms which will allow some flexibility in its support for the Special Fund and for the Expanded Programme of Technical Assistance and some switching in the proportion of its contribution to these two programmes.

15. A detailed description of the lengthy discussion which took place as the report was adopted is contained in A/AC.93/Sr 18, 19 and 20. The final report which to a considerable extent is self-explanatory is contained in Document E/3098. Attached as Appendix I to this report is United Nations Press Release EC/1810† which gives a useful summary of the report.

In general the report of the Preparatory Committee has had a very favourable reception amongst delegations in New York.

It is also possible that the report will not be attacked in ECOSOC or the General Assembly. It is an agreed document supported by all delegations except the Soviet Union. It is to be hoped that the nature of the report will be such as to promote substantial contributions.

SUBDIVISION III/SUB-SECTION III

VINGT-SIXIÈME SESSION DU CONSEIL ÉCONOMIQUE AND SOCIAL
TWENTY-SIXTH SESSION OF THE ECONOMIC AND SOCIAL COUNCIL

109.

DEA/5475-DS-44-40

*Le chef de la délégation à la vingt-sixième session du Conseil économique et social
au sous-secrétaire d'État aux Affaires extérieures*

*Chairman, Delegation to Twenty-Sixth Session of Economic and Social Council,
to Under-Secretary of State for External Affairs*

LETTER NO. 497

Geneva, August 5, 1958

CONFIDENTIAL

FINAL REPORT — ITEM 4 — ECONOMIC DEVELOPMENT OF UNDER-DEVELOPED COUNTRIES

Attached are four copies of the Final Report of the Canadian Delegation to ECOSOC on Agenda Item 4 — Economic Development of Under-Developed Countries. Also attached are copies of the relevant documents.†

WALLACE NESBITT

[PIÈCE JOINTE/ENCLOSURE]

*Rapport de la délégation
à la vingt-sixième session du Conseil économique et social*

*Report of Delegation
to Twenty-Sixth Session of Economic and Social Council*

CONFIDENTIAL

[Geneva], August 4, 1958

ITEM 4

FINAL REPORT

ECONOMIC DEVELOPMENT OF UNDER-DEVELOPED COUNTRIES

The report of the Preparatory Committee on the Special Projects Fund (E-3074) and Secretariat studies on (a) the international flow of private capital (E-3128), (b) international Tax Problems (E/3074) and (c) international economic assistance to the under-developed countries (E-3131) were submitted to the Council as a basis for discussion on economic development.

2. In the earlier opening debate in Plenary on the "world economic situation" most delegations had referred to the need for assistance to the under-developed countries and it was evident that the debate on Item 4 would be concentrated on discussion of the adequacy of the proposed Special Fund as an instrument for meeting these needs. Accordingly, before commencement of the debate in Plenary on Item 4 the Canadian Delegation initiated discussion with other interested delegations to consider the steps essential to secure adoption of the recommendations of the Preparatory Committee.

3. At preliminary meetings representatives of the United States, United Kingdom, France, Canada and the Netherlands agreed that our primary efforts should be directed to ensuring that the recommendations of the Preparatory Committee are adopted without change. It was agreed that Assembly action to this end would undoubtedly be facilitated by a Council recommendation. Accordingly, the Secretariat was requested to prepare a resolution setting forth the main recommendations of the Preparatory Committee. It was further agreed that this resolution should form an annex to a covering ECOSOC resolution by which the Assembly would approve the recommendations and invite member states to make appropriate contributions. At this point other members of ECOSOC which had also participated in the work of this Preparatory Committee were invited to participate in private discussion of the annex and the covering resolution.

4. In this group the annex prepared by the Secretariat was approved with minor changes but considerable difficulty was experienced in arriving at agreement on the exact character of the covering resolution. Initially this difficulty was limited to a single paragraph of the draft resolution and arose from the desire of the Netherlands, Yugoslavia and others to introduce a paragraph which would give the impression that the Special Projects Fund is the forerunner of SUNFED. Although the United States recognized the possibility that in due course a Fund for capital development may emerge, the United States and to a lesser extent the United Kingdom were unwilling to accept any language which implied that they have given firm commitments to establish this Fund. In particular the United States contended that any such implication would jeopardize congressional support for the Special Fund. After long and arduous negotiation the United States and Netherlands finally agreed on a paragraph "Noting the conditions envisaged in Part III of General Assembly Resolution 1219 (XII) under which the General Assembly shall review the scope and future activities of the Special Fund and take such action as it may deem appropriate". Once this

paragraph, which appears as paragraph 2 of the covering resolution, was approved, the remainder of the resolution was quickly agreed and submitted as Council document E/AC.6/L.228 (attached)† with the Secretariat draft appearing as an annex thereto.

5. While these private discussions were proceeding delegations were participating in the Plenary debate on this item. By agreement the members of the Preparatory Committee, *inter alia*, stressed their belief that the proposals of the Preparatory Committee represented the best possible compromise arrived at after long and difficult negotiations and that they should receive widespread support. A copy of the Canadian statement† in Plenary is attached.

6. As anticipated all delegations agreed on the need for economic assistance for the under-developed countries. In varying degrees the original sponsors of SUNFED (Netherlands, Yugoslavia and the under-developed countries) expressed regret that it was not possible to proceed with the long discussed SUNFED. However, they welcomed the inauguration of the new Fund. The United States, Canada and the United Kingdom on the other hand emphasized that the inauguration of the new Fund represented an important step forward in the provision of assistance for the under-developed countries. They referred to the long and difficult negotiations leading to the recommendation for the Special Fund and urged unanimous support for the recommendations of the Preparatory Committee.

7. Only the USSR introduced a dissenting note. After a general statement stressing the needs of the under-developed countries and the failure of existing financial agencies, both public and private, to meet these needs, the USSR professed to be distressed because the Council was not proceeding with the immediate establishment of SUNFED. The USSR went on to indicate that certain of the recommendations of the Preparatory Committee should be changed to "improve" the character of the new Fund. Although the USSR did not introduce formal proposals at this stage it was clear that the proposed changes were those on which the USSR had reserved its position during meetings of the Preparatory Committee. The USSR proposed:

(a) that membership in the new Fund should not be limited to the members of the United Nations and the agencies but should be open to all countries (this was clearly intended to cover the People's Republic of China);

(b) that the President of the International Bank should not be included as a member of the Consultative Board;

(c) that contributions should be accepted from sources other than member states of the United Nations and the specialized agencies;

(d) that the recommendations of the Preparatory Committee on currency of contributions should be set aside in favour of a paragraph which would provide that contributions shall be made in any currency a country may choose.

. The Delegations on the Preparatory Committee announced that they were cooperating in preparation of a resolution. When it was ready the Economic Committee was convened and the resolution (under the sponsorship of Canada, Chile, France, Mexico, Netherlands, Pakistan, United Kingdom, United States, Yugoslavia — thereby including all members of the Preparatory Committee on the Council, except the USSR) was introduced by Kaufmann (Netherlands) who had been Rapporteur of the Preparatory Committee. The delegations of the United States, Pakistan, Yugoslavia and France followed to emphasize the wide support for the draft. By agreement, Canada and the other sponsors withheld their comments until the USSR had been given the opportunity to indicate its attitude toward the draft resolution. As anticipated the USSR stated its intention to request modification of the resolution in the way indicated during the statement in the general debate. At this point

Canada, followed by Mexico, made brief interventions pointing out that the new recommendations advanced by the USSR were of the same character as proposals already investigated very fully (and rejected) in the Preparatory Committee. The resolution before the Council represented a carefully balanced compromise which while not completely satisfactory to any single delegation offered an acceptable basis for inauguration of the Fund. The Canadian representative stated, *inter alia*, that "he considered that all delegations were ready to establish the Fund and if the USSR representative is really anxious to show his cooperation and his desire to make the Fund a success, he could do so by joining with others in accepting the recommendations of the Preparatory Committee and by indicating the contribution which his Government intended to make to the Special Fund. If the USSR representative again advanced the suggestion which had not been acceptable to the Preparatory Committee the Canadian delegate would find it necessary to explain why those suggestions had not been acceptable."

9. Although it seemed possible that the USSR had decided merely to speak for the record, amendments were submitted on all points referred to in its statements (see document E/AC.6/L.229, attached).†

10. In a relatively perfunctory debate it became evident that these amendments would be rejected by large majorities and further appeals were made to the USSR to withdraw its amendments in order to permit a unanimous vote. The USSR insisted on a vote and all the amendments were rejected by very substantial majorities. As far as the Delegation was able to record the votes on each amendment were as follows:

| | <i>In Favour</i> | <i>Against</i> | <i>Abstention</i> |
|------------------|---|----------------|-------------------------------|
| First Amendment | 4 (USSR, Poland, Yugoslavia and Indonesia) | 13 | 1 (Sudan) |
| Second Amendment | 1 (USSR) | 15 | 2 (including Poland) |
| Third Amendment | 4 (including USSR, Poland and Yugoslavia) | 14 | 0 |
| Fourth Amendment | 4 (including USSR, Sudan and Poland) | 12 | 2 (Finland and Costa Rica) |

The resolution as a whole then received unanimous support. Following the vote the USSR representative explained that although he had voted for the resolution the final position of his Government would be presented in the General Assembly. A similar explanation was given in Plenary where the resolution was again adopted unanimously.

11. It is evident that the USSR intends to re-open these questions in the General Assembly and the position taken in the Economic and Social Council accurately foreshadows a serious effort to gain wider support for these proposals. Although the member states on the Preparatory Committee, including Yugoslavia, were willing to maintain a common front at the Council, the possibilities for deviation are greater in the Assembly. It will therefore be important for the Canadian and other delegations at the Assembly to ensure that the uncommitted countries receive clear explanations of the nature of the proposed arrangements for establishment of the Special Fund and that they are encouraged to reject proposals for a change in the resolution.

12. A development of the debate on the Special Project Fund which will probably have further repercussions was the submission by the representative of the World Federation of United Nations Associations of "a large number of individuals in the more industrialized countries — to lend to or invest part of their savings in an International Fund or Institution administered by the United Nations and its Specialized Agencies for the purpose of

assisting less-developed countries". One of the primary purposes of this proposal was to stimulate interest in the Economic Assistance Programme of the United Nations by giving a large number of small investors all over the world an opportunity to participate in it. In private discussions with the representative of WFUNA proposal the Canadian Delegation suggested it would be wisest to defer introducing the proposal until a practical programme had been worked out for putting it into effect. However, the WFUNA representative apparently had a mandate to submit the scheme at this session of ECOSOC. In introducing it he admitted that there were technical problems of implementation but suggested that one way in which capital could be raised was by issuing bonds at less than the commercial rate and within the revenue from these bonds to the Bank for Reconstruction and Development.

13. The WFUNA proposal was commented on favourably by several delegations in the course of the debate in Economic Committee. The Netherlands, Chile and Pakistan Delegations all expressed the hope that it would be implemented. On the other hand the United Kingdom, while indicating its interest, pointed out that thorough study would be needed to show whether it would work. Since it can be expected that this proposal will be brought up again in the future, probably in a more concrete form, careful consideration should be given to it by the interested Department in Ottawa.

SUBDIVISION IV/SUB-SECTION IV

TREIZIÈME SESSION DE L'ASSEMBLÉE GÉNÉRALE
THIRTEENTH SESSION OF THE GENERAL ASSEMBLY

110.

PCO

*Note du secrétaire d'État aux Affaires extérieures
pour le Cabinet*

*Memorandum from Secretary of State for External Affairs
to Cabinet*

CABINET DOCUMENT NO. 273-58

[Ottawa], September 26, 1958

CONFIDENTIAL

ECONOMIC AID TO UNDER-DEVELOPED COUNTRIES
THROUGH THE UNITED NATIONS: THE SPECIAL FUND

The 12th General Assembly approved the establishment of a United Nations Special Fund, in part as an alternative to a much more ambitious proposal for a Special United Nations Fund for Economic Development (SUNFED). Detailed recommendations on the organizational, administrative and financial arrangements of the Special Fund have now been unanimously agreed upon by the members of the Economic and Social Council (ECOSOC), including the United Kingdom, the United States, France, the USSR and Canada. It is expected that these recommendations will be approved substantially in their present form by an overwhelming majority of the United Nations at the current Assembly and that the Fund will begin operations in 1959.

In the past Canada has supported a Special Fund in principle but has stressed that Canada could not support the actual setting up of the Fund unless the backing of the United Kingdom, the United States and other contributors assured adequate financial and administrative support for the Fund. Originally the sponsors of SUNFED had pressed for a capital

aid fund with resources of about \$250 million annually; last year the United States advanced a new but related proposal for a Special Fund of a much more modest size, to be devoted to resources surveys, technical training, demonstration projects, etc., rather than to capital aid.

On December 9, 1957, Cabinet authorized the Canadian Delegation to the United Nations General Assembly to take an active role in the debate on this matter and to seek an effective compromise between the SUNFED resolution and the United States proposal for a Special Fund.⁸⁴ The Canadian Delegation was authorized to indicate that if a sound, realistic and broadly acceptable plan emerged from discussions the Canadian Government would give sympathetic consideration to asking Parliament to make an appropriate financial contribution. In due course, a public statement to this effect was given in the Second Committee by the Secretary of State and has been reiterated by Canadian representatives at subsequent international gatherings.

The Canadian Delegation subsequently played an important role in debates and negotiations on the Fund in the United Nations and at meetings of a Preparatory Committee set up by the Assembly. Our Delegation and Delegations of like-minded countries succeeded in having accepted proposals incorporating the minimum objectives set by the Canadian Government. These are the proposals which have recently been approved unanimously by ECOSOC.

The present plans provide that the Fund will concentrate on relatively large projects, so as to avoid undue dispersion of its resources. A target figure of \$100 million has been mentioned for the Fund but it is most unlikely that contributions will come close to this amount at least this year. The Fund will be controlled by a Governing Council consisting of eighteen states elected from members of the United Nations and its Specialized Agencies, and will provide for equal representation of economically more developed countries and under-developed countries. Provision has been made for a close working association with the International Bank. Of particular importance to Canada are the provisions that contributions shall be made in currencies "readily usable" by the Fund and that projects will be carried out without interference of any sort from donor countries. Not only is this feature of the Fund necessary for its effective administration but it is also essential to prevent interference by Communist governments. The USSR has only reluctantly agreed to several provisions of the present report and is expected to try to reopen the debate in the 13th Assembly.

A United Nations Pledging Conference will be held during the 13th Assembly, at which members of the United Nations will be invited to indicate the amount of their contributions to the Fund for 1959. In view of the fact that Canada is publicly pledged to make an appropriate contribution if the Fund is set up in a manner acceptable to Canada, and assuming that this condition will be fulfilled at the Assembly, it would seem desirable and important that authority be given for the Canadian Delegation to the 13th Assembly to make a precise pledge as to the contribution Canada will make in the next fiscal year, subject, of course, to the approval of Parliament.

The Canadian contribution should bear some relation to our participation in other comparable voluntary United Nations programmes, in particular to the Expanded Technical Assistance Programme, and also to contributions of other major donor countries. In this connection it should be noted that Canada's contribution to these programmes, in relation

⁸⁴ Le Cabinet s'est penché sur cette question le 29 novembre 1957, et non le 9 décembre 1957. Cabinet dealt with this issue on November 29, 1957, not December 9, 1957.

to capacity to pay, has been greater than that of the United States. Most of our aid has been concentrated in Commonwealth programmes; assistance through the United Nations is the only form of aid which we offer to other under-developed countries. Thus UN aid is a complement to our own bilateral programmes.

Last year Canada contributed \$2 million to ETAP out of a total budget of about \$32 million. The ETAP will probably secure approximately \$30 million next year. It is unlikely that the Special Fund will go significantly over that amount this year and it would therefore be appropriate for the Canadian contribution to the Special Fund to be of the same order as our contribution to the ETAP.

According to the latest information, United Kingdom authorities have in mind a contribution of the same proportion of the total Special Fund budget as the United Kingdom contribution to the ETAP bears to the total ETAP budget. This was 7% last year, i.e., \$2.24 million. The United States are prepared to give up to \$38 million to the ETAP and the Special Fund taken together, on condition that the U.S. contribution is not more than 40% of the total pledge to both programmes. The Netherlands have indicated that they will make a contribution of \$2.4 million, while France has mentioned a contribution of the order of \$2.78 million. Italy and Japan will each pledge \$600,000. The German Delegation has recommended a German contribution of \$2.5 million, and is expecting authority to announce a contribution of more than \$1.5 million. Although in some cases these pledges are not yet firm, and some are made on a matching basis, there is clear indication that other countries will give effective support to the Fund and, therefore, justify an initial Canadian contribution of \$2 million. At the same time it would be prudent for our Delegation to make clear that we are announcing a firm contribution for the first year in order to assist the Fund to be inaugurated on a sound and forward-looking basis, but that our future contributions will be reviewed in the light of the financial response of the full UN membership to the new programme.

It is therefore recommended⁸⁵ that the Canadian Delegation to the 13th General Assembly of the United Nations be authorized to state that, subject to the approval of Parliament, Canada will contribute \$2 million (U.S.) to the Special Fund in 1959-60, and that future Canadian contributions will be subject to review and adjustment to take into account the extent to which readily usable contributions substantially exceed or fall below a total budget of \$30 million.

[SIDNEY SMITH]

⁸⁵ Approuvé par le Cabinet le 1^{er} octobre 1958.
Approved by Cabinet on October 1, 1958.

111.

DEA/11423-G-40

*Le chef de la délégation à l'Assemblée générale des Nations Unies
au secrétaire d'État aux Affaires extérieures*

*Chairman, Delegation to United Nations General Assembly,
to Secretary of State for External Affairs*

TELEGRAM 1502

New York, September 30, 1958

CONFIDENTIAL

SECOND COMMITTEE: SPECIAL FUND

Discussion of the report of the Preparatory Committee is developing much as anticipated in our earlier messages.

2. A number of delegations including our own have considered that if sponsorship of the resolution proposed by ECOSOC were to create divisions in the Committee, it might be better if the ECOSOC resolution already officially before the General Assembly went un-sponsored. However, the Pakistan delegate (Mir Khan) took the lead in seeking other sponsors and eventually submitted a draft resolution to the Second Committee (Document A/C.2/L.363). This text reproduced ECOSOC Resolution 692A(XXVI) with the addition of a preambular paragraph proposed by the Netherlands as follows: "Noting the conditions envisaged in Section III of General Assembly Resolution 1219(XII), under which the Assembly shall review the scope and future activities of the Special Fund and take such action as it may deem appropriate." This text was co-sponsored by the following countries: Argentina, Chile, China, Colombia, Costa Rica, Cuba, Denmark, Dominican Republic, France, Haiti, Iran, Japan, Laos, Liberia, Netherlands, Norway, Pakistan, Philippines, Spain, Thailand, Turkey, UK [and] USA.

3. Partly as a reaction to Pakistani leadership and partly out of the desire to maintain leadership on the subject of the financing of economic development, the Indian Delegation took the lead in submitting another draft resolution co-sponsored by Afghanistan, Brazil, Burma, Ceylon, Ethiopia, Ghana, Greece, India, Indonesia, Iraq, Libya, Morocco, Saudi Arabia, Sudan, United Arab Republic, Yemen [and] Yugoslavia.

4. The India text (see our telegram 1503) contains an enlarged preamble and an operative section which reaffirms rather than notes the provisions in Resolution 1219(XII) concerning future General Assembly discussions of a possible capital aid programme. The Indian text then incorporates the ECOSOC Resolution 692 with two changes, the first being the deletion of the word "possible" from the phrase which refers to review by the Assembly of the scope and future activities of the Special Fund (Section III of Resolution 1219). The Indian Delegation stressed, however, that the main reason for submitting an alternative resolution was the change they proposed in paragraph 13 to substitute the General Assembly for the Economic and Social Council as the body responsible for electing the Governing Council of the Special Fund.

5. While the USA and UK Delegations will strongly oppose the substitution of the General Assembly for ECOSOC as the body which elects the Governing Council, we have been advised in confidence that if the General Assembly is chosen, USA and UK financial support for the new programme would not be affected.

6. We did not repeat not accept offers of co-sponsorship by both groups because we considered that the basic Cabinet condition of "general acceptability" did not repeat not

seem to apply to either text. We also wished to maintain our freedom of action in case amendments are submitted on points which would affect the basis on which we are authorized to reaffirm Canadian support for this programme.

7. Undoubtedly the USSR and possibly other delegations will submit amendments which we will have to strongly oppose in the Committee. However, to judge from the discussions so far, the Preparatory Committee's report seems generally certain of acceptance. The USA and UK Delegations believe it will be possible to reach agreement on the differences in preambular language. It will, however, certainly be necessary to have a vote on the electoral issue. We have already stated informally our preference for ECOSOC and will continue to support the UK and USA Delegations in this respect.

112.

DEA/11423-G-40

*Le chef de la délégation à l'Assemblée générale des Nations Unies
au secrétaire d'État aux Affaires extérieures*

*Chairman, Delegation to United Nations General Assembly,
to Secretary of State for External Affairs*

TELEGRAM 1503

New York, September 30, 1958

UNCLASSIFIED

Reference: Our Tel 1502 Sep 30.

SECOND COMMITTEE: SPECIAL FUND

Following is the text of Indian draft resolution on this subject:

"The General Assembly in conformity with the determination of the UN, as expressed in its Charter, to promote social progress and better standards of life in larger freedom, and for these ends, to employ international machinery for the promotion of the economic and social advancement of all peoples, conscious of the particular needs of the less developed countries for international aid in achieving accelerated development of the economic and social infrastructure, recalling its Resolution 1219(XII), further recalling all previous resolutions on the establishment of an international fund for economic development within the framework of the UN, noting the recommendations contained in Economic and Social Council Resolution 692(XXVI),

1. Reaffirms the provisions contained in Section III of General Assembly Resolution 1219(XII), under which the Assembly shall review the scope and future activities of the Special Fund and take such action as it may deem appropriate,

2. Commends the Preparatory Committee on its work,

3. Establishes a Special Fund in accordance with the provisions set forth below: The text of these provisions proposed by the sponsors of the joint draft resolution is that contained in the annex to Council Resolution 692 A(XXVI) of July 31, except: paragraph 1, which should read as follows:

"1. Pursuant to the provisions of General Assembly Resolution 1219(XII) and pending a review by the Assembly of the scope and future activities of the Special Fund, as envisaged in Section III of that resolution, the Special Fund shall:" and paragraph 13, which should read as follows:

"13. The states members of the Governing Council shall be elected by the General Assembly from among members of the UN or members of the Specialized Agencies or of the International Atomic Energy Agency."

113.

DEA/11423-G-40

*Le secrétaire d'État aux Affaires extérieures
au chef de la délégation à l'Assemblée générale des Nations Unies
Secretary of State for External Affairs
to Chairman, Delegation to United Nations General Assembly*

TELEGRAM E-1851

Ottawa, October 2, 1958

CONFIDENTIAL. OPIMMEDIATE.

Reference: Our Tel E-1788 Sep 25, † your Tels 1502 and 1503 Sep 30.

SPECIAL FUND

Cabinet has accepted the recommendation set out in our telegram under reference. You therefore have authority to announce Canadian pledge at pledging conference and indicate our intentions to friendly delegations.

2. You should note that it is an essential condition of the Cabinet decision that the proposals embodied in the report of the Preparatory Committee and adopted by ECOSOC should be approved by the Assembly without significant changes. You should not repeat not hesitate to make this clear to other delegations. We would hope that you will be able to use the Cabinet decision to persuade other countries not to water down the Preparatory Committee's report.

3. In this connection we are concerned at reports that immediately following the opening Canadian statement the Yugoslav delegate spoke in terms which would appear to favour a weakening of the provision governing the convertibility and usability of contributions. As you know, the Preparatory Committee's report proposed a provision which is far from satisfactory from the Canadian point of view; it was accepted only because it was clearly impossible to get agreement on a more stringent provision. Any weakening of the present provision would therefore cause us considerable concern. You should therefore resist any such attempts very strongly.

4. As for the question of whether the Governing Council should be elected by ECOSOC or the Assembly, we agree with your position as defined in the last sentence of your telegram 1502.

114.

DEA/11423-G-40

*Le chef de la délégation à l'Assemblée générale des Nations Unies
au secrétaire d'État aux Affaires extérieures*

*Chairman, Delegation to United Nations General Assembly,
to Secretary of State for External Affairs*

TELEGRAM 1620

New York, October 11, 1958

RESTRICTED. PRIORITY.

Repeat Washington (Information).

SECOND COMMITTEE: SPECIAL FUND

Voting on a resolution establishing the Special Fund began on October 10. The Chairman has put forward for the convenience of the Committee a text incorporating the agreed elements of the two resolutions previously submitted.

2. Two amendments have been moved to this text. The first provided for election by the General Assembly rather than ECOSOC of the Governing Council. This amendment was rejected 29 in favour, 46 against, 1 abstention. It is therefore unlikely that this question will be successfully contested in the General Assembly. We were able in informal discussion to assist in supporting ECOSOC as the electoral body.

3. A second amendment has been submitted and is now being discussed in several different forms, each of which would contain a request that governments work towards the fulfilment of the general conditions set out in Section III of Resolution 1219 (XII). It has naturally been difficult to find language in this regard acceptable to the USA and UK, ourselves and less-developed countries. We are assisting in this process with the objective of avoiding a division between the more-developed and the less-developed countries and of preventing so far as possible a situation in which the SUNFED proposals of the past would be revived in a manner which would prejudice the compromise reached last year.

115.

DEA/11423-G-40

*Le chef de la délégation à l'Assemblée générale des Nations Unies
au secrétaire d'État aux Affaires extérieures*

*Chairman, Delegation to United Nations General Assembly,
to Secretary of State for External Affairs*

TELEGRAM 1640

New York, October 15, 1958

CONFIDENTIAL. PRIORITY.

Reference: Our Tel 1620 Oct 11.

SECOND COMMITTEE: SPECIAL FUND

Committee action was completed late October 13. We have forwarded by bag (on October 14) copies of the report of the Second Committee on this item. In general the result can be considered satisfactory in terms of Cabinet instructions on the Special Fund. We will be reporting fully but the following information on developments since our telegram 1620 may however be useful to you in dealing with any enquiries on this subject.

2. The delegations led by India continued to insist on language which would at least have constituted an appeal for the creation of conditions under which the General Assembly could reconsider the scope and operations of the Special Fund (provided in Section III of Resolution 1219(XII)) with a view to the eventual establishment of a large-scale UN capital development fund. The first text introduced by the Indian delegation read as follows: "Appeals to member states to work for the speedy establishment of a UN capital development fund." By agreement this text was withdrawn and replaced by a text suggested by Mexico which, as later amended, read as follows: "Appeals to member states to make efforts towards the attainment of these conditions (e.g. those in Section III of 1219) as soon as possible."

3. After consultations in Washington "at the highest level" the USA received firm instructions against any language in the resolution on the Special Fund, even an appeal, which would carry Assembly consideration of this subject beyond Resolution 1219(XII).

4. Our delegation considered both positions somewhat rigid and in keeping with Cabinet instructions worked towards a solution in which there could be general agreement. At one stage we considered putting in an amendment to the resolution (document A/C.2/L.364) before the Committee which would have drawn on the preamble of Resolution 1219. We hoped thus to satisfy the UK and USA as well as the group led by India. Our proposal read as follows: "Urges governments to take action towards the creation of conditions which would facilitate new capital investment of all types, private and public, national and international."

5. On the basis of our draft and of a number of other suggestions being circulated, a further compromise text was prepared reading as follows: "Appeals to member states to lend their full support to the Special Fund and to make appropriate efforts, separately, and jointly through the UN and/or other bodies towards the establishment of conditions which would facilitate the financing of the economic development of the less-developed countries, particularly their economic and social infra-structure."

6. This language was considered by the USA, Indian and Yugoslav delegations and several Latin American delegations, and was accepted at referendum to their respective groups. In the Indian-led group, however, Ceylon, we understand, took the lead in promoting rejection of this text. The Latin American delegations were more willing to support it. So that the Committee would at least be faced with a choice acceptable to the USA, UK, ourselves and a good many of The Netherlands, Italy and France in presenting the compromise text in paragraph 5 above as an amendment. In the final analysis it was agreed not repeat not to put any text on this point to the vote.

7. When the decision to withdraw all texts before the Committee was made we stated our agreement to do so on the condition that the compromise contained in Resolution 1219(XII) remained valid. Earlier in the debate we had indicated that a sharp division in respect of the Special Fund would affect our ability to support it.

8. When the Iraq delegation withdrew the India-Mexican language, he stated that the group of delegations led by India reserved their right to continue a discussion of the financing of the economic development of the less-developed countries at a later stage in the Second Committee's discussions.

9. The Committee then voted as follows using A/C.2/L.364 as the basic text.

1. Preamble, 73 for, 0 against, 1 abstention (Saudi Arabia).
2. From paragraphs 1 to 6 inclusive (the report of the Preparatory Committee as approved by ECOSOC in Resolution 692A), 73 for, 0 against, 1 abstention.

3. Paragraph 7, 54 including Canada for, 0 against, 20 abstentions (including the Soviet bloc, India, Ceylon, Burma and Yugoslavia). This paragraph concerned membership and was voted separately as part of the issue of the representation of China in UN bodies.

4. Paragraph 8 to 12 inclusive, 73 for, 0 against, 1 abstention (Saudi Arabia).

5. Paragraph 13 was put to a roll call vote, 44 including Canada for, 26 against, 4 abstentions. (This paragraph provided for election by ECOSOC of the Governing Council.)

6. Paragraphs 14-44 inclusive, 73 for, 0 against, 1 abstention (Saudi Arabia).

7. Paragraphs 45-56 (excluding paragraph 47), 73 for, 0 against, 1 abstention (Saudi Arabia) (Chairman was confused at this point).

8. Paragraph 47, 52 including Canada for, 0 against, 21 abstentions. (This paragraph concerned the currency in which contributions would be made).

9. The resolution as a whole was adopted 73 for, 0 against, 1 abstention (Saudi Arabia abstained throughout out of pique).

10. In the Assembly the same votes were called for with roughly similar results to those in the Committee (see summary records A/PV/776 also forwarded by bag on October 15). The final vote on the resolution as a whole was 77 for, 0 against, 1 abstention (Saudi Arabia).⁸⁶

11. Dr. Vivian spoke on established Canadian lines in Plenary before the resolution was adopted (copies by bag). The statements of other delegations indicate that some discussion of the financing of economic development through the UN can be anticipated later in this session. We consider that such discussion would have been inevitable whatever resolution was adopted on the Special Fund. We also consider that when it occurs, the western delegations as initiators and supporters of the Special Fund already established, will be in a strong position. As indicated above it should be possible to envisage generally acceptable language along the lines of the amendment we co-sponsored. In any case, the Special Fund has been established with broad support and in a reasonably harmonious atmosphere. (The *New York Times* of October 15 is somewhat inaccurate and pessimistic on this score.) It has also been established in exactly the terms negotiated in the Preparatory Committee except for two minor linguistic changes. These terms in general meet Canada's position as set down earlier by Cabinet.

12. Dr. Vivian will be announcing Canadian support for the Special Fund on October 16 at the pledging conference as indicated in our telegram 1595 of October 8.† Elections to the Governing Council are likely to be held by ECOSOC on October 23. Canada is certain of one of the nine contributors' seats.⁸⁷

⁸⁶ Pour le texte final de cette résolution (1219(XII)), voir Nations Unies, *Documents officiels de l'Assemblée générale, treizième session, Supplément N° 18 (A/4090)*, pp. 11-14.

For the final text of this resolution (1219(XII)), see United Nations, *Official Records of the General Assembly, Thirteenth Session, Supplement No. 18 (A/4090)*, pp. 11-14.

⁸⁷ Le 23 octobre 1958, le Canada était élu au Conseil d'administration du Fonds spécial pour un mandat d'un an.

On October 23, 1958, Canada was elected to the Governing Council of the Special Fund for a one-year term.

116.

DEA/11423-G-40

*Le chef de la délégation à l'Assemblée générale des Nations Unies
au secrétaire d'État aux Affaires extérieures*

*Chairman, Delegation to United Nations General Assembly,
to Secretary of State for External Affairs*

TELEGRAM 1706

New York, October 21, 1958

CONFIDENTIAL

Reference: Our Tel 1620 Oct 11.

Repeat Washington, London (Information).

PLEDGING CONFERENCE FOR EXPANDED PROGRAMME AND THE SPECIAL FUND

After consultation with the USA and other delegations and the Secretariat the results of the Pledging Conference of October 16 including contributions subsequently made known before October 20 are summarized below.

2. The following totals refer to contributions (including our own) concerning which no repeat no matching formulas or special conditions apply: Special Fund \$9,373,622 EPTA \$14,621,049.

3. Argentina's contribution of 1.15 percent of the total would amount to roughly \$250,000. The contributions of Italy, Sweden and Western Germany which are as yet undivided between the two programmes amount to \$1 million, \$2,899,671 and \$1,666,667 respectively for an aggregate of \$5,566,338. It might be reasonable at this stage to assume that of this total \$2.9 million would go to ETAP and \$2.6 million to the Special Fund. Of the countries as yet uncommitted financially either to ETAP or to the Special Fund, it is considered that \$790,000 will be pledged to ETAP and \$3.8 million to the Special Fund on the assumption that 1958 contributions to ETAP would remain unchanged and that equivalent amounts would be contributed by countries as yet uncommitted to the Special Fund. This amount of \$3.8 million would include a possible contribution of about \$1 million from the UK and perhaps \$300,000 from Norway. The above, if substantiated, would produce the following results: \$18.3 million to ETAP and \$16.1 million to the Special Fund for a total of \$34.4 million from other countries on which a USA 40 percent matching contribution would amount to \$23 million for a final aggregate total of \$57.4 million. Although no repeat no official declaration has been made to this effect, it would appear that the USA intends to maintain ETAP's budget at 1958 level, namely \$31.3 million. If such were the case the balance of \$26.1 million would go to the Special Fund.

4. A record of 76 countries took part in the Pledging Conference of which 71 were able to pledge definite amounts to the Expanded Programme (UN press releases TA/729 and 730 October 16). Only 36 countries were in a position to pledge definite amounts to the Special Fund, while 6 (Turkey, France, Italy, USA, Sweden and Japan) announced contributions on a percentage of the total or a matching basis formula. Bolivia, Burma, Australia, Saudi Arabia, Federation of Malaya, Korea, and Laos stated that they would not repeat not be able to contribute more than a token amount, if any, to the Special Fund this year. 27 countries including the UK, West Germany, Norway, Switzerland, Venezuela, India, Mexico and Argentina will announce their contribution at a later date.

5. As it appears that the UK is seeking election to one of the contributors seats on the Governing Council it is expected that their contribution will be made known before

October 23, the date of the election by ECOSOC. The NZ decision to contribute £25,000 to the Special Fund was influenced considerably by advance knowledge of our own proposed contribution. In view of foreign exchange difficulties and of other commitments to international aid programmes, Australia stated that it was unable to pledge anything to the Special Fund this year. Its contribution to ETAP remained at the 1958 level. It appears, however, that our contribution may influence Australia to reconsider this position and make at least a token contribution. Argentina, Brazil, India, Pakistan and Denmark, among others, expressed their appreciation for our contribution. We have also reason to believe that the Canadian contribution has influenced a number of other delegations.

6. In view of the fact that the General Assembly approved the establishment of the Special Fund only two days before the Pledging Conference and that many member governments had little time to consider participation, the results of the Pledging Conference can be considered satisfactory. As in the case of previous conferences, it may, however, be some months before the precise figures either for ETAP or for the Special Fund will be known.

SECTION F

DÉSARMEMENT DISARMAMENT

SUBDIVISION I/SUB-SECTION I

SOUS-COMITÉ DE LA COMMISSION DU DÉARMEMENT SUB-COMMITTEE OF THE DISARMAMENT COMMISSION

117.

PCO

*Note du secrétaire d'État aux Affaires extérieures
pour le Cabinet*

*Memorandum from Secretary of State for External Affairs
to Cabinet*

CABINET DOCUMENT NO. 180-57

[Ottawa], August 15, 1957

SECRET

DISARMAMENT

Introduction

As the Cabinet is aware, the United Nations Sub-Committee on Disarmament has been meeting in London since March 18, 1957, with a view to arriving at a first stage disarmament agreement. During these discussions a number of proposals have been put forward by certain of the delegations and, in addition, various suggestions have been exchanged informally between the delegates of the United States and the U.S.S.R.

Although certain of the U.S.S.R. proposals appear to have some merit, in general they have been found to be unsatisfactory by the Western delegates. Consequently the four Western Delegations in London are in the process of drafting an agreed set of proposals for the first stage of disarmament. They have notified the North Atlantic Council of the preparation of these Four-Power proposals and are in process of consulting with NATO

governments, with particular reference to proposals directly affecting their countries before tabling them in the Sub-Committee. The draft Four-Power proposals are attached as Annex I and are discussed below.

Article I—The Limitation and Reduction of Armed Forces and Armaments

(a) The Reduction of Armed Forces

Since no figures for Canadian force levels are included and since France, the United Kingdom and the United States have agreed to the figures given for their forces, it is considered that Canada also should agree to these provisions.

In the context of a first stage disarmament agreement it may be necessary for Canada to state the ceiling for her force levels. Should this be the case it is suggested that a figure of 250,000 would be appropriate.

It is considered that Canada could also agree to the further reductions in force levels for France, the United Kingdom, the United States and the U.S.S.R. set forth in this article and to corresponding reductions in armaments for these powers under the conditions outlined. In this connection, it may again be necessary for Canada to state ceilings for her force levels. If so, it is suggested that suitable figures for Canada would be 215,000 for the second stage and 175,000 for the third stage. With regard to corresponding ceilings for Canadian armaments, the considerations applying in (b) below would also apply in large measure to the second and third stages, and it is therefore considered that any reductions would have to be very small and limited to offensive type armaments only.

(b) The Reduction of Armaments

Since the other three western powers are themselves agreed in principle with the main provisions concerning armaments, it is considered that Canada should also agree to them insofar as they apply to the great powers.

However, Canada's forces are now equipped only with the minimum items and quantities of armaments for their primarily defensive role. Furthermore, the quantities of such equipment are based on the present actual strength of the forces, *i.e.*, approximately 120,000 and not on any of the ceilings suggested above. Therefore it is considered that Canada should not agree at this time to reduce her armaments during the first stage.

Article II—Military Expenditures

It is considered that Canada can accept this article insofar as it applies to the great powers.

It should be noted that in its present wording this article does not require reductions in military expenditures but merely calls for the submission of relevant information to the Control Organization. In any event, since Canada would not be reducing her forces or armaments during the first stage of disarmament, there is little likelihood that our military expenditures could be reduced without reducing our present commitments. Furthermore, a Canadian contribution to an adequate control and inspection system under this agreement could well result in additional military expenditure. It is therefore considered that Canada should not make a commitment to reduce her military expenditures during the first stage of disarmament.

Article III—An Obligation Regarding Nuclear Weapons

This article deals only with the conditions under which nuclear weapons can be used. It meets Canadian requirements for the defence of Canada and it is therefore considered that Canada could agree to it.

Article IV—Control of Fissionable Material

Since Canada is a leading producer of uranium, the limitation that all future production of fissionable material would be for non-weapons purposes may affect Canadian interests. However, since an objective of Canadian policy since 1945 has been an agreement under which the production of fissionable materials would be for peaceful purposes only, it is considered that this provision could be accepted.

The defence of Canada may well require the use of certain nuclear weapons of the air-to-air and surface-to-air missile category. Accordingly, the portion of this article dealing with the prohibition of manufacture and transfer of nuclear weapons could only be accepted from a defence point of view if it were worded in such a way as to enable Canada to obtain such weapons for use to repel an attack against her territory. It is considered therefore that this portion of the article (paragraph C) can be accepted as now drafted.

Some form of inspection system will be required in order to verify that the provisions of this Article are being carried out. The design and implementation of an effective inspection system, which is provided for in this article, probably will involve Canadian participation. Furthermore, since Canada is a producer of fissionable material, any inspection system would undoubtedly extend to Canadian territory. In the interest of ensuring that an effective system is implemented, it is considered that Canada should contribute to its design and operation.

Article V—Nuclear Weapons Testing

Since Canada does not conduct nuclear test explosions, and since the provisions of this article are acceptable to France, the United Kingdom and the United States, it is considered that Canada could also agree. In doing so we would, of course, accept an obligation to participate in the design of the necessary inspection systems.

Article VI—The Control of Objects Entering Outer Space

This article is designed primarily to control the development of objects travelling through outer space, *i.e.*, intercontinental ballistic missiles and similar devices to ensure that their use would be exclusively for peaceful and scientific purposes. It does not include missiles which do not enter outer space. On this understanding it is considered that Canada can accept this article. The article also calls upon the parties to cooperate in the establishment of a technical committee to study the inspection system necessary to achieve the above. It should be noted that the article only calls for a study of such an inspection system and not for the system to be put into operation. It is considered that Canada should agree to participate in the study insofar as our resources will permit.

Article VII—Safeguards Against the Possibility of Surprise Attack

(a) Aerial Inspection

The installation and maintenance of an aerial inspection system is designed as one of the measures necessary to guard against surprise attack. Its extension over the widest possible area is a condition precedent to introducing an effective system. Although no aerial inspection system could be 100% effective, any such system, providing reconnaissance is sufficiently frequent and widespread, would be a notable advance on the present state of affairs. The zones so far contemplated by the Western delegations do cover a sufficiently wide area. In this connection, it will be recalled that Cabinet approved on July 11, 1957, the inclusion of all or part of Canada as a portion of a North American zone of relatively equal importance to a U.S.S.R. zone.

The establishment of an aerial inspection system including Canadian territory would mean that foreign aircraft (possibly those of the U.S.S.R.) would be authorized to overfly Canada, and that logistic support elements for such aircraft would probably be stationed in Canada. The number of aircraft engaged in such inspection, and the frequency of their flights have not yet been determined, but it is thought that both might be considerable if the inspection system is to be useful. Furthermore, the operation of zones of aerial inspection, both in the U.S.S.R.-North American area and in Europe, will very probably involve a significant contribution on Canada's part in terms of personnel, aircraft, logistic support, etc. Such a contribution could only be made by either reducing our present commitments or providing additional facilities for carrying them out. It is recognized that this step might well prove onerous to Canada, but it is also recognized that it is an inevitable accompaniment of a disarmament agreement involving an aerial inspection system. It is therefore considered that Canada should agree to participate to the extent of her abilities.

(b) *Ground Observation Posts and Mobile Teams*

Our Western colleagues are agreed that, in order to provide against the possibility of surprise attack, international teams of observers, equipped with adequate communication facilities, shall be established from the entry into force of the agreement at large ports, railway junctions, major highways and important airfields. All delegations also agree that such observers should have agreed rights and limits of mobility. It is also agreed that these posts and teams may be established by agreement at points which would not be restricted to the limits of the zones of aerial inspection.

If the provisions given above are to be implemented, it would mean, so far as Canada is concerned, that there might be ground observation posts in Canada at the installations mentioned above either throughout the country or in areas to be negotiated, and that the observers at each post would have certain rights and freedom of movement within an agreed area. Furthermore, the establishment of such a system would mean, as in the case of aerial inspection, that Canada might be required to provide personnel, together with the necessary support. The implications of undertaking such an obligation are similar to those involved in aerial inspection. However, it is again considered that such a system of inspection to guard against surprise attack is a necessary part of the disarmament agreement, and it is therefore considered that Canada should agree to participate.

(c) *Exchange of Inventories*

In connection with the reductions specified in Article I, our Western Colleagues are in agreement that they should exchange inventories ("blueprints") of fixed military installations and numbers and locations of military forces and major designated armaments in the first stage. The United States Delegation has suggested that such an exchange might be limited to "an agreed inspection zone or zones" and has persuaded the United Kingdom and France to abandon their objections to this restriction. It is considered that Canada, in the circumstances, should not continue in opposition alone and so delay the presentation of the proposals but that, on the grounds that a limited exchange might prejudice Western security, our representatives should seek to ensure that the exchange and verification of inventories should as nearly as possible cover all the military forces and major designated armaments of states parties to the Treaty.

It is possible that measures for supervision and verification of the reduction in armed forces, armaments, and military expenditures might eventually be extended to Canada. If so, it would mean that elements of this organization would be located in Canada and that Canada might have to participate in the organization. Such obligations would appear,

however, to be inseparable from any effectively supervised disarmament agreement. It is considered, therefore, that Canada should accept them.

Article VIII—The International Control Organization

Inasmuch as an acceptable plan for disarmament should contain provision for an effective inspection and control system, it is considered that Canada should agree in principle with this article, on the understanding that the details of the control organization will be worked out at a later date. In view of Canada's membership in the United Nations Disarmament Sub-Committee, it may be that we would be expected to be members, possibly permanent members, of the executive body of the control organization as is provided in paragraph (B). Such membership might well involve Canadian representation at a fairly senior level. However, since the details of the control organization have not yet been worked out it is considered that no decision should be taken at this time regarding the degree of possible Canadian participation in the executive organ.

Article IX—Export and Import of Armaments

This article as now drafted is considered acceptable. Under discussion in London is a possible additional clause concerning a system of notification of intended major movements of armed forces over foreign soil or through international waters or through international air space.

From a military point of view such an addition would appear to be desirable since it would provide for notification of the movement of military forces and armaments from one country through or into another and thus would contribute to the prevention of surprise attack. It would mean, of course, that Canada would have to notify the control organization of the movement of armed forces and armaments out of Canada, but this cannot be considered as a disadvantage to us since such movements are in general already made public. France and the United Kingdom have, however, made objections to it. Provided our western colleagues can reach agreement in the inclusion of this article, it is considered that Canada should also agree to it.

Article X—Suspension of the Convention

This is a straightforward article to which it is considered Canada can agree.

Article XI—Entry into Force

Some difficulty over this article has arisen among our western colleagues on the question whether the articles of the agreement should constitute inseparable parts of a whole. As most of the elements of the proposal are interdependent, it is considered that the present statement is satisfactory.

General Considerations

As will be noted from the above, the Four-Power proposals can only be regarded as a first stage plan and in no way constitute a comprehensive disarmament agreement. From a military point of view a less than comprehensive plan, particularly with regard to the control and inspection system, is bound to be less than satisfactory in providing for safeguarded disarmament and protection against surprise attack. Furthermore, an agreement of this sort may create a false sense of security among the general public in western countries since it may appear that more disarmament has been achieved than has in fact been the case. Such a development might well make it difficult to command public support for essential defence measures. On the other hand, it appears almost certain that comprehensive disarmament can be reached only through a series of stages and it therefore appears necessary to make a modest beginning if a start in disarmament is to be made at all. In

addition, even an agreement for first stage measures of disarmament might go a long way toward creating a more favourable international atmosphere and thus eventually improve the chances of agreement on important political questions such as a European security settlement, the reunification of Germany, stabilization of the Middle East, etc. This in turn might lead to more comprehensive steps in disarmament. Finally, these proposals have, subject to reference to their governments, been accepted in principle by the other three Western delegations. It is therefore considered on balance that Canada should also agree to them in principle, but with the exceptions and conditions outlined above.

Cabinet will appreciate that the draft Four-Power proposals as presently set forth may undergo some revision before being tabled in the Sub-Committee. Furthermore, once tabled some or all of the proposals may require further revision in order to arrive at a compromise acceptable both to the U.S.S.R. and the Western Delegations. It is suggested, therefore, that the Secretary of State for External Affairs, in consultation with the Minister of National Defence, be empowered to agree in principle to reasonable compromises based on the suggested Canadian position outlined in the above discussion of the articles of the agreement and falling within agreed government policy.

Recommendations

I therefore recommend:⁸⁸

(a) that Canada accept in principle the eleven articles discussed above for inclusion in an agreed Four-Power proposal to be tabled in the Sub-Committee of the United Nations Disarmament Commission;

(b) that, in particular, approval be given

(i) to force levels for Canada of 250,000 in the first stage and 215,000 and 175,000 in the second and third stages respectively (Article I);

(ii) to the principle that Canada should not agree at this time to reduce her armaments until the third stage, unless strongly urged to do so at an earlier stage by her Western colleagues in the Sub-Committee, and then only in token numbers (Article I);

(iii) to Canada's acceptance of and, within limits of her capabilities, participation in the control and inspection systems proposed, namely:

(a) the submission and verification of inventories of fixed military installations and numbers and locations of military forces and major designated armaments (Article VII (H));

(b) an inspection system designed to ensure that all future production of fissionable material will be for non-weapons purposes (Article IV(A));

⁸⁸ À sa réunion du 22 août 1957, le Cabinet a reporté l'approbation des propositions intérimaires des quatre puissances, pendant que les États-Unis, le Royaume-Uni et la France examinaient les modifications au texte. Le 23 août 1957, J.W. Holmes indiquait que toutes les modifications étaient « within the limits of the recommendations which are made in the memorandum now before Cabinet and raise no fresh issues from the defence point of view. » Après un exposé oral du premier ministre, le Cabinet a approuvé la version révisée des propositions de désarmement occidentales le 27 août. Voir Holmes à Diefenbaker, 23 août 1957, MAE/50271-C-40.

At its August 22, 1957 meeting, Cabinet deferred approving the four-power draft proposals while amendments to the text were being considered by the United States, the United Kingdom, and France. On August 23, 1957, J.W. Holmes indicated that all amendments were "within the limits of the recommendations which are made in the memorandum now before Cabinet and raise no fresh issues from the defence point of view." After an oral briefing by the prime minister, Cabinet approved the revised draft of the Western disarmament proposals on August 27, 1957. See Holmes to Diefenbaker, August 23, 1957, DEA/50271-C-40.

- (c) an aerial inspection system to assist in guarding against surprise attack (Article VII);
- (d) a system of ground control posts to assist in guarding against surprise attack (Article VII);
- (e) a general control organization, the extent of such participation being decided later (Article VIII);
- (f) a system for the control of the international movement of arms and armed forces (if included in Article IX);
- (iv) to Canada's participation in
 - (a) planning an inspection system to verify the suspension of nuclear tests explosions (Article V); and
 - (b) the study of a plan for an inspection system which would assure that the sending of objects through outer space would be exclusively for peaceful and scientific purposes (Article VI);
- (v) to the principle that Canada will agree, under the disarmament treaty, not to manufacture nuclear weapons and not to accept the transfer of such weapons except on the condition that their use would be restricted to repelling an attack against her (Articles IV(A) and (C));
- (c) that the Secretary of State for External Affairs, in consultation with the Minister of National Defence, be authorized to negotiate reasonable compromise positions based on the conclusions arrived at in the above discussion of the eleven articles, and within the limits set forth in the above recommendations.

J.G. DIEFENBAKER

[PIÈCE JOINTE/ENCLOSURE]

Annexe I/Annex I

CONFIDENTIAL

CANADA, FRANCE, THE UNITED KINGDOM AND THE UNITED STATES:
DRAFT WORKING PAPER

I. The Limitation and Reduction of Armed Forces and Armaments

A. Within one year from the entry into force of the convention, the following states will restrict or reduce their armed forces respectively to the maximum limits indicated below:

France - 750,000
 United Kingdom - 750,000
 Soviet Union - 2,500,000
 United States - 2,500,000

The definition of the armed forces will be annexed to the convention.

B. During this same period, these states will place in storage depots, within their own territories, and under the supervision of an International Control Organization, specific quantities of designated types of armaments to be agreed upon and set forth in lists annexed to the convention.

C. The relation of other states to the convention, including the agreed levels of their armed forces, will, where not otherwise provided for, be determined later.

D. The states listed in paragraph I.A. will be prepared to negotiate on a further limitation of their armed forces and armaments upon condition that:

1. Compliance with the provisions of the convention has been verified to their satisfaction;
2. There has been substantial progress toward the solution of political issues;
3. Other states specified in an annex to the convention have become parties to it; have accepted levels for their armed forces and armaments, fixed in relation to the limits set out in paragraphs A. and B. above; and have accepted adequate control and verification of these measures.

E. Upon the conditions cited above, France, the Soviet Union, the United Kingdom and the United States will be prepared to negotiate on a further limitation of their armed forces which would involve agreed reductions for the United States and the USSR to not less than 2.1 million men each. The agreed level of forces for France and the United Kingdom, corresponding to this figure, would be 700,000 men each.

F. Thereafter, and subject to the same conditions, negotiations could be undertaken on further limitations to not less than 1.7 million men each for the United States and the Soviet Union. The agreed level corresponding to this figure for France and the United Kingdom would be 650,000 men each.

G. Upon the conditions cited in D. above, these states will also be prepared to negotiate on further limitations of armaments. Any such limitations will be calculated by reference to definitive lists of armaments which will have been negotiated in the year following the entry into force of the convention on the basis of agreed ratios between designated armaments and manpower. The parties must be satisfied at all times that the totals of designated armaments at the disposal of any participating party do not exceed the quantities thus allowed.

H. No measures for the reduction and limitation of armed forces and armaments beyond those provided for in paragraphs A. and B. above will be put into effect until the system of control is appropriately expanded and is able to verify such measures.

II. *Military Expenditure*

In order to assist in verifying compliance with the provisions of Paragraph I, and to facilitate the reduction of military expenditures, France, the Soviet Union, the United Kingdom and the United States agree to make available to the International Control Organization information about their military budgets and expenditures for the year preceding entry of the convention into force and for each year thereafter. The categories of information to be supplied will be agreed in advance and annexed to the convention.

III. *An Obligation Regarding Nuclear Weapons*

Each party assumes an obligation not to use nuclear weapons if an armed attack has not placed the party in a situation of individual or collective self-defense.

IV. *The Control of Fissionable Material*

A. The parties to the convention further undertake:

1. That all future production of fissionable materials will be used at home or abroad, under international supervision, exclusively for non-weapons purposes, including stockpiling, beginning one month after the International Board of Control described in paragraph VIII has certified that the installation of an effective inspection system to verify the commitment has been completed. Thereafter, such fissionable materials will

not be transferred out of a party's control, nor will it accept transfer to it of such materials, except exclusively for non-weapons purposes.

2. That they will cooperate in the prompt installation and in the maintenance of such an inspection system.

3. That for the purpose of accomplishing the above undertakings, the five governments represented on the Subcommittee will appoint a group of technical experts to meet as soon as possible to design the required inspection system, and to submit a progress report for their approval within the first ten months after the entry into force of the convention.

B. The parties which are producers of fissionable material for weapons purposes at the time of cessation of production for weapons purposes undertake to provide, under international supervision, for equitable transfers, in successive increments, of fissionable materials from previous production to non-weapons purposes, at home or abroad, including stockpiling; and, in this connection

1. To fix the specific ratios of quantities of fissionable materials of comparable analysis to be transferred by each of them, and

2. To commence such transfers at agreed dates and in agreed quantities at the fixed ratios following the cutoff date for production of fissionable materials for weapons purposes.

C. From the date of the cessation of production of fissionable material for weapons purposes provided in Paragraph IV A 1, each party undertakes not to transfer out of its control any nuclear weapons, or to accept transfer to it of any such weapons, except through arrangements between the transferor and transferee designed to ensure that they will not be used in violation of paragraph III.

V. Nuclear Weapons Testing

A. All parties to the convention undertake to refrain from conducting nuclear test explosions for a period of ten months from the date of entry into force of the convention, provided that agreement has been reached on the installation and maintenance of the necessary controls, including inspection posts with scientific instruments, located within the territories of the Soviet Union, the United Kingdom, the United States, the area of the Pacific Ocean and at such other places as may be necessary, with the consent of the governments concerned.

B. A group of technical experts appointed by the five governments represented on the Subcommittee will meet as soon as possible to design the inspection system to verify the suspension of testing.

C. Upon termination of the ten months period, the parties will be free to conduct tests unless they have agreed to continue the suspension for a further period under effective international inspection.

D. If such a further period of suspension of nuclear test explosions for _____ months has been agreed upon, then, during that period a timetable for the beginning and completion of the installation of an inspection system to supervise the cessation of production of fissionable material for weapons purposes will be agreed upon. The cessation of such production will follow in accordance with the provisions of paragraph IV. A. 1. If agreement is not reached upon such a timetable, each party will be free, at the expiration of the second period of suspension, to conduct nuclear test explosions.

E. If tests are resumed, each party undertakes to announce and register in advance the dates of each series and the range of total energy to be released therein; to provide for

limited observation of them; and to limit the amount of radioactive material to be released into the atmosphere.

VI. *The Control of Objects Entering Outer Space*

All parties to the convention agree that within three months after the entry into effect of the convention they will cooperate in the establishment of a technical committee to study the design of an inspection system which would make it possible to assure that the sending of objects through outer space will be exclusively for peaceful and scientific purposes.

VII. *Safeguards Against the Possibility of Surprise Attack*

A. From the entry into force of the convention the parties concerned will cooperate in the establishment and maintenance of systems of inspection to safeguard against the possibility of surprise attack.

B. The establishment of such systems will be subject to agreement on the details of its installation, maintenance and operation. It is proposed as a matter of urgency that a working group of experts appointed by the Five governments represented on the Subcommittee be set up at once to examine the technical problems and to report their conclusions which could form the basis for an annex to the agreement.

C. With regard to inspection in the Western Hemisphere and in the Soviet Union the governments of Canada, France, the United Kingdom and the United States propose the following:

1. That all the territory of the continental United States, all Alaska including the Aleutian Islands, all the territory of Canada and all the territory of the Soviet Union will be open to inspection.
2. If the government of the Soviet Union rejects this broad proposal, to which is related the proposal for inspection in Europe, referred to in paragraph D below, the governments of Canada, France, the United Kingdom, and the United States (with the consent of the governments of Denmark and Norway) propose that:

All the territory north of the Arctic Circle of the Soviet Union, Canada, the United States (Alaska), Denmark (Greenland), and Norway; all the territory of Canada, the United States and the Soviet Union west of 140 degrees West longitude, east of 160 degrees East longitude and north of 50 degrees North latitude; all the remainder of Alaska; all the remainder of the Kamchatka peninsula; and all of the Aleutian and Kurile Islands will be open to inspection.

D. With regard to inspection in Europe, provided there is commitment on the part of the Soviet Union to one of the two foregoing proposals, the governments of Canada, France, the United Kingdom and the United States, with the concurrence in principle of their European allies and in continuing consultation with them, subject to the indispensable consent of the countries concerned and to any mutually agreed exceptions, propose that an area including all of Europe, bounded in the South by latitude 40 degrees North and in the West by 10 degrees West longitude and in the East by 60 degrees East longitude will be open to inspection.

E. If the government of the Soviet Union rejects this broad proposal, then, under the same proviso expressed above, a more limited zone of inspection in Europe could be discussed but only on the understanding that this would include a significant part of the territory of the Soviet Union, as well as the other countries of Eastern Europe.

F. The system of inspection to guard against surprise attack will include in all cases aerial inspection, with ground observation posts at principal ports, railway junctions, main

highways, and important airfields, etc., as agreed. There would also, as agreed, be mobile ground teams with specifically defined authority.

G. Ground posts may be established by agreement at points in the territories of the states concerned without being restricted to the limits of the zones described in paragraphs C.1 and 2, but the areas open to ground inspection will not be less than the areas of aerial inspection. The mobility of ground inspection would be specifically defined in the agreement with in all cases the concurrence of the countries directly concerned. There would also be all necessary means of communication.

H. Within three months of the entry into force of the convention, the parties will provide to the Board of Control inventories of their fixed military installations, and numbers and locations of their military forces and designated armaments, including the means of delivering nuclear weapons located within an agreed inspection zone or zones, and within such additional area or areas as may be agreed.

I. Any initial system of inspection designed to safeguard against the possibility of surprise attack may be extended by agreement of all concerned to the end that ultimately the system will deal with the danger of surprise attack from anywhere.

VIII. *The International Control Organization*

A. All the obligations contained in the convention will be conditional upon the continued effective operation of an international control and inspection system to verify compliance with its terms by all parties.

B. All the control and inspection services described in the convention and those which may be created in the course of its implementation will be within the framework of an International Control Organization established under the aegis of the Security Council, which will include, as its executive organ, a Board of Control in which the affirmative vote of the representatives of the Governments represented on the Sub-Committee and of such other parties as may be agreed will be required for important decisions.

C. All parties to the convention undertake to make available information freely and currently to the Board of Control to assist it in verifying compliance with the obligations of the convention and in categories which will be set forth in an annex to it.

D. The functions of the International Control Organization will be expanded by agreement as the measures provided for in the convention are progressively applied.

E. Other matters relating to the Organization will be defined in annexes to the convention. These matters will include the method by which the Organization shall function, its composition, its relationship to the General Assembly and the Security Council of the United Nations, its voting procedures, its working conditions, jurisdiction, immunities, prerogatives and duties.

IX. *Movement of Armaments*

In addition to other rights and responsibilities, the Board of Control will have authority to study a system for regulating the export and import of designated armaments.

X. *Suspension of the Convention*

A. Each party will have the right to suspend its obligations, partially or completely, by written notice to the International Control Organization, in the event of an important violation by another party, or other action by any state so prejudices the security of the notifying party as to require partial or complete suspension.

B. At its option a party may give advance notice of intention to suspend its obligations, in order to afford opportunity for correction of the violations or prejudicial action.

XI. This Working Paper is offered for negotiation on the understanding that its provisions are interdependent.

118.

DEA/50271-C-40

*Le haut-commissaire au Royaume Uni
au secrétaire d'État aux Affaires extérieures*

*High Commissioner in United Kingdom
to Secretary of State for External Affairs*

TELEGRAM 2247

London, August 29, 1957

CONFIDENTIAL. OPIMMEDIATE.

Repeat NATO Paris, Paris, Permis New York, Washington, Bonn, Brussels, Geneva, Hague, Rome (Information).

By Bag Belgrade, Canberra, Copenhagen, Moscow, Oslo, Stockholm, Delhi, Wellington, Tokyo from London.

DISARMAMENT — FOUR-POWER PAPER

The Four-Power proposals⁸⁹ were tabled in the Sub-Committee today with accompanied statements by the three other Western delegates and myself. In what he called a preliminary comment on the paper Zorin described it as offering nothing of genuine value and went on to condemn individual parts of the proposals. His speech seemed to amount to a total rejection of the paper. When asked by Moch whether it constituted rejection by the USSR government, Zorin made no direct reply. When further asked whether he would have any other comment to make on the proposals after referring the text to his government, he again avoided a direct reply, but the implication of his answer seemed to be completely negative. Thus, while there may remain some possibility that further comment will be received from the USSR government, the outlook does not seem very promising. The Sub-Committee meet on Tuesday September 3. Meanwhile Stassen is leaving tonight for his son's wedding in the USA and according to the press for consultations with Washington. It is obvious that in the event that Zorin's statement constitutes the complete rejection which it certainly appears to be, we shall have to consider the whole question of the continued session of the Sub-Committee.

2. I shall be sending you tomorrow a fuller account of today's meeting.

[C.S.A.] RITCHIE

⁸⁹ Pour le texte officiel des propositions des quatre puissances, voir *Débats sur le désarmement*, 1957 (Ottawa: Imprimeur de la Reine, 1958), pp. 39 à 44.

For the official text of the four-power proposals, see *Report on Disarmament Discussions*, 1957 (Ottawa: Queen's Printer, 1958), pp. 33-38.

119.

DEA/50271-C-40

*Le haut-commissaire au Royaume Uni
au secrétaire d'État aux Affaires extérieures*

*High Commissioner in United Kingdom
to Secretary of State for External Affairs*

TELEGRAM 2276

London, September 3, 1957

CONFIDENTIAL. OPIMMEDIATE.

Reference: Your Tel V-577 Aug 30.†

Repeat NATO Paris, Paris, Permies New York, Washington, Bonn, Brussels, Geneva, Hague, Rome

By Bag Belgrade, Canberra, Copenhagen, Moscow, Oslo, Stockholm, Delhi, Wellington, Tokyo from London.

DISARMAMENT

This morning's meeting of the Western Delegations turned on the question of the tactics to be pursued with regard to the continuation or recess of Sub-Committee meetings. Stassen, who had just returned from Washington where, according to the press, he has been in consultation with the President and Secretary of State, said that the USA government view was that it was important to continue to impress upon public opinion that the Western Powers were willing to pursue serious negotiation. If the Soviet Delegation's attitude continues negative, then Stassen proposes that at the Sub-Committee meeting on September 5 the Western Delegations should propose a recess of the Sub-Committee until the general debate in the UN had taken place. The onus for this recess would be placed on the unwillingness of the Soviet Delegation to discuss the Western proposals in the Sub-Committee. The USA government is anxious to propose a precise date for the reconvening and suggested September 28. It would be suggested that in the meantime the Soviet government should give further consideration to the Western proposals. The USA object in proposing a date as explained by Stassen is that such a proposal conveys the impression that the Western Powers are anxious to proceed with serious negotiation in the Sub-Committee. If it is turned down by the Soviet government this should strengthen our position with regard to public opinion. In any event it would be desirable in the USA view to propose a date for the next Sub-Committee meeting prior to the General Assembly debate on disarmament.

2. The UK and French Delegations were in favour of the proposal to recess the Sub-Committee on September 5 but were opposed, particularly the UK Delegation, to naming a date for reconvening the Sub-Committee.

3. A subsidiary question which seems to cause a certain amount of irritable feeling between the UK and USA Delegations is that of the place of meeting of the Sub-Committee after such a recess. Stassen is anxious that the Sub-Committee should meet in London as he says that the atmosphere here is more propitious for serious negotiation than that in New York in the midst of an Assembly session. The French seem inclined to support this view. The UK, on the other hand, strongly favour New York, partly, I think, because they would prefer to see Stassen under the closer control of the Secretary of State rather than operating more independently in London. This is one aspect of the lack of confidence which the UK Delegation feel and express about Stassen as a negotiator.

4. I have so far taken no part in this discussion of the relative merits of London and New York for a further meeting of the Sub-Committee, but I should be grateful for your views on this point.

5. With regard to the future sessions of the Sub-Committee,

(a) It is difficult to see any evidence in the present attitude of the Soviet Delegation for optimism concerning concessions on the part of the Soviet government at this stage. It seems more likely that if they are considering any concessions they might be more disposed to make them in the General Assembly itself than in the Sub-Committee, particularly in view of Zorin's uncomplimentary references to the composition and methods of work of the Sub-Committee and his hints of a preference for continuing discussion of disarmament in the General Assembly. I also think rather significant his remarks at the 151st meeting of the Sub-Committee on August 27 in which he spoke of the Western Powers having compelled the Sub-Committee to "work in secret" and said "The time when professional politicians and diplomats could decide questions affecting the basic and vital interests of peoples secretly and behind their backs has gone forever." This sounded as if the Soviet Delegation had decided that negotiation in the Sub-Committee and perhaps in particular the method of private conversations between Soviet and USA Delegations no longer serve their purpose at this time.

(b) The continuance of the Sub-Committee meetings in these circumstances would in all probability only lead to repetition of propaganda speeches which might bring the Sub-Committee into some disrepute, and by sharpening the propaganda content of its sessions make subsequent agreement in the Sub-Committee rather more difficult.

(c) On present form it seems unlikely that the Soviet Delegation will ask for a recess or adjournment of the Sub-Committee. They will wish to place the responsibility for such a move on the Western Delegations, although they themselves might not be sorry to see the Sub-Committee terminate its work for the time being, as they appear to have nothing to say beyond repeating former speeches.

(c) The Soviet Delegation have, however, by their brusque handling of the Four-Power proposals and their refusal even to examine these proposals in detail or to comment upon many of the proposals themselves, shown themselves in an unfavourable light. They have made it relatively easy for the Western Powers to assert that the breakdown of discussions in the Sub-Committee is due to the refusal of the Soviet Delegation to consider substantial proposals which had the backing of fifteen Western nations.

6. In the circumstances I should be inclined to go along with Stassen's suggestion for proposing a recess to give the Soviet government an opportunity thoroughly to study the Western proposals with a meeting to take place again prior to the disarmament debate in the UN. I should be grateful for your instructions on this and also on the question as to whether a precise date for the resumption of discussions should be mentioned when proposing a recess and if so whether the date proposed by Stassen, September 28, would be satisfactory to you. I can see some advantage in some date prior to the disarmament debate in the General Assembly being suggested.

7. Of course, when the proposal for a recess is put forward in the Sub-Committee, the Soviet Delegation may simply reply that there is no need for the Soviet government to study the Western proposals further as they have already rejected them. In this case it may be that there will be nothing for it but to adjourn the Sub-Committee indefinitely although Stassen will no doubt do everything in his power to avoid such a development.

8. I am cabling you separately† on this afternoon's Sub-Committee meeting which was in any case quite negative in result.

[C.S.A.] RITCHIE

120.

DEA/50271-C-40

*Le secrétaire d'État aux Affaires extérieures
au haut-commissaire au Royaume-Uni*

*Secretary of State for External Affairs
to High Commissioner in United Kingdom*

TELEGRAM V-582

Ottawa, September 5, 1957

CONFIDENTIAL. EMERGENCY.

Reference: Your telegram 2276 of September 3.

Repeat NATO Paris, Paris, Washington, Permis New York, Bonn, Brussels, Geneva, Hague, Rome (Information).

By Bag From London: Belgrade, Copenhagen, Canberra, Moscow, Oslo, Stockholm, Wellington, Delhi.

By Bag From Ottawa: Tokyo.

DISARMAMENT: TACTICS

For Ritchie:

The suggested procedure of proposing a recess until after the general debate in the Assembly appears sound. We are inclined to accept also Stassen's reasoning about the desirability of proposing a date for resuming discussions. However, we suspect that September 28, apart from being a Saturday, would be too early as it would allow only about ten days for the delivery of perhaps more than seventy lengthy speeches. October 7 might provide a more satisfactory margin.

2. We are able to see advantages in proposing either London or New York as the location for any resumed session. While negotiations in London would be freer from possible disturbing influences it should not be overlooked that there is likely to be intense interest in disarmament at the Assembly and the problems of coordination would probably be simplified if the Sub-Committee were also to meet in New York. Moreover, it might be preferable to propose New York in order to avoid Soviet charges that the Western Powers are trying to keep disarmament away from the other U.N. members.

3. Admittedly Stassen is likely to find himself more circumscribed in New York not only by Dulles but also by Lodge. However, prospects of serious negotiations in the near future appear to be so slim that his opportunity for any useful initiative would at best be correspondingly slight. On the other hand his presence in New York might have a salutary effect on the U.S. attitude in the Assembly. Thus, while we do not share the U.K. reasons, we are also inclined to favour New York.

4. Although we consider it desirable to propose that the Sub-Committee recess forthwith and resume in New York about October 7 we are uncertain about the substantive nature of the discussions which might then take place. We would be reluctant to see the Sub-Committee revert to a propaganda forum. This problem, however, is perhaps one which can be attended to more readily at a later stage when the attitude of the Soviet Union to a resumed session becomes known. In any event a resumed session would no doubt recess

during the First Committee debate and in consequence one of the factors affecting its duration would be the stage in First Committee proceedings at which disarmament was discussed. Another factor is the extent of any demand which may exist for holding more than a formal session of the Commission prior to the First Committee debate.

5. You might suggest for the consideration of your colleagues that it be proposed to Zorin that the Sub-Committee recess now without further report and reconvene following the general debate to consider whether it should then report to the Commission or continue during the Assembly. That course might meet some of the U.K. and French objections to resumption since it would leave open the question whether substantive discussion should continue and allow some opportunity to consult on the possibilities of useful negotiation in the interval between the general debate and discussion in the First Committee.

121.

DEA/50271-E-40

*Le haut-commissaire au Royaume Uni
au secrétaire d'État aux Affaires extérieures*

*High Commissioner in United Kingdom
to Secretary of State for External Affairs*

TELEGRAM 2294

London, September 5, 1957

CONFIDENTIAL. EMERGENCY.

Reference: Your Tel V-582 Sep 5/57.

Repeat NATO Paris, Paris, Permis New York, Washington, Bonn, Brussels, Geneva, Hague, Rome (Information).

By Bag Belgrade, Canberra, Copenhagen, Moscow, Oslo, Stockholm, Delhi, Wellington, Tokyo from London.

DISARMAMENT TACTICS

At the Sub-Committee meeting today, in discussion of the UK proposal for a recess of the Sub-Committee Zorin said that he accepted the proposal for a recess but would not accept the naming of a date for reconvening the Sub-Committee. He argued that we should move into a discussion of disarmament in the General Assembly and that further sessions of the Sub-Committee during the General Assembly would only be a device for postponing a discussion in the General Assembly. Western delegations replied that there was no intention on their part to postpone or evade Assembly debate but that the proposal to postpone the next meeting of the Sub-Committee indefinitely would seem to indicate that the USSR was not interested in pursuing serious negotiation to obtain an agreement for partial measures of disarmament. As no agreement could be reached on the conditions for recess further discussion of this matter was postponed until tomorrow's Sub-Committee meeting.

2. The Four Western Powers met after the Sub-Committee meeting and it was agreed that Zorin had put the Soviet Union in a very unfavourable position from the publicity point of view by refusing a further session of the Sub-Committee and that we should seek to utilize this opportunity to make it clear to public opinion that responsibility for breaking off the negotiations lies with the Soviet Union. With this object in mind Moch produced a draft statement to be tabled in the name of the Four Western Powers in the Sub-Committee tomorrow and appended to our report to the Disarmament Commission, pointing out that the Soviet Union was responsible for postponing the next meeting of the Sub-Committee indefinitely and that this prevented any final attempt to reach agreement before the

Assembly debate and obliged us to approach that debate on the basis of our divergencies, and thus reduce the possibility of agreement in the Assembly. As it is felt that the only chance of making effective use of such a joint statement in terms of public opinion would be to table it tomorrow, and as it will only be finally drafted tomorrow morning, it will not be possible to submit it to you in advance. So that unless I hear from you that you are opposed to this procedure I shall join with my colleagues in tabling the document.

3. This approach is based on the assumption that when we meet again tomorrow morning all four Western delegations will agree to abandon further efforts to obtain a resumption of the Sub-Committee session. There is no doubt that the UK and France are convinced that any further effort in this direction would be futile and that Zorin has presented us with a good opportunity to put the responsibility on them. Stassen also appeared tonight to share this view but it is always possible that he may tomorrow put forward some other proposal for a resumption of the Sub-Committee. Meanwhile I have received your very helpful telegram V-582 of September 5, and if there is any question of finding a formula for resuming Sub-Committee meetings I could put forward to our Western colleagues the suggestion contained in paragraph 5 of your reference telegram. I think, however, that it is more likely that all will agree to something along the lines of Moch's proposal referred to in paragraph 2 above and that the Sub-Committee will adjourn on this basis tomorrow.

4. I am very sorry to bombard you with these emergency telegrams but the tactics and timing are changing very rapidly and I wanted to inform you as soon as possible of developments.

[C.S.A.] RITCHIE

122.

DEA/50271-C-40

*Le haut-commissaire au Royaume Uni
au secrétaire d'État aux Affaires extérieures*

*High Commissioner in United Kingdom
to Secretary of State for External Affairs*

TELEGRAM 2306

London, September 6, 1957

CONFIDENTIAL. OPIMMEDIATE.

Repeat NATO Paris, Paris, Permis New York, Washington, Bonn, Brussels, Geneva, Hague, Rome (Information).

By Bag Belgrade, Canberra, Copenhagen, Moscow, Oslo, Stockholm, Delhi, Wellington, Tokyo from London.

DISARMAMENT

The Sub-Committee recessed today. The Soviet Delegation continued its refusal to accept any date for its reconvening. In the circumstances it was agreed to report to the Commission⁹⁰ and to recess.

2. I shall be sending you the precise formula with regard to the recess incorporated in the report when the text is available. The Western representatives deplored the fact that owing

⁹⁰ Le 30 septembre 1957, la Commission du désarmement a décidé uniquement de transmettre tous les rapports du Sous-comité au Conseil de sécurité et à l'Assemblée générale.

On September 30, 1957, the Disarmament Commission decided only to transmit all reports of the Sub-Committee to the Security Council and the General Assembly.

to the Soviet attitude we were recessing indefinitely. The Soviet Delegation continued to argue that the proposal for reconvening the Sub-Committee was just a device for putting off discussion of disarmament in the General Assembly. For their part they proposed that disarmament should be the first item on the agenda of the Political Committee.

3. The project of a Four-Power statement mentioned in my telegram 2294 September 5 was dropped by the four Western powers. Most of the material to be incorporated in it was utilized by the heads of the Western delegations in their speeches. I joined in expressing disappointment with the Soviet attitude in insisting on indefinite adjournment and emphasized that there was no question of our desiring to delay discussion in the General Assembly.

4. I shall be sending you an appreciation of the situation resulting from the Sub-Committee's recess shortly.

[C.S.A.] RITCHIE

123.

DEA/50271-C-40

*Le haut-commissaire au Royaume Uni
au secrétaire d'État aux Affaires extérieures*

*High Commissioner in United Kingdom
to Secretary of State for External Affairs*

TELEGRAM 2339

London, September 11, 1957

SECRET. OPIMMEDIATE.

Repeat NATO Paris, Paris, Permis New York, Washington, Bonn, Brussels, Geneva, Hague, Rome (Information).

By Bag Belgrade, Canberra, Copenhagen, Moscow, Oslo, Stockholm, Delhi, Wellington, Tokyo from London.

DISARMAMENT

The recess of the Sub-Committee suggests some attempt at an assessment of its current session and of future prospects for the disarmament negotiations.

2. It would no doubt be a mistake to write off this five and a half months' work in the Sub-Committee as a total loss. There have been concessions on both sides. I suppose the main Soviet concession has been the apparent acceptance of the principle of control over the suspension of nuclear tests. The USSR also accepted the principle of aerial inspection and of a preliminary reduction of contentional armaments by means of agreed lists.

3. The Western powers have agreed that nuclear tests may be suspended before the cut-off of the production of fissionable material for weapons purposes goes into effect and they have reduced their requirements for control over the first stage of conventional reductions. They have accepted the Soviet proposals for ground observation posts against surprise attack and have offered a wide choice of areas for aerial inspection.

4. Yet in the last month it became increasingly clear that the USSR Delegation was no longer interested in negotiating an agreement through the Sub-Committee. Zorin returned with greater emphasis to those elements in the Russian proposals which he knew were the least acceptable to the West: e.g., the prohibition of the use of nuclear weapons, their elimination from national arsenals, and the reduction by one-third of armed forces stationed in Germany, etc. He made no reference, except in the vaguest terms, to USSR acceptance of

the principle of control in relation to the suspension of nuclear tests. Moreover, when the Western proposals for aerial inspection were put forward formally he attacked the whole concept as merely an attempted arrangement for "the collection of reconnaissance data". In pressing the USSR insistence on proposals for the prohibition of the use of nuclear weapons and their elimination from national arsenals, Zorin made no attempt to answer the challenge, frequently put to him, that the representatives of the USSR had themselves agreed (for example in their proposals tabled in the Sub-Committee in May 1955⁹¹ and in Bulganin's statement in Helsinki in June of this year) that it would be impossible to ensure through any reasonable practical system of inspection that commitments to take such measures would be faithfully implemented.

5. In retrospect it looks as though, if the Russians had ever been serious in hoping to attain an agreement, they decided perhaps sometime at the beginning of August, when Mr. Dulles appeared on the scene to preside over the presentation of the aerial inspection scheme, that they were not likely to make any progress in obtaining further concessions from the West at this stage. They then appeared to have determined to concentrate on the presentation of their proposals for the immediate cessation of nuclear tests as a separate and urgent proposal.

6. The Western position in the Assembly debate will presumably be based upon our Four-Power proposals of August 29. On the central element of the Western proposals — the link between the cessation of nuclear tests and the cut-off of the production of fissile materials for weapons purposes — the West has a pretty strong case. It should be possible to argue that the cessation of tests is in itself only a palliative measure and that in proposing a cut-off date for the manufacture of nuclear weapons we are attacking the heart of the problem it may be difficult for the Russians to explain why they are opposed to this link. But their proposal for a separate cessation of tests will, of course have a strong appeal.

7. The negotiation among the Western Powers of the position finally outlined in our Four-Powers paper of August 29 did, I think, lead to some change in the Western position. In particular it led to greater insistence on the "inseparability" of the different parts of the Western proposals. This "inseparability" could probably have been presented in a much more favourable light and it should be possible to do so in the General Assembly. While certain conditions are mentioned in the Four-Power proposals as a necessary prerequisite to progress in disarmament arrangements, the rigidity of the Western position is more apparent than real. Of the ten sections of the Four-Power proposals, two (Nos. VI and IX) merely proposed studies to work out measures for regulation of related disarmament activities; two more (Nos. II and III) are refusals to accept conditions which the USSR has insisted upon; one more (No. X) was new and merely suggests arrangements for the suspension of the obligations assumed under the Convention; the other five, which contain the real substance of the Western proposals, are attempts to formulate the provisions for those elements of disarmament which all five members of the Sub-Committee had discussed since the Sub-Committee began its meetings in March. These covered an arrangement for the balanced reduction of nuclear and conventional armaments and armed forces and provided in effect for the suspension of tests, so long as other measures were faithfully implemented. The only other "condition" insisted upon by the Western Powers was that further reductions in conventional forces and armaments should depend on progress towards the settlement of problems which made those forces necessary.

⁹¹ Voir/See Volume 21, Document 52.

8. However, we should not overlook the fact that there are some weak links in the chain of our interdependent proposals. In the closing days of the Sub-Committee some of the Western representatives were prepared in private to face these weaknesses, and even to discuss the possibility of concessions in the Western proposals to meet the kind of criticism to which they will probably be exposed. M. Moch, who emphasized that he was speaking as an individual rather than as the representative of the French government, raised some of these questions at the last meeting of the Western delegations. He said that in his opinion the best use the Western governments could make of the period between now and the disarmament debate in the General Assembly was to look over our proposals from the point of view of considering whether we could afford to make any modifications in them. He went on to point out some of the weakness in the Four-Power paper which are likely to attract criticism. He referred to the position of the USA government that even after the cut-off date for the manufacture of fissile materials for military purposes the right to manufacture weapons from the stock of fissile material which had been accumulated prior to the cut-off date would remain. This may be a vulnerable point in our Western position, and one which is not, I think, yet fully understood by public opinion, although no doubt the USSR Delegation at the UN will underline it. M. Moch went on to refer to the transfer provisions in our proposals which would permit the transfer by the USA of nuclear weapons to other governments while leaving it in the discretion of those governments as to how they should employ these weapons subject to the general and almost meaningless, provision that they should be used in self-defence. Although M. Moch did not mention the case of Germany in this connection, it is obvious that this is what he had in mind. If the USSR government could claim that the USA would be able to supply nuclear weapons to the German government to employ at its discretion, this might be a pretty powerful point against the proposals.

9. Mr. Stassen, in a private conversation which I had with him just before his departure, expressed some of his thoughts on this general subject. He said that he felt that the strongest factor in the Western position was the link between the cessation of tests and the cut-off of the manufacture of fissile materials for weapons purposes, and it was upon this element that we should place our main emphasis. On the other hand a number of the other conditions in the Four-Power proposals should be re-examined to see whether there was any possibility of modification in them. In particular Mr. Stassen referred to the smaller zone of aerial inspection in Europe, and wondered whether after the German elections it might not be possible to put forward a scheme for aerial inspection in Europe in a more positive form than that contained in the Four-Power paper.

10. I do not know if the USA, UK and French governments, as distinct from M. Moch and Mr. Stassen, would be prepared to consider any modifications in the Western proposals.

11. Another question which we shall have to consider before the subject of disarmament comes up in the General Assembly is the constitution of the Disarmament Sub-Committee. There can, I think, be no doubt from Mr. Zorin's preliminary gambit in the Sub-Committee that the USSR government will press for the extension of the membership of the Sub-Committee, and that it may be rather difficult to resist this proposal. The Soviet line, as fore-shadowed in the Sub-Committee, will be that there is an excessive representation of NATO countries on the Sub-Committee and that "entire continents", as Mr. Zorin puts it, are let off. This matter was discussed in a rather desultory way at meetings of the four Western delegations here. There was a general feeling that enlargement of the Sub-Committee would make any serious negotiation with the USSR government much more difficult. There was also the feeling that once one admits an extension of membership it

would be very hard to prevent this getting out of control and the development of an unwieldy and irresponsible body. The three other Western delegations, while stating a strong preference for maintaining the Sub-Committee in its present form, seemed to think that if we were forced to accept an extension of membership it would be better for the Sub-Committee to reflect the membership of the Disarmament Commission. They felt that this would at least be some limit to the extension of membership and that it could be argued that such a membership was fairly representative in character. No doubt our representatives at the General Assembly will be considering this matter in common with the representatives of the other Western Powers on the Sub-Committee.

12. Another question which is almost certain to be raised by the USSR Delegation in New York is the place of the disarmament item on the agenda of the Political Committee. Mr. Zorin repeatedly stated in the Sub-Committee that the USSR government would press for this subject to be the first item on the agenda. He added that the USSR would be prepared to discuss the question at the beginning of October. At the meeting of the four Western delegations the UK Delegation expressed rather strongly the view that they would not be prepared to discuss this question early in October. The French representative stated that the main French interest was that the discussion of Algeria should come at the end of the Committee's agenda rather than near the beginning. The general trend of the discussion seemed to favour beginning the Committee's work with the discussion of Korea and perhaps Cyprus, going on to disarmament perhaps towards the end of October and ending with Algeria. However, these are matters which will no doubt be thrashed out between the delegations in New York.

13. In attempting this assessment of the work of the Sub-Committee during its last session, there are a number of imponderable elements to be taken into account.

14. In the background of diplomatic interchanges in the Sub-Committee one was of course always aware of the existence of certain timetables of weapon testing and weapon production both on the USSR and on the Western side. Timetables whose content was unknown — at any rate to the Canadian Delegation — but which obviously affected decisions and tactics. The dates of projected test explosions — either on the Western or on the USSR side — the stage reached in various programmes of weapon development, all latest intelligence estimates with regard to developments, all these considerations obviously played a very important part in shaping decisions on the timing and sometimes the content of proposals put forward.

15. The fact that the UK is an emergent nuclear power and that France has aspirations in the same direction has clearly been an important factor in these negotiations. It is one thing for the USA and USSR to negotiate from a position in which they are both already established nuclear powers, but the USA has had to take in consideration the policies and requirements of their allies (the USSR is presumably not under any such obligation). Indeed the negotiation between the USA and its UK and French and NATO allies has been one of the most important and time-consuming preoccupations of these last months. This has been of real value in achieving an agreed Western position, but it has also complicated the Western proposals by introducing into them provisions to meet the UK, French and NATO requirements.

16. Last, perhaps least important but still playing a certain role, has been the personal relation between members of the Western Delegations, centering around the personality and position of Mr. Stassen, and the connected question of Mr. Stassen's own relationship with the President and the Secretary of State. Mr. Stassen's patience and invincible optimism made him an impressive figure. Unfortunately he aroused the mistrust of the UK and

French Delegations, particularly the former and his optimism as to the outcome of the negotiation proved, at any rate in the short run, to be unfounded. Mr. Zorin showed himself a formidable debater, with a grasp both of detail and of the underlying issues. M. Moch, though he tended to be erratic and fatigued in the latter stages, was impressive by his personality and intelligence. The UK Delegation was competent but uninspired in leadership and somewhat negative in attitude.

17. From the Canadian point of view I think it may be said that — as I have indicated in previous messages — Canada obtained the inclusion in the Four-Power proposals of all the provisions which were considered necessary to safeguard our own position. In addition most of the suggestions put forward by the Canadian government on the more general aspects of the Four-Power proposals were accepted.

18. Finally, I should add that the above comments are based only on my short period of work on the Sub-Committee of which Mr. Johnson⁹² has much fuller experience.

[C.S.A.] RITCHIE

SUBDIVISION II/SUB-SECTION II

DOUXIÈME SESSION DE L'ASSEMBLÉE GÉNÉRALE
TWELFTH SESSION OF THE GENERAL ASSEMBLY

124.

DEA/50271-E-40

*L'ambassadeur aux États-Unis
au secrétaire d'État aux Affaires extérieures
Ambassador in United States
to Secretary of State for External Affairs*

TELEGRAM 1951

Washington, September 13, 1957

CONFIDENTIAL. OPIMMEDIATE.

Reference: Permis Tel 1823 Sep 12.†

Repeat London, Permis New York, Paris, NATO Paris (Information).

USA DRAFT RESOLUTION ON DISARMAMENT

Baker, one of the officials concerned with disarmament questions at the State Department, gave us this afternoon the text of a draft resolution to cover the disarmament item of the General Assembly's agenda. The British and French embassies here are also being given copies of this draft, the text of which is contained in my telegram 1952.

2. By way of explanation, Baker said that this draft resolution had been worked out at the official level and approved by the Secretary as a basis for consultation, in the first instance with the USA's Western partners on the Sub-Committee. It is therefore open to amendment. Baker said that the language of the operative paragraphs was designed to stick as closely as possible to the text of the Four-Power paper. The State Department would be

⁹² David Johnson a repris son poste d'ambassadeur du Canada à Moscou en août 1957, après avoir dirigé la délégation canadienne qui participait depuis mars 1957 aux réunions du Sous-comité tenues à Londres.

David Johnson returned to his post as Canadian Ambassador to Moscow in August 1957 after leading the Canadian delegation at the London Sub-Committee meetings since March 1957.

grateful for your comments. We pointed out to Baker that no provision had been made for noting the report of the Disarmament Commission, an omission which he said would be made good. The State Department would also be grateful to have your comments on whether the draft should be shown to the Japanese once it has been amended in the light of comments received from the British, French and ourselves. Their purpose in doing so would be not only to attempt to forestall a Japanese-sponsored resolution on the tests question but also with a view to obtaining their possible co-sponsorship. Baker explained that they expect that the Japanese Foreign Minister, who is visiting Washington next week, will almost certainly bring up the subject in conversation with the Secretary and for this reason they would hope to have our views before next Wednesday at the latest. In answer to our query Baker said that the State Department envisaged a widely representative group of sponsors from Europe, Asia and Latin America and of course the Western Four. They have not thought of any particular countries other than the Western Four and Japan. A further point in this connection on which Baker asked for our comments is the desirability of the USA putting forward the resolution in its own name if a situation should develop which made it necessary for such action to be taken. He foresaw, for example, the possibility of delay in obtaining agreement on the text if a number of delegations which would wish to be co-sponsors should desire such changes or delay because of difficulty in obtaining co-sponsors. The State Department would also like our views on the desirability of the Western Four alone sponsoring the resolution.

3. Bearing in mind Permis telegram 1823 September 12, we asked Baker if the State Department had, as yet, reached any position on the question as to whether disarmament should be placed on the agenda of the First Committee. He said that at the working level it was generally felt that the disarmament debate should come as soon as possible (they estimate that it might last for as long as two weeks). The views expressed in this connection were almost identical to those outlined in paragraph 2 of Permis telegram 1823. Baker said he understood that the British and French were not too keen to have disarmament discussed too early. Baker seemed to imply that perhaps the British and the French were not too keen on having an extended debate on disarmament whereas he felt that the position is a strong one and one which can be easily defended. Baker added that this was a matter which, of course, would have to be worked out at an early date.

4. We asked Baker whether the State Department had any views on how the Indian, Belgian and Czech items might be handled. He replied that their tentative view is that the Belgian and Indian items should be taken up at the same time as the report of the Disarmament Commission but that the Czech items should be dealt with separately.

5. As far as the Indian item is concerned, Baker said that the USA naturally hoped that the present membership would not be altered or enlarged but that it might be difficult to resist popular pressure to see the membership widened. They have not yet reached any final decision as they are attempting to reconcile the obvious disadvantages of a larger body with the dangers of opposing any widespread demand in the Assembly for broader membership. Baker intimated that the USA would be consulting with us, the British and the French on this point at an early date. As far as the Czech item was concerned Baker said merely that the USA would urge a simple procedural resolution referring it to the Committee on Atomic Radiation.

6. From the foregoing it would appear that the State Department is seeking General Assembly approval of the basic points in the Western paper, even though a resolution on these lines is bound to be opposed by the Soviet bloc, and possibly by some other states as well. They believe that the Western position is a strong one, and merits wide support, and

gave no indication of considering that a purely procedural resolution (on the lines of the 11th Session) would be a preferable alternative.

7. Your views by Tuesday next are requested.

125.

DEA/50271-E-40

*L'ambassadeur aux États-Unis
au secrétaire d'État aux Affaires extérieures*

*Ambassador in United States
to Secretary of State for External Affairs*

TELEGRAM 1952

Washington, September 13, 1957

CONFIDENTIAL. OPIMMEDIATE.

Reference: Our Tel 1951 Sep 13.

Repeat London, Permis New York, Paris, NATO Paris (Information).

DRAFT RESOLUTION OF THE USA ON DISARMAMENT

Following is the text of the USA draft resolution: Begins:

"The General Assembly

A. Emphasizing the urgency of decreasing the danger of war and improving the prospects of a durable peace through achieving international agreement on reduction, limitation and open inspection of armaments and armed forces;

B. Welcoming the narrowing of differences which has resulted from the extensive negotiations in the Sub-Committee of the Disarmament Commission;

C. Recognizing that high levels of armaments and armed forces produce tensions which make more difficult the achievement of lasting international peace and security, and conversely, that comprehensive measures of disarmament are dependent upon progress in the resolution of major international political issues;

D. Believing that immediate, carefully measured steps should be taken for partial measures of disarmament and such controlled reductions of armaments and armed forces as are now feasible and thus facilitate further measures of disarmament;

E. Urges that the States concerned and particularly those on the Sub-Committee of the Disarmament Commission give priority to reaching a disarmament agreement which will provide for;

1. The progressive establishment of systems of open inspection with ground and aerial components to guard against the possibility of surprise attack,

2. The early cessation of production of fissionable materials for weapons purposes, under effective international control, and the complete devotion of future production of fissionable materials to peaceful purposes,

3. The beginning of elimination of stocks of nuclear weapons through a program of transfer on an equitable and reciprocal basis of stocks of fissionable material from weapons to internationally supervised peaceful uses,

4. The cessation of testing of nuclear weapons, under effective international control including inspection posts equipped with appropriate scientific instruments located within the territories of the USA, USSR, UK, Pacific Ocean areas and other points as required with consent of the States concerned,

5. Reciprocal reduction of armed forces and armaments through outer space will be for exclusively peaceful and scientific purposes.

F. Requests the Disarmament Commission to reconvene its Sub-Committee as soon as feasible for this purpose;

G. Requests the Sub-Committee to report to the Disarmament Commission by April 1, 1958, on the progress achieved." Ends.

126.

DEA/50271-E-40

*Le secrétaire d'État aux Affaires extérieures
à l'ambassadeur aux États-Unis*

*Secretary of State for External Affairs
to Ambassador in United States*

TELEGRAM V-620

Ottawa, September 16, 1957

CONFIDENTIAL. OPIMMEDIATE.

Reference: Your telegrams 1951 and 1952 of Sept. 13.

Repeat London, NATO Paris, Paris, Permis New York, Bonn, Brussels, Geneva, Hague, Rome (Information).

By Bag Belgrade, Copenhagen, Canberra, Moscow, Oslo, Stockholm, Wellington, Delhi, Tokyo.

DISARMAMENT: U.S.A. DRAFT RESOLUTION

We are inclined to favour the general tactical theories reflected in Baker's remarks. We are doubtful that it would be possible to reach an understanding with the Soviet Union as was done last session that the proceedings should end with no more than a procedural resolution relating to reconvening the Sub-Committee. Therefore it appears appropriate to have in hand a substantive resolution which is likely to command broad support.

2. In studying the U.S.A. draft we have had in mind London telegram 2339 of September 11⁹³ and particularly paragraphs 8-10. [It] seems to us that the U.S.A. text avoids the points of weakness and follows generally satisfactory lines. However there are some points where in our view improvements might be made.

3. Because of the announcements of Soviet reductions in forces totalling 1.8 million men to which they can be expected to refer, there might be some merit in including in the preamble provided that it can be done to the satisfaction of the British, the thought that extensive disarmament requires a basis in international agreement and cannot progress far by unilateral acts. Such an idea might fit in between paragraphs C. and D. and provide a link between them. Alternatively it might be conveyed by some editing of those two paragraphs.

4. Paragraph D. might be given a more positive cast by saying that steps can, rather than should, be taken. If that were acceptable the clause "and such controlled reductions ... now feasible" would perhaps be out of place. Indeed it may already be redundant.

5. In paragraph 1 we are not clear as to the significance of open as implied to inspection. Presumably it is an elliptical reference to the concept of an open world where secret prepa-

⁹³ Voir/See Document 123.

rations for attack could not take place. However it seems to us that the word could be dropped or the idea expanded.

6. In paragraph 2 an improvement would be made by a little editing so that effective control would clearly apply to both cessation and devotion.

7. In paragraph 3 it may be desirable to avoid the word "elimination" if our understanding of United States policies for the foreseeable future is correct. Some such word as reduction would be likely to cause rather less concern to NATO governments. It would also be more in conformity with our views on the feasibility of verifying complete elimination. Indeed, we ourselves would wish to consider further the context in which we could readily subscribe to a proposal for elimination.

8. While we would not wish to weaken proposals concerning nuclear tests we raise the question whether the United States is now prepared to be committed to cessation as part of a first step agreement. If they are not ready to go beyond the August 29 proposal for suspension the time to change the wording is now, before discussions take place with other potential sponsors. On the other hand, if the United States means cessation, it would in our view strengthen the general Western position.

9. It is a minor point but we consider that one disarmament measure must be as "reciprocal" as the next and we question the value of that word in paragraphs 3 and 5.

10. The foregoing are our preliminary observations prepared today to meet your timing requirements. We may have additional comments after further study.

11. With regard to consultations we see no objection to bringing in the Japanese at an early stage. Indeed we can see advantage in discussions with widely representative delegations with a view to avoiding any possible need for public withdrawal on any point in order to secure support.

12. Recent tactics in the U.N. have made it usual to seek a large group of co-sponsors and for this reason it seems desirable to enlist the kind of group envisaged by the State Department. In our view Norway would be a useful addition and we would be happy if they were consulted early.

13. As a co-sponsor of the Four-Power proposals of August 29 we would expect to be favourably inclined towards joining with the other three and other delegations in putting forward this kind of draft resolution. In our view it would be an advantage if the four could agree on a text before any emergency arises. Any important changes in substance effected to convert a draft sponsored by the United States alone to one endorsed by all four would be a reflection of lack of solidarity we would wish to avoid. In this connection our main concern is the word "elimination" in paragraph 3.

127.

DEA/50189-40

*Le chef de la délégation à l'Assemblée générale des Nations Unies
au secrétaire d'État aux Affaires extérieures*

*Chairman, Delegation to United Nations General Assembly,
to Secretary of State for External Affairs*

TELEGRAM 1886

New York, September 19, 1957

CONFIDENTIAL

Repeat London, Washington, Paris, NATO Paris, Bonn from Ottawa (Information).

DISARMAMENT

At a meeting this afternoon of officials from the USA, UK, French and Canadian Delegations we discussed the USA draft resolution and general tactics on the disarmament item. A tentatively agreed text for consideration by governments is being forwarded in a separate telegram.†

2. The USA and other delegations accepted the suggestions made in our telegram 1952 September 13 concerning paragraph D, paragraph E(2), paragraph E(3), paragraph E(4) and on the deletion of the word "reciprocal" from paragraph E(3) and E(5). They also accepted the UK suggestion to use "non-weapons uses" rather than "peaceful uses" in paragraph E(2) and E(3).

3. The USA representatives were willing to consider our suggestion for a new preambular paragraph to the effect that extensive disarmament must be international, not unilateral, but the personal view of the UK representative was that his government would not want to introduce this idea. He thought the UK attitude would be that any unilateral disarmament was a matter of the domestic policy of a country and should not, by implication, be criticized in the resolution. Since the USA and French representatives were not particularly anxious to have the new paragraph we did not press it.

4. The UK representative also queried the word "open" with reference to inspection but the USA said that Stassen was personally very anxious to retain the phrase "open inspection", since it was one which he had frequently employed. The USA feel that this phrase helps to dispel the impression created by the USSR that inspection is merely a thinly disguised anti-Soviet intelligence operation.

5. The UK representative reserved the UK position on three portions of the revised draft:

(1) The UK would like to delete subparagraph E(6). The UK defence department has queried this subparagraph and has indicated that they would not want to accept anything more definite or onerous than the rather vague proposals in the Western working paper. The USA representative replied that there was no intention to propose or suggest anything which went beyond the paper tabled in the Sub-Committee.

(2) The UK queried the order of the subparagraphs of paragraph E. They think it would be better tactics to put inspection against surprise attack after the measures of nuclear and conventional disarmament to avoid the charge that we give higher priority to inspection than to the disarmament it is intended to safeguard. The USA representatives felt that in view to their strong commitment to the open skies plan and of their long standing position that it is the starting point for disarmament, it should remain first. Another argument in favour of this is that the inspection of actual measures of disarmament is in fact written in to the other subparagraphs.

(3) The UK think that, aside from frivolous objections to April 1, which is the date for the report, it is much too early and they would prefer June 1. The present UK thinking is that the Sub-Committee might reconvene about March 1. The USA on the other hand said that they envisage a very early reconvening of the Sub-Committee after the Assembly and that they did not rule out the possibility, depending on the Soviet reaction to their proposals, that the Sub-Committee might even reconvene during the General Assembly.

6. At the end of the meeting the USA asked permission to show the revised draft, explaining the various reservations, to the Japanese. It was agreed that they should do so and they will probably approach the Japanese tomorrow morning. In this connection we raised the question of consultation with the Norwegians and the USA and the others agreed that the Norwegians should also be given the draft resolution very soon, perhaps on Monday morning.

7. There was some general discussion of other co-sponsors and the general view seemed to be that it would be useful to get a substantial number. The USA representative asked our view on the desirability of trying to get India to co-sponsor and this will no doubt be considered further. They are worried, however, that the Indians, if approached, might try to bargain their support for our support of the Indian proposal to enlarge the Sub-Committee. The present USA position seems to be firmly against enlarging the Sub-Committee.

128.

DEA/50189-40

*Le chef de la délégation à l'Assemblée générale des Nations Unies
au secrétaire d'État aux Affaires extérieures*

*Chairman, Delegation to United Nations General Assembly,
to Secretary of State for External Affairs*

TELEGRAM 2021

New York, October 2, 1957

CONFIDENTIAL. PRIORITY.

Repeat London, Washington, NATO Paris, Paris (Priority), Tokyo deferred from Ottawa (Information).

By Bag Bonn, Moscow from London.

DISARMAMENT AND FIRST COMMITTEE SCHEDULE

A further meeting to discuss disarmament items was held today by officials of the four Western Sub-Committee members. Discussing the order of items on the First Committee agenda, the USA urged strongly that disarmament should come first, and that the West should seize the initiative in proposing this. The Czech item of radiation effects could come immediately after to avoid a second full scale debate. It was agreed that these two items would take a month and that it would be possible for the Committee to settle the rest of its agenda after this time. France, in the light of its new crisis, wished to see Algeria far down on the list, the UK was willing to have Cyprus follow as the third item but Korea may precede it. Co-sponsors for proposed American resolution (see our telegram 1927 September 24†): the USA announced that the following seventeen nations had definitely agreed to co-sponsor this item: USA, UK, France, Canada, Philippines, Laos, Italy, Australia, Paraguay, Argentina, Dominican Republic, Guatemala, Colombia, Brazil, Cuba, Liberia and The Netherlands. They expected to hear shortly from the following: Norway, Iraq, Burma, Tunisia, Cambodia, Lebanon and Ghana. It was agreed that the resolution should be tabled as soon as the first four of these had replied, which would be by tomorrow morning at the latest. After leaving the meeting we learned from Vennemoe of Norway that they would not co-sponsor the resolution partly for reasons of public opinion, partly because Norwegian ministers are busy with the election campaign, and partly to maintain for Norway flexibility for greater usefulness later in the Assembly. Vennemoe added that Norway would of course support the resolution and they would make this clear to whoever asked them. (The USA Delegation are continuing to press the Norwegians to co-sponsor.) The USA also reported that Pakistan and Thailand while supporting the resolution would not co-sponsor it, and some misgiving was expressed all round that more representative co-sponsorship had not been forthcoming.

Analysis of Probable Voting.

2. On the basis of a USA analysis, we discussed the probable voting. On the crucial issue of a separate resolution on suspension of tests it was felt that 21 nations might vote for (the Soviet and most Asian-African nations, plus Sweden) forty might vote against and twenty nations were at present doubtful, as follows: Austria, Burma, Cambodia, Ecuador, Ethiopia, Finland, Ghana, Iceland, Iran, Iraq, Ireland, Israel, Jordan, Lebanon, Libya, Malaya, Mexico, Morocco, Saudi-Arabia and Tunisia. South Africa would probably not be present. The USA announced its intention to speak to all of this last group and called on others to do likewise.

Commission Expansion

3. On the other hand the USA announced that there seemed to be little support for the idea of expanding the Disarmament Commission and Sub-Committee, which they considered to be purely an initiative of Menon. (Sisco told the Norwegians that Menon had offered to drop all other Indian proposals on disarmament if the USA would support the expansion proposal.) In particular Brazil had now agreed to speak and vote against the idea of expansion. The USA and UK expressed the hope that Menon's initiative on this could be forgotten in the larger debate; and that to this end it might be well to press for early resumption of the Sub-Committee proceedings, as called for in the Japanese resolution. The UK suggested that to avoid expansion it might be advisable to consider giving way on the other of Gromyko's proposals in this respect, namely full publicity for proceedings. He added that the substitution of publicity for secrecy would ease the position of the Foreign Office vis-à-vis the UK Parliament. The UK took a very strong line that the Assembly should not be allowed to usurp the Commission's responsibilities for the composition and procedure of the Sub-Committee. Quoting from the Prime Minister's statement⁹⁴ we suggested that possibly opinion in the Assembly had come to feel that existing machinery had proved unrewarding, and that it might be better to recognize this feeling. The USA felt that it was important to maintain the proposition that the Sub-Committee proceedings had shown cause for hope and that there was no need for change as long as this was true.

Order of Speaking

4. We agreed that if possible the order of speaking on disarmament of Sub-Committee members might be as follows: USA, UK or Canada, USSR, France (Moch will arrive only on October 7th, and in any case was accepted as the best speaker to reply to the Russians), Canada or UK. It was agreed that each speech should touch on all the disarmament items before the Committee in order to avoid having four separate debates. It was expected that as the Committee will first meet on October 8 this debate would probably begin the ninth.

5. Little was said about possible alternative tactics if a two-thirds majority for the USA resolution does not appear to be forthcoming, though you will recall that Lodge in the last meeting (see our telegram 1926 September 24†) recognized that it would be difficult to obtain. In this respect you may be interested in Vennemoe's suggestion that without more widespread support it might be necessary (as last year) to consider referring all disarmament proposals, including the separate suspension of tests, to the Sub-Committee for further discussion. Members of the UK Delegation in private conversation have also agreed that this might be the final outcome.

⁹⁴ Voir Canada, ministère des Affaires extérieures, *Affaires Extérieures*, vol. 9, N° 10, octobre 1957, pp. 283 à 286.

See Canada, Department of External Affairs, *External Affairs*, Vol. 9, No. 10, October 1957, pp. 283-286.

129.

DEA/50189-40

*Le chef de la délégation à l'Assemblée générale des Nations Unies
au secrétaire d'État aux Affaires extérieures*

*Chairman, Delegation to United Nations General Assembly,
to Secretary of State for External Affairs*

TELEGRAM 2114

New York, October 10, 1957

RESTRICTED. PRIORITY.

Reference: Our Tel 2097 Oct 9.†

Repeat London, Washington, Paris, NATO Paris (Information).

By Bag Bonn, Moscow from London.

DISARMAMENT — WESTERN RESOLUTION

At a meeting of officials of the four Western Sub-Committee powers, the following version of the Western disarmament resolution was finally agreed on. It is expected that all of the co-sponsors will concur and that the resolution will be tabled tomorrow morning. Text Begins:

The General Assembly

Emphasizing the urgency of decreasing the danger of war and improving the prospects of a durable peace through achieving international agreement on reduction, limitation and open inspection of armaments and armed forces;

Welcoming the narrowing of differences which has resulted from the extensive negotiations in the Sub-Committee of the Disarmament Commission;

Believing that immediate, carefully measured steps can be taken for partial measures of disarmament and that such steps will facilitate further measures of disarmament;

Urges that the States concerned and particularly those on the Sub-Committee of the Disarmament Commission give priority to reaching a disarmament agreement which upon its entry into force provides for the following:

1. The immediate suspension of testing of nuclear weapons with the prompt installation of effective international control, including inspection posts equipped with appropriate scientific instruments located within the territories of the USA, the USSR, the UK, Pacific Ocean areas, and other points as required with consent of the States concerned;
2. The cessation of production of fissionable materials for weapons purposes and the complete devotion of future production of fissionable materials to non-weapons purposes under effective international control;
3. The reduction of stocks of nuclear weapons through a program of transfer on an equitable and reciprocal basis and under international supervision of stocks of fissionable material from weapons to non-weapons uses;
4. Reduction of armed forces and armaments through adequate safeguarded arrangements;
5. The progressive establishment of open inspection with ground and aerial components to guard against the possibility of surprise attack;
6. Joint study of an inspection system designed to ensure that the sending of objects through outer space will be exclusively for peaceful and scientific purposes.

Requests the Disarmament Commission to reconvene its Sub-Committee as soon as feasible for this purpose;

Requests the Sub-Committee to report to the Disarmament Commission by April 30, 1958 on the progress achieved. Ends.

130.

DEA/50189-40

*Le chef de la délégation à l'Assemblée générale des Nations Unies
au secrétaire d'État aux Affaires extérieures*

*Chairman, Delegation to United Nations General Assembly,
to Secretary of State for External Affairs*

TELEGRAM 2298

New York, October 28, 1957

CONFIDENTIAL. OPIMMEDIATE.

Repeat London, Washington, Paris, NATO Paris (Information).

By Bag Moscow, Bonn from London.

DISARMAMENT MEETING OF WESTERN OFFICIALS

Today's meeting of officials of the Four Western Powers produced only limited agreement on the procedural tactics to be followed in the First Committee. All agreed that before voting began one of the Western co-sponsors should ask for and obtain priority for the Western resolution. Moch proposed that if and when the Western proposal was passed the remaining resolutions should be divided into two categories: those contradictory to the Western proposal and those not. In the latter category he classed only the Belgian proposal and the Indian resolution on Commission expansion. Moch wished a majority resolution not to vote on any of the former category at all, as they would have been in effect negated by the vote in favour of the Western proposal.

2. Stassen felt it would be undesirable to treat these resolutions in such a summary fashion, unless, as was most unlikely, their sponsors agreed. He felt that the West would be seen in a better light if they merely asked for these resolutions to be referred to the Commission as evidence, not of the opinions of the Assembly, but of the state of mind of the countries which had proposed them and which (in the case of the USSR) must ultimately be party to a unanimous agreement. We supported Stassen in opposing Moch's suggestion that such resolutions as the Japanese and Indian should be prevented by majority resolution from coming to a vote. We argued that such a procedure would cause resentment in the states concerned and perhaps among other members of the Committee. Moch seemed inclined to come round to our way of thinking.

3. The same divergence of opinion occurred over the question of possible amendments to the Western proposals, and in particular the Western attitude towards the Secretary General's proposition.⁹⁵ Moch seemed quite sure of a two-thirds majority and felt that it

⁹⁵ Le 16 octobre 1957, le secrétaire général a proposé la formation d'un comité d'experts techniques dont les membres proviendraient des pays non représentés au Sous-comité de la Commission du désarmement, et qui aurait pour mandat de faire enquête sur le problème de l'inspection dans le contexte d'une éventuelle cessation des essais nucléaires.

On October 16, 1957, the Secretary General proposed the formation of a committee of technical experts from countries not represented on the Sub-Committee of the Disarmament Commission to investigate the problem of inspection in connection with the potential cessation of nuclear tests.

would only complicate and possibly injure matters for the West to accept any kind of amendment at this late stage. Noble also felt that the existing resolution should preferably not be interfered with and that compromise, if necessary, should come elsewhere, for example on procedural matters. Later, he said he could see the reason for Stassen's conciliatory approach: but one could only proceed in this direction after very careful consideration. Stassen seemed considerably less sure of a two-thirds majority and said that to insist rigidly on the words of the resolution might lose it. The USA had been asked both by some NATO governments and Latin American states to show some indication of flexibility and receptivity to the ideas put forward in the Assembly debate. Therefore, without conceding any matters of principle, it was important to avoid seeming arbitrary; he referred in this respect to the line taken by Mr. Smith's speech⁹⁶ in particular, he thought it would be good for the West to accept some form of amendment, if this were possible: and that after obtaining priority the other sponsors might be consulted on this. He admitted that he had no specific amendment in mind, but was thinking of something along the lines of the Secretary General's proposal. While we did not express ourselves on the question of accepting amendments to the resolution, our preliminary view is that if such an amendment was reasonable in itself and was put forward from a friendly quarter, it might be hard to resist its inclusion particularly for us in view of the flexible position taken in Mr. Smith's statement in the Committee to which reference has been made by a number of delegations. On the other hand there is always the complication that once we begin to accept amendments, it may not be easy to draw the line. We should be grateful for your views on this point.

4. At this point Moch strongly opposed the Secretary General's ideas: he made it clear he feared that, in the absence of more widespread agreement between the great powers, any technical panel would be able to discuss the controls of tests suspension only. He also argued rather unconvincingly that the convening of such a panel would cause the existing Sub-Committee to be adjourned for at least a year. Finally he referred to the failures of preceding technical commissions.

5. Noble did not concur in these objections: he thought the proposal in some form might be accepted. Stassen showed some considerable interest in the Secretary General's proposal: he thought it would be difficult, if not impossible, for the Russians to boycott any such scientific panel under UN auspices. He had been glad to hear from the Secretary General that this Committee would report to the UN through the Commission and Sub-Committee, so that it could not get out of hand. Nor did he feel that the technical panel's discussions would prejudice the date on which the Sub-Committee resumed discussion. At the same time he admitted that the technical discussion of controlling a production cutoff, involving the release of classified information, would have to await some kind of treaty on this matter. On the other hand, the techniques of aerial inspection could be discussed immediately. Stassen added that as he understood it the Secretary General foresaw that two or three other countries would be added to those represented on the Sub-Committee, the choice of which would depend partly on the personnel available. For example, he had in mind Eklund of Denmark. Noble felt that there should be several technical groups, each seized with a particular problem; and Stassen agreed that the experts' work should be as diversified as possible.

⁹⁶ Voir Canada, ministère des Affaires extérieures, *Affaires Extérieures*, vol. 9, N° 11, novembre 1957, pp. 347 à 350.

See Canada, Department of External Affairs, *External Affairs*, Vol. 9, No. 11, November 1957, pp. 346-348.

6. At this point Sisco of the USA pointed out that the Secretary General's proposal could not be considered a procedural matter; and therefore any action on it must be taken before the voting began. It was therefore agreed to discuss this matter again on Wednesday in the light of the new Soviet proposal for a permanent commission, the text of which had not, at that time, been released (see our telegram 2289 October 28†). It was agreed to oppose the Yugoslav resolution (which the USSR would also likely do) and also the Ecuador proposal for a working group, which as a procedural matter will probably be raised from the floor when the voting is finished. It was agreed to withhold judgement until Wednesday on the best way to deal with the disposing of the other resolution, and with the Secretary General's proposal.

7. Your views on these matters will be appreciated.

131.

DEA/50189-40

*Le secrétaire d'État aux Affaires extérieures
au chef de la délégation à l'Assemblée générale des Nations Unies*
*Secretary of State for External Affairs
to Chairman, Delegation to United Nations General Assembly*

TELEGRAM V-687

Ottawa, October 29, 1957

CONFIDENTIAL. OPIMMEDIATE.

Reference: Your Tel 2298 of Oct 28.

Repeat London, Washington, NATO Paris, Paris, Bonn (Information).

By Bag Moscow.

DISARMAMENT TACTICS

We agree that it would be unsound to try by majority decision to prevent voting on the Japanese and Indian proposals having in mind their express desire for a vote. We suggest, however, that your colleagues may wish to consider whether use could be made of the undoubted Western ability to arrange such a decision in order to persuade the Japanese and Indian Delegations to refrain from supporting the Soviet proposals on prohibition of use and suspension of tests.

2. We are doubtful about Stassen's notion of referring the resolutions to the Commission if they are voted upon. However we see no objection to adding a clause to the 24-power draft resolution which would transmit the record of the discussion in the First Committee to the Commission.

3. It is not clear to us that the Secretary-General's proposal would have to appear as an amendment to the 24-power text. On the basis of your telegram 2184 of October 16† we were inclined to regard it as a possible substitute for the Japanese, Indian and Soviet proposals concerning tests. We were therefore somewhat surprised by the discussion reported in paragraph 4 and 5 of your telegram under reference. We doubt that the same experts could deal competently with aerial inspection, the verification of suspension and the supervision of production cut-off. If the Secretary-General envisages a technical body with comprehensive terms of reference which might embrace all or most of the groups envisaged in the August 29 proposals, we would wish to examine a text before expressing an opinion.

4. On the question of amendments we consider it desirable to maintain the attitude of readiness to entertain suggestions indicated in our October 23 statement. However, that statement may perhaps be interpreted as reflecting flexibility with respect more to the August 29 proposals than to the 24-power draft resolution. Thus we consider that the six general objectives laid down in operative paragraph one of the draft resolution should be maintained in their essentials.

5. While we regard the present text as consistent throughout we would not object to additions to the preamble concerning further goals such as that suggested in paragraph 4 of our telegram V-676 of October 21. † Similarly we would be inclined in principle to accept a suitable formulation concerning the economic assistance which might flow from savings realized by disarmament. However, if such additions are thought to be useful to gain support we suggest that the drafting make clear the distinction between such ultimate goals and the more immediate objectives of a first stage agreement.

6. With regard to the disposition of the remaining resolutions we agree that you should vote against the Yugoslav proposals. The three Soviet proposals and the Indian proposals on tests and on establishing a new commission for special purposes should also be voted against if they are pressed to a vote. On the Indian proposal for enlargement of the Commission and Sub-Committee we consider that you should abstain unless our partners take a more favourable attitude towards it.

132.

DEA/50189-40

*Le chef de la délégation à l'Assemblée générale des Nations Unies
au secrétaire d'État aux Affaires extérieures*

*Chairman, Delegation to United Nations General Assembly,
to Secretary of State for External Affairs*

TELEGRAM 2322

New York, October 30, 1957

CONFIDENTIAL. OPIMMEDIATE.

Reference: Our Tel 2298 Oct 28.

Repeat London, Washington, NATO Paris, Paris, Bonn from Ottawa (Information).

By Bag Moscow from London.

DISARMAMENT

The following are some general considerations which have occurred to us in connection with the progress of the disarmament debate in the General Assembly as it approaches the stage when voting will take place on the resolutions. It may be that the voting stage will now be reached this week and it is possible that today may be the last day of the general debate. It is hard to assess the degree of sentiment in the Assembly in favour of resolutions in favour of immediate and isolated test suspension with proper inspection. The roll call of the vote which we hope to obtain in favour of our own resolution may not give the entire picture. We have the impression that even among our supporters there is a pretty widespread residual anxiety about the continuance of tests and that this has not been substantially allayed by arguments about "the clean bomb" or the degree of radiation to which mankind may be safely exposed. The Russians have cashed in on this sentiment and even if they are defeated in the Assembly vote they will continue to cash in. This is all the more annoying because it seems quite probable that the last thing they really want at this stage in

their weapons development is the cessation of tests with really effective inspection. In other words, they have told the big lie and got away with it.

2. On our side we continue, of course, our array of arguments against isolated test suspension but in the USA Delegation there are some signs that this attitude does not entirely correspond with the personal views of at least some members of the delegation. These indications probably tell us more about the viewpoint of Mr. Stassen and his close associates than they do about policies likely to be followed in Washington. The fact remains, however, that so far as this delegation are aware, the USA authorities have never given an explanation, based on needs of USA security or of their weapons development programme, as to why they could not accept a suspension of tests with proper controls if the USSR were prepared to do likewise. In default of an explanation we are left to assume that the main reason for the Western rejection of such proposals lies in the disruptive effect which their acceptance would have upon some of our NATO allies, particularly the UK and France.

3. Turning from this background consideration to the problems of tactics in getting our resolution through the General Assembly, you will have observed from our telegram 2298 that there is a good deal of confidence among the Sub-Committee powers that we shall get a substantial and possibly a two-thirds majority — although the USA Delegation is now more cautious than it was — for our resolution. This is, of course, very satisfactory so far as it goes as it means a wholesome check to the USSR and implies that the Assembly has not been taken in by their propaganda.

In this respect we have been helped by the aggressive attitude of Gromyko who has not been making any new friends for Russia during this session of the Assembly to date. Some of our support has of course come from the loyal adherents of certain governments to a Western position just because it is a Western position. On the other hand there have been a number of well reasoned statements from our supporters in favour of our resolution and some have put considerable weight upon our case for the link between test suspension and the cut-off of production, although we may question whether the general public here or in other countries has been much influenced by arguments for this "link" which indeed has been little understood by the public at large. More easily comprehensible and more effective has been the Western insistence on valid and adequate inspection which has come to be widely recognized as the crux of the disarmament problem.

4. In any event, therefore, we may expect to get our resolution voted and, we hope, by a comfortable margin. However, as pointed out in our telegram 2298, Stassen considers that there will be attempts to amend the resolution, and that if these are reasonable and come from friendly quarters we should try to incorporate some amendment, while the French and British are inclined to oppose this. Having in mind the Canadian position as put in our statement to the Committee, (which has been commended in the speeches of a number of delegations including Norway, Nepal, Egypt and Israel), we should probably find it difficult to oppose an amendment of this nature, especially if the USA was willing to accept it. It is still too early to say what form such an amendment would take. Stassen seemed to be contemplating that some delegation may propose an amendment incorporating the idea of the Secretary General's special panel of disarmament experts to study the question of inspection. If however, such a body concentrated exclusively on inspection in connection with the cessation of tests it might be widely held to point the way to test suspension as an isolated step. The amendment might, therefore, have to be worded to take in other forms of inspection also. Indeed, this whole project of accepting an amendment to our resolution will have to be handled with care. There is always the danger that certain governments

which have sponsored or supported our resolution may feel that the position they have taken has been undercut by any concessions to more dubious friends.

5. A parallel situation may come about in connection with proposals for the expansion of the Sub-Committee which may arise when the Indian resolution on this subject is voted upon. The Canadian Delegation might find it hard to vote against that resolution in view of our general attitude on this question. But we may find that other supporters of our resolution, a number of whom have argued pretty strongly in the Assembly against any change in the present disarmament machinery, will be disgruntled if changes are now accepted. This may be especially a problem for the USA if they decide to accept an expansion of the Sub-Committee in view of the firm line which they took earlier on against any such expansion. Those who have loyally hewed to the earlier USA line on this subject may be disconcerted if it is changed. There will also be a tendency for the attitude of the sponsoring powers on this question of the expansion of the Sub-Committee to be influenced by the size of estimated support for our resolution. In other words, some may argue: if we can get away with the continuance of the Sub-Committee in its present form, why not do so?

6. Meanwhile, the Soviet Delegation have produced their resolution, outline in my telegram 2289 October 28, for setting up what amounts to the First Committee in permanent session on disarmament and at the same time abolishing the Sub-Committee and the Disarmament Commission. We do not yet know how much support they may be able to collect for this proposal, but we are inclined to think that it will not be a popular one. It is of some interest that the Soviet government while proposing to abolish the Sub-Committee, state that under their proposal opportunities would present themselves for direct negotiations between states or group of states on disarmament. Kuznetsov emphasized this point in private conversation with Noble of UK Delegation yesterday. Soviet dislike for the Sub-Committee is no doubt partly based on the fact that in this framework there is continuing consultation between the USA and our principal allies and that joint and agreed Western positions result. They may hope under the looser arrangements foreseen in their proposal to open up separate and perhaps divisive negotiations with individual Western governments, particularly with the USA itself. Incidentally, the Soviet proposal for the abolition of the Sub-Committee may imply that in future they will refuse to serve on this body.

7. When all the resolutions are voted the question will remain as to whether there is any immediate outlook for serious progress over disarmament at this time. The successful passage of our resolution will not, of course, guarantee any such progress. On the Western side there seems to be a tendency among the Sub-Committee members to consider that a pause of some months should ensue after the Assembly debate before negotiations are resumed. It seems to be the French and British view, although American attitude is less clear. There also seems to be a belief among the Western Powers that the Soviet government also wishes for an interval of some months before negotiations are taken up again.

8. Mr. Moch has reverted in private conversation to his view that these months should be occupied on the Western side (and he hopes on the Soviet side) in reviewing our present positions with the object of seeing whether there is a possibility of modifications to find common ground. It is certainly hard at this stage to foresee what form these modifications might take. Perhaps the Irish representative in the First Committee was right when he expressed the view in his statement that progress on disarmament is unlikely unless some first steps were taken towards the solution of outstanding political problems, particularly in Europe and the MidEast.

9. Since drafting this telegram, we have received your V-687 on disarmament tactics which should be very helpful to us. Things may develop rather fast in the Assembly once we come to the stage of voting on resolutions and there will be the inevitable tactical manoeuvres and unexpected developments. We shall, of course, keep as closely as possible in touch with you but we may have to make decisions in short order. We are therefore particularly glad to have the guidance contained in your telegram V-687.

10. We shall be commenting separately on certain specific points raised in your telegram.

133.

DEA/8508-40

Extrait du procès-verbal de la réunion hebdomadaire des directions

Extract from Weekly Divisional Notes

SECRET

Ottawa, November 14, 1957

...

THE UNITED NATIONS

1. *Disarmament*

UNITED NATIONS DIVISION: (See Weekly Divisional Notes No. 39 of October 10,† and No. 42 of October 31)‡. Voting on the draft resolutions and amendments under the disarmament item took place in the First Committee on November 6. Of the ten resolutions before the Committee only two were adopted: (i) a 24-power resolution based on the Western proposals of August 29, which was passed by 57 votes in favour (including Canada), 9 against (Soviet bloc) and 15 abstentions; (ii) a Belgian resolution providing for "collective action to inform and enlighten the peoples of the world" of the dangers of the armaments race and effects of modern weapons, which was adopted by 70 votes in favour (including Canada), 9 against (Soviet bloc) and 2 abstentions.

Of the remaining draft resolutions, four were defeated and four were not pressed to a vote. The Indian draft resolution on nuclear weapons tests, the Japanese proposal on the same question, the Soviet proposal for a temporary renunciation of the use of nuclear weapons, and the Soviet draft resolution calling for the replacement of the Disarmament Commission and its Sub-Committee by a permanent disarmament commission were all rejected. Not pressed to a vote were: two Indian proposals dealing respectively with the expansion of the Disarmament Commission and its Sub-Committee, and with special arrangements for negotiating on a number of matters related to production of fissionable materials, nuclear weapons and control of conventional armaments; a Soviet draft resolution calling for the suspension of nuclear weapons tests; and a Yugoslav draft resolution proposing several initial measures of disarmament. (Unclassified)

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134.

DEA/8508-40

*Extrait du procès-verbal de la réunion hebdomadaire des directions**Extract from Weekly Divisional Notes*

SECRET

Ottawa, November 21, 1957

...

PART A

THE UNITED NATIONS

1. Disarmament — Voting on Resolutions in the General Assembly

UNITED NATIONS DIVISION: During the past week five resolutions on disarmament, and amendments to them, were voted on in plenary sessions of the General Assembly.

The 24-power resolution dealing with several measures of disarmament, and the Belgian resolution calling for an information campaign to inform the peoples of the world of the dangers of the armaments race, both of which had been recommended for adoption by the First Committee, were put to a vote in the General Assembly on November 14. The 24-power resolution was passed by a vote of 57 in favour (including Canada) and 9 against (Soviet bloc), with 14 abstentions. The Belgian proposal was adopted by a vote of 71 in favour (including Canada) and 9 against (Soviet bloc), with one abstention.

Two resolutions which had already been rejected in the First Committee were re-introduced in the General Assembly, and a vote was taken on them on November 19. The Soviet proposal to replace the Disarmament Commission and its Sub-Committee by a permanent disarmament commission composed of all members of the United Nations was rejected by a vote of 9 in favour (Soviet bloc) and 46 against (including Canada), with 24 abstentions. An Indian resolution proposing a suspension of nuclear tests was also rejected by a vote of 24 in favour and 34 against (including Canada), with 20 abstentions.

Also put to a vote on November 19 was a draft resolution co-sponsored by six powers (including Canada) which called for an expansion of the Disarmament Commission by fourteen members. The members to be added for 1958 would be Argentina, Australia, Belgium, Brazil, Burma, Czechoslovakia, Egypt, India, Italy, Mexico, Norway, Poland, Tunisia and Yugoslavia. Though it had been hoped that it might be possible to obtain unanimous support for this resolution, it was learned on the evening prior to the voting that the suggested list of additions would not be satisfactory to the Soviet Union. On the day of the vote, Albania introduced an amendment proposing the addition of a further seven states to the Commission (Austria, Bulgaria, Indonesia, Roumania, Sudan, Finland and Ceylon). This amendment was defeated by a vote of 19 in favour and 38 against (including Canada), with 19 abstentions. The six power resolution was then adopted by a vote of 60 in favour (including Canada) and 9 against (Soviet bloc), with 11 abstentions. Prior to the voting on the Albanian amendment, the Soviet, Polish and Czechoslovak representatives had announced that unless it was accepted they would not be willing to participate in the work of the expanded Disarmament Commission.⁹⁷ (Unclassified)

⁹⁷ Pour les textes officiels de la résolution présentée par 24 pays, (1148 (XII)), de la résolution belge (1149 (XII)), et de la résolution présentée par six pays (1150 (XII)), voir Nations Unies, *Documents officiels de l'Assemblée générale, douzième session, Supplément N° 18 (A/3805)*, pp. 3 à 4.

For the official texts of the 24-power resolution (1148 (XII)), the Belgian resolution (1149 (XII)), and the six-power resolution (1150 (XII)), see United Nations, *Official Records of the General Assembly, Twelfth Session, Supplement No. 18 (A/3805)*, pp. 3-4.

SUBDIVISION III/SUB-SECTION III
 DÉLIBÉRATIONS DU CONSEIL DE SÉCURITÉ
 SECURITY COUNCIL DELIBERATIONS

135.

PCO

Extrait des conclusions du Cabinet
Extract from Cabinet Conclusions

SECRET

[Ottawa], April 28, 1958

Present

The Prime Minister (Mr. Diefenbaker) in the Chair,
 The Minister of Finance (Mr. Fleming),
 The Minister of Veterans Affairs (Mr. Brooks),
 The Minister of Transport (Mr. Hees),
 The Solicitor General (Mr. Balcer),
 The Minister of National Defence (Mr. Pearkes),
 The Minister of Trade and Commerce (Mr. Churchill),
 The Minister of Justice and
 Acting Minister of Citizenship and Immigration (Mr. Fulton),
 The Minister of Agriculture (Mr. Harkness),
 The Minister without Portfolio (Mr. Macdonnell),
 The Minister without Portfolio (Mr. Browne),
 The Minister of Mines and Technical Surveys (Mr. Comtois),
 The Minister of National Health and Welfare (Mr. Monteith),
 The Minister of Northern Affairs and National Resources (Mr. Alvin Hamilton),
 The Secretary of State for External Affairs (Mr. Smith).
 The Secretary to the Cabinet (Mr. Bryce),
 The Assistant Secretary to the Cabinet (Mr. Martin),
 The Registrar of the Cabinet (Mr. Halliday).

DISARMAMENT; ARCTIC ZONE OF INSPECTION

1. *The Prime Minister* said that the United States intended to present to the United Nations Security Council, on April 29th, a proposal for the establishment of a northern zone of inspection against surprise attack, comprising the area within the Arctic Circle together with Alaska, the Kamchatka Peninsula and their island chains, but omitting northern Sweden and Finland unless those countries wished to participate. The draft proposals provided for the designation of representatives by Canada, Denmark, France, Norway, the Soviet Union, the United Kingdom and the United States to participate in discussions on the technical arrangements required.

The proposal, in effect, detached from the disarmament plan approved by Cabinet last August that part of the provision relating to safeguards against surprise attack which was of direct concern to Canada. A zone in Europe was not included, and France and the U.K. would not be directly affected.

This U.S. initiative was being taken partly to follow up the advantage gained by the Soviet withdrawal in the Security Council of charges that flights by aircraft of the U.S.

Strategic Air Command constituted a threat to peace⁹⁸ and, partly in the hope that arrangements in the north might contribute to security. The Prime Minister of the U.K. was prepared to support the plan strongly provided it was acceptable to Canada. Canada had stated previously that she was prepared to open all or part of her territory to aerial and ground inspection under a plan which would include comparable areas of the Soviet Union.

The Prime Minister recommend that the U.S. initiative be supported and that the Prime Minister of the U.K. be advised accordingly.

An explanatory memorandum was circulated (Prime Minister's memorandum, April 28, 1958-Cab. Doc. 80/58)†

2. *Mr. Diefenbaker* added that he had discussed the matter with the U.S. Ambassador over the weekend. He had told Mr. Merchant that it would have been infinitely preferable for Canada to have sponsored the initiative herself. The Soviet Union had said that it had proof that Canada was assisting the U.S. in activities which might lead to a sudden attack on the U.S.S.R. Canada was quite prepared to have its northern areas inspected to show that these charges were without foundation, provided the U.S.S.R. would also agree to inspection of her north. Canada was not suspect by the nations who had come to believe that the U.S.S.R. had made a case. If Canada were to suggest the course proposed in the Security Council, it would be much harder, if not impossible, for the U.S.S.R. to brush it aside, than if the U.S. were to take the initiative. Mr. Merchant had replied that since President Eisenhower had originally suggested the "open skies" plan, it would be embarrassing for the U.S., as it were, to take second place in these discussions. The U.S. hoped Canada would co-sponsor the plan, the outlines of which had already been made public.

There seemed to be no alternative but to approve the proposal and support the U.S. but Canada should not be a co-sponsor. The attitude of the U.S. was quite unfortunate and as a result the plan would probably come to nothing.

3. *During the discussion* it was pointed out that the position of Greenland was not known. The Canadian Permanent Representative and Ambassador to the United Nations had had a brief but interesting discussion with the Soviet representative, who had said that the north of both Canada and the U.S.S.R. were wastes, with no installations of any account in them, and had quietly ridiculed the inspection plan.

4. *The Cabinet* noted the report of the Prime Minister on the disarmament proposal to be made by the United States in the United Nations Security Council for the establishment of a northern zone of inspection, consisting for the moment of the area within the Arctic Circle, together with Alaska, the Kamchatka Peninsula and their island chains, and agreed,

(a) that the plan be approved and supported but that Canada should not co-sponsor it; and,

(b) that the Prime Minister of the United Kingdom be informed of this position.

...

⁹⁸ Pour un compte rendu de la réunion du Conseil de sécurité tenue le 21 avril 1958 concernant la plainte des soviétiques, voir Canada, ministère des Affaires extérieures, *Affaires Extérieures*, vol 10, N^o 4 à 5, avril-mai 1958, pp. 90-94.

For an account of the Security Council meeting on April 21, 1958 dealing with the Soviet complaint see Canada, Department of External Affairs, *External Affairs*, Vol. 10, Nos. 4-5, April-May 1958, pp. 90-94.

136.

DEA/50271-E-40

*Le représentant permanent auprès des Nations Unies
au secrétaire d'État aux Affaires extérieures*

*Permanent Representative to United Nations
to Secretary of State for External Affairs*

TELEGRAM 661

New York, May 1, 1958

SECRET. OPIMMEDIATE.

Repeat London, Washington, NATO Paris, Paris (Information).
By Bag Moscow, Bonn, Oslo from London.

SECURITY COUNCIL: DISARMAMENT

On April 29 the Security Council took up the USA proposal concerning an Arctic inspection zone. Also before the Council was a new Soviet draft resolution which was the one of April 21 plus a paragraph bringing in the Summit Conference.

2. On a point of order Sobolev asked whether Lodge intended to vacate the chair in accordance with rule 20 of the provisional rules of the Council. A move of this kind had been anticipated at a meeting of the Western Four on the previous day. They had agreed that Lodge should not repeat not be driven out as a result of Soviet insinuations and other members of the Council would in effect give Lodge a vote of confidence. The representatives of UK, Panama and France did just this and Lodge stayed in the chair.

3. Lodge introduced the USA proposal and drew attention to Eisenhower's appeal to Khrushchev to support this proposal. He stressed that the SAC flights were a necessary defensive measure but that if the danger of surprise attack were removed the 'need for this defence could be correspondingly lessened'. He quoted supporting remarks from the statements of other members in the Council on April 21. He traced the history of the open skies proposal and effectively used statements by Khrushchev, Bulganin, and Gromyko which indicated a positive if vague reaction to proposals for inspection to guard against surprise attack.

4. Lodge made clear that the USA proposal was made entirely apart from the general topic of disarmament and stated that the USA was not repeat not attempting by this move to bring the subject of disarmament before the Council. He produced a map of the proposed Arctic Zone. (Copy sent to Ottawa by bag.) He informed the Council that Denmark and Norway had agreed to open their territory to the proposed system of inspection. He ended by saying that "The States concerned must work out the actual inspection system, which means that the final product must be satisfactory to all of them."

5. Lodge's statement was a model of restraint. His quotations from statements of Soviet leaders were selected to convey the impression that the proposal put forward by the USA was not repeat not incompatible with the stand taken by the USSR and that the USA hoped that the scheme would be treated as a genuine attempt to reach a first step on inspection which might, in turn, lead to the other steps necessary for a general disarmament agreement.

6. By prearrangement Jarring of Sweden spoke next. You will recall that he was silent during the earlier debate on the Soviet item and his speech giving support to the USA proposal was all the more telling. After accepting the USA resolution Jarring expressed

preference for an additional paragraph concerning the summit discussions. We have discussed this in detail in a separate telegram.

7. In marked contrast to Lodge's statement Sobolev's statement was harshly negative. He repeated the charges about the provocative actions of SAC aircraft and spoke of the USA proposal as a "diversionary manoeuvre." He complained about the lopsided membership of the proposed technical group and about the USA's continued reliance on an arithmetical majority of votes in the UN. He restated that in the Soviet government's view the solution of international questions, especially disarmament, could be found only at a summit conference. He referred to the disarmament proposals which the USSR had submitted for the agenda of that conference.

8. The USA proposal had of course not repeat not come as a surprise to Sobolev, so his attitude must have reflected instructions from Moscow. Gromyko had the same day made a toughly negative statement for the press. A negative response from the USSR had not repeat not been ruled out as a possibility by the Western representatives here but these flatly uncompromising pronouncements were sharply in contrast to the general lines of the Council debate.

9. The text of our statement was sent to you yesterday.⁹⁹ It was followed by somewhat colourless interventions by Georges-Picot and Dixon. In both these statements there was a tendency to regard the packaged proposals of last summer as the really substantial position of the West on disarmament.

10. Matsudaira said that the USA proposal was limited, but he welcomed it as "a significant first step towards disarmament." In commenting on the inspection zone, he reserved the position of his government on the status of the Kurile islands.

11. The representatives of Panama, Iraq and China also made statements in support of the USA proposal. Tsiang was privately unhappy about the Swedish amendment and expressed an oblique reservation about it. Lodge then expressed his regret at the nature of Sobolev's statement and said "We hope that the passage of a few days will result in a change of mind."

12. Lodge's statement set the debate on a constructive course which other members, except Sobolev, followed with varying enthusiasm. This created a very favourable impression on other representatives in the Council chamber and presumably on the public here and elsewhere. The net result was a build-up of pressure on the USSR to reconsider its negative stand. The Secretary General's intervention has been assessed in a separate telegram.

13. We believe that if the Western Powers can maintain the momentum of the current trend in the Council, the balance of advantage will be decidedly in their favour. For this reason we have been encouraging USA officials to continue the tone of restraint and constructiveness which has characterized USA statements so far. They should resist, in our view, the temptation to score relatively trivial propaganda points and to be overly exultant about the response from other Council members, in particular, of course, Sweden and Japan. At this state it seems hard to believe that the USSR will shift its stand to the extent of an abstention but there is no repeat no denying the USA contention that the stakes are high.

[C.S.A.] RITCHIE

⁹⁹ Voir/See Department of External Affairs, *Statements and Speeches*, 1958, No. 58/17.

137.

DEA/50271-E-40

*Le représentant permanent auprès des Nations Unies
au secrétaire d'État aux Affaires extérieures*
*Permanent Representative to United Nations
to Secretary of State for External Affairs*

TELEGRAM 675

New York, May 2, 1958

SECRET. OPIMMEDIATE.

Repeat Washington, London, Paris, NATO Paris (Information).
By Bag Moscow, Bonn, Oslo from London.

DISARMAMENT: SECURITY COUNCIL PROCEEDINGS

As prearranged this morning's proceedings in the Security Council on the Soviet item began with a brief statement from Lodge accepting the Swedish amendment but with the slight change desired by the USA. Jarring responded in kind. Dixon made a short statement mainly to give the UK interpretation of the Swedish amendment. Sobolev followed with an uncompromising restatement of Soviet opposition to the USA proposal which, he said, had the expected support of those in military alliance with the USA. He reiterated the Soviet propaganda points concerning the SAC flights and the "diversionary manoeuvre", which was designed to blind the uninitiated to the justice of the Soviet complaint. Briefly but sharply he criticized the Secretary General's endorsement of the USA move. Sobolev's statement would fully support a veto though he did not repeat not say how he would vote. The USA mission informed us that Sobolev had indicated privately to Jarring that the USSR would use its veto; and that Suslov had said to them that the USSR could not repeat not possibly abstain on the USA proposal.

2. Just before the meeting opened the Secretary General stated emphatically to me his opinion that to press the USA draft resolution to the vote in the face of apparent Soviet opposition and of Dulles' remarks yesterday at his press conference,¹⁰⁰ would be "political madness" but he did not repeat not elaborate. We passed this information to the USA mission and said that it substantiated our own misgivings but our understanding is that the Secretary General did not repeat not speak in the same sense to Lodge. During this morning's meeting the UK mission reverted privately to their arguments against insisting on a vote. At the noon adjournment, however, Lodge had firm instructions from Washington to proceed with the vote.

3. Lodge's preference would have been for a vote before lunch but he agreed with Dixon and others that before the vote there should be further consultation, particularly among the Western Four. This fitted in with Matsudaira's plan to propose a recess before the vote. Lodge had previously persuaded Matsudaira not repeat not to press for an adjournment until next week. This morning after Sobolev had spoken, Matsudaira made a short statement which emphasized the undesirability of having the Council's proceedings end with a veto. He urged that the veto not repeat not be used, that the constructive approach reflected in the USA proposal should be treated as a point of departure for serious negotiations whether at summit or elsewhere on the broader questions of disarmament. It turned out that Matsudaira's motion for adjournment corresponded with lunch hour.

¹⁰⁰ Voir/See United States, Department of State *Bulletin*, Volume XXXVIII, No. 986, May 19, 1958, pp. 804-810.

4. Just before this afternoon's Council the four Western members of the Sub-Committee met and eventually agreed that there would be a vote on the USA draft as amended and to vote down the Soviet proposal. We discussed the case against pressing for a vote (your telegram V-177 of May 1†) but since Dixon had decided that a vote should take place and Georges-Picot appeared indifferent, Lodge was not repeat not disposed to depart from his instructions.

5. Nothing that was said or done during the lunch hour seemed to have altered the positions of the principal parties concerned as they had appeared before the adjournment. Lodge made a brief statement further clarifying the position of the USA on the Swedish amendment and quoted Dulles on the USA position regarding a summit conference. The USA resolution¹⁰¹ was then put to a vote. The draft was supported by ten members of the Council but vetoed by Sobolev. Lodge then made a statement for the record drawing attention to this eighty-third veto on the part of the Soviet Union and ended with the statement that the USA would continue to strive for peace at the UN and in any other forum where negotiations might have a chance of success. Sobolev replied that the fact that the USA resolution was pressed to vote, although it had been clear that the Soviet Union could not repeat not support it, demonstrated the proposal had not repeat not been a serious one.

6. The Soviet proposal was then put to the vote. It was rejected by nine votes with one abstention (Sweden), and supported only by USSR. The Council then adjourned.

7. We hope to send you a more comprehensive analysis of the whole debate on the Soviet complaint when we have had the opportunity to reflect upon it further. My preliminary conclusion is that there was nothing in the Soviet statements today to give a shadow of hope that the USSR would give serious consideration to the USA proposal and on balance it may be that a vote was desirable to make this beyond argument. Moreover the USSR showed no repeat no interest even in exploiting the obvious opportunities like the Secretary General's reference to tests and Dulles' suggestion that SAC flights might be suspended pending technical discussions of Arctic inspection.

[C.S.A.] RITCHIE

138.

DEA/50271-E-40

*Le représentant permanent auprès des Nations Unies
au secrétaire d'État aux Affaires extérieures*

*Permanent Representative to United Nations
to Secretary of State for External Affairs*

TELEGRAM 703

New York, May 7, 1958

SECRET. CANADIAN EYES ONLY. PRIORITY.

Reference: Our Tel 675 May 2.

Repeat London, Washington, Paris, NATO Paris (Information).

By Bag Bonn, Oslo, Moscow, Tokyo, Stockholm.

¹⁰¹ Voir/See United States, Department of State *Bulletin*, Volume XXXVIII, No. 986, May 19, 1958, p. 820.

RECENT SOVIET ITEM IN SECURITY COUNCIL

We have concluded that it might be worthwhile to attempt an analysis of the recent exercise in the Security Council on the Soviet item. We would, of course, welcome any comments on our assessment especially from those more directly concerned with the foreign policy of the USSR and the USA. I believe that there may be several quite important lessons to be learned from the recent proceedings which might help to prepare us in a general way for the Thirteenth Session of the General Assembly.

2. The timing of the Soviet complaint about the SAC flights, especially in view of the diplomatic consultations which were just beginning in Moscow, caught the attention of many observers here. One obvious conclusion, which principal officials in the USA mission tended to accept, was that the Soviet government had decided that it neither needed nor wanted a summit conference this year and that, therefore, the Soviet intention in bringing the complaint was to irritate the USA to the extent of either breaking off preparatory talks or responding with such violence that an eventual break-off of summit preparations would be inevitable. Certainly on April 18 the immediate reaction in UN circles was that the USSR had taken a step which could not repeat not but cast a blight on summit prospects. Yugoslav officials here were downcast and mystified; the Indians seemed puzzled.

3. Another explanation which tended to emerge later in the Council proceedings, especially after the USA had launched its proposal for Arctic inspection, was that the Soviet leaders, or at least the Khrushchev clique, had blundered into the complaint in much the same way as they had, according to a prevailing thesis, brought on the Syrian item at the Twelfth Session of the Assembly. This step, which came to be regarded later as a tactical error, was said to be the impulsive initiative of Khrushchev, who took it largely for domestic reasons and without the advice of his professional advisers. According to this theory Khrushchev saw advantage in exploiting USA articles, like the one of April 7 by Bartholomew of the UP, and had the complaint about SAC lodged without a proper assessment of possible consequences. This would explain the apparent indifference or awkwardness with which the Soviet representative dealt with the USA Arctic proposal; in other words because the Soviet move was ill-conceived or perhaps designed merely for temporary or local purposes, the Soviet government lost interest in the exercise when it began to backfire. You may recall that this seemed to be the pattern during the Syrian proceedings in the Assembly.

4. Whatever other considerations might have been involved, the Soviet complaint must have been calculated to make propaganda gains. Quite apart from the profound and widespread anxiety about an accidental outbreak of nuclear war, the Soviet propagandists could not repeat not have been unaware of the public sentiment in such countries as the UK and West Germany about over-flights of USA bombers carrying nuclear weapons. There were other developments, like the accidental dropping of a nuclear device from a bomber in the USA, the selling campaign against nuclear tests; the pronouncements, by leaders like Nehru, concerning the inherent dangers in having flights of aircraft armed with nuclear weapons. It could have been that the USSR was merely looking for a further opportunity to make substantial gains through what was essentially a propaganda move; the benefit from the unilateral declaration concerning the suspension of nuclear tests was obvious enough. However, if the USSR aim was mainly in the field of propaganda, it is curious that the Soviet representative in the Security Council seemed content to restate the same arguments, somewhat mechanically toward the end of the debate, without exploiting other opportunities for propaganda which were presented to him and which, if exploited, could have made considerable difficulty for the Western Powers. I refer, in particular, to the Secretary General's reference to nuclear tests in his intervention of April 29 and to Dulles'

remarks concerning the possible reduction or suspension of SAC arrangements for meeting surprise attack.

5. There was, of course, one strong reason why the USSR might not repeat not wish to have been drawn into a discussion which was in any way related to previous UN proceedings concerning disarmament. The USSR during the past six months has taken a strong stand against discussing disarmament questions in international bodies, either which take decision by majority or in which the USSR and its supporters are clearly outnumbered. This applies in particular to UN bodies like the Disarmament Commission and Subcommittee and the Security Council but not repeat not, if the Soviet position of last autumn still holds, to the General Assembly. This so-called principle of parity which the USSR has been pressing has a false basis but it also has an attractive ring, especially for UN members like the African-Asians who themselves have frequently complained about representation in various UN organs. Accordingly, it might be the current policy of the Soviet government not repeat not to participate in UN discussion of subjects which are of direct concern to the USSR and mainly East-West issues. This could be a reaction against the USA tendency to bring international issues before the UN. It could be part of a Soviet design to focus international attention on a summit conference which would not repeat not follow the pattern of post-war talks among the big Four but would involve new grouping of powers, some of whose interests would be far removed from post-war aims of the Western three and such performance at the summit, therefore, would probably tend to favour the USSR.

6. So much for the Soviet motives. The Soviet complaint in the Security Council could have been met in several ways. In outraged indignation the USA could have denounced the Soviet complaint as frivolous and insulting. There could have been a cold war contest with no repeat no holds barred. The USA would in any event have probably had sufficient support to prevent any Soviet proposal from being adopted and might even have been able to block the adoption of the agenda.

7. Alternatively, the USA could have turned the other cheek and tried to meet the Soviet complaint by launching at an appropriate stage in the debate an initiative designed to head off the USSR or even to deal seriously with the situation which was implicit in the complaint about SAC flights, that is, the danger of accidental war. As we mentioned earlier, the debate on April 21 provided a solid foundation for a constructive initiative to deal with that situation. For reasons which we have explained the debate was adjourned that same day largely at the insistence of the USA chairman.

8. Still another alternative, and this was the one which the USA more or less adopted, was to deal quietly but firmly with the Soviet complaint, to demonstrate that it was only for purposes of propoganda and to assure the world that USA actions were defensive and its intention was to minimize the risk of accidents. This response was satisfactory as far as it went but, to some extent because of the hasty procedure whereby the debate was adjourned on April 21, the USA reply lost some of its attraction. Support for the USA, which had rallied effectively in the Council and among other UN members, tended to disperse. Whether it was this reaction or a belated realization that the Soviet complaint might afford a useful opportunity for a Western initiative, the USA decided after a few days' hesitation to launch the proposal for an international inspection zone in the Arctic.

9. This was a sound proposal and displayed obvious advantages. With appropriate cooperation from all concerned it could have done much to allay anxiety about surprise attack and accidental war. The presentation of the proposal, however, was jeopardized by premature leaks to the press. Moreover, the interpretation by the press, interpretation which was

not repeat not corrected from USA sources, of subsequent developments in the debate, like the Secretary General's intervention, made it virtually certain that the USSR would have had to reject the proposal, even if the Soviet government had been interested in it. Because of the press leaks, moreover, the initiative had to be launched without adequate preparation. Although there was considerable consultation in some quarters, the subsequent proceedings in the Council might have been more fruitful if the overall strategy had been mapped carefully. There was an unfortunate tendency on the part of the USA to move from A to B and so on.

10. Another difficulty was that the UK and France had differing aims from those of the USA. They seemed most interested in "keeping the package intact" and in their statements tended to relate the USA initiative to the August 29 proposal of the Western Four. Obviously it was to the advantage of the new initiative not repeat not to link it very firmly with the earlier discussions in the Sub-Committee. This difference of approach was further demonstrated in the UK-French urging that the Western Four should "stand together" in the Security Council, to the extent of speaking consecutively in the debate. This might have been only a matter of emphasis but it helped the Soviet representative to say that the new proposal was not repeat not really new but an old refrain of the NATO chorus. Moreover, in private consultations it became painfully clear that flexibility in the Western position, as regards both substance and tactics, was considerably hampered by the strained effort to keep in step. We wondered whether in the Council proceedings concerning the Arctic inspection zone it might not repeat not have been preferable for Canada and the USA to carry the main burden in the debate and, in the matter of tactics, even for Canada to make independent moves which were not repeat not necessarily endorsed wholeheartedly in advance by the Western Four. I have in mind particularly the question whether the USA draft resolution, as amended by Sweden, should have been pressed to the vote. Because the Western Four agreed to be bound by the outcome of their private meetings, there was less flexibility in the tactics followed. As in the past the position of the Western Four tended to be the lowest common denominator, a condition which tends to cramp initiative.

11. Nevertheless, it is debatable whether the result of these proceedings would have been any different. The position of the USSR appeared hard and inflexible. There seemed little prospect for compromise either on substance or on tactics. Those who were suggesting behind the scenes (Japanese, Swedes, Indians and Yugoslavs) that an adjournment for a week or so might have produced a better atmosphere and consequently better results, had nothing to offer in the way of compromise and they admitted that to delay might have been merely to fritter away the Western initiative. The situation probably required that the debate be brought to a tidy end and we could see no repeat no possibility of using the consensus procedure, which was advocated at one stage by Lall. So on balance it may have been desirable, if not repeat not necessary, to have the vote, although this did enable the Soviet representative to decry the USA proposal as mere propaganda; and it did tend to slam the door on any future development of the Arctic proposal. Although I was considerably impressed by the Secretary General's view that a vote should not repeat not be taken in the face of Soviet opposition, which the Secretary General considered inevitable after Dulles' press conference on May 1, I think we must recognize that the Secretary General's UN interest would not repeat not correspond exactly with the interest and aims of the USA and its Western partners.

12. The exercise ended badly for the UN, of this there is no repeat no doubt. Not repeat not only was the Security Council once more shown to be impotent in the face of real risks to peace and security but the Secretary General had gambled away not repeat not a small

part of his prestige and influence. Moreover, because of the voting tactics adopted (on April 21 and May 2), the Soviet assertion about the misuse by the Western Powers of their majority in the UN, an assertion which the Secretary General had tried in Moscow to discount, was strikingly reinforced. All this was depressing to me and I believe these sentiments were fully shared by my colleagues from Japan and Sweden. Undoubtedly a similar reaction was prevalent among other UN members who have worked hard and contributed much to produce practicable results through the UN. One implication might be that we should all pause and ponder carefully before pressing too quickly any further initiative related to disarmament in any of the UN bodies concerned and at least until the summit preparations assume a more definite shape.¹⁰²

[C.S.A.] RITCHIE

SUBDIVISION IV/SUB-SECTION IV

TREIZIÈME SESSION DE L'ASSEMBLÉE GÉNÉRALE
THIRTEENTH SESSION OF THE GENERAL ASSEMBLY

139.

DEA/50189-40

*Le chef de la délégation à l'Assemblée générale des Nations Unies
au secrétaire d'État aux Affaires extérieures*

*Chairman, Delegation to United Nations General Assembly,
to Secretary of State for External Affairs*

TELEGRAM 1536

New York, October 3, 1958

CONFIDENTIAL. OPIMMEDIATE.

Repeat Washington, London, Paris, NATO Paris (Information).

DISARMAMENT

My telegram 1537 contains the text of a draft resolution on disarmament drafted by the USA Delegation and presented to us this morning by Lodge at a meeting with the UK, France and ourselves.

2. Lodge hopes the four of us would sponsor it but intends to broaden the basis of co-sponsorship as well. He would like our comments by Monday if possible and would then like by about Wednesday to show it to the Russians and ask them to co-sponsor. No repeat no one was very optimistic about Soviet willingness to do so, but all agreed this was a useful gesture. The Secretary General has not repeat not yet seen the draft but it was agreed that Lodge might show it to him.

¹⁰² À la suite des délibérations du Conseil de sécurité, les fonctionnaires américains et canadiens ont essayé, à l'été de 1958, de définir une position commune sur les modalités des inspections aériennes en tant que composante critique d'un éventuel accord de désarmement limité. Voir Albert Legault et Michel Fortmann, *Une diplomatie de l'espoir : Le Canada et le désarmement, 1945-1988* (Les Presses de l'Université Laval, 1989), pp. 149 à 152.

In the aftermath of the Security Council deliberations, American and Canadian officials attempted during the summer of 1958 to define a common position on aerial inspection procedures as the critical component of a potential limited disarmament agreement. See Albert Legault and Michel Fortmann, *A Diplomacy of Hope: Canada and Disarmament, 1945-1988* (McGill-Queen's University Press, 1991), pp. 152-155.

3. There seemed to be general agreement with the draft although all present naturally reserved their views pending further study. Georges-Picot noted that the resolution seemed to have moved pretty far away from last year's resolution and the "package." Noble and Ritchie questioned the advisability of forcing on the Russians a reference to last year's resolution, which they disliked intensely. The UK are rather keen on getting Soviet agreement to or at least acquiescence in a resolution in order to help the atmosphere at Geneva.

4. We thought the last two words in the resolution, "as appropriate," might rouse some suspicion on the part of those who will be looking for evidence of a desire to bypass the UN. It was suggested that we might drop these words and refer to the UN rather than the General Assembly, as this phrase was intended to cover the fact that the Assembly was not repeat not always in session and we would not repeat not want to provoke a special session.

5. The USA and UK are agreed in their desire to get through the Assembly if possible without much talk about substance and with no repeat no decisions on procedure beyond continuation of the Disarmament Commission pretty much as constituted. They are aware, however, of the opposition they may encounter from those anxious to assert the authority of the UN and give some direction on nuclear tests and other aspects of disarmament. We mentioned to Morgan of the UK our ideas about a committee to examine the UN organization on disarmament. He thought it a very useful idea to produce if necessary, that is, if they do not repeat not get away with the status quo. We are inclined to think that we might hold it in reserve. If it should prove possible to get by without a major row on machinery, we have no repeat no special interest in raising difficulties. We would certainly irritate our major friends if we did so. On the other hand, if we could produce this compromise scheme when they are running into rough weather, they might be grateful. The USA appear most anxious to help [keep] the UN role in disarmament to a minimum, at least for the ticklish period of negotiation now ahead of us.

140.

DEA/50189-40

*Le chef de la délégation à l'Assemblée générale des Nations Unies
au secrétaire d'État aux Affaires extérieures*

*Chairman, Delegation to United Nations General Assembly,
to Secretary of State for External Affairs*

TELEGRAM 1537

New York, October 3, 1958

CONFIDENTIAL. OPIMMEDIATE.

Reference: Our Tel 1536 Oct 3.

Repeat Washington, London, Paris, NATO Paris (Information).

DISARMAMENT

Following is the text of the draft resolution on disarmament given to us this morning by Cabot Lodge: "The General Assembly, emphasizing anew the urgency of progress toward meaningful measures of disarmament under effective international control to decrease the danger of war and improve the prospects of a durable peace, welcoming the agreement that has been achieved in the conference of experts on the possibility of detecting violations of

an agreement on the suspension of nuclear tests,¹⁰³ noting that negotiations on the suspension of nuclear weapons tests and on the actual establishment of an international control system on the basis of the experts' report have begun (will begin on October 31), noting further that agreement has been achieved on the convening of qualified persons to study the technical aspects of safeguards against the possibility of surprise attack

(1) expresses its earnest hope that the negotiations now under way between States that have tested nuclear weapons will result in early agreement on the suspension of nuclear tests under effective international control

(2) calls attention to the importance from the standpoint of international peace and security of achievement of the widest possible measure of agreement in the forthcoming study of technical aspects of safeguards against the possibility of surprise attack

(3) recognizes that such conferences may help to create an atmosphere in which further agreements in the disarmament field can be reached

(4) requests the conferences on nuclear testing and surprise attack to avail themselves of the assistance and services of the Secretary General and to keep the General Assembly informed as appropriate."¹⁰⁴

¹⁰³ Entre le 1^{er} juillet et le 21 août 1958, des experts techniques des États-Unis, du Royaume-Uni, de la France et du Canada ont rencontré à Genève leurs homologues de l'Union soviétique, de la Tchécoslovaquie, de la Pologne et de la Roumanie afin de discuter des mesures permettant de détecter les violations à un éventuel accord de suspension des essais nucléaires. O.M. Solandt représentait le Canada à ces pourparlers. Pour le texte du communiqué final et du rapport final publiés à l'issue de ces rencontres, voir United States, Department of State *Bulletin*, Volume XXXIX, No. 1004, September 22, 1958, pp. 452 à 62.

Between July 1 and August 21, 1958, technical experts from the United States, the United Kingdom, France, and Canada met with their counterparts from the Soviet Union, Czechoslovakia, Poland, and Romania in Geneva to discuss measures to detect violations of a possible agreement on the suspension of nuclear tests. Dr. O.M. Solandt represented Canada at these talks. For the text of the final communiqué and the final report issued at the end of these meetings, see United States, Department of State *Bulletin*, Volume XXXIX, No. 1004, September 22, 1958, pp. 452-62.

¹⁰⁴ Entre le 31 octobre et le 19 décembre 1958, des fonctionnaires américains, britanniques et soviétiques se sont rencontrés à Genève pour amorcer des négociations en vue d'un accord sur la suspension des essais d'armes nucléaires. Entre le 10 novembre et le 18 décembre 1958, des fonctionnaires du Canada, des États-Unis, du Royaume-Uni, de la France, de l'Italie, de l'Union soviétique, de la Tchécoslovaquie, de la Pologne, de la Roumanie et de l'Albanie se sont rencontrés à Genève pour étudier des mesures propres à prévenir les attaques surprises. Le Canada était représenté par L.D. Wilgress. Pour un compte rendu de ces rencontres, voir Canada, ministère des Affaires extérieures, *Affaires Extérieures*, vol. 11, Nos 1-2, janvier-février 1959, pp. 24 à 26.

Between October 31 and December 19, 1958, American, British, and Soviet officials met in Geneva to begin negotiations for an agreement suspending nuclear weapons tests. Between November 10 and December 18, 1958, officials from Canada, the United States, the United Kingdom, France, Italy, the Soviet Union, Czechoslovakia, Poland, Romania, and Albania met in Geneva to study measures to prevent surprise attack. Canada was represented by L.D. Wilgress at this conference. For an account of these meetings, see Canada, Department of External Affairs, *External Affairs*, Vol. 11, Nos. 1-2, January-February 1959, p. 24-26.

141.

DEA/50189-40

*Le secrétaire d'État aux Affaires extérieures
au chef de la délégation à l'Assemblée générale des Nations Unies*

*Secretary of State for External Affairs
to Chairman, Delegation to United Nations General Assembly*

TELEGRAM V-454

Ottawa, October 6, 1958

CONFIDENTIAL. OPIMMEDIATE.

Reference: Your telegrams 1536, 1537 of Oct. 3.

Repeat Washington, London, Paris, NATO Paris (Information).

By Bag Moscow, Oslo.

DISARMAMENT: U.S. DRAFT RESOLUTION

Apart from the points noted in paragraph 4 of your 1536 which we would endorse, we see no reason why we could not co-sponsor Lodge's draft resolution. There seem however to be a few places in which the text might be edited with advantage. In making these suggestions we have in mind that this might not be the only disarmament resolution and we are therefore not going outside the existing subject matter.

2. Although the first operative clause does not necessarily mean that the Three Powers can by themselves arrive at the final agreement which could forthwith be implemented to inaugurate a system of control over the suspension of nuclear tests, it is open to that construction. It would appear that the desirable outcome of their negotiations would be agreement on terms of the suspension of nuclear tests and on a fairly detailed description of the nature of an accompanying system of control, which they considered both adequate and acceptable. It might be appropriate to draw a distinction between a decision for the extension of something like the conditional suspension offered by the U.S. and U.K. which the Three Powers by themselves are fully competent to agree upon and the recommendations which they would present for the consideration of other governments, and especially those whose territory would be affected, with a view to bringing a control system into existence. A possible re-draft might be "... agreement on the suspension of nuclear tests and on an acceptable system which would effectively detect possible violations of such an agreement."

3. In the second operational clause consideration might be given to following the terminology of the draft note to the Soviet Union; namely, "To study the practical aspects of minimizing the possibility of surprise attack." Such formulation does not suggest the possibility of absolute safeguards.

4. We read the third clause as implying the usefulness of talks on the expert level. However the first clause concerns political negotiations which the Soviet Union proposes should be at the foreign minister level. If our interpretation of the intention is correct we suggest that it might read "recognizes that conferences of experts on specific problems might help ..." should some other meaning be intended perhaps it could be clarified and a further provision on the foregoing lines added.

5. The fourth clause might be improved if it contained two separate verbs so as to read "invites the conferences ... to avail themselves ... and requests them to keep the United Nations informed."

6. With regard to possible Soviet co-sponsorship we suspect that they would insist on the Assembly doing rather more than express an earnest hope for agreement regarding nuclear tests. Perhaps our principal allies would be prepared to consider stronger language in this passage assuming that they regard "suspension" as the key word to be defended against the intrusion of anything like "cessation." For tactical reasons, however, it might be as well to expose the Soviet Delegation to something quite like the present draft in order to discover whether they have any interest in an agreed resolution.

7. On the question of Commission composition it seems advisable in view of the U.S. and U.K. attitudes to reserve any initiative until there is an evident need for one. As a practical matter this perhaps is not an urgent problem having in mind the prospect that various special conferences are likely to constitute the only serious disarmament negotiations in the next few months. However because the composition question may be precipitated by some of the uncommitted it appears advisable to continue to assess plans that could be put forward on short notice. We will accordingly give further thought to the problem in the light of the Secretary-General's memorandum and your telegram 1519 of October 1.†

142.

DEA/50189-40

*Le chef de la délégation à l'Assemblée générale des Nations Unies
au secrétaire d'État aux Affaires extérieures*

*Chairman, Delegation to United Nations General Assembly,
to Secretary of State for External Affairs*

TELEGRAM 1621

New York, October 13, 1958

UNCLASSIFIED. PRIORITY.

Reference: Our Tel 1590 Oct 8.†

FIRST COMMITTEE: DISARMAMENT

Following is the text of a resolution as finally submitted, co-sponsored by Argentina, Australia, Belgium, Brazil, Canada, Denmark, Ecuador, Iran, Italy, Laos, Netherlands, NZ, Norway, Pakistan, Thailand, UK and USA.

The General Assembly,

Reaffirming the continuing interest and responsibility of the UN in the field of disarmament, which have found expression in the Charter and in previous resolutions of the General Assembly,

Welcoming the agreement which has been achieved in the "conference of experts to study the possibility of detecting violations of a possible agreement on the suspension of nuclear tests,"

Noting that negotiations on the suspension of nuclear weapons tests and on the actual establishment of an international control system on the basis of the experts' report will begin on October 31,

Noting further that qualified persons are expected to meet soon to study the technical aspects of measures against the possibility of surprise attack,

Recognizing that these developments are encouraging steps in the direction of progressive openness of information concerning technologies and armaments, which may assist in promoting the fundamental aims of the UN in the field of disarmament,

A

1. Urges that in the negotiations between States that have tested nuclear weapons the parties make every effort to reach early agreement on the suspension of nuclear weapons tests under effective international control,

2. Urges the parties involved in these negotiations not repeat not to undertake further testing of nuclear weapons while these negotiations are in progress,

B

3. Calls attention to the importance and urgency of achieving the widest possible measure of agreement in the forthcoming study of the technical aspects of measures against the possibility of surprise attack,

C

4. Expresses determination that the trend of the recent encouraging initiatives, including the technical approach, should continue with a view to contribution to a balanced and effectively controlled world-wide system of disarmament,

D

5. Invites the Conferences on Nuclear Weapons Tests and on Surprise Attack to avail themselves of the assistance and services of the Secretary General and requests them to keep the UN informed,

6. Invites the Secretary General, in consultation with the governments concerned, to render whatever advice and assistance may seem appropriate to facilitate current developments or any further initiatives related to problems of disarmament,

7. Requests that the records of the meetings of the First Committee at which various aspects of disarmament were discussed be transmitted by the Secretary General to the participants in the Conferences on Nuclear Weapons Tests and on Surprise Attack.¹⁰⁵

143.

DEA/50189-40

*Le chef de la délégation à l'Assemblée générale des Nations Unies
au secrétaire d'État aux Affaires extérieures*

*Chairman, Delegation to United Nations General Assembly,
to Secretary of State for External Affairs*

TELEGRAM 1820

New York, November 4, 1958

CONFIDENTIAL. PRIORITY.

Repeat London, Washington, NATO Paris, Paris (Information).

FIRST COMMITTEE: DISARMAMENT

When the First Committee began its meeting Monday afternoon the Indian-Yugoslav resolution establishing a disarmament commission of 81 members on an ad hoc basis had not repeat not yet secured the support of both sides. In spite of Yugoslav preference for sticking to their text Lall was drawn into alterations to suit both sides and the whole draft

¹⁰⁵ Le 1^{er} novembre 1958, la Première commission adoptait cette résolution par un vote de 49 pour, 9 contre et 23 abstentions.

On November 1, 1958, this resolution was adopted in the First Committee with 49 votes in favour, 9 opposed, and 23 abstentions.

was in danger of falling apart. There seemed little chance of agreement when the meeting began. The USA and UK sought in particular to make sure that the commission would not repeat not operate in accordance with the rules of procedure of the former Disarmament Commission but in accordance with rule 162 of the Charter. Lodge proposed a paragraph to this effect and threatened to support the French amendments if his paragraph was not repeat not accepted. The Soviet side particularly disliked the French amendments, and Zorin said the USSR would not repeat not serve on the Sub-Committees proposed by the French.

2. It appeared in the end that there was in this case a mutual desire to reach agreement. When Lodge proposed an alteration to meet Zorin's wishes, the latter accepted it. Georges-Picot indicated that France took a pessimistic view of the whole proposal. He was joined in splendid abstention by the representative of Cuba. The vote was a happy 78 to none with 2 abstentions.

3. The Mexican representative was then enjoined by a number of delegations to withdraw his resolution but he was under firm instructions from Padilla Nervo to stand firm. An adjournment until this morning was arranged to allow for further communication with Mexico. This morning the Mexican resolution was withdrawn.

4. In the plenary session this afternoon the final voting took place after many statements by various delegations. Lall reintroduced the 14-power resolution but obtained no repeat no success. The results were as follows: the 17-power resolution was adopted in a vote of 49 in favour, 9 against with 22 abstentions.

5. The 3-power resolution submitted by Australia, Japan and Sweden which blesses the Geneva Conference was adopted by a vote of 55 in favour (Canada) 9 against with 12 abstentions. The resolution on surprise attack submitted by India and Yugoslavia was adopted by a vote of 75 (Canada) to none with 2 abstentions.

6. The resolution submitted by India and Yugoslavia calling for an 81 member disarmament commission was adopted by a vote of 76 (Canada) to none with 2 abstentions. The 14-power resolution was rejected by a vote of 27 in favour, 41 against with 3 abstentions.¹⁰⁶

¹⁰⁶ Pour les textes officiels des quatre résolutions sur le désarmement adoptées en séance plénière, voir Nations Unies, *Documents officiels de l'Assemblée générale, treizième session, Supplément N° 18 (A/4090)*, pp. 3 à 4.

For the official texts of the four disarmament resolutions passed in plenary session, see United Nations, *Official Records of the General Assembly, Thirteenth Session, Supplement No. 18 (A/4090)*, pp. 3-4.

SECTION G

CONTRIBUTIONS AUX PROGRAMMES EXTRA-BUDGÉTAIRES DES NATIONS UNIES
CONTRIBUTIONS TO UNITED NATIONS EXTRA-BUDGETARY PROGRAMMES

144.

PCO

*Note du secrétaire d'État aux Affaires extérieures
pour le Cabinet**Memorandum from Secretary of State for External Affairs
to Cabinet*

CABINET DOCUMENT NO. 268-57

Ottawa, October 15, 1957

CONFIDENTIAL

CONTRIBUTIONS TO 1958 UNITED NATIONS
EXTRA-BUDGETARY PROGRAMMES

This submission is concerned with Canadian participation in and contributions to the following programmes:

United Nations Expanded Programme of Technical Assistance to Under-Developed Countries (ETAP)

United Nations Refugee Fund (UNREF)

United Nations Relief and Works Agency for Palestine Refugees (UNRWA)

United Nations Children's Fund (UNICEF)

United Nations Expanded Technical Assistance Programme to Under-developed Countries (ETAP)

2. The Expanded Technical Assistance programme supplements the regular technical assistance programme of the United Nations and its Specialized Agencies; it was devised to make available to the economically less well-developed countries of the world an increased volume of specialized knowledge through providing the services of experts and through technical training projects. It provides tangible evidence to the under-developed countries of the world that the developed countries have a genuine interest in their development. ETAP is conducted efficiently and it receives broad public support throughout the world. During the seventh ETAP financial period (1957) eighty countries pledged approximately \$30.8 million (U.S.).

3. The programme's popularity among the recipient countries is confirmed by the way in which it has broadened in scope during recent years. It now provides assistance to almost all the under-developed countries and territories, and in addition is being asked to provide marginal assistance to countries not normally considered under-developed. As a result, the number of requests made on the ETAP exceeds the resources available, as might be expected of an effective and useful programme.

4. In addition to the strain on the ETAP caused by new and increased requests for assistance, there are now acute financial problems being created. For the past few years, the amount pledged by the United States under a "matching" arrangement has been approximately 50% of the total Expanded Programme. However, the United States representative at the Technical Assistance Committee meetings held recently in Geneva said that in keeping with Congressional action, the United States would decrease its percentage

contribution in 1958 to 45%, to 38% in 1959, and 33 1/3% in 1960 and thereafter. This means that in order for the ETAP budget to remain at approximately the same level in 1958, countries other than United States would have to contribute \$1.2 million (U.S.) more than in 1957. It may be necessary, therefore, prior to the 1959 Pledging Conference, to review our position with regard to the ETAP in the light of the United States decreasing percentage contribution and the final budget of the ETAP for 1958.

5. Last year Canada contributed \$2 million (U.S.) to the ETAP (an increase of \$200,000 over 1956), and the Canadian Delegation at the ETAP Pledging Conference was authorized to say that support of at least a similar order of magnitude could be expected from Canada in 1958 and 1959.

United Nations Refugee Fund (UNREF)

6. At the end of the Second World War there were approximately 2.2 million refugees in Europe (a refugee is defined as a person who has left the country of his normal residence because of fear of persecution). By the end of December 1956 there were still about 1 million refugees in Europe under the international legal protection of the United Nations High Commissioner for Refugees (UNHCR), and of this number the High Commissioner has estimated that about 125,000 will be in need of some material assistance from him by the end of 1958 when his refugee programme and fund (UNREF) are due to expire. Through the UNREF programme, the High Commissioner has been able to reduce the number of refugees requiring assistance from more than 350,000 in 1954 to an estimated 125,000 by the end of 1958.

7. Of the refugees still in need of material assistance from the UNHCR, there were, as of January 1957, just over 50,000 still living in refugee camps in Austria (19,850), Germany (23,430), Greece (1,680) and Italy (5,370), and this total of 50,000 was exclusive of the Hungarian refugees who fled to Austria and Yugoslavia after October 1956. Concerning these Hungarian refugees, there were approximately 31,000 of them in refugee camps in Austria (23,722) and Yugoslavia (7,915) at the end of August 1957.

8. The General Assembly of the United Nations in 1954 authorized the United Nations High Commissioner for Refugees to undertake a more comprehensive programme over a four-year (1955-58) period to achieve permanent solutions for the refugee problem while continuing to provide some emergency aid in destitute and problem cases.

9. UNREF's target budget for the four years (1955-58) is \$16 million. After two years of operation, the accumulated deficit in government contributions to UNREF is \$2.7 million. The High Commissioner has recently re-appraised the UNREF programme and decided that the original target of \$16 million is insufficient to close all the refugee camps in Europe by the end of 1958. He will need an extra \$4.8 million in order to do this.

10. Canada's contributions to UNREF have been: 1955—\$125,000; 1956—\$125,000; 1957 - \$200,000. Pledges or contributions to UNREF from some other countries in 1957 are: France \$257,000; Denmark, \$72,000; Belgium, \$200,000; Sweden, \$116,000 plus a special contribution of \$1.3 million; U.K., \$280,000; U.S., \$1.5 million (estimated).

11. It would seem appropriate for Canada's contribution to continue at \$200,000.

United Nations Relief and Works Agency for Palestine Refugees (UNRWA)

12. The United Nations Relief and Works Agency for Palestine Refugees in the Near East (UNRWA) was established by the United Nations in December 1949. It was intended to provide relief and temporary employment for some 950,000 Arab refugees, who had lost their homes and means of livelihood in Palestine during the hostilities following establishment of Israel, until such time as they might be able to exercise the choice between repatri-

ation or resettlement with compensation. The early hope that the refugee problem could be solved in three years, through the repatriation of some and the compensation of others and their integration into the economies of the areas where they had taken refuge, did not materialize and the Agency's operational mandate has been extended to the end of June 1960.

13. The dimensions of the problem have not been diminished since 1949 and a solution appears to be as difficult as ever. The refugees on the rolls still number upwards of 900,000 of which about half are children under 15. The failure to reduce the numbers on relief is due mainly to three causes: (1) Israel has refused to consider admitting to its territory any substantial number of refugees; (2) the refugees have insisted that they had a right to return to their former homes and have tried to maintain as far as possible a united front in refusing any form of rehabilitation which might prejudice their chances of repatriation; (3) the governments of Arab states have supported the position taken by the refugees. Given the full political co-operation of the governments of the area, projects offering substantial opportunities for self-support could be developed. However, because of political difficulties expenditures against the fund of \$200 million authorized in January 1952 for such resettlement projects hitherto have been mainly for research, experimentation and planning. The largest single item on the "rehabilitation" budget has been education.

14. Canada voted in favour of the establishment of the Agency and in favour of the extension of its mandate to 1960, and as a responsible member of the United Nations has been a regular contributor to the UNRWA budget. Our contributions have been particularly appreciated by the U.K., other Commonwealth members and the U.S. who have welcomed the stabilizing role of UNRWA in the area and have themselves been regular contributors. Since 1948 the Canadian Government has contributed to the Palestine Refugee programmes of UNRWA and its predecessor (the United Nations Relief for Palestine Refugees) a total of \$5,320,929 (Canadian) in cash or kind. Since 1951 the annual rate of contributions has been between \$500,000 and \$600,000. That rate has been satisfactory relative to other states although the level of Canadian contributions has not been commensurate with the rate of the Canadian assessment for the administrative budget of the United Nations (3.15%).

15. The other major contributors and their approximate totals are:

| | | |
|----------------|-----------------|------------------------------|
| United States | \$171.2 million | (\$17.5 million for 1956-57) |
| United Kingdom | \$ 47.0 million | (\$4.4 million for 1956-57) |
| France | \$ 12.0 million | (\$428,571 for 1956-57) |
| Australia | \$ 1.7 million | (\$112,500 for 1956-57) |
| New Zealand | \$ 1.2 million | (\$140,000 for 1956-57) |

16. UNRWA's tentative budget for 1958 has been set at \$41.5 million — \$26.5 million for relief and \$15 million for rehabilitation — which is in line with past expenditures.

17. It is generally agreed that the refugee problem is one of the potentially explosive factors in an already delicate Middle Eastern situation. The possible results of further curtailment of services to the refugees, which are only at the subsistence level (the per capita expenditure is approximately \$30 per year), and particularly the repercussions which might follow the reduction of educational services, cannot be predicted but would certainly be serious. Since it is not considered to be in the interests of Canada to invite a situation which might increase the burden already carried by the United Nations Truce Supervision Organization and the United Nations Emergency Force, it would appear appropriate for Canada to continue to support measures which have already proved their usefulness in helping to maintain a degree of security in a troubled and strategically important area.

18. If the major contributing governments should put forward to solve the refugee problem a scheme involving special expenditures there would no doubt be pressure on Canada to increase its contribution. No definite plan of this kind has yet materialized. It would seem appropriate therefore for Canada's contribution to continue at the existing level of \$500,000.

United Nations Children's Fund (UNICEF)

19. UNICEF was created in 1947, and by a decision of the United Nations in 1953 it will continue its work for an indefinite period. It provides assistance to recipient countries for the building up of child health and welfare services, for child feeding and other related undertakings. Three hundred and nineteen (319) UNICEF-aided programmes are currently in operation in one hundred and two (102) countries and territories mainly in Asia, Africa, the Middle East and Latin America. Countries and territories receiving aid must equal or better the contributions allocated to them.

20. UNICEF's budget is made up of governmental as well as non-governmental contributions. Income from all sources in 1957 is estimated at \$20.5 million. From 1952 to 1955 allocations made by UNICEF to its various programmes averaged approximately \$16 million yearly. In 1956, they rose to just over \$22 million. For 1957, total allocations are expected to amount to \$24 million, and for 1958 to \$25 million. In the last two years UNICEF was able to make allocations considerably higher than its revenues permitted by using unallocated resources which had been previously accumulated.

21. While the budget for 1958 has not yet definitely been set, the Executive Director is aiming at a target figure of close to \$21 million in governmental contributions. The United States Congress has recently approved an appropriation of \$11 million to UNICEF for 1958, or \$1 million more than in 1957. At the same time, however, the United States has included the proviso that the United States contribution could not exceed 52.5% of the total 1958 contributions, whereas it was 55% of the 1957 contributions and 57.5% of the 1956 contributions. In order that UNICEF may avail itself of the increased U.S. participation, it will be necessary for the contributors to raise their pledges for 1958 from an estimated \$8 million in 1957 to close to \$10 million. Present indications are that it may be difficult to attain this goal. It is understood, however, that the U.S. is prepared to continue pledging to UNICEF sums of at least the same magnitude as those being given at the present time, even if the matching requirements are not met.

22. The Canadian Government has contributed just over \$10.5 million to UNICEF since it began in 1947; in addition voluntary contributions to UNICEF from private Canadian sources exceed \$1.5 million. Canada's pledged contribution to UNICEF for 1957 was \$650,000. Contributions from some other countries in 1957 are as follows: France \$785,000, U.K. \$616,000, U.S.S.R. \$500,000.

23. It is suggested that Canada's contribution to UNICEF for 1958 be maintained at the same figure as for 1957, i.e. \$650,000, which is less than 1/15 of the U.S. pledge of \$11 million.

*It is therefore recommended:*¹⁰⁷

ETAP

(1) that authorization be given to announce the Government's intention to seek parliamentary approval for a contribution of \$2 million (U.S.) to the United Nations Expanded Programme of Technical Assistance for 1958.

UNREF

(2) that authorization be given to announce the Government's intention to seek parliamentary approval for a contribution of \$200,000 to the United Nations Refugee Fund for 1958.

UNRWA

(3) that authorization be given to announce the Government's intention to seek parliamentary approval for a contribution of \$500,000 to the United Nations Relief and Work Agency for Palestine Refugees for 1958.

UNICEF

(4) that authorization be given to announce the Government's intention to seek parliamentary approval for a contribution of \$650,000 to the United Nations Children's Fund for 1958.

SIDNEY E. SMITH

145.

PCO

*Note du secrétaire d'État aux Affaires extérieures
pour le Cabinet*

*Memorandum from Secretary of State for External Affairs
to Cabinet*

CABINET DOCUMENT NO. 223-58

[Ottawa], July 21, 1958

CONFIDENTIAL

CONTRIBUTION TO UNITED NATIONS EXTRA-BUDGETARY PROGRAMME:
PROGRAMME OF THE HIGH COMMISSIONER FOR REFUGEES

This submission seeks authorization to announce a contribution to be made in 1959 to the United Nations High Commissioner for Refugees for the purpose of closing the refugee camps in Europe under his mandate.

2. At the end of the Second World War, the number of refugees in Europe was close to 2.2 million people. This number has now been reduced, either by emigration, re-establishment in the country of present asylum, or voluntary return to original homes, to less than 200,000 refugees who are not now settled. The 30,000 of this number who are still living in refugee camps after ten or more years, now include many aged, sick or physically handicapped persons who are known as "hard core" refugees. (Recent refugees from Hungary and Yugoslavia, who are helped under another programme of the High Commissioner, are not included in these figures or in the UNREF programme.) In 1954 the High Commissioner was authorized by the United Nations General Assembly to undertake

¹⁰⁷ Approuvé par le Cabinet le 7 novembre 1957./Approved by Cabinet on November 7, 1957.

for a four-year period the programme of the United Nations Refugee Fund (UNREF) to be devoted principally to the promotion of permanent solutions for certain refugees under his mandate. It is estimated that, on December 31, 1958, when this programme is due to close, there will still be some 17,600 refugees in camps who will not have yet been settled.

3. Canada has contributed \$18.8 million to the International Refugee Organization (IRO), which was disbanded in 1952, and \$610,000 to its successor, the UNREF programme, from 1954 to 1958. (Contributions of Canada and other countries to this programme are listed in Annex I†). On November 7, 1957, Cabinet approved a further contribution of \$200,000 to the UNREF programme in 1958, and this sum is included in the Main Estimates.

4. The Canadian contribution of \$200,000 for 1958 was announced during the last session of the United Nations General Assembly. At this time contributions totalling approximately \$3.3 million were pledged for 1958 by twelve governments. In view of the impending close of the UNREF programme, the General Assembly then adopted a resolution (co-sponsored by Canada) which requested the High Commissioner for Refugees to intensify the UNREF Programme with a view to its termination, and to appeal to governments for the purpose of raising additional funds needed for closing the refugee camps. The High Commissioner hopes that, if governments meet his request for increased contributions in the near future, these camps can be closed by the end of 1960, thus terminating one of the most urgent and costly aspects of his mandate.

5. The High Commissioner has estimated that the funds still required to carry out the approved UNREF programme — including the intensification of the programme — would be \$7.5 million. The High Commissioner considered that the entire sum of \$7.5 million should be pledged in 1958 in order to negotiate with governments and to draw up plans for the systematic closure of all camps, even though payments in fulfilment of the pledges might continue through 1959 and 1960. Among the thirteen other co-sponsors of this resolution were the United Kingdom and the United States, who have since indicated their intention of supporting this programme.

6. The High Commissioner for Refugees has now requested from Canada \$369,060 as a contribution to the programme which he aims to complete in 1960. This figure is based on Canada's percentage assessment to the United Nations, adjusted so as to take into account the refusal of communist countries (with the exception of Yugoslavia) to assist the work of the High Commissioner for Refugees.

7. The programme to close the camps aims at disposing of an international problem which has continued since the end of the Second World War, and which if it continues may result in further annual appeals for funds from governments. By sharing proportionately in the support of the UNREF intensification programme, Canada will contribute to the permanent resettlement of refugees who have been living as public charges for a period of over ten years.

8. The High Commissioner has asked for a total of \$369,060 from Canada, to be paid between now and 1960. Having regard to competing demands upon available Canadian resources for international aid, and to the present stage of the High Commissioner's camp closing programme, a suitable response might be a contribution in 1959 which is substantial but not in the full amount requested.

*It is therefore recommended*¹⁰⁸

that authorization be given to announce in the near future the Government's intention to seek parliamentary approval for a contribution in 1959 of \$290,000 to the fund for the camp closing programme of the United Nations High Commissioner for Refugees.

SIDNEY SMITH

146.

PCO

*Note du secrétaire d'État aux Affaires extérieures
pour le Cabinet*

*Memorandum from Secretary of State for External Affairs
to Cabinet*

CABINET DOCUMENT NO. 278-58

Ottawa, October 3, 1958

CONFIDENTIAL

CONTRIBUTIONS TO 1959 UNITED NATIONS EXTRA-BUDGETARY PROGRAMMES

This submission is concerned with Canadian contributions to the following programmes, in which Canada has participated in the past and which are of a continuing nature: United Nations Expanded Programme of Technical Assistance to Under-Developed Countries (ETAP)

United Nations Relief and Works Agency for Palestine Refugees (UNRWA)

United Nations Children's Fund (UNICEF)

United Nations Expanded Technical Assistance Programme for Under-Developed Countries (ETAP)

2. The Expanded Technical Assistance Programme supplements the regular technical assistance programme of the United Nations and its specialized knowledge through the provision of the services of experts and through technical training arrangements. It provides tangible evidence to the under-developed countries that the developed countries have a genuine interest in their development. The ETAP is conducted efficiently and it receives broad international support; during the eight ETAP financial periods (1958) eighty-three countries pledged approximately \$32.6 million (U.S.).

3. The programme's popularity among the recipient countries is confirmed by the way in which, at their request, it has broadened in scope during recent years. The number of requests made on the ETAP exceeds by far the resources available, as might be expected of an effective and useful programme.

4. Since 1950 the major contributors to ETAP, and their approximate total contributions, have been the United States, \$98.2 million; the United Kingdom, \$13.4 million; Canada, \$10.3 million; France, \$9.3 million; USSR (since 1953), \$6 million; the Netherlands, \$4.9 million; Denmark, \$3.2 million; and Australia, \$3.1 million.

5. In the first years of the programme the United States contributed over 50% of the total, under a "matching" arrangement. Their annual pledges have risen from \$11.4 million in 1952 to \$15.2 million in 1957, as total contributions rose. In 1958 they pledged a maximum of \$15.5 million, with a 45% matching provision; other governments had to

¹⁰⁸ Approuvé par le Cabinet le 27 août 1958./Approved by Cabinet on August 27, 1958.

contribute more during 1958 in order to maintain the programme. The matching provision in 1959 is down to 40%; the total contributions of other governments must, therefore, increase if the ETAP budget is to be maintained.

6. It is recommended that for 1959 Canada maintain its contribution to the ETAP at the same level as this year, that is \$2 million (U.S.).

United Nations Relief and Works Agency for Palestine Refugees (UNRWA)

7. The United Nations Relief and Works Agency for Palestine Refugees in the Near East (UNRWA), established by the United Nations in December 1949, was intended to provide relief and temporary employment for some 950,000 Arab refugees, who had lost their homes and means of livelihood in Palestine during the hostilities following the establishment of Israel, until such time as they might be able to exercise the choice between repatriation or resettlement with compensation. The discouraging fact that refugees on the rolls still number upwards of 900,000, of which about half are children under 15, is mainly due to three causes: (1) Israel has refused to consider admitting to its territory any substantial number of refugees; (2) the refugees have refused any form of rehabilitation which might prejudice their "right" to repatriation; (3) the governments of Arab states have supported the position taken by the refugees.

8. Canadian contributions to the UNRWA budget have been particularly appreciated by the United Kingdom, other Commonwealth members and the United States, who have welcomed the stabilizing role of UNRWA in the area and have themselves been regular contributors. Since 1948 the Canadian Government has contributed to the Palestine Refugee programmes of UNRWA and its predecessor (the United Nations Relief for Palestine Refugees) a total of \$7,320,929 (Canadian) in cash or kind. This total includes \$1,500,000 worth of wheat flour provided this year as a special additional contribution. Since 1951 the annual rate of contributions has been between \$500,000 and \$600,000. That rate has been considered adequate relative to the contributions of other states although the level of Canadian contributions has not been commensurate with the rate of the Canadian assessment for the administrative budget of the United Nations (3.15%). The other major contributors and their approximate total contributions since 1948 are: The United States, \$182.7 million; the United Kingdom, \$49.9 million; France, \$12.1 million; Australia, \$1.8 million; New Zealand, \$1.2 million.

9. Only a rough outline of tentative estimates for UNRWA's 1959 budget has as yet been received, in which the Acting Director estimates that the Agency will need financial resources totalling \$37.6 million. Although this is approximately \$3 million less than the budget approved for 1958 (\$40.6 million), it cannot be excluded that the serious financial difficulties which overtook the Agency early this year, and which the Special Canadian contribution of \$1.5 million worth of wheat flour did much to allay, may not occur again in 1959.

10. In the circumstances, it would appear appropriate for Canada to maintain its support for measures which have already proved their usefulness in helping to preserve a degree of security in a troubled area. It is therefore recommended that Canada's contribution continue at the existing level of \$500,000, bearing in mind that if the Agency encounters a serious financial crisis or if the major contributing governments, i.e. United States and United Kingdom, should propose a scheme to solve the refugee problem, there would no doubt be pressure on Canada to make an increased contribution.

The United Nations Children's Fund (UNICEF)

11. The United Nations Children's Fund (UNICEF) was established by the General Assembly in December, 1946 to provide emergency aid for children in war-devastated countries following the termination of the activities of the United Nations Refugee and Relief Agency (UNRRA). In the early years its activities were confined to Europe and China. Its emphasis is now towards assisting governments to develop permanent or long-range health and welfare services for children, and assisting in mass campaigns to control or eradicate tuberculosis, yaws, malaria, trachoma and other diseases to which children are particularly susceptible. The under-developed countries are the main recipients of this aid. It is universally acknowledged that the United Nations Children's Fund has been one of the most useful and least controversial activities of the United Nations, and there is no doubt that it has made a substantial contribution towards enhancing the prestige of the United Nations.

12. The United Nations Children's Fund is entirely dependent upon voluntary contributions from governments and private associations. Income from all sources in 1959 is estimated at \$26,000,000. Governments requesting assistance from the Fund must be prepared to put into the programme from their own resources amounts at least equal to those received from UNICEF. This encourages serious consideration before requests are made and also means that double the amount of money contributed to UNICEF is utilized in the programme. In many cases the local contributions far exceed that of the Fund. The UNICEF effort is sustained on a broad front: aid is now being given under 322 programmes in 100 countries and territories, and there are three inter-regional programmes.

13. The United States has always contributed more than half the funds made available to UNICEF by governments. In 1959 it will offer \$11 million on a matching basis of 50%. Other major contributors in 1958 were France (\$786,000), the United Kingdom (\$658,000), the U.S.S.R. (\$612,500) and the Federal Republic of Germany (\$476,000).

14. The Canadian contribution to UNICEF in 1958 was \$650,000. It is recommended that a contribution of the same amount be made in 1959.

*It is therefore recommended:*¹⁰⁹

ETAP

(1) that authorization be given to announce the Government's intention to seek parliamentary approval for a contribution of \$2 million (U.S.) to the United Nations Expanded Programme of Technical Assistance for 1959;

UNRWA

(2) that authorization be given to announce the Government's intention to seek parliamentary approval for a contribution of \$500,000 to the United Nations Relief and Work Agency for Palestine Refugees for 1959;

UNICEF

(3) that authorization be given to announce the Government's intention to seek parliamentary approval for a contribution of \$650,000 to the United Nations Children's Fund for 1959.

SIDNEY SMITH

¹⁰⁹ Approuvé par le Cabinet le 15 octobre 1958./Approved by Cabinet on October 15, 1958.

SECTION H

ORGANISATION INTERNATIONALE DU TRAVAIL
 CONVENTION DE L'ABOLITION DU TRAVAIL FORCÉ
 INTERNATIONAL LABOUR ORGANIZATION
 CONVENTION ON ABOLITION OF FORCED LABOUR

147.

DEA/5475-DX-40

*Note du sous-secrétaire d'État aux Affaires extérieures
 pour le secrétaire d'État aux Affaires extérieures*

*Memorandum from Under-Secretary of State for External Affairs
 to Secretary of State for External Affairs*

CONFIDENTIAL

[Ottawa], November 26, 1958

RATIFICATION BY CANADA OF ILO CONVENTION NO. 105
 CONCERNING THE ABOLITION OF FORCED LABOUR

I am attaching for your signature, if you approve, a memorandum to Cabinet which has been prepared in the Department of Labour. It recommends the introduction of a resolution in the House of Commons at the next session of Parliament to obtain the approval by Parliament of the above Convention, with a view to its ratification by Canada.

ILO Convention No. 105 was adopted by the International Labour Conference at its 40th Session in Geneva on June 25, 1957, with no dissenting votes and only one abstention. The four Canadian delegates, representing the Government, workers and employers, all voted for the Convention. Since that time, we have been advised that the Minister of Justice considers, for reasons set out on page 2 of the memorandum, "that it would be appropriate for Canada to ratify this Convention."

As you will recall, a memorandum† was previously submitted to Cabinet by the Minister of Labour and yourself on April 30 last, recommending the introduction of a resolution in Parliament to this effect. However, although the recommendation received the approval of the Cabinet Committee on Legislation, no final decision was taken on it by Cabinet at that time in view of the heavy legislative programme which had already been approved for the parliamentary session.

The attached memorandum makes the same recommendation as that previously submitted, but it has been drafted in more concise language. Mr. Starr proposes that it be put forward to Cabinet as a joint memorandum from the Minister of Labour and yourself.

In August of 1957, Mr. Jodoin, of the Canadian Labour Congress, wrote to the Prime Minister to urge that Canada ratify this Convention¹¹⁰ as soon as possible.

N.A. R[OBERTSON]

¹¹⁰ Voir Canada, *Recueil des traités*, 1960, N° 21.
 See Canada *Treaty Series*, 1960, No. 21.

[PIÈCE JOINTE/ENCLOSURE]

*Note du ministre du Travail
et du secrétaire d'État aux Affaires extérieures
pour le Cabinet*

*Memorandum from Minister of Labour
and Secretary of State for External Affairs
to Cabinet*

CABINET DOCUMENT NO. 364-58

[Ottawa], December 5, 1958

CONFIDENTIAL

RATIFICATION OF I.L.O. CONVENTION 105
CONVENTION CONCERNING THE ABOLITION OF FORCED LABOUR

1. Under date of April 30, 1958, a Memorandum was submitted to Cabinet by the Minister of Labour and the Secretary of State for External Affairs recommending the introduction of a resolution in Parliament to approve Convention No. 105 Concerning the Abolition of Forced Labour, which was adopted by the International Labour Conference at its 40th Session on June 25, 1957.

2. Although this recommendation received the approval of the Cabinet Committee on Legislation, no final decision was taken on it by the Cabinet at that time in view of the heavy legislative program which had already been approved for the parliamentary session.

3. It is considered that action should be taken at the coming session of Parliament to obtain the approval of Parliament to the ratification of this Convention.

4. The Convention obligates the member states of the International Labour Organization which ratify the Convention to suppress and not to make use of any form of forced or compulsory labour:

(a) as a means of political coercion or education or as a punishment for holding or expressing political views or views ideologically opposed to the established political, social or economic system;

(b) as a method of mobilizing and using labour for purposes of economic development;

(c) as a means of labour discipline;

(d) as a punishment for having participated in strikes;

(e) as a means of racial, social, national or religious discrimination.

5. Each member who ratifies the Convention undertakes to suppress and not to make use of any form of forced or compulsory labour, and to take effective measures to secure the abolition of forced or compulsory labour, as specified above.

6. The opinion of the Minister of Justice is that it would be appropriate for Canada to ratify this Convention, as indicated in a letter of January 28, 1958 from the Deputy Attorney-General of Canada to the Deputy Minister of Labour as follows:

"I have to refer to your letter of September 3rd last† enclosing a copy of the authentic text of Convention No. 105 concerning the abolition of forced labour, which was adopted by the Fortieth Session of the International Labour Conference in June, 1957, and to our subsequent conversations with regard thereto.

In answer to your inquiry as to whether the subject matter of this Convention is wholly or only partially within federal legislative jurisdiction, I have to advise that the Minister of

Justice is of opinion that the subject matter of the Convention is only partially within federal legislative jurisdiction.

I have also to advise that the Minister of Justice is of opinion that it would be appropriate for Canada to ratify this Convention on the assumption that there is presently no provincial legislation which would be a breach of the Convention, which would appear to be a safe assumption, and on the assumption that, if any legislation that would be a breach of the Convention were ever enacted by a provincial legislature, it would be so contrary to the general views of the Canadian people that the Government of the day would feel entirely justified in exercising the power of disallowance."

It would appear from the opinion of the Minister of Justice that no legislation is required to implement the provisions of the Convention.

7. The following member states of the International Labour Organization have already ratified this Convention, namely:

| | |
|--------------------|----------------|
| Austria | Israel |
| Cuba | Jordan |
| Denmark | Norway |
| Dominican Republic | Poland |
| Haiti | Sweden |
| Honduras | Switzerland |
| Ireland | United Kingdom |

8. There are strong reasons why Canada should ratify this Convention without further delay:

(a) The Convention is an effort by the International Labour Organization to carry out its essential aim of abolishing conditions of labour which involve injustice, hardship and privation to large numbers of people by the commitment of its member states to the elimination of such conditions. It is analogous to the international movement to abolish slavery. A convention which receives a large number of ratifications becomes a powerful force. Where ratification is secured, the procedure authorized by the I.L.O. Constitution makes it possible to maintain a constant moral pressure towards securing satisfactory compliance. However, the convention will not carry much force unless a substantial number of ratifications show general acceptance of its principles. The failure of Canada to ratify may be interpreted as a lack of serious interest in the universal abolition of forced labour which is the objective of this Convention.

(b) Another important reason for ratification is the importance the Convention has assumed in the struggle between ideologies. The U.S.S.R., since joining the I.L.O. in 1954, has attempted to set itself up at all times and in all respects as the champion of the worker. The question of forced labour brings up the fundamental relationship of the individual and the state as it impinges on the right of the individual in his working relationship. This is a point upon which the Western democracies have definite convictions which have great significance to the worker and which they should take every opportunity to assert.

The U.S.S.R. Government representatives in Conference discussions of the subject matter of the Convention, with the knowledge that the proposed instruments were primarily directed against forced labour policies and practices which had been found to exist in the U.S.S.R. and its satellite countries by the Ad Hoc Committee on Forced Labour appointed jointly by the United Nations and the International Labour Organization, stated that the U.S.S.R. had abolished forced labour within its territories and given full support to

the proposed instrument. A widespread ratification of the Convention will provide pressure on the U.S.S.R. and its satellite countries to ratify.

(c) The Canadian trade union movement, as well as the international free trade movement as a whole, has placed a great deal of emphasis upon this Convention. They regard its principles as fundamental and a necessary antecedent to freedom of association.

(d) This Convention was adopted by the 1957 I.L.O. Conference with no dissenting votes and only one abstention. The four Canadian delegates representing the Government, workers and employers voted for the Convention.

Recommendation

Having regard to the foregoing considerations, we recommend¹¹¹ that a resolution be introduced in the House of Commons at the coming session of Parliament as follows:

“That it is expedient that the Houses of Parliament do approve of Convention No. 105, concerning the Abolition of Forced Labour which was adopted by the International Labour Conference at its 40th Session at Geneva on the 25th day of June, 1957, and that this House do approve the same.”

MICHAEL STARR
Minister of Labour

SIDNEY E. SMITH
Secretary of State for External Affairs

¹¹¹ Approuvé par le Cabinet le 9 avril 1959. La Chambre des communes a approuvé cette résolution le 19 mai 1959 et la convention a été ratifiée le 14 juillet 1959.

Approved by Cabinet on April 9, 1959. The House of Commons approved this resolution on May 19, 1959 and the Convention was ratified on July 14, 1959.

2^e PARTIE/PART 2ACCORD GÉNÉRAL SUR LES TARIFS DOUANIERS ET LE COMMERCE
GENERAL AGREEMENT ON TARIFFS AND TRADE

SECTION A

DOUZIÈME SESSION DES PARTIES CONTRACTANTES
TWELFTH SESSION OF THE CONTRACTING PARTIES

148.

PCO

*Note du ministre des Finances
et du ministre du Commerce
pour le Cabinet**Memorandum from Minister of Finance
and Minister of Trade and Commerce
to Cabinet*

CABINET DOCUMENT NO. 254-57

[Ottawa], October 9, 1957

SECRET

TWELFTH SESSION OF GATT AND RENEGOTIATIONS OF GATT TARIFF SCHEDULES

The Twelfth Session of the Contracting Parties to the General Agreement on Tariffs and Trade begins in Geneva, Switzerland, on October 17th. This will be one of the regular sessions which take place annually to administer the Agreement, to consider complaints and to seek solutions to particular points of difficulty.

In conjunction with the Session there will be a meeting of trade ministers in Geneva during the week commencing October 29. This meeting should serve to strengthen adherence to the multilateral GATT arrangements at a time when a number of important initiatives are being taken in the international economic field, and would also emphasize the importance attached to the work of this session. In addition it would enable the member countries to deal more effectively with some of the major issues and to provide an opportunity for a general exchange of views among the Ministers responsible for foreign trade. A number of countries, including the United States and the United Kingdom, have already indicated the intention of their Governments to send a Ministerial representative to such a meeting.

It is recommended that a Canadian delegation should attend this Session to participate in the discussion of agenda items and to represent Canadian interests. It is further recommended that a Canadian Minister should attend the meeting of Trade Ministers. In view of the fact that Canada will be initiating new measures of agricultural protection which may not be fully compatible with the GATT arrangements, it will be necessary for the Canadian delegation to ensure that in its participation the way is left open for whatever action it may be considered necessary for Canada to take.

The following paragraphs deal with the more important items on the agenda of particular interest to Canada, and matters which may come up for discussion during the Session. In such discussions it should be kept in mind that Canada may wish, in the future, to obtain broad waivers from its GATT obligations, and, accordingly, it would be inappropriate for

the Canadian delegation to press for commitments and assurances from other countries which could be embarrassing for Canada in the light of these circumstances.

(a) *Article XXVIII Negotiations and Rebinding of Schedules*

The tariff schedules appended to the General Agreement on Tariffs and Trade — one for each Contracting Party — consist of a list of all the tariff concessions made in the course of GATT tariff negotiations. It has been the practice to bind these tariff concessions against increase for firm periods, generally three years. The present "bound period" expires at the end of this calendar year. In the course of meetings commencing October 1st in Geneva, Contracting Parties will have an opportunity to renegotiate particular items. On completion of these renegotiations, it is expected that Contracting Parties will wish to rebind their tariff schedules for a further three year period.

A number of Contracting Parties, including Canada, have indicated their intention to renegotiate certain items in their respective tariff schedules. A few of the new renegotiations notified by other countries affect Canadian exports and are of interest. In addition, to the extent that other countries might withdraw concessions as a consequence of Canada's renegotiations, Canadian export interests are involved. Under the renegotiation procedures a country wishing to increase bound rates of duty may do so, but is expected to offer compensation in the form of tariff concessions on other tariff items. If appropriate "compensation" is not made, other countries are free to withdraw from that country "equivalent" tariff concessions. The question of what constitutes adequate compensation is a matter for negotiation with the countries affected. To avoid the possibility of these negotiations leading to an unravelling of the many interrelated tariff agreements it is important for countries to maintain in these negotiations the balance of concessions already achieved.

In order to obtain the freedom to implement Tariff Board recommendations contained in recent Tariff Board reports Canada will be required to engage in extensive renegotiations. There are also two particular tariff items which have not been referred to the Tariff Board, but which it appears advisable to modify at this time.

The Canadian items to be renegotiated this fall consist of the following groups:

- (1) Basic Iron and Steel products — See Annex "A"†
- (2) Pipes and Tubes of Iron or Steel — See Annex "B"†
- (3) Zinc and Manufactures of Zinc
- (4) Fresh Fruits and Vegetables
- (5) Two items which do not arise from references to the Tariff Board.

In the Tariff Board reports on iron and steel and pipes and tubes, there are both tariff decreases and tariff increases recommended — it is anticipated that this will also be the case in respect to zinc and manufactures of zinc. The Tariff Board report on this enquiry should be available shortly.

It is hoped that in these three groups tariff increases will be offset by tariff decreases and that no substantial "condensation" in the form of other tariff reductions will be required to secure acceptance of the proposed tariff changes. However, there are a few countries who are suppliers of particular items on which tariff increases are proposed and since it may not be possible to find adequate compensation in these cases, the possibility of withdrawals of concessions to Canada by such countries cannot be dismissed.

In respect to group (4), fresh fruits and vegetables, there is little prospect that the Tariff Board recommendations will make up a balanced package in terms of tariff reductions to offset tariff increases. It is to be anticipated, therefore, that unless "compensation" can be found — which appears unlikely — that "equivalent" tariff concessions would be with-

drawn from Canada by the United States. The only country affected by prospective changes in the tariff on fresh fruits and vegetables is the United States.

With respect to the fifth category, these two items are electrical instruments and prune nectar. These items were negotiated only last year and have given rise to unexpected objections. They are of relatively minor importance. Consequently, it is not expected that it will prove difficult to find adequate "compensation" in other Canadian tariff items without raising difficulties for Canadian producers.

Two other groups of possible tariff changes, rubber footwear and textiles, should also be noted.

The recent report of the Tariff Board on rubber footwear did not make any recommendations. A subsequent reference to Tariff Board has requested recommendations and it is expected that these will be forthcoming from the Board before the end of this year. The tariff items concerned are bound in Canada's GATT schedule and it may be necessary to include these in the forthcoming renegotiations. Should this be the case, a subsequent recommendation will be made to Cabinet after the Board submits its report.

A more complex set of problems is raised by textiles. The textile tariff items were referred to the Tariff Board on September 24. It is most unlikely that a report will be received in time for the renegotiations which are taking place this fall. Accordingly, consideration will have to be given to the questions of how and when to deal with renegotiations of "bound textile items" which may result from the Tariff Board's recommendations. This will be the subject of a separate memorandum to Cabinet at a later date.

Rebinding of Tariff Schedules

One of the major benefits which Contracting Parties derive from the GATT is the considerable measure of tariff stability due to the fact that tariff schedules are bound against increase for firm periods of time. There are advance indications that Canada's major trading partners will be prepared to rebind their tariff concessions to Canada. In order to preserve these benefits, it will be necessary for Canada also to rebind its tariff schedules. The schedules to be rebound will, of course, include the results of the renegotiations. It should be emphasized that the rebinding of schedules for a firm period does not preclude renegotiation of particular items within the period. There are established procedures whereby, in special circumstances, this may be done.

It is recommended that Canada agree to the rebinding of the Canadian tariff schedules to GATT for a period of three years from January 1st, 1958, subject to the satisfactory completion of these renegotiations and subject to any subsequent Cabinet decisions relating to rubber footwear and textiles. Depending on how the Government should decide to deal with the rubber footwear and textile items, it may become necessary to seek some modification in the terms and procedures for rebinding the schedules.

(b) Canadian Agricultural Restrictions

Import controls are now being applied by Canada on butter, cheddar cheese, turkeys and fowl and skim milk. In addition, further measures of agricultural protection are being considered by Canada, which may entail additional Canadian restrictions. The present restrictions are inconsistent with some of Canada's obligations under GATT and it may become necessary, in due course, for Canada to seek a waiver from these obligations, both with respect to these restrictions and with respect to whatever additional restrictive measures may be taken in the future.

The GATT makes provision for a country to be granted a waiver in exceptional circumstances from an obligation it has entered into under the Agreement. The granting of such a

waiver requires the approval of a two-thirds majority. A number of waivers have been granted, subject to terms and conditions, to meet particular difficulties of certain member countries. The obtaining of a waiver upsets the balance of rights and obligations under the GATT, and exposes the country concerned to retaliatory action by other countries whose interests may be adversely affected.

While Canada's restrictions have not yet been formally questioned in GATT, they are a matter of concern to some other countries and it may well be that the compatibility of these restrictions with GATT will be questioned during the Session. It is proposed that the Canadian delegation in conversations with other delegations, or, if necessary, in a formal statement outline Canada's position along the following lines:

- (i) An explanation of the special nature of the difficulties which have arisen with respect to the products now under import control.
- (ii) An indication that the Canadian Government recognizes that some of these restrictions raise problems in relation to the GATT.
- (iii) An assurance that the matter is being given careful attention by the Government with a view to determining what appropriate steps should be taken, having in mind the interests of other Contracting Parties and Canada's obligations and responsibilities in the GATT.

A short note on the United States Agricultural Waiver is attached. (Appendix C)†

(c) *European Common Market Treaty*

The Contracting Parties will be examining the Common Market Treaty in order to determine whether this Treaty is consistent with the policies and principles envisaged under GATT. Ratification of this Treaty by the six European countries concerned has almost been completed and the Treaty is expected to go into effect next year.

The aim of the Treaty is the economic integration of its signatories. Canada has already indicated its sympathetic attitude to these objectives. However, a number of important features of the Common Market Treaty would appear to raise serious problems from the point of view of Canadian trade interests and from the point of view of multilateral trade generally. These relate to the following points, which have already been the subject of formal representations to the Six:

(i) With respect to the common tariff to be developed around the Customs Union, the Treaty lays down a framework which will facilitate unjustifiably high levels of protection on a wide range of products of interest to Canada such as base metals, aluminum, chemicals, synthetic rubber, pulp and paper and fish.

(ii) With respect to *import restrictions*, the Treaty establishes a basis for policies which could well reinforce existing discriminatory restrictions for an indefinite time and lead to the development of common measures of restrictions against outside countries contrary to Canadian interests.

(iii) The agricultural provisions of the Treaty (which cover both agriculture and fisheries products), envisage a protected and regulated system for agriculture involving high tariffs, guaranteed prices, preferential long-term marketing agreements and the use of quantitative restrictions against outside countries. These agricultural provisions are likely to lead to the stimulation of high-cost production in Europe and could affect Canadian exports of wheat and barley and other agricultural products which make up about 50 per cent of our present trade with these countries.

(iv) The Treaty provides for the association of the *dependent overseas territories* of the European countries, as well as of such countries as Morocco and Tunisia which have lately achieved independent status. Exports from these areas to the Common Market will receive

preferential tariff treatment and will benefit from the protection of the agricultural arrangements. Some of these areas are, or might become, important producers of commodities which compete directly with Canadian exports such as wheat, iron ore and aluminum. The overseas territories features of the Common Market Treaty are of particular concern to underdeveloped countries.

The GATT examination of the Common Market Treaty which is to be initiated at this Session will provide an opportunity for outside countries, such as Canada, to influence the nature and direction of Common Market arrangements. Since Canada herself may be in the position of seeking broad waivers for measures envisaged in the field of agriculture and may also be looking for increased flexibility in the field of tariff action, the Canadian delegation should, in the review of the Treaty, avoid prejudicing Canada's future position. It is recognized that this may mean that Canada will not be in a position to press for strict safeguards within the GATT framework, particularly with respect to the agricultural provisions of the Treaty. It should be left open to the delegation to develop whatever safeguards may be possible on agriculture, tariffs and quantitative restrictions, in the light of these circumstances.

It is recommended that the Canadian delegation should be authorized at the GATT Session to make clear that, despite Canada's sympathetic attitude to the objectives of the Treaty (i) it is not authorized to acquiesce in those provisions of the Treaty which go beyond the essential principles of a customs union and unjustifiably impair Canadian trade interests, and (ii) Canada reserves its rights to take appropriate measures, if necessary, with a view to restoring the balance of advantage in the Trade Agreements between Canada and these countries.

(d) *Free Trade Area*

The Free Trade Area negotiations are still in a preliminary stage and the proposed Free Trade Area arrangements are therefore not yet being considered formally by the Contracting Parties to the GATT. However, it is expected that a progress report on these Free Trade Area negotiations will be given to the Contracting Parties at this Session. It is likely, therefore, that delegations will take this opportunity to make general statements about their governments' attitudes towards the Free Trade Area plans. The Canadian delegation should be authorized, if the occasion arises, to make such a statement. It is suggested that the Canadian statement should indicate a constructive and helpful attitude of acquiescence in the principle of the Free Trade Area proposals, and, at the same time, point out the vital importance of an outward-looking policy being followed by the European countries in the working out of arrangements which do not adversely affect the trading interests of third countries. It should be added, that Canadian approval of any Free Trade arrangement will be subject to careful examination of its terms and provisions.

(e) *Surplus Disposals*

The GATT Contracting Parties in a resolution dated March, 1955, urged that when arranging the disposal of surplus agricultural products in world trade countries should consult the principal suppliers of those products with a view to avoiding prejudice to the interests of other countries. At this Session there will be an opportunity to discuss the way in which this resolution is, in practice, being implemented. The Canadian delegation should take this opportunity to express Canada's serious concern about the effects of U.S. surplus disposal operations on Canadian interests and on world trade. The Canadian delegation should urge that the United States take more fully into account the interests of other countries in accordance with the terms of this resolution. In making any such statement the Canadian delegation should, of course, bear in mind the nature of the discussions that will

have taken place on this subject at the meeting in Washington on October 7-8 of the United States-Canada Joint Committee on Trade and Economic Affairs.

It is recommended that the Hon. Gordon M. Churchill, Minister of Trade and Commerce, should represent Canada at the meeting of Trade Ministers; that Mr. L.D. Wilgress should be Chairman of the Canadian Delegation to this Session of the Contracting Parties to GATT; that the following officials should be included in the delegation, as required:

Mr. M.W. Sharp—Department of Trade and Commerce
 Mr. C.M. Isbister—Department of Trade and Commerce
 Mr. S.S. Reisman—Department of Finance
 Dr. C.F. Wilson—Department of Trade and Commerce
 Mr. L.R. Younger—Department of National Revenue
 Mr. M. Schwarzmann—Department of Trade and Commerce
 Mr. R.E. Latimer—Department of Trade and Commerce
 Mr. W. Lavoie—Department of Trade and Commerce
 Mr. J. Warren—Department of External Affairs
 Mr. W.F. Stone—Department of External Affairs
 Mr. L.C. Howey—Department of National Revenue
 Mr. G.J. Dobson—Department of Agriculture
 Mr. M.G. Clark—Department of Finance;

and that an officer from the Department of External Affairs from one of the Canadian Missions in Europe should be included in the delegation, if required. It is recommended that Mr. G.H. Glass, Director, Tariffs Section, Department of Finance, should lead the negotiating team, insofar as the negotiation of the Canadian tariff items under Article XXVIII is concerned.¹¹²

DONALD FLEMING
 Minister of Finance
 GORDON CHURCHILL
 Minister of Trade
 and Commerce

Concurred in:

SIDNEY SMITH
 Secretary of State
 for External Affairs

149.

DEA/9100-AT-40

*La délégation à la Conférence sur le GATT
 au secrétaire d'État aux Affaires extérieures*

*Delegation to GATT Conference
 to Secretary of State for External Affairs*

TELEGRAM 633

Geneva, November 2, 1957

CONFIDENTIAL. PRIORITY.

Repeat Dept Trade and Commerce, Bank of Canada, Dept of Finance, Washington, Paris, Bonn, London, Brussels, Hague, Rome, NATO Paris (Information).

¹¹² Approuvé par le Cabinet le 11 octobre 1957./Approved by Cabinet on October 11, 1957.

By Bag Oslo, Copenhagen, Stockholm, Berlin, Vienna, Delhi, Karachi, Djakarta, Pretoria, Wellington, Colombo, Rio from London.

TWELFTH SESSION OF GATT — MINISTERIAL MEETING

The ministerial meeting of GATT which took place October 28-30 provided a useful opportunity for the expression of governments' views about the Rome Treaty and other matters of international concern in the trade field and should be a good foundation for the more detailed examination of the trade and economic aspects of the Rome Treaty which is now to begin. Of the 37 Contracting Parties some 16 sent ministers and a number of others sent high level officials to Geneva for the meeting. Among the ministers were Eccles (UK), Fayat (Belgium), Zijistra (Netherlands), Carli (Italy), Van Rhijn (South Africa), Kono (Japan), Gbedema (Ghana) and Sin (Malaya). Hallstein spoke for Germany, Mann for the USA and Sa Hasnie for Pakistan. At the end of the ministers' meeting a decision was taken to establish a committee of the whole with Mr. Wilgress as chairman to examine the relevant provisions of the Rome Treaty in the light of the General Agreement. The text of the communiqué which incorporates the terms of reference of the committee was sent to you in our telegram 630 October 31.† This committee will begin work on November 4.

2. The principal features of the ministerial debate were: (a) the objections and apprehensions expressed by most Contracting Parties with respect to the Rome Treaty; (b) the insistence of the Six that the relevant provisions of the Rome Treaty were consistent with the GATT and that other countries had nothing to fear from it; (c) the concern expressed by many of the less industrialized countries and their interest in a new look at international arrangements for trade in agricultural products and perhaps other raw materials.

3. Ministers from the Six emphasized that their treaty encompassed much more than a customs union, that the provisions of interest from the GATT point of view were entirely consistent with GATT, that there could be no question of modifying any of its provisions or subjecting the treaty institutions to international control and that the interests of third countries would not be damaged. The French statement was the most extreme but other ministers were equally firm in maintaining the party line. It was made clear that the Six regarded the association of the overseas countries and territories (the most objectionable feature of the Treaty for many ministers present) as an essential and integral part of their arrangements. In attempting to dispel the concern of outsiders, German, Belgian and Netherlands' speakers pointed to their countries' continuing needs for outside sources of materials. Foodstuffs and markets and the prosperity that the Treaty would bring to Europe was an important assurance that the Community would be liberal minded and expansionist and that its trade with the rest of the world would increase. Benelux was offered as an example of the increases in production and foreign trade which could come from a common market in Europe. The invitations to join the Customs Union issued to other European countries and the willingness of the Six to join in negotiations for a European free trade area were offered as evidence of the outward looking attitude of the Six. Hallstein (Germany) and others attempted to meet the concern expressed by some speakers that European investment capital would be diverted increasingly to the French colonial territories. Hallstein said Germany would continue to furnish "any possible assistance" to the development programmes of other underdeveloped areas.

4. The agricultural provisions of the Treaty were defended as a natural and necessary continuation of present national policies in the field of agriculture and trade. Fayat (Belgium) noted that many other countries also had special régimes for agriculture. He agreed that the present state of affairs in world agricultural trade was unsatisfactory and should be improved. In the meantime the Six had their own agricultural problems to cope

with. The only new feature was their intention to devise jointly a common policy. He argued vigorously that there was no case for asking more of the Six jointly in the way of performance or reports in the agricultural and other fields than was required of any Contracting Party. If in the implementation of the Treaty a contracting party or parties believed a breach of obligations was being committed then normal procedures should be applied. The Six should not, however, be asked to give advance undertakings which were not asked of other countries.

5. In essence the position of the Six was to stand pat on their Treaty and to resist any change or modification in the proposed arrangements. The Six offered to try to accommodate particular problems or difficulties of individual Contracting Parties but beyond agreeing to the establishment of the committee of the whole referred to above gave no indication that any major concessions would be made to the Contracting Parties on important matters of principle. At the same time the attitude of the six ministers was courteous and not lacking in understanding of the interests and concerns (which they thought unfounded) of other countries.

6. Speakers from almost all other countries, while clearly appreciative of the political importance of the Rome Treaty, were far from reassured about its economic and trade aspects and made their concerns plain. Concerning tariffs and quantitative restrictions it was widely agreed that the intentions of the Six were not clear enough to pass a final judgment. The impression was, however, that their common tariffs would be higher than that permitted by the customs union provisions of the GATT and would be designed to give undue protection not only to domestic producers but also to suppliers in the associated countries and territories.

7. The proposed agricultural régime which remains particularly vague caused special apprehension for a large number of countries which believe that the effects will be restrictive and discriminatory and damaging to outside countries. Certain delegates led by Westerman (Australia) maintained that the agricultural provisions of the Treaty clearly did not provide for free trade among the Six and could not therefore be regarded as in accord with Article 24 of the GATT.

8. The most vigorous and emotional assault on the Rome Treaty came from those countries whose interests are threatened by the association of overseas countries and territories with the common market. The UK placed primary emphasis on this feature of the Treaty (in the interests of its colonial territories) and was supported by all of the Commonwealth, the Latin Americans, Indonesia and some other non-Europeans. These countries protested the establishment of what would amount to new area of preference linking the industrial European countries with politically dependent areas of supply for raw materials and foodstuffs. The Indian Minister found the political aspects of this part of the Treaty particularly disturbing. It was the general view among all these countries that the overseas territories provisions of the Treaty were contrary to Article 24 and possibly Article 1 of the GATT. Ministers from Ghana and Cuba had concrete complaints: they pointed to the already envisaged taxes and higher duties on cocoa and sugar from outside the preferential area which could have serious disruptive effects on their economies.

9. It was clear from the debate that few outside countries are prepared at the present stage to agree that the relevant provisions of the Rome Treaty conform to the General Agreement. The speeches revealed a good deal of mistrust about the European plans although the Scandinavian and Austrian Ministers were prepared to have more confidence than others in the plans of the Six. The USA statement included only a brief and uncritical reference to the Rome Treaty. The USA, Mann said, recognizes that problems would undoubtedly arise

in the trade relationships between the Six and other Contracting Parties. These problems should be faced and solutions sought which would give confidence to all Contracting Parties.

10. As mentioned, many speakers from agricultural and raw material producing countries called for greater attention to their particular trading problems. Led by Australia these countries maintained that the success of GATT in promoting multilateralism and reducing tariffs and reducing quantitative restrictions had mainly benefited the industrialized countries. Raw materials had never suffered much from tariffs and the advantages GATT had brought for the primary producers were considerably less than those accruing to the industrialized countries. The trading problems of raw-material-producing countries arose mainly from fluctuating prices, the relative decline in total trade in raw materials and agricultural products, the current decline in prices of certain raw materials and the difficulty of obtaining investment capital. When it came to agriculture these countries found their exports obstructed by protective devices of all kinds in industrialized countries which were not related to balance of payments difficulties.

11. In connection with agriculture the Australians made three specific suggestions: first, the Six should formulate their agricultural plans in detail and provide the safeguards to ensure that the benefits of economic progress within the Common Market would be shared with other Contracting Parties; second, a special GATT committee should be established to consult with the Six on their developing plans and bring to an early session of GATT proposals for examining and dealing with the problems of agricultural trade as related not only to the plans of the Six but to the practice of all countries in this field of trade; and third, a panel of top flight technical experts should examine and report on agricultural protection and its relation to the world trade objectives of GATT.

12. The concern expressed by the agricultural and primary producing countries is not new but the Australian initiative at this session seems to have struck a definite note of response. It cannot be ruled out that the session will be called on to deal with further proposals to meet the particular difficulties of these countries.

13. The text of Mr. Churchill's statement at the meeting which he made on October 29 was sent in our telegram 629 October 31.†

150.

DEA/9100-AT-40

*La délégation à la Conférence sur le GATT
au secrétaire d'État aux Affaires extérieures*

*Delegation to GATT Conference
to Secretary of State for External Affairs*

TELEGRAM 657

Geneva, November 13, 1957

CONFIDENTIAL. PRIORITY.

Reference: Our Tel 633 Nov 2.

Repeat Trade and Commerce, Finance, Bank of Canada, Agriculture, Washington, NATO
Paris, Paris, London, Brussels, Bonn, Hague, Rome (Information).

12TH SESSION OF GATT

This telegram reports on the Session since the ministerial meetings which ended on October 30 and on which we reported in our ref telegram. The main development since

then has been the discussion by the Committee established by the ministerial meeting to review the Rome Treaty. There have also been several plenary sessions of interest and the Balance of Payments Committee has been continuing its work. On the tariff side there is little to report; our own renegotiations have been slow because other delegations have been preoccupied.

Rome Treaty

2. The discussion of the Committee on the Rome Treaty November 4-7 were of a general nature and covered (a) tariffs, (b) quantitative restrictions, (c) agriculture and (d) overseas territories. The Committee established working parties on tariffs and quantitative restrictions and are participating actively as seems necessary in meetings of the other two.

3. In the Committee's discussion of the tariff provisions of the Rome Treaty, the French Delegation on behalf of the Six maintained that the only question to be discussed was the general incidence of the common tariff of the customs union. Speakers from other countries, however, were in agreement that the general incidence of a tariff was in practice difficult to determine and that in any case there was considerable uncertainty about the common tariff to be applied by the Six (e.g. the items in List G). We took the position in common with Contracting Parties other than the Six that what was required was a commodity by commodity and country by country examination of the effects of the common tariffs to be applied by the Six, as these tariffs become known.

4. On quantitative restrictions we put forward in vigorous terms our long standing view that in the normal course of events quantitative restrictions can only be justified in terms of the balance of payments situation of individual Contracting Parties and that in this respect the Six would continue to be bound individually by GATT balance of payments articles. Our position received wide support except from the Six. The Belgian representative speaking for the Six emphasized that the Rome Treaty signatories had undertaken in the Treaty to eliminate quantitative restrictions among themselves and that paragraph 8 of GATT Article 24 permitted them to do this without extending similar liberalization measures to outside countries. He also argued that Article 24 permitted matching quotas among the Six without regard for the payments position of members of the Treaty.

5. In the Committee's discussion of the agricultural provisions of the Rome Treaty it was widely agreed among countries other than the Six that the provisions amounted to less than free trade in agriculture among the Six and further would probably require elaborate restrictions on imports from outside countries. It was a general feeling of third countries that the agricultural régime would contravene the GATT obligations of the Six.

6. Most speakers other than the Six were agreed that the proposed arrangements for the association of overseas countries and territories could not be regarded as a free trade area but would be an extension of a preferential area and therefore contrary to GATT Article I. The USA and Swedish Delegations adopted a neutral position on this point. The French representative stated flatly that the Six would not seek a waiver.

7. At this stage it seems unlikely that the working parties will be able to reconcile the opposing views held by the Six and by outside countries on these various aspects of the Rome Treaty. What seems more likely to develop in the working parties is a more precise enunciation of the issues involved; and clearer statements of the issues involved; and clearer statements of the views of outside countries on the way in which the Six should implement the relevant provision of their Treaty in relation to their GATT obligations and in order to avoid damage to outside countries. In addition decisions may emerge regarding continuing GATT machinery for keeping the common market arrangements under review and providing facilities for consultations with outside countries.

Plenary Meetings

8. The discussion on international commodity problems was based on a report to the Contracting Parties by the Chairman of the Interim Coordinating Committee on International Commodity Problems (ICCICA). The underdeveloped countries and Australia emphasized their difficulties arising from declining commodity prices, their worsening terms of trade and the decline in the volume of trade in primary commodities in relation to world trade. The French proposed that a working party should be established at this session but it was not clear to many delegations including our delegation what this working party would do or what it could accomplish. It was finally agreed that the Chairman would consult with a group of interested countries to determine what should be done. Despite considerable opposition it is not unlikely that some new intersessional committee may have to be established to meet the pressure for some GATT action in this field.

9. The discussion on surplus disposal was led off by a USA statement on the operation of its various disposal programmes. The Australians have replied and we intend to make a statement at the next plenary meeting.

10. A decision has been taken by the Contracting Parties to extend for one year the time limit for Contracting Parties to communicate their requests for "hard core" waivers under the decision of March 5, 1955. This decision is without prejudice to any further extension; the whole question is to be reviewed at the Thirteenth Session.

Balance of Payments Committee

11. The Balance of Payments Committee has now completed its consultations with all countries except Australia, Japan and NZ. The discussions in the Committee have on the whole been useful. It is expected that the Committee will have completed its consultations by mid November. The Committee has had a first discussion of the future arrangements under the revised Articles XII and XVIII.

Tariff Negotiations

12. No decision has yet been taken regarding the extension of schedules for a further bound period but we expect this matter will be dealt with within the next week or so. The session is faced with notifications of intention by NZ and Cuba to implement their new tariffs prior to renegotiations as called for under Article XVIII in the course of the next bound period. In addition Sweden has indicated that it will be coming forward with substantial negotiations at a later date.

13. Our own negotiations are not proceeding as fast as we should wish partly because of the elaborate negotiating procedures of the USA both here and in Washington and partly because of the pre-occupation of other countries with the Rome Treaty.

Future Work of Session

14. It appears likely that the session will end at the beginning of December as anticipated. One of the main matters still to be dealt with is the proposal by Australia for a new GATT approach to trade in agricultural products. The Australian proposal is likely to be supported by a number of other countries. We have expressed doubts about plunging into a review of the agricultural provisions of the agreement until there is a much clearer indication of whether this review could lead to fruitful results but it is impossible at this stage to predict the outcome of the Australian initiative.

151.

DEA/9100-AT-40

*La délégation à la Conférence sur le GATT
au secrétaire d'État aux Affaires extérieures*

*Delegation to GATT Conference
to Secretary of State for External Affairs*

TELEGRAM 668

Geneva, November 19, 1957

CONFIDENTIAL. PRIORITY.

Reference: Our Tel 657 Nov 13.

Repeat Dept Trade and Commerce, Dept of Finance, Bank of Canada, Dept of Agriculture, NATO Paris, London, Paris, Brussels, Rome, Hague, Bonn, Washington (Information).

12TH SESSION OF GATT

1. We thought we should send you a report on progress of the four working parties which are considering various aspects of the Rome Treaty and on the outcome of plenary discussions of various agenda items during past week.

2. Working Party on Tariffs has confirmed unanimously that if the common tariff increases the duty on an item bound to another Contracting Party the Six must enter negotiations under the terms of paragraphs one to three of Article XXVIII. We expect that the Working Party will recommend that on the basis of a commodity by commodity and country by country examination a comparison should be made between the new common tariff and the individual tariffs previously in existence in order to determine whether the new common tariff is consistent with the terms of paragraph four and five (a) of Article XXIV. We also expect that the report will indicate that the Contracting Parties aim at holding a conference to carry out these tasks during the latter half of 1960 or first half of 1961. To this end the Six would be asked to complete their common tariff by July 1959. This would leave the Contracting Parties twelve to eighteen months to prepare for the conference (the Six have agreed to provide the other Contracting Parties with a key for comparing the new and old tariffs). This timetable would be reviewed in the light of progress made by the Six during the next eight or nine month towards completing their tariff proposals.

3. In Working Party on Quantitative Restrictions we have taken a lead in pressing for continued acceptance of principle that quantitative restrictions are justifiable only on the basis of the balance of payments situation of individual members of the Six. The Six have insisted that Article XXIV overrides and constitutes an exception from the balance of payments articles of the agreements and that discrimination in the application of quantitative restrictions is the natural outcome of the formation of a customs union and is justified under Article XXIV. UK Delegation has been helpful but not unexpectedly have taken the position that members of a customs union may liberalize quantitative restrictions on imports from outside countries. USA Delegation have not been as helpful as we wished but have lent their support to the drafting of a useful summary statement by the Chairman designed to form part of the final report. This statement by the Chairman reads in part as follows:

"The majority of the Working Party with the exception of the representatives of the Six have indicated that if the development of a common liberalization list involved a deliberalization by any individual member of the Rome Treaty not justified by that member's balance of payments situation or if it involved a limitation upon the degree of

liberalization of any individual member not justified by that member's balance of payments situation such an arrangement would be inconsistent with GATT provisions."

4. The Working Party on the Agricultural Provisions of the Treaty has concerned itself mainly with the provisions regarding minimum prices (Article 44) and long term contracts (Article 45). The Six maintain that the minimum price provisions apply only to trade among themselves and are only relevant to the transitional period. Others on the Working Party however expressed the view that the provisions would require the imposition of quantitative restrictions on imports from outside the community. Some members of the Working Party were even more apprehensive of the effects on third countries of the Treaty provisions for long term contracts. The Six maintained that outside interests were covered by the requirement that "due account be taken of traditional trade currents." They said the provisions for long term contracts were designed to break through existing restrictive policies within the Community and not to interfere with trade with outside countries. Concern was expressed by many delegations over those provisions which implied that it was the intention of the Six to permit imports only in circumstances where supplies could not be obtained within the Community. While the discussion have not reached the stage where the results are predictable it is not unlikely that the Working Party report will indicate a sharply critical attitude on the part of the majority with respect to certain features of the Rome Treaty including minimum price and long term contracts.

5. The Working Party on Association of Overseas Countries and Territories has been the most controversial of all. It is still discussing the likely effects of the protective and revenue duties which the associated territories will be permitted to impose on their imports from the Six. The Six maintain that these duties will affect only a very small part of trade, that such duties fall within the scope of Article XVIII, that the association of the overseas territories with the Six is a free trade area within the terms of Article XXIV and accordingly that no waiver is required. They would be willing in the future to seek a waiver if more than twenty percent of the trade were to be affected by protective and revenue duties imposed by associated territories. Other members of the working party (except for the USA representative who has not expressed himself on the subject) agree that it is inevitable that as industrialization and development proceeds in the non-European territories these territories will make increasing use of protective tariffs, that consequently the relationship between the overseas territories and the Six does not now provide a basis for a free trade area and that in the future the relationship will depart more and more from a free trade area. A reconciliation of these sharply divided views does not appear likely. It may be that the best that can emerge from this Working Party is a clear statement of the majority view that the proposed arrangements do not provide for a free trade area. This is of course the central point of the whole discussion and the peg on which to hang the contention that a waiver from GATT Article I is required.

Plenary

6. In the discussion of the item on surplus disposal the opening USA statement was followed by statements by a number of other countries concerned including Australia, Netherlands, NZ, Denmark, Pakistan and ourselves. In our statement we stressed that serious damage had been done to Canada's wheat exports by USA disposal programmes, that we hoped and expected that the USA would in future refrain from disposal activities which damaged the legitimate commercial interests of other countries and that it was becoming increasingly difficult to maintain orderly trading relations in accordance with GATT principles in the face of USA disposal policies. The Pakistan statement was particularly balanced and helpful. It expressed gratitude to the USA for the assistance

Pakistan had received under disposal programmes but pointed also to the damage Pakistan exports had suffered from USA cotton disposal activities and concluded that national policies leading to the production of surpluses and subsequent programmes for disposing of these surpluses were on the whole not in the interests of underdeveloped countries.¹¹³

7. The debate on restrictive business practices was opened by a Norwegian statement urging the establishment of a working party at this session or an expert group to study the subject. The Norwegians received some support from the other Scandinavians and the Latin Americans but the majority view was that it should be left to the Intersessional Committee to look more closely into the matter on the basis of further information to be collected by the Secretariat. The Intersessional Committee will be asked to decide whether a working party or an expert group should be established. If they cannot agree on either of these two courses the intersessional may of course recommend against taking any action.

152.

DEA/9100-AT-40

*La délégation à la Conférence sur le GATT
au secrétaire d'État aux Affaires extérieures*

*Delegation to GATT Conference
to Secretary of State for External Affairs*

TELEGRAM 679

Geneva, November 22, 1957

CONFIDENTIAL. PRIORITY.

Repeat London, NATO Paris, Paris, Bonn, Brussels, Hague, Rome, Washington, Dept Trade and Commerce, Bank of Canada, Dept Finance (Information).

12TH SESSION OF GATT: GERMAN IMPORT RESTRICTIONS

1. As promised during the balance of payments consultation last June the German Delegation on November 20 made a statement of German policy regarding import restrictions. The relaxations announced were most disappointing.

2. The programme consists of: (a) the liberalization on January 1, 1958 of a number of products whose import value in 1956 was about 1.3 billion DM; (b) the liberalization over the next two years of a further list of products with an import value in 1956 of about 600 million DM; (c) as of January 1, 1960, the granting of global quotas for non-liberalized agricultural products of Contracting Parties other than OEEC members and Czechoslovakia and (d) as of July 1, 1958 the consolidation into a uniform global quotas for all non-liberalized industrial products which now come under separate soft currency and dollar area global quotas. When this programme is completed in 1960 some 20 percent of German imports would remain under quantitative control and there would remain a considerable element of discrimination in the system. Our preliminary analysis of the items affected indicates that only a handful are of interest to Canada and the more important of these, i.e. synthetic rubber and primary aluminum, would not be liberalized until January 1, 1960.

3. The Germans used a variety of arguments including the protocol of provisional application to show it was not possible to go farther towards dismantling import restrictions at

¹¹³ Note marginale :Marginal note:

This is not quite what the Pak[istani]s said. W.[F. Stone?]

the present time. They gave no indication they would seek a hard core waiver. From their statement and conversations we have had with them it seems clear that in addition to domestic considerations, the early coming into force of the Rome Treaty and other prospective European arrangements are important elements in their unwillingness to move more rapidly and more extensively in the elimination of their restrictions.

4. The discussion is still in progress. So far vigorous statements have been made by the USA, UK, Australia, NZ, Norway, Rhodesia and ourselves calling on the Germans to honour their GATT obligations. A working party has been established to draw up a report on the initial reaction of Contracting Parties to the German programme for transmission to the German government.

5. We believe it would be useful if following this communication to the German authorities of the reaction of the Contracting Parties the Canadian Government were to make direct representations in Bonn on the matter. The USA Delegation here is making a similar recommendation to its government.

6. Great importance is attached to Germany's living up to its GATT obligations. In our comments on the German announcement we have urged early German action to remove its import restrictions. We have emphasized that such action is vital not merely because it affects the trade of individual countries but also because failure to comply would bring into serious question the effectiveness of GATT as an international trade agreement. We have also underlined the importance of Germany's action as an indication of the shape (or perhaps the shapelessness) of things to come in Europe.

153.

DEA/9100-AT-40

*L'ambassadeur en République fédérale d'Allemagne
au secrétaire d'État aux Affaires extérieures*

*Ambassador in Federal Republic of Germany
to Secretary of State for External Affairs*

TELEGRAM 516

Bonn, November 25, 1957

CONFIDENTIAL. PRIORITY.

Reference: GATDELS Tel 679 Nov 22.

Repeat London, NATO Paris, Paris, Hague, Brussels, Rome, Washington from Ottawa (Information).

12TH SESSION OF GATT: GERMAN IMPORT RESTRICTIONS

Von Hardenberg, who is in charge of GATT matters in the Foreign Office, implied strongly today that the German programme which had been approved by Cabinet was subject to alteration if the reaction to it by other Contracting Parties was extremely adverse. He indicated that the Cabinet's first decision (later reversed), based on Agricultural Minister Luebke's representations and taken at a meeting when Dr. Erhard was absent and Brentano inadequately briefed, was that the German Delegation should propose the total exclusion of agricultural products from GATT obligations at least so far as the elimination of quantitative restrictions was concerned. An adverse reaction to the present programme, which Von Hardenberg labelled provisional, would strengthen the hand of those ministers who found themselves in opposition to Luebke.

2. Von Hardenberg seemed very vague as to the details of the German programme announced. He said that no hard-core waiver was being sought and that, with the exception of certain agricultural products and a few industrial items, "complete liberalization was envisaged within a two-year period." So far as agricultural products, subject to state trading, were concerned, the Federal Government (including the Economics Ministry) was reluctant to relinquish the present scope for bilateral transactions, such as, for example, with France and Sweden.

3. In the light of the above, we would be inclined to endorse our GATT Delegation's recommendation that representations should be made in Bonn. Incidentally, at first glance at least, the German programme now presented to the GATT does not appear to differ substantially from the tentative programme reported in our telegram 368 July 29† and in subsequent messages. And though it is hazardous to be dogmatic, representations at that time might have been more profitable than they would be now.

[C.S.A.] RITCHIE

154.

DEA/9100-AT-40

*Le secrétaire d'État aux Affaires extérieures
à la délégation à la Conférence sur le GATT*

*Secretary of State for External Affairs
to Delegation to GATT Conference*

TELEGRAM E-1828

Ottawa, November 27, 1957

CONFIDENTIAL. PRIORITY.

Reference: Your telegram 679 Nov 22.

Repeat London, Washington, NATO Paris, Bonn, Paris, Brussels, The Hague, Rome (Information).

GERMAN IMPORT RESTRICTIONS

We agree that German position in this matter is unsatisfactory and that Canadian views should be made subject of direct representations in Bonn. We would gather from Bonn's telegram 516 November 25 that this course of action carries judgment of our Embassy. Nature and timing of our representations would depend to some extent on action taken by Contracting Parties on report of Balance of Payments Working Party. For this reason we should like you to let us know as soon as Contracting Parties have completed their consideration of this report.

2. Washington: It would be in order for you to tell Americans that we are thinking of making bilateral representations in Bonn and that we shall be glad to keep in touch with them on this question.

155.

DEA/9100-AT-40

*La délégation à la Conférence sur le GATT
au secrétaire d'État aux Affaires extérieures*

*Delegation to GATT Conference
to Secretary of State for External Affairs*

TELEGRAM 703

Geneva, December 3, 1957

CONFIDENTIAL. PRIORITY.

Reference: Our Tel 668 Nov 18.

Repeat Dept Trade and Commerce, Bank of Canada, Dept Finance, Dept Agriculture, Dept National Revenue, Rome, Brussels, Bonn, Hague, London, NATO Paris, Paris, Washington (Information).

TWELFTH SESSION GATT

This telegram reports the outcome of the discussion of the Rome Treaty and other items of importance.

Common Market

2. In the sub-groups the main objective of countries other than the Six was

- (a) to determine more precisely the areas where the provisions of the Rome Treaty or their implementation were or could be in conflict with the GATT;
- (b) to impress upon the Six the extent of their concern over the possible adverse effects of the Rome Treaty on their trading interests, and if possible obtain some kind of guarantees or assurances; and

- (c) to establish some supervisory machinery.

The Six directed their efforts to show that the Rome Treaty and its likely implementation was not incompatible with their GATT obligations. They resisted the notion that they must compensate for damage to the interests of third countries inherent in a customs union arrangement and refused to give any assurances beyond a statement that their Treaty would be operated within the framework of their international obligations. They insisted that unless and until they acted contrary to provisions of GATT they would not seek special dispensation and resisted the establishment of special GATT machinery.

3. The results of the examination of the Rome Treaty by the sub-groups at the session may be summarized as follows:

Tariffs and Plan and Schedule

4. The sub-group report found that since the duties were not yet known for a large part of the common tariff, it was not possible to determine whether the common tariff would be consistent with the requirements of GATT Article XXIV: 5(a). Most members of the sub-group agreed that a judgment about the general incidence of the common tariff could not be based on a simple arithmetical formula but required a detailed commodity examination on a country by country basis. The Six contended that their proposed common tariff was in full conformity with their obligations under paragraph 5(a) and it would be unnecessary and fruitless for any detailed examination to be made country by country. The Six agreed to communicate as soon as possible the rates of the common tariff which are not yet known, including List G. Many countries called for low tariffs on products in List G.

5. It was agreed by all that if the common tariff raised rates above those specified in the schedules of individual Rome Treaty countries these countries would undertake negotiations under Article XXVIII. There was some difference about what was required of the Six under Article XXVIII. It was felt that these negotiations should be completed before the Six take the first step to achieve a common tariff i.e. 1962 but the Six made no commitment on timing. The Six stated that in their view these negotiations should be the responsibility of the European Commission and not of individual countries.

Quantitative Restrictions

6. The Six insisted that Article XXIV took precedence over the balance of payments articles. They argued that Article XXIV imposed an obligation on members of the customs union to eliminate as far as possible quantitative restrictions among themselves while at the same time permitting them to maintain or impose restrictions against third countries. They also argued that quantitative restrictions imposed by members of the customs union should be contained in a common programme. The other members of the sub-group continued to maintain that members of a customs union would be covered individually by the provisions of the General Agreement relating to quantitative restrictions which permitted these to be maintained or imposed only if justified by the balance of payments situation of the individual country concerned. Concerning common quotas most members of the sub-group believed that their imposition by the Six would not only be contrary to Article XII but also contrary to fundamental economic reasoning unless the Six held their reserve in common. There was a difference of view among the members of the sub-group other than the Six regarding the relaxation of quantitative restrictions among the Six. The UK on legal grounds and the USA on practical grounds appeared to accept that during the transitional period the Six would be relaxing quantitative restrictions more rapidly among themselves as has been the case among OEEC countries. We and other members of the sub-group pointed out that because we had not formally objected to the OEEC liberalization programme as incompatible with GATT this did not mean we considered the OEEC programme was in compliance with GATT.

7. In view of the uncertainties about the way in which the provisions of the Rome Treaty would be implemented the members of the sub-group other than the Six considered that at this stage it was not possible to make a judgment that the application of the provisions of the Rome Treaty concerning the use of quantitative restrictions would or would not be compatible with the relevant provisions of the General Agreement. In these circumstances the sub-group concluded that at the present time it was not possible to decide what recommendations it might deem appropriate under Article XXIV but this should not be construed to mean that the Contracting Parties might not wish to take action at a later stage.

Agriculture

8. The members of the sub-group other than the representatives of the Six noted the large area of discretion left to the institutions of the Six and the lack of a sufficiently precise plan as to how the agricultural provisions of the Rome Treaty would be applied both in regard to trade of third countries with members of the Community and in regard to the removal of barriers to trade between the member states. The majority of members of the sub-group considered, moreover, that the particular measures envisaged under the Treaty carried a strong presumption of increased external barriers and a substitution of new internal barriers in place of existing tariffs and other measures. For these reasons the members of the sub-group excluding the representatives of the Six decided that it was not able to determine at this time either that the agricultural provisions of the Rome Treaty or their implementation would be consistent with the provisions of the association of overseas territories.

9. The work of this sub-group was the most unsatisfactory of all, partly because the UK failed to take the lead which was expected and the discussions were dominated by less responsible and extreme views of Ceylon, Brazil and Chile. In the event members of the sub-group stopped short of asking the Six to obtain a waiver for their plans. The concrete findings of the sub-group which the Six contested and on which the USA did not take a position were that:

(a) the proposed arrangements were an extension of an already existing preferential system and, therefore contrary to Article II;

(b) substantial barriers to trade between the various constituent territories would remain and these barriers would increase progressively as the overseas territories sought to protect their industrial development.

For this and other reasons the proposals of the Six for the associated territories did not conform to Article XXIV. There is to be an early examination in GATT of the effects of the association of overseas countries on the trade of third countries dealing first with the following products: cocoa, coffee, bananas, oilseeds and vegetable oils, wood and timber, tobacco, hard fibres and cotton, sugar and tea.

10. It remains to appraise the value of this GATT examination of the Rome Treaty. It provided an opportunity for a straight forward confrontation of the views of the Six and those of third countries. It is now clear that the interpretation of the Six of Article XXIV and of their obligations under GATT differ in many important respects from those held by most other Contracting Parties. It may be hoped the expressions of serious concern by many countries will have a moderating effect on the European arrangements as they develop over the next few years. The Six have not been given a green light by the Contracting Parties. Paragraph 7 of Article XXIV lays down certain responsibilities for the Contracting Parties in relation to a customs union. Although no recommendations to the Six are being made at the present time, this does not mean that the Contracting Parties have given up their rights to make recommendations should this be required. By way of continuing machinery between the Twelfth and Thirteenth Sessions the Intersessional Committee will be constituted to include all Contracting Parties and carry forward further consideration of the Rome Treaty after the end of the Twelfth Session. For this work the intersessional will have the same terms of reference as the Rome Treaty Committee of the whole (ref our telegram 633 November 1).

11. The reports of the four working groups were noted by the Rome Treaty Committee of the whole with little discussion on November 28. Considerable difficulty was encountered in reconciling the views of a group of underdeveloped countries who insisted that the Rome Treaty Committee continue in existence with those of the Six who opposed any special continuing machinery and wished the Intersessional Committee to assume the task of continuing the examination of the Rome Treaty.

12. In an oral report of the Contracting Parties Mr. Wilgress as Chairman of the Rome Treaty Committee said that because of insufficient time and lack of information it had not been possible for the working parties to arrive at definite conclusions. The reports were accordingly of an interim character but would contribute significantly to future consideration of the Rome Treaty. The Contracting Parties took note of Mr. Wilgress' report with little discussion.

13. The reconstituted Intersessional Committee met on November 30 to consider arrangements for continuing work on the Rome Treaty. Decisions were taken (a) to call a meeting of the members of the Working Group on Association of Overseas Territories on December

16 to begin the work called for in the report of this Working Group (see paragraph 9 above) and (b) to hold the next meeting of the Intersessional next April 15.

German Import Restrictions

14. We are reporting separately on this subject in the immediately following telegram.

Article XXVIII and Continued Application of Schedules

15. The revised Article XXVIII which came into force on October 7 provides for the automatic extension of schedules during successive three year periods beginning January 1, 1958 for twenty-five Contracting Parties (including Canada). The Contracting Parties have decided that a Contracting Party which before December 31 has notified its intention to enter into negotiations regarding modification or withdrawal of concessions may pursue such negotiations up to March 31, 1958. The Intersessional Committee is empowered to fix a later date than March 31, 1958 for the completion of negotiations on items notified before December 31. For countries which have not yet accepted revised Article XXVIII a declaration has been prepared to extend their schedules for a further three year period.

Australian Proposals re Agriculture

16. The Australians were not able to get much support from important delegations for a review of the agricultural provisions of GATT at this time. As a first step in this direction they proposed the appointment of a group of experts to examine the production, trade and protection of agricultural products. To attract the support of underdeveloped countries they incorporated proposals relating to commodity problems and trends in international trade. This proposal was adopted by the Contracting Parties. The experts are specifically requested not to pass judgment or make recommendations on policies of individual countries. It was decided that the experts should be chosen from a list of eighteen economists with international reputations which includes Deutsch (Canada), Haberler (USA), McDougall (UK), Austin Robinson (UK), Tinberger (Netherlands), Viner (USA) and Lionel Robbins (UK).

Budget

17. The Contracting Parties adopted a gross budget of \$512,960 for calendar year 1958. Total assessments will amount to \$431,600 of which the Canadian contribution has been set at \$28,360. It was agreed that the total net remuneration of the Executive Secretary should be increased as of January 1, 1958 from \$16,000 to \$20,000 (\$16,500 salary and \$3,500 representational allowance) and the Deputy Executive Secretaries from \$13,700 to \$16,500 (\$15,000 salary and \$1,500 representation allowance).

18. It was decided to postpone until the April Intersessional a decision on whether or not to accept the Japanese invitation to hold the Thirteenth Session in Tokyo. A detailed report will be submitted in a few days.

19. A number of decisions were taken at the Session which will require a follow up by contracting countries. These include a declaration extending the standstill under Article XVI on export subsidies and reports on state trading operations under Article XVII and several other matters. These will be reported on separately and in detail shortly.

156.

DEA/9100-AT-40

*La délégation à la Conférence sur le GATT
au secrétaire d'État aux Affaires extérieures*

*Delegation to GATT Conference
to Secretary of State for External Affairs*

TELEGRAM 706

Geneva, December 3, 1957

CONFIDENTIAL. PRIORITY.

Reference: Our Tel 679 Nov 22.

Repeat Dept Trade & Commerce, Dept of Finance, Bank of Canada, Dept of Agriculture, Dept of National Revenue, Washington, London, NATO Paris, Paris, Bonn, Rome, Hague (Information).

GERMAN IMPORT RESTRICTIONS

In accordance with its terms of reference the Working Party on German Quantitative Restrictions collected and presented in an orderly fashion for transmission to the German government the initial reactions of the Contracting Parties to the German statement concerning its import restrictions policy.

2. A majority of the working party — including all the principal trading nations e.g. USA, UK, Canada, Japan, Australia, Norway — jointly made the following points.

- (a) "Germany was no longer entitled to apply restrictions under Article XII";
- (b) They "could not accept the claim that the German marketing laws were covered by the Torquay Protocol relating to existing legislation";
- (c) The German liberalization programme "fell far short of what should be expected of a country in her financial position";
- (d) Germany "should be requested to consider and revise its import restriction policy".

3. At the end of the discussion Australia, Canada, UK and USA informed the Working Party that they had submitted a draft proposal requesting the Contracting Parties to recommend that:

(a) The Government of the Federal Republic of Germany reconsider its commercial policy and revise its programme with a view to eliminating its remaining import restrictions as soon as possible;

(b) If for any special reasons the German Government then considers that it cannot now eliminate its remaining restrictions it should make use of the agreed GATT procedures at the next meeting of the Intersessional Committee in order to bring its import policy into conformity with its obligations under the General Agreement;

(c) If the Government of the Federal Republic of Germany maintains the view that certain of its import restrictions are justifiable under paragraph (a)(ii) of the Torquay Protocol it should present to the Intersessional Committee the necessary information so that the relationship between the provisions of the German marketing laws and the Torquay Protocol may be clarified. In that event the Intersessional Committee should report its findings to the 13th Session of the Contracting Parties.

Ceylon, Japan, NZ, Norway and Sweden associated themselves with this draft recommendation in the Working Party.

4. When the plenary considered the draft recommendation France proposed that it be deferred to the April meeting of the Intersessional Committee. This proposal was adopted by 14 votes to 13. Supporting the French proposal were members of the Six, most Latin Americans, India and Turkey. After the vote Brazil, Turkey and Uruguay explained that they supported deferral on the grounds that Germany should be given time to review its policy in the light of the Working Party report. India and Dominican Republic said they shared this view but added that they also supported the draft recommendation. Chile explained that it did not have instructions.

5. During the discussion in plenary the German representative stated he would refer the Working Party's report to his government for early consideration. In doing so he would inform his government that a number of delegations indicated the hope that Germany would report its response to the points raised in the report by February 28, 1958. He also said that at the April meeting of the Intersessional Committee Germany would produce its marketing laws for examination and announce its intention concerning a hard core waiver.

6. While it would have been preferable to have obtained a recommendation from the Contracting Parties to Germany the debate made it clear that a large number of delegations representing a high proportion of world trade were becoming impatient with German tardiness in this matter. Furthermore the draft recommendation has not been rejected by the Contracting Parties but only deferred to the April meeting of the Intersessional Committee. It is to be hoped that this firm expression of opinion by the key trading nations will have an impact in Bonn.

157.

DEA/11271-40

*Le secrétaire d'État aux Affaires extérieures
à l'ambassadeur en République fédérale d'Allemagne*

*Secretary of State for External Affairs
to Ambassador in Federal Republic of Germany*

TELEGRAM E-1964

Ottawa, December 19, 1957

CONFIDENTIAL. PRIORITY.

Reference: Your tel 536 of Dec 5.†

Repeat London, Geneva, Washington, NATO Paris, Rome, The Hague, Dept Trade & Commerce (Routine) (Information).

GERMAN IMPORT RESTRICTIONS

We consider it worthwhile to make representations in fairly strong terms to the Federal Government on its import restrictions and should be grateful if you would present the following note to the Foreign Office as soon as possible:

Text Begins: . . . and has the honour to refer to the question of import restrictions maintained by the Federal Republic of Germany.

2. In the light of the conclusions reached in consultations held recently under the auspices both of the International Monetary Fund and of the General Agreement on Tariffs and Trade which clearly established that Germany is no longer justified in maintaining import controls for balance of payments reasons, the Canadian Government expected that the Federal German Government would have taken immediate steps to remove its remaining import restrictions.

3. Accordingly, the Canadian Government was surprised and concerned at the announcement by the German Delegation at the Twelfth Session of the Contracting Parties to the General Agreement on Tariffs and Trade that many of the German import restrictions on industrial products would be maintained in force for another two years, and that there is no plan for liberalizing imports of the main agricultural products. Further, the German statement of policy envisaged continued discrimination in the administration of import restrictions on various agricultural products. This announced programme for the removal of restrictions falls far short of what could reasonably be expected in view of Germany's present financial position.

4. The Canadian Government is very much concerned, not only about the adverse effects of these restrictions on our present trade, but also about the implication of German policies in this field for the future development of the European Common Market and proposed free trade area. The Canadian Government has been confident that Germany would be particularly conscious of the need to promote outward-looking policies in the light of these new European developments.

5. Under the programme which has been announced by Germany approximately two-thirds of Canadian exports to Germany would be faced with the continuation of import controls for at least another two years. There is no indication that the main agricultural product which play a predominant part in Canada's trade with Germany will be liberalized even at that time. While Canadian exports to Germany accordingly would continue to be faced with import restrictions in spite of Germany's strong financial position, German exports to Canada enjoy an open and unrestricted market and are continuing to increase significantly particularly in the important field of fully manufactured goods. The Canadian Government accords this advantageous treatment to German products on the assumption that Canadian products will enjoy similar access to the German market.

6. In the light of these considerations and in accordance with the contractual obligations between our two countries, the Canadian Government urges the Government of the Federal Republic of Germany to reconsider its import policy and to take early and effective steps to remove its import restrictions. Ends.

158.

DEA/9100-AT-40

*L'ambassadeur en République fédérale d'Allemagne
au secrétaire d'État aux Affaires extérieures*

*Ambassador in Federal Republic of Germany
to Secretary of State for External Affairs*

TELEGRAM 557

Bonn, December 20, 1957

CONFIDENTIAL. OPIMMEDIATE.

Repeat London, Geneva, NATO Paris, Rome, Hague, Washington from Ottawa (Information).

GERMAN IMPORT RESTRICTIONS

Over the past week or so we have had occasion to discuss informally with German officials from the Foreign Office and the Ministries of Agriculture and Economics, the German programme for the removal of quantitative import restrictions which was presented to the 12th Session of the Contracting Parties to the GATT. In this message we will set out our understanding of the German approach to the problem and attempt in con-

clusion a cautious and tentative forecast of the position likely to be taken by the German Delegation at the forthcoming intersessional meetings.

2. It is difficult to describe in simple terms the reaction of German officials to the reception accorded to their programme by the Contracting Parties. Officials of the Agricultural Ministry confessed to being "astonished" at the degree of opposition recorded. Officials of the Economics Ministry, which regards itself as the champion of liberal international economic policies, seemed ready to confess their concern and regret. On the other hand the economic section of the Foreign Office appears to have taken some pride in the accuracy of its own forecast. There is no doubt that the interdepartmental discussions which preceded the GATT meeting were difficult and the resulting Cabinet decisions could only be described as tentative and confused. No one was able to deny the arguments in favour of putting forward a programme which would give further evidence of the liberal economic philosophy of the German Government and its desire to live up to its GATT obligations. There was also a widespread recognition of the part played by imports in lending stability to the domestic price level. Finally the Federal Government was anxious to the extent politically feasible to adopt good creditor policies — though such policies must be viewed in terms of the regional imbalance in Germany's external transactions. These more or less liberal considerations were tempered as a result of the pressure on the Ministry of Agriculture to give added rather than lessened protection to this sector of the domestic economy. The Economics Ministry for its part was obliged to deal with representations from German manufacturers, some of whom have watched with growing concern the liberalization measures already adopted and who see in the further liberalization of German imports a threat to their established position. Aside from these domestic pressures was the need of the Federal Government to take into account "representations" from soft currency countries who were opposed to a further removal of discriminatory restrictions. But perhaps the most important factor was the reluctance at the highest level of the Federal Government to sanction any proposals which might place further obstacles (however low) in the way of implementation of the Common Market and negotiation of the agreement for a free trade area. There seems to be little doubt that the influence of the political regionalists has been growing of late at the expense of the economic multilateralists. This is not to say that there is not a full appreciation of the GATT as a link with the outside (non-European) world to which Germany must continue to export (and import). But it is clear that any decisions which effect the Six and the prospective free trade area will continue to be carefully appraised in terms of the interests of the Six and the requirements of the broader free trade area.

3. What emerged from these divergent pressures at the recent GATT meetings was a provisional compromise. Increased liberalization (and lessened discrimination) is to be achieved over a two year period. Because of future uncertainties, no real attempt was made to bring the German programme fully into accord with GATT obligations — a hard-core waiver was not sought because no one could guarantee that the five year time limit would be observed. What will be left on January 1, 1960 (on the tenuous assumption that the coming into force of the EEC does not result in a substantive modification of the present German programme) will be

(a) Non-discriminatory quantitative restrictions applying to non-agricultural items representing about 2 percent of present German imports. Included in this group will be items for which a supply monopoly exists abroad, items where Japanese imports present a special problem, items for which imports from Pakistan and India represent a real threat to domestic production and items which require the maintenance of non-discriminatory restrictions for purely protective purposes. An attempt will be made we are told to reduce the number

of items in these categories and some form of waiver may be sought to attempt to legitimize the retention of the quantitative restrictions for the remainder. Here resort may be had to Article XXV 5(a) of the General Agreement.

(b) Quantitative restrictions for agricultural commodities which the Germans argue are maintained in accordance with the Torquay Protocol and the reservation made by the Federal Republic in respect of Parts II and III of the General Agreement. The German Delegation may be expected to continue to argue that the provisions of German legislation are mandatory in intent and hence restrictions for these commodities (representing about 11 percent of the value of present imports) do not contravene Germany's GATT obligations. There is in my view no likelihood that the Germans will agree to the removal of restrictions on items in this category (cereals, meat, fats and sugar), particularly as the provisions of the Common Market imply a continued need to discriminate in favour of agricultural production within the territory of the Six.

(c) Discriminatory quantitative restrictions with respect to certain other agricultural products, i.e. fresh vegetables, canned meats, etc., will be maintained. An attempt will be made to reduce the lists presented to the Contracting Parties at the next GATT Session and perhaps to seek formal sanction for the items remaining.

As will be seen from the above, some modification in the German programme will be laid before the Intersessional Committee at its meeting in April. But in my view there is little likelihood that the Germans will return to the GATT with a revised programme which would meet the full requirements of those who found themselves in opposition to the German proposals last month. Under the Common Market provisions the Federal Government will find itself obliged to take increasing quantities from European agricultural production. While it may be that no precise undertaking have been entered into by the Federal Government, it seems at least conceivable that pending the working out of a common agricultural policy and a common organization of agricultural market, increased quotas for say French wheat and Dutch and Italian agricultural products will be granted. (The Franco-German Trade Agreement expires next September and we suspect that the French have a reasonable guarantee that the wheat quota will be renewed or possibly expanded; agricultural producing countries within the Common Market will have a legitimate demand for increased exports — pending the working out of longer term arrangements — to compensate then for the progressive reduction of their tariffs and quantitative restrictions applying to industrial items.) For this reason alone, the Federal Government might be expected to resist the complete liberalization of agricultural products.

From our discussions with German officials it is apparent that the German Delegation was surprised that, without lobbying, they found so many ready allies at the 12th Session. It is quite likely that between now and the April session Germany will be attempting to persuade its European partners (and perhaps others who have something to lose through reduced German discrimination) to support any new programme which is put forward.

Since dictating the above, we have received a copy of your telegram E-1964 December 19. We would not wish to suggest any modification of its tone in the light of the additional information which has become available to us. Perhaps it might be desirable for the sake of completeness, however, to refer to the non-discriminatory quantitative restrictions which will continue to apply to non-agricultural items after January 1, 1960. If you agree, therefore, we will insert after the first sentence of paragraph 3 of your draft, "the German

programme does not even after the end of a two-year interval envisage the complete abolition of quantitative restrictions on non-agricultural items.”¹¹⁴

DEA/9100-AT-40

*La délégation à la Conférence sur le GATT
au secrétaire d'État aux Affaires extérieures*

*Delegation to GATT Conference
to Secretary of State for External Affairs*

TELEGRAM 28

Geneva, January 15, 1958

CONFIDENTIAL. PRIORITY.

Repeat Dept Finance, Dept Trade & Commerce, Bank of Canada, Washington, London, NATO Paris, Brussels, Bonn (Information).

GATT — 12TH SESSION OF CONTRACTING PARTIES

The interval before GATT meetings begin again in February is perhaps the time to attempt an assessment of the 12th Session and future prospects.

2. Looking back at the 12th Session the points that stand out are the European economic community and German import restrictions. Acceptance of these proposals¹¹⁵ would have opened the way for Belgium, France, Germany, Italy, Luxembourg and The Netherlands to escape important obligations imposed by the GATT while at the same time retaining their privileges in the markets of other Contracting Parties. If events had taken this course there is a strong presumption that the EEC would become a discriminatory regional arrangement that increased barriers to trade with third countries. This in turn would seriously impair the balance of rights and obligations which is the heart of the GATT. In these circumstances most other Contracting Parties would be forced to retaliate by withdrawing concessions and raising barriers against imports from the Six. This spiral of increased protection could lead to the erosion of the multilateral trade rules and return to the destructive regional and national economic policies of the pre-war era. Some experienced observers believe that the EEC and German restrictions constitute the most serious threat to date to the multilateral trading system.

3. Throughout the session the Six took the position that the Rome Treaty was in line with GATT. They insisted that implementation of the EEC would not injure the trading interests of other Contracting Parties. They refused to commit themselves to pay compensation for damaging the interests of others. They suggested Contracting Parties should not complain until they had been hurt. On the other hand most Contracting Parties challenged the contention the EEC was in line with GATT. They stressed that the Six were claiming excessive privileges which would seriously damage trading interests of third countries contrary to the provisions of GATT. Accordingly they reserved the right to scrutinize implementation of the Treaty and to make recommendations under paragraph 7(b) of Article XXIV.

¹¹⁴ Note marginale :/Marginal note:
agreed & Bonn informed. W.[F. Stone?]

La note du Canada a été remise le 23 décembre 1957.

The Canadian note was delivered on December 23, 1957.

¹¹⁵ Note marginale :/Marginal note:
? [auteur inconnu/author unknown]

4. On the surface this confrontation ended in stalemate. Neither side abandoned their principles and all important problems remain unresolved. This is reflected in the reports of the sub-groups on the common tariffs, quantitative restrictions, agriculture and overseas territories which are limited to reporting conflicting views of Contracting Parties and the Six. In summing up the Chairman of the Committee on the EEC, Mr. Wilgress stated "The reports contained no definite conclusions — ... while they will contribute significantly to the future consideration of these problems they are largely of an interim character ... the Committee simply took note of the report and decided to bring them to the attention of the Contracting Parties for their information."

5. Perhaps the real measure of the session will be determined by the underlying forces it set in motion. For example, has the inescapable evidence that many third countries genuinely fear the EEC will damage their trade contrary to GATT principles persuaded the Six that they must make meaningful concessions or alienate many of their traditional trading partners? On the other hand has the failure of the Contracting Parties to take decisions stating that parts of the Treaty conflict with the GATT, lead the Six to believe they can drive their treaty through GATT without accepting guidance concerning its implementation or paying compensation to Contracting Parties whose interests are injured? Even more important has the failure to take decisions, particularly concerning the affiliation of overseas territories lead some Contracting Parties to lose confidence in the multilateral defense of their interests and decide to negotiate a bilateral settlement? At this time one can only guess at the answers to these questions. However, it is perhaps prudent to proceed on the assumption that all these forces were set in motion at the session and that it is still possible to encourage those that are in our interest or retard development of those that are not.

6. It should be stressed at this point that no Contracting Parties of substance tried to wreck the EEC. Their first objective was to ensure that EEC operations are in harmony with the provisions of GATT. They are striving to impose the same liberalizing influence over the European-African preferential arrangement that they have exerted on the Commonwealth preferential system. To the extent that they fail to achieve this primary objective they wish to secure compensation for any damage inflicted on their trade contrary to GATT provisions.

7. Looking to the future the Executive Secretary (Wyndham White) believes that the Contracting Parties must permit this stalemate to continue until the spring of 1959. In his view the key to imposing GATT direction on the EEC is the USA. To achieve this objective¹¹⁶ the USA must take new initiatives (such as renewal of the Trade Agreements Act including authority to reduce tariffs) and put pressure on the Six to make concessions. If the USA takes these steps he thinks the Six will cooperate in working out compromise solutions. However, he does not believe the USA will be prepared to announce any initiative before the spring of 1959. While recognizing that Congress will have authorized new initiatives by the end of June 1958 he doubts if the Administration will be prepared to announce a detailed programme¹¹⁷ until after the congressional elections in November 1958. This would not provide time to deal with the matter at the 13th Session in November 1958 and it will be necessary to defer action to the 14th Session. If his suggestion to change the rhythm of annual sessions is adopted (our telegram 14 January 9†) the 14th Session would meet in the spring of 1959.

¹¹⁶ Note marginale :/Marginal note:
? [auteur inconnu/author unknown]

¹¹⁷ Note marginale :/Marginal note:
for what? [W.F. Stone?]

8. While agreeing with Wyndham White that USA support is essential to ensure GATT direction of the EEC, we believe there are serious risks in marking time to the spring of 1959. A delay of this magnitude could lead to a crisis of confidence among Contracting Parties and prepare the ground for the bilateral deals the Six are trying to make.¹¹⁸ It is conceivable that by the spring of 1959 we could not secure enough votes to take a decision against any aspect of the Rome Treaty. Nor at this distance, from Washington do we believe it is necessary to wait until 1959. The broad lines of USA policy should be known before the Congress adjourns in summer of 1958. Assuming the Trade Agreement is renewed and the USA is prepared to press the Six to adhere to GATT principles, it should be possible to take decisions at the 13th Session.

9. It seems to us that a more profitable course would be to make progress wherever possible as quickly as possible.¹¹⁹ To this end we suggest consideration of the following steps:¹²⁰

(a) Register a complaint against Benelux matching quotas at the April meeting of the Intersessional Committee. The Intersessional Committee would probably establish a working party or panel to examine the matter. This would enable the Contracting Parties to make a finding at the 13th Session against matching quotas in customs unions unless justified by the balance of payments positions of individual members.

(b) Raise the issue of applying the procedures of Article XXVIII to tariff negotiations brought about by the common tariff increasing the duty on bound items. The Six are clearly searching for ways to circumvent some of the procedures of Article XVIII. They would for example like to avoid paying compensation to Contracting Parties with a principal supplying interest or substantial interest on items bound to other members of the Six. Partly because the complete application of paragraph 6 of Article XXIV is essential to protect our own interests and partly because the meaning of the paragraph is clear, we suggest that we should nail down this point as soon as possible. This might be done by raising the matter at the April intersessional with a view to taking a decision at the 13th Session.

(c) Aim at making a finding at the 13th Session that affiliation of the overseas territories is not within the terms of Article XXIV. We anticipate the Six would then request a waiver. At this point the Contracting Parties could say that before granting a waiver the Six must conclude negotiations with interested Contracting Parties protecting their legitimate trading interests.¹²¹

10. To achieve these objectives we will need the active cooperation of the USA, UK and some underdeveloped countries. A strong UK lead is probably essential to achieve 9(c).

11. Turning to the German problem events at the session were summarized in GATDEL telegram 706 December 3, 1957. The only point to mention now is that the next step has been established. The 12th Session decided that the April meeting of the Intersessional

¹¹⁸ Note marginale :/Marginal note:

with whom? And on what? W. [F. Stone?]

I'm afraid there is an answer to this question. The danger of the GATT front disintegrating into a number of mutually accommodating side deals is a real one [L. Couillard]

¹¹⁹ Note marginale :/Marginal note:

Vague, but right general line. L. C[ouillard]

¹²⁰ Note marginale :/Marginal note:

We should be sure that we can get the right decisions — before we force these & other issues. L. C[ouillard]

¹²¹ Note marginale :/Marginal note:

Canada shouldn't take the lead here. [W.F. Stone?]

Committee would deal with the matter. The German representative stated that "He felt confident that at the Intersessional Committee meeting in April his delegation would be in a position to state the views of his government on all the questions raised in the report." This means that the April meeting might be required to deal with three aspects of the problem:

- (a) the German programme of dismantling restrictions;
- (b) the validity of the German claim to some of the restrictions are justified under the protocol of provisional application, and
- (c) a German request for a hard-core waiver for certain remaining restrictions.

Australia requested Germany to state its position on the maintenance of restrictions not later than February 28.

[R.H.] JAY

SECTION B

TREIZIÈME SESSION DES PARTIES CONTRACTANTES THIRTEENTH SESSION OF THE CONTRACTING PARTIES

160.

DEA/14051-3-13-40

*Note du sous-secrétaire d'État aux Affaires extérieures
pour le secrétaire d'État aux Affaires extérieures*

*Memorandum from Under-Secretary of State for External Affairs
to Secretary of State for External Affairs*

Ottawa, October 2, 1958

CANADIAN PARTICIPATION AT THE THIRTEENTH ANNUAL SESSION OF GATT COMMENCING OCTOBER 16

Attached for your approval, if you agree, is a draft memorandum of instructions for the Canadian Delegation to the Thirteenth Session of GATT which begins in Geneva on October 16 which has been prepared in consultation with other Departments concerned and revised to take into account the discussions and conclusions of the Commonwealth Trade and Economic Conference in Montreal.¹²² The memorandum has now been approved by Mr. Fleming and Mr. Churchill, and the approval of Mr. Harkness is expected momentarily.

The main policy matters which are expected to come up for discussion at the Thirteenth Session are problems of trade in primary commodities, problems of trade in agricultural commodities, the maintenance of discriminatory import restrictions by Germany which are not compatible with its GATT obligations and problems relating to the establishment of the European Economic Community and the proposed Free Trade Area. It is expected also that questions may be asked concerning the import restrictions recently imposed by Canada on certain agricultural products under the Agricultural Stabilization Act or concerning the revision of the Canadian Customs Act (Bill C-51).

¹²² Voir la 3^e partie, chapitre III./See Chapter III, Part 3.

With regard to problems in primary commodities, it is proposed in line with the stand taken by Commonwealth countries in Montreal and in recognition of the importance of these problems for less developed countries to make known Canada's willingness to cooperate in any examination of these problems that may be decided and in particular to support the establishment of a study group on lead and zinc.

With respect to problems in agricultural commodities, the Canadian Delegation is instructed to support proposals for a review of existing GATT rules in this field with a view to strengthening them and making them as effective as the rules which apply to industrial products.

On German import restrictions, it is proposed to continue pressing for the removal of remaining restrictions in accordance with Germany's GATT obligations. If, however, it should be necessary to modify this position, the Canadian Delegation is authorized to agree to a waiver conforming as closely as possible to the standard conditions imposed in such cases by the GATT which would place a time limit on the maintenance of the import restrictions and would require that they be administered on a non-discriminatory basis. In no case is the Canadian Delegation to agree to a waiver which would permit discrimination.

The discussion concerning the EEC and the proposed free trade area which will probably not be extensive will provide a further opportunity to press for satisfactory safeguards and assurances for the protection of the legitimate interests of third countries such as Canada. It is expected that consultations on problems posed by the association of overseas territories with the EEC will begin during the Thirteenth Session in accordance with the procedure which was agreed upon with the six EEC countries some months ago.

Other subjects which may be brought up at the GATT session or be the subject of informal discussions at that time are the new Canadian legislation and regulations concerning agricultural commodities and the recent amendments to the Canada Customs Act. The position that the Canadian Delegation is instructed to take on each of these subjects is set out in paragraphs 25 - 30 (pages 6-7) of the attached document.

D.V. LE P[AN]
for Under-Secretary of State
for External Affairs

[PIÈCE JOINTE/ENCLOSURE]

Projet d'une note
Draft Memorandum

MEMORANDUM OF INSTRUCTIONS FOR THE CANADIAN DELEGATION
TO THE THIRTEENTH SESSION OF GATT

A. MEETINGS AND REPRESENTATION.

1. The Thirteenth Session will open on October 16 and will probably continue to the end of November. It will be one of the regular annual sessions at which the Agreement is administered; any complaints that may have been advanced are considered and solutions are sought for particular points of difficulty.

2. In conjunction with the Thirteenth Session, it is proposed to hold a meeting of Trade Ministers in Geneva, as was done last year. A number of countries, including the United Kingdom and the United States, have indicated their intention of sending a Ministerial Representative to such a meeting, which it is expected will be held on October 16-18.

3. It is recommended that the Minister of Trade and Commerce should represent Canada at the proposed ministerial meeting.

4. It is further recommended:

That a Canadian Delegation should attend the Thirteenth Session;

That Mr. M. Schwarzmann, Department of Trade and Commerce, should be Chairman of the Canadian Delegation.

That the following Officials should be included in the Delegation:

Mr. C.A. Annis, Department of Finance,

Mr. W.F. Stone, Department of External Affairs,

Mr. G.J. Dobson, Department of Agriculture,

Mr. W. Lavoie, Department of Trade and Commerce,

and that an Officer from the Department of National Revenue and one from the Department of External Affairs who is posted to a Canadian Mission in Europe should be included in the Delegation if required.

B. GENERAL COMMENT.

5. The proposed ministerial meeting would give Ministers an opportunity for a general exchange of views on problems in the field of international trade. It is also likely that, on the basis of the report on trends in international trade prepared by a group of experts which was set up in response to the demands made at the Twelfth Session by the primary producing countries, Ministers will wish to discuss the problems of trade in agricultural and other primary commodities. There is, in addition, a possibility that representatives of other countries will wish to bring forward problems arising in connection with their trading relations with Canada.

C. AGENDA: QUESTIONS OF PARTICULAR INTEREST TO CANADA.

A. *Commodity Problems.*

6. At this Session, Canada and the other contracting parties will have available to them, as a basis for a continuation of the debate on commodity problems which was begun at the Twelfth Session, a report on trends and developments in international trade. The two main issues in the previous debate were:

(a) Extreme short-term fluctuations in prices which affected the ability of less developed countries to contribute to the expansion of international trade and

(b) The question of the widespread use of protective devices in international trade in agricultural products. It was agreed that a panel of expert economists should be asked to make a study of these problems and attempt to clarify the issues. On the basis of this study it was hoped that the contracting parties would be able to decide on appropriate action.

7. It is recommended that during the discussion at the Thirteenth Session and in the light of the understandings reached at the Commonwealth Trade and Economic Conference, the Canadian Delegation should indicate a willingness to co-operate in any examination of these problems that the contracting parties may wish to undertake. In particular, the Canadian Delegation should support proposals to establish an international study group to advise on current trade problems in lead and zinc. It would further be appropriate to refer to Canadian participation in all existing commodity arrangements and study groups as a proof of Canada's interest in, and appreciation of, the problems now being encountered by many of the less industrialized among the contracting parties. If other problems arise on trade in agricultural or primary commodities the Canadian Delegation should be guided by the policy lines taken by Canada at the Commonwealth Trade and Economic Conference.

B. Lead and Zinc.

8. The United States Government has imposed quota restrictions on imports of lead and zinc. While the quotas established for Canada appear to be less restrictive than those which apply to other suppliers, they are likely to have adverse effects on our exports of these metals to the United States which in 1957 totalled about \$55 million. These restrictions protect high-cost marginal producers in the United States and shift the burden of adjustment to world market conditions to outside suppliers. The imposition of import restrictions has serious implications with respect to future pressures that may develop in the United States for increased protection against imports of other products. It should be noted that this is the first time that the United States administration has on its own authority applied quota restrictions on any industrial product. The United States will presumably at the Thirteenth Session seek to regularize these new restrictions under the escape clause procedures (Articles XIX of GATT) which, in certain carefully defined circumstances, permit a country to take temporary emergency measures against imports which threaten serious injury to domestic industry. Article XIX of GATT provides for consultation with the countries affected by such emergency action and if satisfactory agreement is not reached, it authorizes the countries adversely affected to take compensatory measures to restore the balance of the Agreements. The Canadian Delegation should express Canada's serious concern about these import quotas and should state the view that these restrictions are unjustifiable and constitute an impairment of GATT. Regret and disappointment should be expressed that the United States should have taken this unilateral action at a time when steps were under way to search for international solution to lead and zinc problems in which all interested countries including the United States would play their part. The Canadian Delegation should direct its effort to seeking removal of these restrictions by the United States and obtaining agreement that the problems of lead and zinc should be considered in a commodity study group on the broadest possible basis. The Canadian Delegation should question the applicability of Article XIX of GATT to these United States measures and should reserve Canada's right to take compensatory action on imports from the United States if satisfactory solutions are not reached.

C. The European Common Market.

9. There will be a further opportunity at this Session to review the arrangements for the setting up of the European Economic Community. The Treaty of Rome came into force on January 1, 1958; the institutions of the Community have now been established and the first step in the removal of tariffs and quantitative restrictions within the Community is scheduled to take effect on January 1, 1959. Most of the arrangements, however, remain to be worked out, including the level of the common external tariff for a number of products of importance to Canada, such as aluminum, lumber and synthetic rubber; and the details of the agricultural régime, which will affect trade in wheat and other products of interest to Canada.

10. During the last Session, there was a detailed examination of the Treaty in relation to its compatibility with the GATT arrangements. Though this examination went a long way towards clarifying the issues, no solution to the problems created by the establishment of the EEC was found and no satisfactory assurances which might safeguard the trade of Canada and other third parties were obtained. Subsequently, a procedure has been worked out to deal with the specific problems raised for the trade of individual countries by the association of certain overseas territories with the EEC.

11. The Treaty arrangements hold out certain dangers for Canadian trade. These are the possibility of

- (a) More restrictive tariff barriers against a number of Canadian exports to Europe, particularly aluminum, chemicals, synthetic rubber and fish;
- (b) A more rigid system of discriminatory import restrictions;
- (c) A highly protective and regionalist trading arrangement for agriculture;
- (d) New preferential trading arrangements between the countries of the Community and some of their overseas territories which would adversely affect Canadian trade in certain non-ferrous metals and in tobacco.

12. It is recommended that the Canadian Delegation, in co-operation with the other countries concerned, and while indicating its sympathy with the objectives of the Rome Treaty, should continue to press for satisfactory safeguards and assurances and should not acquiesce in arrangements which would unjustifiably impair Canada's trade interests. The Canadian Delegation should, in addition, seek to ensure that the consultations now to be arranged regarding the problems caused by the association of overseas territories are made effective and meaningful. Where it would seem to serve Canadian interests, it should also be authorized to support the development of similar procedures for dealing with other issues created by the establishment of the EEC. In this connection, the Canadian Delegation should discourage suggestions for seeking bilateral arrangements with the EEC (such as those reported to be under consideration by Australia and New Zealand) and should urge the maintenance of a common front in the GATT.

D. Free Trade Area.

13. Representatives of the countries which would be members of the proposed FTA will be meeting in Paris during the early part of the GATT Session and will pursue their efforts to reach at least a preliminary agreement. It is recommended that the Canadian Delegation should, when the opportunity presents itself, emphasize in the GATT Forum the importance of outward-looking rules in the FTA. Reference should be made to the understandings reached at the Commonwealth Trade and Economic Conference on these matters.

E. Revision of the GATT Rules as They Apply to Agriculture.

14. In view of the widespread protectionism that prevails in the agricultural sector, and of the waivers of GATT obligations that have been accorded to various contracting parties, there has lately been some pressure, particularly from Australia, for an overall examination of the GATT rules as they apply to agriculture. At the Thirteenth Session, proposals will likely be made for general review of GATT rules on this subject.

15. Agreement was reached at the Commonwealth Trade and Economic Conference that Commonwealth Countries should participate in a review of GATT rules on agriculture with a view to strengthening them. It was also agreed that in surplus disposals care should be taken to avoid damage to the interests of other countries and that there should be adequate consultation between the countries affected. In the light of these understandings the Canadian Delegation should support proposals for strengthening GATT rules on agriculture and should participate constructively in the discussions. Emphasis should be placed on the worldwide nature of the problems and on the importance of insuring that such countries as the United States are prepared to take appropriate action to abide by strengthened GATT rules. At the same time, special care should be taken to minimize the danger that the general question of a review of agricultural rules may prejudice progress in the examination of the Rome Treaty or in the consideration of German import restrictions.

F. Review of Quantitative Import Restrictions.

16. Under the terms of the GATT, arrangements are to be made at the Thirteenth Session for regular consultations with all countries maintaining import restrictions for balance of

payments reasons. This new procedure will give to contracting parties whose own trading interests are affected the opportunity to exert further pressure and to explore all possible means of reducing existing restrictions to a minimum.

17. In view of the importance to Canada of securing the widest possible removal of the quantitative import restrictions maintained by other contracting parties, and particularly of those applied on a discriminatory basis, it is recommended that the Canadian Representatives be instructed to co-operate actively in the preparations for these consultations. The Canadian Delegations should make special reference to the important initiatives taken by the United Kingdom and other Commonwealth Countries in removal of discriminatory restrictions and to the prospects for increased international liquidity which should facilitate speedy removal of discrimination by all countries.

G. German Import Restrictions.

18. The Federal Republic of Germany, though no longer in balance of payments difficulties, still maintains import restrictions which affect a number of important agricultural and primary products, including wheat. The Intersessional Committee in April requested the German Government to report to the Thirteenth Session on steps taken to remove the restrictions, recommending further that in default of satisfactory action by Germany the contracting parties should authorize the suspension of such obligations or concessions on the part of other contracting parties as appropriate.

19. It is reported that Germany will seek to obtain a waiver which would allow for the continuation of agricultural restrictions for an indefinite period and on a discriminatory basis. On industrial products it is reported they will seek a more limited waiver. The position taken by the majority of the contracting parties, including Canada, at the Intersessional Committee, was that Germany's action in continuing to maintain quantitative restrictions was not compatible with its GATT obligations and that the Germans should, therefore, either remove the restrictions at once or ask for a waiver of the "hard core" type, which has a time limit and does not permit discrimination. Our recent information suggests that various compromise proposals may be put forward and may receive substantial support. It is recommended that the Canadian Delegation should continue to press for the removal of quantitative restrictions but should, if necessary, agree to a waiver which would conform as closely as possible to the hard core conditions and should in no case agree to a waiver which would permit discrimination.

H. Accession of Poland.

20. The Government of Poland has signified that it wishes to accede to the GATT. The accession of a state-trading country such as Poland poses numerous and complex problems in the establishment of a satisfactory exchange of rights and obligations with other members. There are, however, political advantages in encouraging the association of Poland with western oriented institutions such as the GATT and at the last Intersessional Committee the Canadian Delegation was instructed to join sympathetically in efforts to explore these problems.

21. It is recommended that at the Thirteenth Session the Canadian Delegation should support arrangements to explore further Poland's request and also methods of solving any related problems.

I. Accession of Switzerland.

22. Tariff negotiations between Canada and Switzerland have recently been completed as part of the procedures for Switzerland's accession to the GATT. Swiss accession is complicated by the fact that Switzerland maintains agricultural restrictions which are inconsistent with GATT rules. It has, therefore, been proposed that special terms of accession should be

devised for Switzerland which would take account of this situation and yet preserve the balance of the agreement from the point of view of other contracting parties. The Canadian Delegation should welcome the accession of Switzerland to the GATT and should support the formulation of appropriate terms of accession.

J. Time and Place of the Fourteenth Session.

23. The Government of Japan is likely to renew its invitation to the contracting parties to hold the next session in Tokyo. The Executive Secretary has made a personal visit to Tokyo and has reported favourably on the arrangements envisaged by the Japanese Government. When a similar invitation was extended for the Twelfth Session, the Canadian Government took the stand that it preferred, on administrative and financial grounds, to hold that session in Geneva. It was not, however, inclined to sustain this objection if the majority of the contracting parties favoured Tokyo.

24. In view of the Executive Secretary's report, it is not feasible to sustain the claim that the administrative and financial disadvantages of holding a session in Tokyo are decisive arguments against it. The Canadian Delegation should, therefore, as was the case at the Intersessional Committee of GATT in April this year, express appreciation of the Japanese Government's invitation and indicate that the Canadian Government is prepared to support the holding of the Fourteenth Session in Tokyo unless there are strong objections from a majority of countries.

D. CANADIAN PROBLEMS.

(1) Canadian position vis-à-vis the GATT in the light of the recently imposed agricultural import restrictions.

25. Import controls are now being applied by Canada on butter, cheddar cheese, turkeys and skim milk powder. The present restrictions are inconsistent with some of Canada's obligations under the GATT. Provision is made in the Agreement for countries to be granted waivers in exceptional circumstances from certain of their obligations; a number of such waivers have been granted, with the approval of a two-thirds majority, to meet the particular difficulties of several member countries. They have usually included terms and conditions which look to the development of remedial measures by the country concerned and contained provision for imports under quota from traditional suppliers. It is unlikely that Canada could succeed in obtaining a waiver unless we were prepared to modify our present policies to meet the normal requirements of such waivers (e.g. reasonable quotas).

26. It is, therefore, recommended that the Canadian Delegation at the Thirteenth Session, in conversation with other Delegations, or if necessary in a formal statement, outline Canada's position in the same terms as adopted at the last session of GATT, namely by giving:

- (a) An explanation of the special nature of the difficulties which have arisen;
- (b) An assurance that the Canadian Government is not inflexible and will, as in the past, be examining these restrictions in the light of changing circumstances.

(2) Position to be taken regarding the amendments to the Customs Act.

27. The effect of the recent amendments to the Customs Act is in part to revise (and furnish additional legal support to) existing valuation procedures, and in part to add new valuation provisions which may be invoked by the Governor in Council as a further safeguard against dumping.

28. A note, dated September 3, from the United States Ambassador stated that in the opinion of the Government of the United States some of the new provisions are inconsistent with the General Agreement on Tariffs and Trade and some are contrary to commit-

ments undertaken by the contracting parties to the GATT. Specific reference was made to Sections 36(2), 36(3), 38, 39(1) and 40. Concern has also been expressed informally by the Japanese, the Italians, the Australians and others. The United Kingdom have raised questions on the compatibility of these provisions with GATT but have indicated that they themselves will not be raising this in GATT.

29. On the other hand, Canadian Ministers have stated that the amendments to the Customs Act are fully consistent with the GATT.

30. It is suggested that the Canadian Delegation to the Thirteenth Session of the GATT should:

(a) Make every effort to dissuade other contracting parties from instituting formal complaints under Article XXIII; and

(b) To this end, Canadian Delegation should be authorized to explain the Customs Act informally if requested to do so;

(c) If a formal complaint is made, request that its consideration be delayed sufficiently to permit instructions to be obtained from Ottawa, and for a senior official of the Department of National Revenue to come to Geneva.

Text Ends.

161.

DEA/14051-3-13-40

*La délégation à la Conférence sur le GATT
au secrétaire d'État aux Affaires extérieures*

*Delegation to GATT Conference
to Secretary of State for External Affairs*

TELEGRAM 969

Geneva, October 21, 1958

CONFIDENTIAL. OPIMMEDIATE.

Repeat Trade & Commerce, Finance, Agriculture, Washington from Ottawa (Information).

GATDEL THIRTEENTH SESSION — TURKEYS

Last Friday Mr. Dillon spoke to Mr. Churchill privately about USA concern regarding the Canadian embargo on imports of turkeys.¹²³ Mr. Churchill replied that the establishment of a quota was under consideration in Ottawa.

2. The USA Delegation here today received a message from Washington reporting a decision in Ottawa that no quota will in fact be established at this time. The USA Delegation has been instructed to take the matter up with us. They say that in the absence of satisfactory Canadian assurances they expect to have to lodge a formal complaint against Canada during this session.

3. Please advise urgently what, if any, decision has been made regarding turkeys and what assurances we can give the USA Delegation on this sensitive issue.¹²⁴ We shall make every effort to avoid having the matter raised in open session.

¹²³ Pour un compte rendu des politiques canadiennes concernant l'importation de dindes, voir volume 25, Chapitre premier.

See Volume 25, Chapter 1, for an account of Canadian policies concerning turkey imports.

¹²⁴ Note marginale :Marginal note:

Decision sent by tel Oct 21. R.G[rey]

162.

DEA/14051-3-13-40

*Le secrétaire d'État aux Affaires extérieures
à la délégation à la Conférence sur le GATT*

*Secretary of State for External Affairs
to Delegation to GATT Conference*

TELEGRAM E-1974

Ottawa, October 21, 1958

SECRET. OPIMMEDIATE.

Reference: Your Tel 969 Oct 21.

Repeat Trade & Commerce, Washington (Information).

IMPORTS OF TURKEYS INTO CANADA

We gather from your telegram under reference that the USA Delegation appears to have implied to you that the Canadian Government has decided not repeat not to take any action at all on the problem of turkey imports. This is not repeat not accurate. Cabinet considered this question last Thursday and on Friday we advised Americans here informally of substance of decision. The decision is as set out in the following operative paragraph of aide-mémoire which is going forward to the United States Embassy tomorrow: "In the present circumstances, however, and having particularly in mind the present market situation in Canada, the Canadian Government is not repeat not prepared to make any changes in the regulation affecting the import of turkeys during the current year. The Canadian Government wishes to advise the United States Government, however, that in 1959, barring unforeseen circumstances, it is the intention to introduce a quota for imports."

163.

DEA/14051-3-13-40

*Le secrétaire d'État aux Affaires extérieures
à la délégation à la Conférence sur le GATT*

*Secretary of State for External Affairs
to Delegation to GATT Conference*

TELEGRAM E-2007

Ottawa, October 24, 1958

SECRET. OPIMMEDIATE.

Reference: Your Tel 977 Oct 22.†

Repeat Washington, Trade & Commerce (Information).

CANADIAN EMBARGO ON IMPORTS OF TURKEYS

Cabinet today reconsidered the question of the Canadian embargo on turkeys and decided to authorize an import quota of 300,000 pounds between now and December 31, 1958. The new ruling is effective immediately, but there will be no repeat no public announcement and no repeat no advice to the trade until the import licencing machinery has been readied up, which is expected will be early next week. You may convey this information to the USA Delegation but should stress that it is not repeat not at present to be made public or released to the trade. You may also inform the USA Delegation that the Cabinet's decision to establish quotas for next year has been reaffirmed, although the quantities to be admitted are subject to further consideration.

164.

DEA/14051-3-13-40

*La délégation à la Conférence sur le GATT
au secrétaire d'État aux Affaires extérieures*

*Delegation to GATT Conference
to Secretary of State for External Affairs*

TELEGRAM 991

Geneva, October 27, 1958

SECRET. OPIMMEDIATE.

Repeat Washington, London (Information).

13TH SESSION: TURKEYS AND CANADIAN CUSTOMS ACT

We informed Beale, Deputy Assistant Secretary of State for Economic Affairs, Department of State, and other members of USA Delegation of the decision to establish quotas for turkeys this year. This came as a welcome surprise and Beale asked us to transmit to ministers their appreciation of the government's decision. The USA Delegation agreed to withhold any announcement pending release of information by Ottawa. The only note of reservation came from USA agricultural representative who while gratified at decision questioned the adequacy of this years quota. We feel confident that as a result of this decision USA Delegation will not repeat not be raising this matter in GATT at this session.

2. At the same meeting USA Delegation inquired whether we had received instructions to make a statement in plenary regarding conformity of the Customs Act with the GATT. They referred to Mr. Churchill's talk with Mr. Dillon in which this matter had been raised. We told them we could see no reason for such a statement on our part. We found they had not yet been informed of our reply to Washington on this subject and we gave them a copy of our note. We indicated that we would be prepared to explain this legislation privately to them or to answer technical questions that might come up in Customs Working Party. We also pointed out that we were not asking them or other countries to make statements about their legislation unless there were specific GATT problems. We stated that in our view the Customs Act did not repeat not raise GATT problems. We added that even in cases of clear breach of GATT rules such as USA oil restrictions, they themselves had not yet brought the matter before GATT. The combination of this discussion and the information we were able to give on turkeys appear to have had the desired effect of countering the pressures on the Customs Act in GATT at least for the time being.

3. Please pass copy to Mr. Churchill.

165.

DEA/14051-3-13-40

*La délégation à la Conférence sur le GATT
au secrétaire d'État aux Affaires extérieures*

*Delegation to GATT Conference
to Secretary of State for External Affairs*

TELEGRAM 994

Geneva, October 27, 1958

CONFIDENTIAL. PRIORITY.

Repeat Finance, Agriculture, Trade & Commerce (Latimer & Paterson), Bank of Canada, Bonn, NATO Paris, Paris, London, Brussels, Washington, Hague, Rome (Information).

GERMAN IMPORT RESTRICTIONS

In private talks with Klein, Leader of German Delegation, and Emmel of German Foreign Ministry we referred to the somewhat disturbing tone of Luebke's remarks to Mr. Churchill while Mr. Churchill was in Bonn. We said that our attitude on German restrictions in GATT should not have come as a surprise since our general policy objectives towards all countries including Commonwealth have emphasized the removal of discriminatory restrictions. We also said it would be unfortunate if differences of view on commercial policy were to be construed as implying antagonism or unfriendliness between countries.

2. The Germans indicated that Luebke's comments to Mr. Churchill were unfortunate but they said "We should not over-estimate" Luebke's reactions. We were naturally glad to hear this although we appreciate that one should be cautious about these assurances in view of the differences that may exist among departments in Bonn. At no point in our discussions did the Germans hint at possibility that our exports might be threatened by direct measures if our attitude in GATT was unduly critical. They did say however that if German wheat imports were placed on a global quota basis they thought we might be worse off as a result of price competition from USA and other countries. This is a point on which guidance from Ottawa would be helpful.

3. The Germans said they would be asking for consideration of the German case to be deferred for a year in line with Luebke's speech. If however other countries pressed for a waiver Germany would have to insist on one which regularized their present policies including discrimination in favour of other European countries. They said the Common Market and Free Trade Area agricultural régime would inevitably develop into a "one-country" agricultural system with preferential quotas for agricultural products within Europe. However, they thought that pressures from outside countries and the Common Market's own export interests would within four or five years force the European group to enlarge quotas for outside suppliers. They emphasized that Germany was prepared at this time to guarantee "the status quo" for Canadian wheat imports into Germany and for major products from other countries and they urged us to accept this assured position as the best interim solution.

4. With respect to industrial products such as synthetic rubber and aluminum Germany was prepared to seek a hard core waiver permitting maintenance of restrictions for five years.

5. We told the Germans that while we appreciated their serious agricultural problems our position in GATT was still that Germany should remove her industrial restrictions; should also remove discrimination and where possible reduce its agricultural protection.

6. Pass to Mr. Churchill.

166.

DEA/14051-3-13-40

*La délégation à la Conférence sur le GATT
au secrétaire d'État aux Affaires extérieures*

*Delegation to GATT Conference
to Secretary of State for External Affairs*

TELEGRAM 1011

Geneva, October 31, 1958

CONFIDENTIAL. PRIORITY.

Repeat Trade & Commerce, Finance, Agriculture, National Revenue, Bonn, Brussels, London, Washington, NATO Paris (Information).

13TH SESSION — GERMAN IMPORT RESTRICTIONS

We have had discussions with other delegations, with Executive Secretary and with members of the German Delegation on the subject of German import restrictions. It seems clear there is no possibility that the Germans will dismantle their restrictions and remove discrimination affecting imports of agricultural products. The stage has been reached where there appear to be only three ways in which the situation could develop:

(a) The Contracting Parties might delay consideration of the German case as proposed by Luebke, the German Minister of Agriculture, in his speech at the ministerial meeting;

(b) The Germans might secure a waiver from their GATT obligations to cover their restrictive system;

(c) The Germans might continue in breach of their GATT obligations with a new round of statements condemning the German position and pointing more directly than before to the threat of retaliatory action under Article XXIII.

2. We doubt if the proposal to delay consideration of the German case and refrain from discussing it at this session would be acceptable to the majority of delegations here. Many Contracting Parties would consider this course to be a major retreat. It would also carry the implication that the review of world agricultural trade following the Haberler report¹²⁵ will lead to a weakening of GATT rules to permit extensive protection of agriculture by industrial countries.

3. The German Delegation has prepared a waiver designed to cover the continuation of their present system of import restrictions and to permit discrimination. It is most unlikely that a waiver of this kind would be acceptable. On the other hand, the Germans would hardly accept a waiver containing the conditions the majority of Contracting Parties would demand, e.g. a time-limit on their restrictions or the abandonment of discrimination. The only concession which the Germans might make would be to include in a waiver some provision along the lines of Article XIII (2) of the GATT for quotas designed to safeguard the existing shares of outside suppliers in German imports of particular commodities. This arrangement might have its attractions for a number of Contracting Parties since it would give some assurance of stability to their existing level of exports to Germany. A waiver of this kind would have the effect of legitimatizing the current German restrictions. It would also involve the abandonment of important questions of principle and weaken the bargaining position of outside countries in negotiations with Germany on such questions as the use

¹²⁵ Voir/See General Agreement on Tariffs and Trade, *Trends in International Trade: Report by a Panel of Experts* (Geneva, 1958).

of quantitative restrictions under the Rome Treaty. Moreover a waiver for Germany would be regarded in Bonn as a personal victory for Luebke and add new strength to forces behind German protectionism.

4. The remaining alternative is the course which now seems most likely to be followed. There would be a round of strong statements by delegations mainly concerned which would contain pointed references to the possibility of resorting to Article XXIII in order to consult with Germany regarding damage and if necessary of taking retaliatory action. These statements would be reflected in the communiqué issued at the end of the session. It is a question of course whether any of Germany's trading partners would in fact be prepared to take action against Germany under Article XXIII. A few countries such as Australia and New Zealand might conceivably enter into negotiations under Article XXIII procedures but only with a view to seeking an improvement in exports of commodities of interest to them. If Article XXIII action were to be limited in this way to restrictions affecting particular products of only one or two countries, the principles involved would tend to fall into the background. Action could also conceivably be taken on a multilateral basis by a group of countries claiming that Germany's policies have had an adverse effect on their broad trading interests as well as on particular exports. Multilateral action of this kind, however, may be difficult to achieve and it seems unlikely that agreement for any such action could be reached at this session.

5. In our view this latter course may be the best available. It would mean

(a) The German restrictions are not legitimized and Germany remains in breach of GATT;

(b) There would be no retreat from the resolution of the Intersessional Committee last April calling on Germany to remove the restrictions and pointing the way to taking compensatory action against Germany under Article XXIII; and

(c) The Germans would remain under the same pressure as before. It is of course unlikely that there would in fact be a concerted approach to Germany under Article XXIII. However, the absence of acquiescence for the German restrictions will place the Germans under additional pressure in GATT consultations on agriculture of the kind suggested by the UK and which now seem likely to be developed at this session.

6. The debate on the German restrictions will probably take place early next week. We are sending you this message in order that you may be brought up to date on current thinking here on the subject.

167.

DEA/14051-3-13-40

*Le secrétaire d'État aux Affaires extérieures
à la délégation à la Conférence sur le GATT*

*Secretary of State for External Affairs
to Delegation to GATT Conference*

TELEGRAM E-2057

Ottawa, November 4, 1958

CONFIDENTIAL. OPIMMEDIATE.

Reference: Your Tel 994 Oct 27 and 1011 Oct 31.

Repeat Bonn, NATO Paris, London, Washington, Trade & Commerce (Information).

GERMAN IMPORT RESTRICTIONS

We have considered the question of German import restrictions in the light of your messages under reference.

2. As regards the restrictions in the agricultural field, consideration has been given to the alternatives put before us in your telegram 1011 and we agree with the course of action you are proposing.

3. In reply to your specific question regarding effect of possible globalization of German restrictions on wheat (your No. 994 paragraph 2) our views are as follows. Canada's major interest in the agricultural field lies in wheat and coarse grains. These items come under state trading in Germany. The only imports authorized are those over and above production which are required to meet domestic needs. For imports under bilateral agreements with countries such as France, quotas are established in advance. For the remaining import needs tenders are issued on a country basis and not on a currency basis. A separate quota is provided for Canada. The Canadian quota is always taken up in full and first quality wheat is being supplied under it. It is understood that the US quota is also fully taken up. Accordingly, it is not possible on basis of experience under the quotas to assess whether or not under a globalized system Canada would obtain a larger or smaller share of the German market. There is no question, however, that there has been a strong demand for high quality Canadian wheat in Germany for milling purposes. In terms of price and quality Canada is fully competitive with all other suppliers. It occurs to us that the Germans may have in mind that price competition from subsidized exports of other countries might squeeze us out of the market. However, in such a situation our quarrel would be with countries subsidizing shipments and not necessarily with the importer. Accordingly, in the absence of unfair trade practices we see no immediate reason for concern over the globalization of imports for wheat in the manner mentioned by the Germans. You should discuss with our wheat people in Geneva their views on this aspect of the question. We assume that if the course of action you propose in your 1011 is followed the question of a global quota for non-European suppliers will not arise, at least for the time being.

4. On a point of detail it is not clear to us whether or not Germany is seeking accommodation which would permit her to discriminate in favour of her Common Market partners in the field of other agricultural products in which we have an interest such as canned fruits and vegetables and mild-cure salmon. We would appreciate clarification of this.

5. Concerning items of interest to Canada in the industrial field we note from paragraph 4 of your telegram 994 that Germany is suggesting a hard-core waiver permitting maintenance of restrictions for 5 years. The Germans undertook at the 12th Session to free from restrictions certain products of interest to us not later than January 1, 1960, and we would be concerned if this undertaking were not to be fulfilled. The items of interest to Canada were aluminum, synthetic rubber and products of relatively lesser interest such as polyethylene, leather, nickel-alloy steel and a number of paper items. There is no reason why the elimination of restrictions on these items should be delayed until 1960, and in our view, Germany should proceed immediately to the removal of restrictions on these products.

168.

DEA/14051-3-13-40

*La délégation à la Conférence sur le GATT
au secrétaire d'État aux Affaires extérieures*

*Delegation to GATT Conference
to Secretary of State for External Affairs*

TELEGRAM 1034

Geneva, November 7, 1958

RESTRICTED. PRIORITY.

Reference: Your Tel E-2057 Nov 4.

Repeat Trade & Commerce, Bonn, Finance (Information).

13TH SESSION OF GATT: GERMAN IMPORT RESTRICTIONS

German representative on November 5 announced liberalization to take place immediately of some of the industrial products which at the 12th Session of GATT the Germans announced would be liberalized before January 1, 1960. These products include some chemical items, certain paper products, sheep and goat leather, nickel-alloy steel and others which may be of interest to Canadian exporters.

2. The German representative said Germany would apply for a hard core waiver to cover restrictions on a small group of industrial products including synthetic rubber, unwrought aluminum and bovine leather.

3. The German representative presented a list of agricultural products subject to German marketing laws and stated that the Federal Government was not in a position to remove existing restrictions on imports of these products. He presented a further list of products in the agricultural sector subject to quotas on which quotas are to be maintained and another list of relatively minor products now subject to quotas which are to be liberalized by January 1, 1959. Some of these latter products may also be of interest to Canadian exporters.

4. We are sending by air mail today copies of the German statement and the lists directly to departments concerned. We are reporting more fully in a further telegram on the debate on the German case in plenary.

169.

DEA/14051-3-13-40

*La délégation à la Conférence sur le GATT
au secrétaire d'État aux Affaires extérieures*

*Delegation to GATT Conference
to Secretary of State for External Affairs*

TELEGRAM 1041

Geneva, November 10, 1958

CONFIDENTIAL. OPIMMEDIATE.

Repeat Trade & Commerce, Finance, National Revenue, Agriculture, Washington from Ottawa (Information).

TURKEYS AND CUSTOMS ACT

Last night USA Delegation asked us to discuss above subjects in light of new instructions they had received from Washington.

2. With respect to turkeys de Felice of USA Department of Agriculture said they were disappointed in the size of this year's quota which they felt should have been at least one million pounds. He reviewed the history of the turkey restrictions and referred to the strong pressure in the USA for import restrictions against Canadian cattle. He said that Washington was also concerned about the lack of any attempt by Canada to justify the turkey restrictions under GATT. He said they now had instructions to secure a satisfactory commitment from us with respect to next year's quota for turkeys. Lacking such a commitment they proposed to place the matter on the agenda of the current session. He said Washington would like to see next year's quota set at seven million pounds of turkeys for the calendar year.

3. We said we had no authority to discuss details of next year's turkey quota and suggested this should be discussed in Ottawa. We indicated the turkey restrictions could probably be justified under Article XIX of GATT but that we were not so much concerned with procedural formalities as with the substance of policies. In this regard we suggested USA performance had not been exemplary. We promised to report the discussion to Ottawa and would appreciate your guidance.

4. Regarding the Customs Act the USA Delegation again referred to Mr. Dillon's discussions with Mr. Churchill. They asked whether we had now received instructions to make a statement containing assurances that the new provisions of the Customs Act will be administered consistently with GATT. We again indicated that we saw no need or reason for our making such a statement and that if the USA raised this we would merely take note. The USA Delegation said they would report this further clarification to Washington and await instructions. They said they may have to raise the matter formally at this session.

5. We told the USA that we were ready to discuss the Customs Act in detail informally with them. They showed little interest in such discussions, however, stating they were concerned with the broad principles involved and would prefer specialists to discuss the details in Ottawa.

6. Trade and Commerce please pass to Mr. Churchill.

170.

DEA/14051-3-13-40

*La délégation à la Conférence sur le GATT
au secrétaire d'État aux Affaires extérieures*

*Delegation to GATT Conference
to Secretary of State for External Affairs*

TELEGRAM 1060

Geneva, November 13, 1958

CONFIDENTIAL. OPIMMEDIATE.

Repeat Trade & Commerce, Finance, Bonn, Washington, NATO Paris (Information).

GERMANY: HARD CORE WAIVER FOR ALUMINUM AND SYNTHETIC RUBBER

The German Delegation has submitted application for hard core waiver under the GATT decision of March 5, 1955 for a small number of products including aluminum and synthetic rubber for a period of 5 years from now. This German application states that the

German restrictions do not apply to OEEC countries but apply to dollar imports. With respect to aluminum the document states "In the view of the Federal Republic the quota policy pursued in this field does not imply any discrimination." With respect to synthetic rubber the document states "The import controls had no discriminatory effect on any Contracting Parties." A further interesting comment with respect to aluminum is as follows: "The trade policies of the aluminum producing countries would lead to the result that the greater part of the surplus quantities increasing year by year will seek a market in the Federal Republic." Also "The limits set to imports from the dollar area must be maintained until a co-ordinated European trade policy will take account of developments."

2. From private talks with the Germans we understand that they are prepared to raise the issue whether discrimination in favour of other European countries is discrimination in the formal GATT sense.

3. Sonnenkamp, aluminum expert of German Ministry of Economic Affairs, told us if German dollar restrictions on aluminum are removed this would lead to increased USA sales and would result in pressure to suspend the duty-free quotas now being granted which are of particular benefit to our exports. He said that under the waiver licensing and duty-free quotas would continue to be granted to cover the Canadian aluminum contracts in force until 1961.

4. We made it clear to the Germans that we could not accept maintenance of discriminatory restrictions on these products and that such discrimination could not in any case be contemplated under the hard core waiver. We said we appreciated that German tariff and licensing treatment of Canadian aluminum was satisfactory in practice at present but we were seriously concerned at the implications of the German position.

5. We shall be taking an active part in opposing the German position with respect to industrial products.

171.

DEA/14051-3-13-40

*Le secrétaire d'État aux Affaires extérieures
à la délégation à la Conférence sur le GATT*

*Secretary of State for External Affairs
to Delegation to GATT Conference*

TELEGRAM E-2126

Ottawa, November 14, 1958

CONFIDENTIAL. OPIMMEDIATE.

Reference: Your message 1041 Nov 10.

Repeat Trade & Commerce, Washington (Information).

TURKEYS

1. The USA proposal to place the question of Canadian restrictions on turkeys on the agenda of this session as reported in your message under reference has been drawn to the attention of Ministers of Trade & Commerce and Agriculture.

2. In the present circumstances it is not possible to give the USA any more specific assurance regarding the exact amount of the import quota for turkeys for the next calendar year. You are authorized (1) to advise the USA Delegation that the question of next year's turkey quota is under consideration, (2) that this is a complex problem and that it is not

practical to decide at this stage the exact amount and (3) to suggest that a formal discussion of this question in the GATT might make it more difficult to reach a satisfactory decision.

3. We consider it preferable to avoid an open dispute between Canada and the USA in the GATT forum on this matter.

4. We have not thought it necessary to send you any new instructions on the Customs Act in the light of the further discussions you have had with the USA Delegation.

172.

DEA/14051-3-13-40

*La délégation à la Conférence sur le GATT
au secrétaire d'État aux Affaires extérieures*

*Delegation to GATT Conference
to Secretary of State for External Affairs*

TELEGRAM 1073

Geneva, November 19, 1958

CONFIDENTIAL. OPIMMEDIATE.

Repeat Trade & Commerce, Finance, Bonn, NATO Paris (Information).

GERMAN IMPORT RESTRICTIONS

It has now been agreed among the countries most directly interested in the German case (USA, UK, Australia, NZ, South Africa, India, Denmark and Canada) that it would be undesirable to grant Germany any waivers at this session as these would inevitably mean condoning German discrimination. Thus the item of German import restrictions will remain for 14th Session next April. In the interim it is proposed to take up the German offer to provide additional information about the whole range of their restrictions. On Friday, November 21 the Contracting Parties will be asked to approve a procedure for joint consultations in which interested countries will conduct detailed factual examination of the German restrictions as a basis for further consideration of possible GATT solutions to the German problem at the 14th Session. It is possible that these consultations will start in January and they may take place in Bonn.

2. We have been closely involved in the private discussions that have been taking place under the direction of the Chairman of the Contracting Parties. We have sought to ensure that consultations on the German restrictions should not result in the affected countries (such as Australia and NZ) being drawn into bilateral deals. The formula for consultations as proposed endeavours to avoid this danger while maintaining a certain degree of pressure on Germany. We understand that in accepting this proposal in plenary the USA Delegation will state that unless solutions are found the USA will at the 14th Session "have no alternative but to consider whether it should not take action under Article XXIII."

3. The decision to hold these consultations if the present formula is accepted by Germany will probably become public about end of the week. A number of countries including USA, UK, Australia and NZ may be in a position to indicate by Friday that they will take part in these consultations. Provided we are sure that a significant number of countries will be announcing their decision to participate in these consultations we propose to add Canada's name to the list unless you advise us to the contrary by Friday noon local time.

173.

DEA/14051-3-13-40

*Le secrétaire d'État aux Affaires extérieures
à la délégation à la Conférence sur le GATT*

*Secretary of State for External Affairs
to Delegation to GATT Conference*

TELEGRAM E-2162

Ottawa, November 20, 1958

CONFIDENTIAL. OPIMMEDIATE.

Reference: Your Message 1073 of November 19th.

Repeat Trade & Commerce, Bonn, NATO Paris, Washington, London (Information).

GERMAN IMPORT RESTRICTIONS

1. The question of the procedures for dealing with the German import restrictions and the possibility of a Canadian statement along the lines of that which the United States intends to make has been discussed with the Ministers of Trade and Commerce and officials of the Department of Finance. With regard to the proposed procedures, provided the principal countries involved — including the United States and the United Kingdom — announce their decision to participate in the consultations, we would agree to Canada's name being added to the list.

2. As regards the United States reservation to the effect that unless solutions are found it will, at the 14th Session, have no alternative but to consider whether it should not take action under Article XXIII, consideration has been given to the desirability of your making a similar statement. For reasons of which you are well aware, we are anxious that you should not be out in front in dealing with the German question in the GATT, but we recognize the importance of supporting U.S. leadership in this matter. Accordingly, if the United States makes its reservations you are authorized to support its approach, and, if appropriate in the circumstances, to indicate that failing a satisfactory solution, Canada also might have to consider possible recourse to Article XXIII.

174.

DEA/14051-3-13-40

*La délégation à la Conférence sur le GATT
au secrétaire d'État aux Affaires extérieures*

*Delegation to GATT Conference
to Secretary of State for External Affairs*

TELEGRAM 1102

Geneva, November 26, 1958

CONFIDENTIAL. PRIORITY.

Repeat Trade & Commerce, Finance, Agriculture, National Revenue, Washington, London, NATO Paris, Paris, Brussels, Bonn, Hague, Rome (Information).

By Bag Tokyo from London, Berlin from Geneva.

GATT 13TH SESSION: DELEGATION REPORT

The Haberler report was perhaps the main theme of the session with it as a basis for discussion and against the background of the Montreal Conference and the Delhi meetings, a three pronged GATT programme for expansion of world trade is planned. In the tariff

field a round of negotiations in 1960 is proposed primarily to take advantage of new USA tariff negotiating authority and to engage the European Common Market countries in negotiations on their common external tariff. It seems clear, however, that major agricultural exporters and underdeveloped countries, which contend there already exists an imbalance in world trade favourable to industrialized countries, will be less interested in tariff reductions than in measures to reduce barriers of other kinds to their exports. The two other elements of the new programme will be concerned with (a) agricultural protectionism and (b) other barriers to exports of underdeveloped countries. It seems likely that agricultural exporters like Australia and NZ intend to use GATT as an instrument for obtaining greater access to markets in Western Europe and North America. (The Australians had a large and active delegation at this session.) The efforts to assist the trading relationships of underdeveloped countries may be concentrated not so much on commodity problems as on measures to open markets in North America and Western Europe to processed and finished products of developing industries in underdeveloped countries. The Indian Delegation here, for example, made a major statement attacking German restrictions in favour of its European neighbours on manufactured jute products; and the Indian and Pakistan Delegations took great exception to the German plan for continuing restrictions on low priced manufactured products from their countries (and Japan) while proceeding under the hard core waiver procedures to relax restrictions on industrial products such as aluminum and synthetic rubber.

2. Wyndham White sees this GATT programme for expansion of world trade as a challenging opportunity to NATO countries to develop new forms of assistance to underdeveloped countries based on expansion of trade, and generally to strengthen relationships among all countries of the non-communist world. He is pessimistic, however, about the role of the USA in this GATT programme, and considers Canada could play a special role in the light of the constructive initiatives we have taken at the Montreal Conference and elsewhere to reduce barriers to world trade.

3. Three committees have been established, with 18-20 members, to meet here in February and March on (a) tariffs, (b) agriculture and (c) other problems of trade of underdeveloped countries (GATT press release 429 of November 22). Canada is on all three committees. A separate committee on GATT activity relating to commodity problems has been set up to meet next fall.

Rome Treaty

4. The session achieved a much needed clarification of the issues involved and established a very satisfactory basis for the development of future relationship between GATT Contracting Parties and the Common Market countries. Although the USA Delegation played an entirely passive role, other non-Europeans appeared more than ever concerned about damaging effects on their interests. There was a round of complaints in plenary about the attitude displayed by the Six in the consultations which were initiated at this session on products affected by the association of French and other overseas territories with the Common Market (tobacco, coffee, cocoa, sugar, bananas, tea). Outside countries refused to accept the contention of the Six that measures to mitigate damage could not be considered unless actual damage or a threat of "imminent" damage could be demonstrated.

5. We took an active part in resisting the idea that any "truce" existed on the legal position of the treaties under GATT as a result of agreement by the Six to engage in consultations under Article 22. In the end it was possible to obtain agreement on a "statement of conclusions" (Document W. 13/49/Rev.1) the main points of which are:

(a) Because of insufficient information it is not possible or useful at this time to pursue the examination of the Rome Treaties under paragraph 7 of Article 24;

(b) The rights of Contracting Parties under Article 24 remain unprejudiced; and a Contracting Party can at any time invoke Article 24 and call in question any measures taken by any of the Six in the application of the Rome Treaties;

(c) The Six will continue to consult under Article 22. and furnish information about their plans as these evolve.

German Import Restrictions

6. The Germans came to the session hopeful to persuade the Contracting Parties to postpone formally consideration of their import restrictions on agricultural products pending a study of GATT rules relating to trade in agriculture. Failing this, they planned to apply for the broadest kind of waiver to cover these restrictions. They were going to apply for a hard core waiver for part of their industrial restrictions (except those on imports from Japan and other Asian countries). They pressed very hard both in Geneva and through diplomatic channels for support for these plans.

7. The Germans were unsuccessful in obtaining any accommodation of their proposals, although some delegations (i.e. Australia) were tempted by a German offer to negotiate quotas for particular products with individual countries. The hard core waiver on industrial products, when presented, had a very soft look. The USA Delegation and ourselves made it clear that our governments were most unlikely to consider a waiver so openly discriminatory in character.

8. The way ahead is not clear. However, the restrictions remain uncovered by any GATT sanction; Germany will be under continuing pressure as a result of the strong USA stand; and between now and the 14th Session there will be joint consultations with Germany under Article XXII. These consultations could we consider serve a most useful purpose in exposing the nature and extent of the German restrictions. Their effect could be salutary for other countries which will obtain a clearer picture of how their exports are being or could be affected as a result of German protectionism and bilateral trade policies. Also German opinion might well gain a better appreciation not only of the antagonism aroused abroad by German trade policies and the dangers of retaliation action against Germany's industrial exports, but also of the economic burden for German consumers resulting from excessive protection for an inefficient domestic agricultural industry. The consultations are due to open in Geneva on January 19 and might possibly continue in Bonn. They will be conducted under procedures similar to the procedures adopted at this session for Article 22 consultations with Rome Treaty countries (Doc. L/928).

Relations with Yugoslavia and Poland

9. Following a statement on October 30 in plenary by Popovic, Yugoslav Assistant Minister for Foreign Trade, regarding their application for associate membership, there were a number of statements by delegations on November 7 mostly of a noncommittal nature and on a USA proposal a working party was set up to consider the application. There has been little or no discussion of substance of the subject at the session, although there seems to be a body of support for the idea that any form of associate membership for Yugoslavia should be temporary and lead to full membership. We have taken the position that GATT should respond to Yugoslavia in a positive way and make constructive efforts to work out a form of association as approximate to full membership as possible, providing always that there should be a meaningful exchange of benefits and obligations.

10. Canada is a member of the Working Party on Relations with Yugoslavia. It will consider the terms on which the government of Yugoslavia might be brought into association with the Contracting Parties; and submit a report to the 14th Session including a report on "The advisability of further study on the possible development of such association into full participation in the General Agreement." The Working Party will have a Yugoslav representative attending and is scheduled to meet February 16-20 with further meetings during the 14th Session.

11. The Executive Secretary was approached by the Polish representative about the informal approach made by Poland in the summer of 1957 for membership in GATT. The Executive Secretary told the Polish representative that because of the fundamental differences between the economic system of Poland and that of other GATT members, the contracting parties would be unlikely to approve full membership for Poland at the present time, and that they would be unlikely to agree to a form of association much different from that which might be agreed for Yugoslavia. The Polish representative said his government would probably be putting forward formally an application for membership (possibly for associate membership) about next March. It was agreed at a meeting of Heads of Delegations that delegations should come to the 14th Session prepared to give serious consideration to Polish membership, and that representatives of countries on the Working Party on Yugoslavia should be prepared to give informal consideration to the question of Polish association with GATT.

Lead and Zinc

12. On the last day at our request the Contracting Parties approved an extension of the time limit in Article 19(3)a which permits compensatory action by affected Contracting Parties. The extension regarding USA action on lead and zinc is until the opening date of the 14th Session and can of course be further extended at that time. We made a brief statement including the following points:

- (a) USA restrictions were serious impairment of benefits.
- (b) Disappointment about results of recent UN meetings on lead and zinc.
- (c) Canada considered that there has not yet been consultations with the USA in the sense of Article 19.

Latin American Integration

13. At the final plenary meeting the delegations of Brazil and Chile circulated a joint statement (Doc. 1/921 of November 21), and these delegations and those of Peru and Uruguay made statements along expected lines in support of the concept of "a regional market" in Latin America. In the Brazil-Chile statement it was stated that "It might be admitted that the countries concerned would not be in the position to adopt at present any of the specific solutions indicated in the General Agreement."

14. No formal action or decision was called for or taken by the Contracting Parties. The USA, UK, Canada and other delegations indicated that concrete proposals for the economic integration of Latin America would be examined with sympathy and understanding, but that any arrangements proposed by Latin American countries should be outward looking and trade-creating, and not restrictive or trade-diverting.

15. The summary record contains a statement by the Chairman which optimistically says that the Contracting Parties: "Convinced that the countries concerned will develop their plans within the spirit and objectives of the General Agreement ... await with interest further information about the development of these plans and stand ready to extend to the countries concerned their assistance in this process."

Swiss Accession

16. The declaration for the provisional accession of Switzerland was approved and opened for signature on November 22, and a resolution was adopted by the Contracting Parties which established the basis for GATT relations between Switzerland and the countries which sign the declaration. The declaration will remain open for signature until June 30, 1959.

17. The Swiss Minister of Commerce, Schaffner, told the Contracting Parties that Switzerland was a world trading country, and wedded to the principle of non-discrimination. He made no mention of changes in Swiss trading policy aimed at permitting full GATT membership. Much of his statement concerned the failure of plans for the FTA. He said Switzerland was apprehensive of protectionist forces within the Common Market and urged the Six to cooperate in achieving the FTA which he said could be a bridge between the Six and the rest of the trading world. This is the first time that a direct appeal has been made in GATT aimed at securing the success of FTA negotiations.

Miscellaneous

18. It was decided to have two sessions next year, the 14th in Geneva in May and the 15th next October in Tokyo.

19. We were under some pressure throughout the session from USA Delegation about the Canadian Customs Act and on Canadian restrictions on turkey imports. We were able however to dissuade them from raising these matters formally in GATT.

Note

20. Further reporting on more routine items is being prepared by the Permanent Mission.

3^e PARTIE/PART 3FONDS MONÉTAIRE INTERNATIONAL
INTERNATIONAL MONETARY FUND

175.

PCO

*Note du ministre des Finances
pour le Cabinet**Memorandum from Minister of Finance
to Cabinet*

CABINET DOCUMENT NO. 355-58

Ottawa, December 8, 1958

CONFIDENTIAL

INCREASE IN RESOURCES OF INTERNATIONAL FUND
AND BANK — CANADIAN CONTRIBUTION

Canada has been an active member of the International Monetary Fund and of the International Bank for Reconstruction and Development ever since they were set up in 1946. Canada's quota in the Fund was established at \$300 million and Canada's subscription to the Bank at \$325 million; in both cases a certain amount was payable in cash (25 per cent and 2 per cent respectively) and the remainder was made up of contingent obligations of different sorts.

2. On July 25, 1958 the Prime Minister, speaking in Parliament, expressed strong support for an increase in the resources of the International Fund and Bank.¹²⁶ He spoke, in part, as follows:

"I believe that consideration must be given to an increase in quotas of the International Monetary Fund of 50 per cent ... which would substantially increase the liquid assets underpinning world trade ... All the uncommitted countries of the world today look to the international Bank for help in their development programmes. Action to double the guaranteed capital subscriptions would shore these countries up economically and give them new hope ..."

3. On September 7, in its instructions to the Canadian Delegation to the Commonwealth Trade and Economic Conference,¹²⁷ Cabinet approved Canadian support, at both the Montreal and New Delhi Conferences, for a general increase of 50 to 100% in the quotas of the Fund and up to 100% in subscriptions to the Bank.

4. The Commonwealth Conference, in its Report, supported the proposal for a substantial enlargement of the resources of the Fund and Bank.

5. At the Annual Meetings of the two institutions in New Delhi resolutions were passed instructing the Executive Directors to make specific recommendations for consideration by Governments.¹²⁸ As Canadian representative, I gave strong support to the proposal for increases. It now seems virtually certain that the Executive Directors will submit their reports before the end of this year. They are expected to propose a general increase of 50 per cent in Fund quotas and 100 per cent in Bank subscriptions.

6. Canada is clearly committed to proportionate increases in line with the general movements. But the question arises whether it would not be in our interest to go farther. A number of other countries, including Germany and Japan where (as in Canada) the recent economic growth has been exceptionally rapid, are requesting increases beyond the general level.

7. On the negative side it should be pointed out that any increase in our quota in the Fund will involve us (a) in an increased transfer of gold from our own Exchange Fund into the International Fund and (b) in an increased obligation to provide Canadian dollars to the Fund if these are requested by other countries. It should be added, however, that under the Fund rules we can get our gold back if we need it and, as for providing Canadian dollars, it is extremely unlikely that these will ever be requested in amounts larger than we are already committed to provide. Turning to our subscription to the Bank, the increase may be considered in two parts; first, our share of the general increase and, second, the amount by which we might go beyond the general increase. In respect of the first part, it is quite clear that our additional subscription would be solely in the form of a guarantee; this guarantee could only be called upon if the Bank made extremely heavy losses, and so far it has made none. The second part would be very largely — at least four-fifths — in the same form, and might be entirely in that form. However, judging from current discussions, it is possible that we might be expected to pay 2 per cent in gold; and a further 18 per cent might be

¹²⁶ Voir Canada, Chambre des Communes, *Débats*, Volume III, 1958, pp. 2847 à 2853.

See Canada, House of Commons, *Debates*, Volume III, 1958, pp. 2702-2708.

¹²⁷ Voir/See Document 370.

¹²⁸ Pour un compte rendu des treizièmes réunions annuelles du Fonds et de la Banque, voir ministère des Affaires extérieures, *Le Canada et les Nations Unies, 1958* (Ottawa, 1959), pp. 67 à 72.

For an account of the thirteenth annual meetings of the Fund and the Bank, see Department of External Affairs, *Canada and the United Nations, 1958* (Ottawa, 1959), pp. 66-72.

payable in Canadian dollars which, however, could only be used after Canadian concurrence and could be linked to exports of Canadian capital goods.

8. On the positive side, any increase in our quota in the Fund increases our right to draw on its resources in the event that we need to do so. Any increase in our capital subscription to the Bank increases its borrowing powers, and hence its ability to support economic expansion in underdeveloped areas.

9. A further reason for Canada to go beyond the general level of increases lies in our interest in maintaining our now well-established position of prestige and influence (including our voting rights) in these two important institutions.

10. I would propose increases in our contributions which would keep us slightly ahead of Japan, and slightly behind India. The latter country is particularly anxious to continue to be one of the "big five", which would, on the basis of currently proposed adjustments, comprise U.S., U.K., France, Germany and India. These five countries would be entitled to appoint Executive Directors without going through the process of elections. On the other hand our increases should be large enough to ensure that we would have no difficulty at any time in electing a Canadian. It is not possible at this stage of the negotiations to name absolutely precise figures, but we know enough to make a close estimate.

11. Accordingly I recommend¹²⁹ (subject to concurrence by the Prime Minister which I am requesting separately):

(a) that, in the current negotiations in Washington, Canada should request a quota of about \$550 million in the Fund, compared with the present quota of \$300 million; of the increase, about \$62.5 million would be paid in gold from the Exchange Fund and the balance in non-interest bearing notes;

(b) that Canada should, in connection with that request, offer to increase its subscription to the Bank to about \$750 million from the present \$325 million, this subscription to be largely and, if possible, entirely in the form of a guarantee; however, if necessary to obtain general agreement, an amount not exceeding \$2 million dollars may be made payable in gold from the Exchange Fund and a further amount not exceeding \$18 million may be made payable in Canadian dollars subject to such terms and conditions as the Canadian Government may decide; and

(c) that final decisions on this matter be taken after the reports of the Executive Directors of the two institutions have been received.

12. Enlargement of our quota in the Fund and of our subscription to the Bank would require the approval of Parliament. If arrangements proceed along the lines set out in this memorandum I shall ask for authority to introduce the appropriate legislation. Neither of the proposed increases would appear as a Budgetary item; both would appear under the heading "Loans and Investments." Further, while these increases would be recorded in the Public Accounts, in the Statement of Assets and Liabilities, they would not be included in The Public Debt.

DONALD M. FLEMING

¹²⁹ Approuvé par le Cabinet le 9 décembre 1958/Approved by Cabinet on December 9, 1958.

4^e PARTIE/PART 4

DIX-NEUVIÈME CONFÉRENCE INTERNATIONALE DE LA CROIX ROUGE
 NEW DELHI, 24 OCTOBRE AU 7 NOVEMBRE 1957
 NINETEENTH INTERNATIONAL RED CROSS CONFERENCE
 NEW DELHI, OCTOBER 24 TO NOVEMBER 7, 1957

176.

PCO

*Extrait des conclusions du Cabinet**Extract from Cabinet Conclusions*

SECRET

[Ottawa], October 19, 1957

Present

The Prime Minister (Mr. Diefenbaker) in the Chair,
 The Minister of Public Works
 and Acting Minister of Defence Production (Mr. Green), (for morning meeting only)
 The Minister of Veterans Affairs (Mr. Brooks), (for morning meeting only)
 The Minister of Transport (Mr. Hees), (for morning meeting only)
 The Solicitor General (Mr. Balcer), (for morning meeting only)
 The Minister of National Defence (Mr. Pearkes),
 The Minister of Trade and Commerce (Mr. Churchill),
 The Minister of Justice
 and Acting Minister of Citizenship and Immigration (Mr. Fulton),
 The Minister of Agriculture (Mr. Harkness),
 The Secretary of State (Mrs. Fairclough),
 The Minister of Fisheries (Mr. MacLean),
 The Minister of Labour (Mr. Starr), (for morning meeting only),
 The Postmaster General (Mr. William Hamilton), (for morning meeting only),
 The Minister without Portfolio (Mr. Macdonnell),
 The Minister of National Health and Welfare (Mr. Monteith),
 The Minister of Northern Affairs and National Resources (Mr. Alvin Hamilton),
 The Secretary of State for External Affairs (Mr. Smith),
 The Leader of the Government in the Senate (Senator Haig).
 The Secretary to the Cabinet (Mr. Bryce),
 The Assistant Secretaries to the Cabinet (Mr. Fournier), (Mr. Martin).

THE INTERNATIONAL RED CROSS; OCTOBER 1957 CONFERENCE, NEW DELHI;
 CANADIAN DELEGATION

25. *The Secretary of State for External Affairs* reported that it would be necessary to change the status of and give instructions to the Canadian delegation to the XIXth International Red Cross Conference, which would be held in New Delhi between October 24th and November 7th. Heretofore, the delegations of the United Kingdom, the United States, and Canada had had observer status. Canada's decision to send a delegation with observer status to previous Red Cross conferences had been based on the non-diplomatic nature of the conference and a desire to recognize the independence of the Red Cross movement from government control. Discussions which had taken place in the N.A.T.O. Council had resulted, however, in the conclusion that the Canadian delegation should now have voting status.

The agenda for the New Delhi conference contained an item entitled "Draft Rules for the Limitation of the Dangers Incurred by the Civilian Population in Times of War." One

of these rules called for acceptance of an unconditional ban of the use of nuclear weapons. This provision, which conflicted with the basic strategy of N.A.T.O., gave delegations from communist countries disturbing possibilities for propaganda exploitation at New Delhi. The appeal to neutral nations of the ban on the use of nuclear weapons proposed in the draft rules had raised doubts in the N.A.T.O. Council as to whether the Western Powers would have sufficient voting strength at New Delhi to defend their interest effectively. Accordingly, most of the N.A.T.O. members, including the U.K. and the U.S., had decided to depart from precedent and had given their delegations voting status.

The Minister, therefore, recommended that, the delegation should have voting status and be instructed to employ its vote when necessary to defend the vital interests of Canada and her allies.

An explanatory memorandum had been circulated, (Minister's memorandum, October 11, 1957 — Cab. Doc. 256-57)†

26. *The Cabinet* noted the recommendation of the Secretary of State for External Affairs concerning the Canadian delegation to the XIXth International Red Cross Conference, and agreed that the delegation should have voting status and be instructed to employ its vote, when necessary, to defend the vital interests of Canada and her allies and to curtail propaganda debates.

...

177.

DEA/114-B-40

*Note du sous-secrétaire d'État aux Affaires extérieures
pour le secrétaire d'État aux Affaires extérieures*

*Memorandum from Under-Secretary of State for External Affairs
to Secretary of State for External Affairs*

CONFIDENTIAL

[Ottawa], October 21, 1957

XIXTH INTERNATIONAL RED CROSS CONFERENCE, NEW DELHI — VOTING BY
CANADIAN GOVERNMENT DELEGATION ON CREDENTIALS OF CHINESE,
NORTH KOREAN, NORTH VIETNAMESE, OUTER MONGOLIAN
AND EAST GERMAN REPRESENTATIVES

The International Red Cross Conference is the coordinating authority of the world wide Red Cross movement. Every four years it brings together representatives of National Red Cross Societies, the League of Red Cross Societies, the International Committee of the Red Cross and official delegates of states signatory to the Geneva Conventions to receive reports from the Red Cross Committees and Agencies, to consider proposals for extension and improvement of Red Cross services and to promote humanitarian and pacific ideals of the Red Cross movement with specific reference to the Geneva Conventions. Ninety-one governments (including Canada) party to the Geneva Conventions and 77 recognized National Red Cross Societies have been invited to attend the New Delhi Conference. The Communist Chinese are sending both Governmental and Society Delegations and it is possible that North Korea, North Vietnam and Outer Mongolia may send delegations, although this is as yet uncertain. The Nationalist Chinese have refused to attend because their invitation was addressed to the "Government of Formosa" rather than to the "Government of the Republic of China." Similar considerations prompted the Nationalist Chinese to withdraw from the 18th International Red Cross Conference held in Toronto in 1952.

Delegations of the National Red Cross Societies from countries signatory to the Geneva Conventions have voting status at the Conference. Delegations of governments which are parties to the Conventions can have either voting or observer status. The Delegation of the Canadian Government to the 18th Conference in Toronto, like those of the United States and United Kingdom Governments, had observer status but this time, in common with our NATO partners, we have sent a voting Delegation because certain items on the agenda conflict with basic NATO strategy and provide the Communist Delegations (which are invariably voting Delegations) with disturbing possibilities for propaganda exploitation.

3. At the XVIIIth International Red Cross Conference in Toronto there was considerable acrimonious debate on the accreditation of Communist Chinese and East German Delegations. This problem was disposed of by a vote in plenary session confirming "the action taken by the Standing Commission in extending invitations to both Governments and Societies and indicating the respective capacities in which they should attend."

4. We are considering the instructions for the Canadian Government Delegation at the Red Cross Conference in New Delhi in case a vote becomes necessary on the seating of Chinese, North Korean, North Vietnamese, Outer Mongolian and East German Delegations. We have in mind instructing the Delegation to make every effort to see that the precedent established at the previous conference in Toronto in 1952 is followed again this year. This approach has several advantages to commend it: it is favoured by a large number of countries (amongst which it may be expected that India and the United Kingdom will be numbered); it takes politics out of a conference which should be essentially non-political in nature; it permits the representatives of areas whose régimes we do not recognize to participate in the conference without the necessity of a direct vote on the accreditation of individual delegations.¹³⁰ Furthermore, it is in our interest to have the attendance at the conference as universal as possible since it enables us to bind (as far as it is possible to bind them) our potential enemies as well as our friends to Red Cross conventions of which we approve.

5. If the Canadian and other favourably disposed delegations are not successful in their endeavours to have the Conference follow the 1952 precedent and votes are forced on the seating of individual delegations, the Canadian Delegation has been instructed to vote against accreditation of an East German voting delegation in accordance with our NATO commitments. However, Communist China does not fit the East German pattern and we think there is a case for adopting a slightly different policy in the case of Communist China.

6. While there may be practical reasons for wanting to bind East Germany to Red Cross practices the fact is that we are committed by our NATO association with the Federal Republic of Germany to a very rigid policy with respect to East Germany. Any indication of flexibility on our part with regard to the recognition of the validity of the East German régime would be contrary to our understandings with the West Germans and with our NATO partners and would provoke very severe criticism. The situation with regard to Communist China, however, is different. The régime is recognized by some of our Commonwealth partners and other close friends and we have no international commitments on this subject to observe. The difference which might be made in this context between the Communist Chinese Government and the Governments of East Germany, North Korea, North Vietnam and Outer Mongolia is that the Chinese régime is clearly an independent authority with control over Mainland China whereas the other régimes are much more

¹³⁰ Note marginale:/Marginal note:
OK S.E. S[mith]

clearly puppet régimes in divided countries. When, as in this case, there are practical advantages in seeking to bind the Chinese Communists to the Geneva Conventions there are not the same legal arguments against doing so which exist in the case of these other régimes. The Chinese Communists did at an early stage in the Korean war undertake to abide by the Geneva Conventions on the handling of prisoners of war and did on the whole make reasonable efforts to carry out their undertaking. (It was the North Koreans rather than the Chinese who were guilty of most of the brutalities practised on prisoners during the Korean war.) There is therefore some point in trying to encourage Communist China to carry out its responsibilities under Red Cross Conventions in any future wars that might occur.

7. The situation with reference to the Chinese Communist Delegation in this Conference is unique because of the nature of the Red Cross. It doesn't necessarily follow therefore that the Canadian position on Chinese representation need be exactly the same as it has been in the United Nations or in other official conferences. Our policy in accepting the Chinese Communists at the Toronto Conference in 1952 was not intended to set any precedent for subsequent policy at inter-governmental conferences. The Red Cross Conference includes a combination of governmental and non-governmental representatives and is directed towards practical and humanitarian objectives. There would be no valid legal argument that acceptance by Canada of a Communist Chinese Delegation at this Conference would imply recognition. Canada has in fact already participated in an inter-governmental conference with a Communist Chinese Delegation — the Geneva Conference on Korea in 1954.

8. Under these circumstances I would recommend that Canada might abstain on a vote in favour of Communist Chinese voting representation. There is an argument for our voting in favour but in view of our general policy vis-à-vis Communist China you might consider it wiser at this point to abstain. Even a decision to abstain, however, should be conditional on our being in good company in doing so. We have not yet been able to determine the attitude which will be adopted by our principal allies. The United States might be expected to vote against but the United Kingdom and other friendly countries may well vote in favour.

9. I should recommend for your approval that the Delegation be instructed in the first place to work for a continuation of the 1952 precedent of confirming invitations issued by the Standing Commission and, failing that, to abstain on a vote in favour of seating a voting Communist Chinese Delegation and to vote against seating voting Delegations from North Korea, North Vietnam and Outer Mongolia provided that we are not left in a position of isolation from other Western powers in our attitude to the Chinese Delegation.

J. L[ÉGER]

178.

DEA/114-B-40

*Le chef de la délégation à la Conférence de la Croix rouge
au secrétaire d'État aux Affaires extérieures*

*Head, Delegation to Red Cross Conference,
to Secretary of State for External Affairs*

DESPATCH NO. 1187

[New Delhi], November 8, 1957

CONFIDENTIAL

XIXTH INTERNATIONAL RED CROSS CONFERENCE, NEW DELHI,
OCTOBER 24 - NOVEMBER 7, 1957

Pending the submission of a formal report by the Canadian Government Delegation to the Conference, I wish to summarize briefly the main issues and developments.

2. The Conference was attended by approximately 400 delegates representing Governments and Red Cross Societies of 83 countries, the International Committee of the Red Cross and the League of Red Cross Societies. It was reported to have been the most representative International Conference held in Asia. Plenary Sessions of the Conference began with forceful appeals by the President of India and Prime Minister Nehru for a tolerant approach to differences which inevitably would arise. Before the Plenary Sessions ended, however, several of the current issues in the cold war had been debated vigorously and the Conference ended in collapse on the question of the seating of representatives from Nationalist China.

3. Until its dying moments the Conference gave promise of victory for the West in the cold war issues that had been foreseen in pre-Conference planning. The pre-Conference consultations at NATO on the atomic weapon issues contributed to success for the West on the agenda items on the "Draft Rules for Protection of Civilian Populations" and the Japanese Red Cross Society resolution on the banning of atomic weapons. The West scored a tactical victory at the outset on these controversial items by succeeding in having Mr. MacAulay¹³¹ elected Chairman of the Commission which was to deal with them. Although the item on the draft rules offered promising propaganda possibilities for the Communists, they failed to exploit them, perhaps partly in deference to the Indian Red Cross Society which was anxious to avoid political controversy. The item was disposed of effectively with the cooperation of the Indians with a resolution which effectively shelved the draft rules and eliminated the possibility of the calling of a diplomatic conference to consider them. Victory for the West on the Japanese Red Cross Society resolution on nuclear weapons was made possible by the initiative of the Indian Red Cross Society which proposed a resolution acceptable to delegations from NATO countries.

4. Another success for the West came with adoption by the Conference of a resolution proposed by the Canadian Red Cross Society on the reunion of families. The Canadian proposal, which eventually was adopted unanimously, countered a resolution proposed by the Hungarian Government delegate. This sought a one-way repatriation of Hungarian children abroad. The Canadian proposal covered two-way traffic — that is, it called for the reunion of families regardless of the place of residence of the head of the family. Adoption

¹³¹ Note marginale :/Marginal note:

(of the Canadian Red Cross Society) [auteur inconnu/author unknown]

of the Canadian resolution may facilitate exit facilities for children in Communist countries wishing to join parents in Canada.

5. Texts of the interventions made by me during the debates on the draft rules and Japanese resolutions are attached.†

6. The final collapse of the Conference seemingly could not have been avoided by any initiative of the Canadian Government Delegation. The attitude of the U.S. Government Delegation on the seating of representatives of Formosa proved disastrous for the Conference.

6. It is difficult to explain briefly the complexities of the Formosan question at the Conference. Its origins echoed the dispute at the 18th International Red Cross Conference held in Toronto in 1952 which ended with the Government and Red Cross Delegations from Taipeh withdrawing because the Conference insisted on the Red Cross Society Delegation from Formosa being seated as an observer rather than a delegate. The justification for the "observer" designation was the inability of the Formosan Red Cross Society to claim to be operative on the Chinese mainland. At the Toronto Conference the Formosan Delegations had been accepted as representatives of the "Republic of China." The invitation sent to them by the Indian Red Cross Society to attend the 19th Conference was addressed to the Foreign Minister "Government of Formosa." The Taipeh authorities refused to accept the invitation on this basis; at the opening of the 19th Conference the United States Government Delegate proposed a resolution which if accepted would have permitted the Taipeh Delegation — against the will of the host Indian Red Cross Society — to be seated as representatives of the "Republic of China." As the debate developed and as it became clear that the United States Government Delegation was under instructions to withdraw from the Conference unless it succeeded in having the Government Delegation from Taipeh — which arrived on the scene hurriedly when it appeared it might be seated under its own nomenclature — the atmosphere became tense. In accordance with its instructions, the Canadian Government Delegation attempted to conciliate the dispute to prevent the Conference breaking up. It was known that the United States Ambassador in New Delhi and General Gruenther, the Head of the American Red Cross Society Delegation, were not in sympathy with their Government's attitude as, in addition to threatening the dissolution of the Conference, it was highly embarrassing to the Indian Red Cross Society and the Indian Government. Western and other delegations supporting the United States Government did so reluctantly. Most of the Red Cross Society Delegations — including that of the Canadian Red Cross Society — strongly resented the attitude of the United States Government which, in a propaganda sense, was determined to win a battle at the cost of losing the war.

8. The last minute compromise which involved agreement by the United States to the postponement of the debate on the Chinese representational question to enable it to become the final item on the agenda gave promise of a face-saving formula for all concerned, but the determination of the United States Government Delegation to achieve its objective, even in the dying moments of the Conference, proved costly.

9. As I reported in my telegram of November 7,† the Conference eventually came to a sorry conclusion with walk-outs in the final moments by Communist China followed by the Indian Red Cross Society, the U.S.S.R. and its satellites, and delegations representing Indonesia, Syria and Egypt. The walk-outs followed adoption of the United States Government resolution providing for the seating of the Taipeh Government Delegation as representatives of the "Republic of China." A vote on the United States Government resolution regarding seating the Formosan Delegation as representative of the "Republic of China,"

which at Russian request was taken by secret ballot, was 62 (including the Canadian Government Delegation) in favour; 44 (including the Canadian Red Cross Society Delegation) against; and 16 abstentions. Following announcement of the results the Chairman, Amrit Kaur of India, resigned and led the host Red Cross Society from the Conference Hall. Before leaving she announced from the chair that she considered the United States Government resolution "a grave discourtesy to the Indian Red Cross Society." The Delegation representing the Indian Government remained in the Conference which ended in an atmosphere of depression soon after the walk-outs. The seating of the Delegation from Taipeh with a "Republic of China" placard on its desk preceded the breakup of the Conference by only a few minutes. After the walk-outs routine business was proceeded with briefly to prevent the Delegations which had left from forcing an immediate termination of proceedings by their withdrawals.

10. In retrospect, it is clear that the United States Government Delegation depended upon the allegiance of its NATO allies to force its will on the Formosan issue on the Conference. None of the other Delegations with whom we were in contact was in favour of the United States Government resolution. Those that supported it did so under instructions from their governments. The discretion permitted the Canadian Government Delegation in the procedural moves that preceded the final vote on the United States Government resolution was responsible for the Indian Health Minister, who led the Indian Government Delegation, assuring me after the Conference had ended, that the Indian authorities held no resentment towards Canada as he realized the two Canadian delegations had done their best to prevent the collapse of the Conference.

11. The temperamental attitude of the Indian Red Cross Society Delegation, which as host might have been expected to exhibit a neutral attitude, was more than offset by the stubbornness of the United States Government Delegation in insisting on seating of the delegates from Taipeh on conditions other than those observed by the Indian Red Cross Society in inviting the Formosans to the Conference. There is no doubt the Indian Red Cross Society, perhaps deliberately, committed an error in addressing its invitation to the "Government of Formosa" but, in my opinion, the United States Government Delegation could have achieved its objective without rancour by making a statement of protest. Repeated efforts were made by friendly delegations to persuade the United States Government Delegation to refrain from pressing for a vote on its resolution, but the threat of a withdrawal by the United States Government Delegation if its resolution did not succeed rallied sufficient support to ensure its success. The cost of its success in the future relationships of India with the United States and the cooperation between West and East in the International Red Cross is difficult to assess.

12. From a diplomatic point of view, the United States Government Delegation has achieved the wonderful result of unseating about one fourth of the delegations for the sake of maintaining the principle that Formosa is the "Republic of China" and of seating its delegation as such.

PIERRE DUPUY

179.

DEA/114-B-40

*Note du sous-secrétaire d'État aux Affaires extérieures
pour le secrétaire d'État aux Affaires extérieures*
*Memorandum from Under-Secretary of State for External Affairs
to Secretary of State for External Affairs*

CONFIDENTIAL

[Ottawa], November 27, 1957

THE QUESTION OF CHINA AT THE NINETEENTH INTERNATIONAL RED CROSS
CONFERENCE IN NEW DELHI

The attached despatch¹³² from our Ambassador to Rome, who led the Canadian Government delegation at the recent Red Cross Conference in New Delhi, summarizes the course of events at the Conference and is commended to your attention because you were absent from Ottawa during most of the time when the Conference was meeting. As Mr. Dupuy points out, the major successes scored by the Western powers, with the active cooperation of India, were over-shadowed by the controversy which developed over the seating of the Nationalist Chinese under the designation "Republic of China."

2. In retrospect, it is clear that only the Indians and Americans could have prevented the developments described by Mr. Dupuy which culminated in the withdrawal from the Conference of the delegations representing the Indian Red Cross Society, Egypt, Syria, Indonesia and the Sino-Soviet bloc. The following points stand out clearly from our analysis of these events:

(a) The Indian Red Cross Society which, as host for the Conference, might have been expected to seek every means of avoiding controversial issues, acted in a manner calculated to insult the Nationalist Chinese by addressing their invitation to the "Government of Formosa." It took this course in the face of the precedent of the 1952 Red Cross Conference, when the Nationalist Chinese were invited under their generally accepted title of the "Republic of China," and despite the fact that a majority of the states who are members of the International Red Cross recognize the Nationalists by this title. Furthermore, the invitations issued to all the divided countries — Germany, Korea, Vietnam and China — were correctly addressed with the exception of that to the Nationalist Chinese.

(b) The United States delegation, acting under strict instructions from Washington, adopted a rigid position over the Nationalist Chinese issue, although it did compromise to the extent of agreeing to have its motion to seat the Nationalists under their title of "Republic of China" voted on as the final item on the Conference agenda.

(c) It would appear that the United States governmental delegation was alone in insisting that the issue be pressed to its ultimate conclusion. (Even the American Red Cross Society delegation and the United States Ambassador to India were not in sympathy with their Government's attitude.) Only the threat of United States withdrawal from the Conference and the appeal to NATO solidarity enabled the United States delegation to rally the support necessary to pass its resolution, although it should be noted that, at Soviet insistence, the vote was by secret ballot.

3. It is worth noting that neither the United States Government delegation nor anybody else objected to the seating of representatives from Communist China. There was no question of substituting one set of Chinese representatives for another. The Communist

¹³² Voir le document précédent./See previous document.

Chinese, however, voluntarily withdrew from the Conference. It is worth remembering that in 1952 the Nationalist Chinese withdrew from the XVIIIth International Red Cross Conference in Toronto, although for a somewhat different reason. So far as we can recall, this is the first time outside the United Nations in which the Nationalist Chinese have scored a diplomatic victory over the Communist Chinese since 1949. We are taking steps to discover what interpretation has been placed on these events by the peoples of Asia.

J. L[ÉGER]

5^e PARTIE/PART 5

ACCORD INTERNATIONAL SUR LE SUCRE
INTERNATIONAL SUGAR AGREEMENT

180.

PCO

*Note du ministre du Commerce
et du secrétaire d'État aux Affaires extérieures
pour le Cabinet*

*Memorandum from Minister of Trade and Commerce
and Secretary of State for External Affairs
to Cabinet*

CABINET DOCUMENT NO. 349-58

[Ottawa], November 28, 1958

SECRET

THE INTERNATIONAL SUGAR AGREEMENT OF 1958

Introduction

1. A United Nations Sugar Conference met in Geneva during September and October, and prepared the text of a new International Sugar Agreement. The new Agreement, which is open for signature between December 1st and 24th, is now submitted to Governments for approval. It is intended to come into force for a period of five years from January 1st 1959, when the I.S.A. of 1953 expires.

2. Canada is an importing member of the present I.S.A. in which 29 countries participate, including other large importers such as the United Kingdom, the United States, and Japan. The main sugar exporters also participate, including the West Indies and other British Colonies, Australia, Cuba, the Dominican Republic, China (Taiwan), and Indonesia. Members of the I.S.A. of 1953 are listed in an appendix,† which also indicates prospective new members.

3. The immediately following paragraphs summarize the considerations relevant for deciding whether Canada should sign the new Agreement, and set out specific recommendations. The second part of the Memorandum contains a more detailed explanation of the Agreement.

Summary of Main Considerations of Interest to Canada

4. The new I.S.A., like the present one, is an export quota type of Agreement. It is intended to stabilize raw sugar prices in world markets between 3.25 and 4.00 cents per lb. Main considerations of interest to Canada are:

(a) The price range appears satisfactory to Canada. Price stability is helpful to our sugar producers and consumers.

(b) Canada's adherence to the new I.S.A. would be helpful in our trade relations with exporters of sugar, including Commonwealth and non-Commonwealth countries. It would also demonstrate Canada's desire to support workable commodity arrangements.

(c) The new I.S.A. has been improved from the standpoint of importing countries.

(d) The new I.S.A. does not involve onerous obligations for the Government. Our participation would assist in the efficient administration of the Agreement from the importers' standpoint.

Recommendations

5. It is recommended¹³³ that Canada adhere to the new Agreement, and that the necessary authority to sign be granted by Cabinet. It is recommended that the new Agreement be brought into force provisionally on January 1st 1959, and that the Agreement be ratified as soon as possible, and if possible before June 1st 1959, in accordance with its provisions relating to accession.

DETAILED EXPLANATION OF THE I.S.A.

Objectives and General Operation

6. The objectives of the I.S.A. are to assure sugar supplies to importers and markets to exporters at equitable and stable prices, to facilitate increases in consumption and corresponding increases in supply, and to assist in the maintenance of the purchasing power of producing areas, especially those largely dependent upon the production or export of sugar.

7. The "free market" which the I.S.A. is intended to stabilize consists of that part of international trade in sugar which is not subject to exclusive or preferential arrangements; in recent years, it has accounted for about 40% of international trade in sugar, or for about 15% of world consumption. Sugar production and trade have for long been subject to special arrangements. For example, the U.K. and producers in Australia, South Africa, the British West Indies, Fiji, and Mauritius are parties to the Commonwealth Sugar Agreement under which the U.K. buys up to 1.8 million tons of raw sugar annually at a fixed price. The United States regulates its imports of sugar by means of quotas which divide the American market almost exclusively among U.S. producers, Cuba and the Philippines. The I.S.A. is not intended to replace existing regulations which control trade in sugar, but rather to restrain the intensification of exclusive arrangements, and thus to maintain the size of the free market. The free market is a residual source of supply to many countries which give priority to other sources of supply. Thus fluctuations in supply and demand fall mainly on the free market which is therefore particularly sensitive to changes in market conditions.

8. The I.S.A. aims at achieving price stabilization in the free market by adjusting supplies of sugar to market conditions. Exporting countries which participate in the I.S.A. share in agreed proportions an over-all annual quota for exports. The size of this "global" quota is determined by subtracting from total free market requirements the amount of sugar which is likely to be exported to the free market by non-participating countries. The quotas of participating exporters may be reduced, increased, or removed, during the course of a year so as to maintain free market prices within the range stated in the Agreement. The

¹³³ Approuvé par le Cabinet le 18 décembre 1958./Approved by Cabinet on December 18, 1958.

Agreement is administered by a Sugar Council, on which all participating countries are represented.

Main Changes in the New International Sugar Agreement

9. The I.S.A. of 1958 is patterned substantially along the lines of the I.S.A. of 1953, as amended in 1956.¹³⁴ A number of improvements have been made in the new Agreement, however, particularly from the viewpoint of importing countries. When the 1953 Agreement was concluded, there were in existence substantial surpluses of sugar held by exporting countries. These stocks, however, were reduced to more normal levels by 1956, and market conditions today therefore differ considerably from the conditions which existed in 1953.

10. The changes made in the new I.S.A. take into account these altered conditions, from the viewpoint of importers, as follows:

(a) *Price and Export Quota Provisions.* The price range of 3.25 cents to 4.00 cents per lb. f.a.s. Cuba remains unchanged. A feature of the new I.S.A., however, is a provision for increasing export quotas in effect by 2 1/2 per cent when the prevailing price exceeds 3.75 cents, unless the Sugar Council agrees otherwise.

(b) *Obligation to Hold Greater Minimum Stocks*—Exporters to the free market under the new I.S.A. are obligated to hold at least 12 1/2% of their basic export tonnage as a minimum stock reserve, as compared with 10% under the 1953 Agreement. In addition, exporting members of the Commonwealth Sugar Agreement have undertaken to hold reserve stocks of at least 50,000 tons in connection with the new I.S.A. These undertakings mean that exporters will be obligated to hold a minimum reserve of about 850,000 metric tons of raw sugar. Such stocks are earmarked for the free market for the purpose of relieving a tight market situation.

(c) *Provisions for Earlier Reporting of Shortfalls.* Exporters will be obligated to follow a more rigorous schedule for reporting whether they are unable to fill their quotas, under penalty of a reduction in their share of the market in succeeding years for non-compliance. Earlier reporting of shortfalls will enable other exporters to expand output in the same year to make up for the deficits.

11. The Agreement has also been improved from the viewpoint of exporters. Member countries which are both importers and exporters of sugar, but are not net importers, will be bound under the new Agreement by the general obligations of importing countries in respect of their import trade. It is also clear that a country which adheres to the Agreement as an importer is obligated to refrain from becoming a net exporter during the term of the Agreement.

12. In addition, the quota provisions of the Agreement have been adjusted so as to make the I.S.A. more attractive to new exporting members. As a result, it seems likely that all major exporting countries will adhere, including countries such as Brazil and India. A further number of importing countries, such as Norway, Morocco, and Malaya may also adhere.

13. The I.S.A. of 1958 also contains a new provision concerning voluntary arrangements for "multilateral options" which may be agreed upon between interested exporters and importers. If such arrangements were concluded, the interested importing countries would

¹³⁴ Voir Canada, *Recueil des traités*, 1954, N° 11; 1957, N° 5 et 1959, N° 3. Voir aussi volume 19, les documents 428 à 444.

See Canada, *Treaty Series*, 1954, No. 11; 1957, No. 5 and 1959, No. 3. See also Volume 19, Documents 428-444.

have the right to purchase specified quantities of sugar at the maximum price whenever the prevailing price exceeds the maximum; and the interested exporting countries would have the right to sell the same quantities at the minimum price whenever the prevailing price falls below the minimum. The scheme is reminiscent of the present International Wheat Agreement.

14. This provision of the new Agreement arose from the desire of a number of countries to achieve even greater stability in free market prices for sugar. A number of Delegations at the Conference, including Canada, considered the scheme impractical in countries where the sugar trade is conducted by private firms. There is no obligation on Canada or any other participant to enter such a scheme.

Appraisal of the New Agreement from Canada's Standpoint

15. Canada's interest in the new Agreement may be analyzed under the sub-headings of domestic considerations, obligations falling on the Government, and international relations.

16. *Domestic Considerations.* The price at which Canadians import sugar is largely determined in the free market, because our preferential tariffs encourage imports of Commonwealth sugar at a more or less fixed margin above the world price. Canada imports more than 80% of the sugar which is consumed in the country, and stability of import prices is therefore a matter of some concern. As a participant in the I.S.A., Canada has a substantial voice in administration and is in a position to contribute to the effective operation of the Agreement from the importers' standpoint.

17. Canadian refiners usually hold substantial stocks of raw sugar, and have an interest in stable prices at a reasonable level. For the growers of sugar beets a reasonable level of prices is also desirable, and the avoidance of sharply fluctuating prices facilitates crop planning. Canadian consumers fall into two categories. Industrial consumers account for more than 40% of sugar used in Canada, and since these industries must sell their products in a competitive market they are interested in stability and in avoiding excessive prices for sugar. Housewives also are sensitive to changes in the price of sugar.

18. *Obligations Falling on the Government.* If Canada adheres to the new I.S.A., the main obligation falling on the Government would be the same as under the old Agreement, that is to restrict imports of sugar from non-participating countries to the quantity imported in any one year 1951, 1952, or 1953. In Canada's case this quantity happens to be zero. This obligation could be readily accepted in 1953, because the Canadian preferential tariff ensures that our imports of sugar come mainly from Commonwealth countries which participate in the I.S.A., except for the special case of Cuba which is also a member of the I.S.A. Our preferential tariff operates today in the same way as in 1953. Thus the Government's obligation to restrict imports from non-members is not an onerous one. If, as seems likely, more exporting countries adhere to the new I.S.A. the scope of this obligation would be further limited. In any case, there are escape clauses which Canada might use if it were considered desirable to import sugar from a non-participating country.

19. *International Relations.* The main sugar exporting countries inside and outside of the Commonwealth, such as Australia, the West Indies, Cuba and the Dominican Republic are less developed or developing countries, and several of them depend upon selling sugar for the greater part of their income. These countries value Canada's co-operation in the I.S.A., since we are the world's fourth largest importer. The United Kingdom, on behalf of its colonial areas such as Fiji, Mauritius, and British Guinea, also values Canada's participation.

20. While the sugar exporting countries have a common interest in persuading importers such as Canada to adhere to the I.S.A., their interests naturally diverge over the matter of selling sugar directly to Canada. Before the I.S.A. of 1953 was concluded, Cuba had persuaded the Canadian Government to arrange for the importation of non-Commonwealth sugar. In effect, Canada by-passed the preferential tariff and facilitated entry of 150,000 tons annually of non-Commonwealth raw sugar during the years 1951-53 inclusive. When the I.S.A. of 1953 was negotiated, the United Kingdom, the West Indies, and Australia insisted on the insertion of Article 16 (2). This Article permits these countries, in effect, to withdraw from their I.S.A. obligations if a non-Commonwealth government makes a special arrangement with an importing Commonwealth country concerning the sale of sugar. As a result of this Commonwealth position, Cuba chose not to renew the special arrangement of 1951-53 with Canada. The Cuban Sugar Institute, however later concluded a private arrangement with Canadian refiners for the sale of 85,000 tons of sugar annually, beginning in 1954. Since this arrangement was non-governmental, it fell outside the letter of Article 16 (2) of the I.S.A., and the Commonwealth exporters did not protest.

21. The Dominican Republic, however, was not satisfied with the effect of these arrangements, since there was no provision for facilitating sales of Dominican raw sugar to Canada after 1953. At the United Nations Sugar Conference of 1958, therefore, the Dominican Republic desired to eliminate Article 16 (2) from the new I.S.A. The other Commonwealth countries concerned, and particularly the West Indies, desired to retain Article 16 (2). The Canadian position was that this Article did not in any way limit the freedom of action of Canada. Our Delegation was able to resolve the impasse between the Dominican Republic and the Commonwealth countries concerned by stating for the Conference record that Canada is not bound by the provision of Article 16 (2). This Article remains unchanged. (The statement of the Canadian Delegation is appended).†

22. The Dominicans no doubt will continue the efforts they have been making since 1954 to have the Canadian Government guarantee them a share of our market, employing their imports from Canada as a bargaining counter. Thus while the problem of trade relations with the Caribbean Sugar countries is not entirely resolved, it has nevertheless been understood that Article 16 (2) is not a matter for international controversy.

[GORDON CHURCHILL]

[S.E. SMITH]

CHAPITRE II/CHAPTER II
ORGANISATION DU TRAITÉ DE L'ATLANTIQUE NORD
NORTH ATLANTIC TREATY ORGANIZATION

PREMIÈRE PARTIE/PART I
PLANIFICATION DE LA DÉFENSE À VENIR
FUTURE DEFENCE PLANNING

181.

PCO

*Le représentant permanent auprès du Conseil de l'Atlantique Nord
au secrétaire d'État aux Affaires extérieures*

*Permanent Representative to North Atlantic Council
to Secretary of State for External Affairs*

DESPATCH NO. 4206

Paris, October 15, 1957

TOP SECRET

THE PRESENT POSITION OF NATO

It is opportune to outline in one despatch the significant points in the situation now confronting NATO. Next month General Norstad, the Supreme Allied Commander Europe (SACEUR), is paying his first official visit to Canada since assuming his command last November. A month later three members of the present Canadian Government will be participating for the first time in a ministerial meeting of the NATO Council.

2. SACEUR on his visit to Ottawa will refrain from taking up any points of direct concern to Canada unless any of these points are raised by one of the Canadian Ministers. He will confine himself to sketching the broad outlines of NATO defence policy and the basic strategy for the defence of Europe. This is what he has done on each of the first official visits he has paid to the capitals of other countries contributing forces to his command.

3. At the ministerial meeting in December the Council will be asked to approve the recommendations arising out of the 1957 Annual Review. Mr. Spaak is preparing a paper on the main problems confronting the Alliance. These are likely to be mainly political and his purpose no doubt will be to focus attention on steps necessary to reinforce the Alliance. In addition Ministers will be afforded an opportunity of reviewing the current international situation in the light of recent Soviet moves. Finally, the Ministers will have before them a report of an important Committee concerned with civil emergency planning.

4. For some months NATO has been going through an "agonizing reappraisal" of its policy for the defence of Europe, such as seems to occur at regular intervals of every three years. These reappraisals are concerned with the best means of countering the overwhelming superiority in conventional forces possessed by the Soviet Union. In order to explain the present crisis in NATO defence policy, it is desirable first of all to give a brief account of previous reappraisals.

5. In the early days of NATO, following the signature of the Treaty in 1949, efforts in the military field were directed towards raising conventional forces that could withstand the

shock of a Soviet attack. Even then defence was based on the line of the Rhine. This left a large part of the Netherlands undefended and gave rise to the suspicion in the minds of Frenchmen, Italians and others that the United States were contemplating a peripheral strategy based on withdrawal to behind the Pyrenees with the final stand on that line. They did not relish the prospect of Soviet occupation to be followed by liberation. These misgivings became more pronounced as it was seen that the requirements drawn up by the military were quite unrealistic in the light of political and economic capabilities.

6. In 1950, without previous diplomatic preparation, the United States proposed the participation of the Germans in European defence, pointing out that this alone would permit a forward strategy based on a line east of the Rhine. Since a forward strategy implied defence of German territory they argued it was right that Germans should participate in that defence. This proposal shocked and alarmed the French who were only brought around by the initiation of negotiations for a European army to which the six countries (Belgium, France, Germany, Italy, Luxembourg and the Netherlands) comprising the European Defence Community (EDC) would contribute forces.

7. There still remained the problem of "the gap" or the difference between what the military considered necessary and what the nations could afford to contribute. An attack on this problem was begun at the Council meeting held in Ottawa in 1951, when the so-called TCC (Temporary Council Committee) exercise was initiated. This consisted of a thorough and comprehensive enquiry into the capabilities of each NATO country to contribute forces which would make possible the forward strategy. The result was the acceptance of force goals at the Lisbon meeting of the Council in February, 1952. These provided for a shield of approximately 65 first line divisions. At Lisbon the decision was also reached for a regular Annual Review which would seek to accomplish annually what the TCC had done on a shock basis, i.e. equate military requirements with national politico-economic capabilities.

8. In the following years it became apparent that even the more scientifically based Lisbon goals were beyond the capacity of the NATO nations. This led to another reappraisal and the adoption at the December, 1954 meeting of the Council of a new strategy based on the use of tactical nuclear weapons to counter an "all-out" attack by the Soviet Union. Under this new concept it was found possible to reduce the shield forces to the more manageable total of around thirty divisions.

9. In the period which has intervened between the 1954 decision and the present crisis, two developments occurred to delay the realization of the objective of 30 divisions for the shield forces. One of these was the progressive withdrawal of French forces to deal with the situation in Algeria. The other was the slowness in the build-up of German forces, although after the collapse of EDC in 1954 the Federal Republic of Germany had been admitted as a full member of NATO participating on an equal basis in its own right and not indirectly as a contributor to the European army under EDC. There was also an over-all relaxation of tension following the death of Stalin in 1953 and resulting from the cumulative effects of the Soviet peace campaign, a campaign which received a rude shock through the events in Hungary last November.

10. Overshadowing all these doubts about the ability of NATO to realize an adequate defence came a discussion over the basic strategy which had placed main reliance for the avoidance of a world war on the nuclear deterrent represented by the bombing capacities of the United States Strategic Air Force (SAC) and the United Kingdom Bomber Command. This arose out of growing concern that the Soviet Union may be catching up in the race for means of delivery of the "A" and "H" bombs. This concern can be traced back to the

famous "massive retaliation" speech of Mr. Dulles in January, 1954.¹ Looked at in retrospect this statement did not announce a new doctrine but rather a return to a pre-1950 doctrine when the United States had a monopoly of the atomic weapon. An adviser to the former Democratic Administration, Mr. Paul Nitze, wrote in a recent article (*The Reporter* September 5th, 1957): "It was not a step forward; it was a step backward — a step back dictated not by new strategic considerations but by domestic political and budgetary considerations." As we shall see later on this is not the only occasion when a NATO nation has sought to cover up domestic political and budgetary considerations by resort to strategic doctrine.

11. In the meantime the increasing threat of creeping inflation to the economies of all the NATO countries gave rise to a restlessness over the existing levels of defence expenditures. Throughout NATO defence expenditures were frozen at existing levels until in the United States and the United Kingdom efforts were made to reduce these expenditures below the current level. Since the gross national product of almost every NATO country has been increasing, this meant a progressive decline in the proportion of the gross national product devoted to defence.

12. There was a searching in some of the NATO countries for strategic justification of a reduced level of defence expenditures. The Dulles doctrine of massive retaliation began to take hold in the United Kingdom, where pressure on the balance of payments was compelling the choice between the continuation of nuclear armament and the maintenance of conventional forces for the traditional British world-wide police role. The "trip-wire" concept was conceived. Under this concept only a thin shield was necessary in Europe because an attack on the shield or a tripping of this wire would set off the massive retaliation which was the real deterrent to all-out war.

13. For economic reasons but under the influence of this trip-wire concept the United Kingdom Government introduced last winter their White Paper on Defence. At the same time they unilaterally announced their intention to reduce their forces on the Continent from a total of 77,000 to 50,000 men or in effect from four to three divisions. Since under the Paris Agreement of 1954 they had undertaken to maintain four divisions on the Continent, the concurrence of the Council of the Western European Union (WEU) (the Six EDC countries plus the United Kingdom) was necessary before the United Kingdom could give effect to this reduction. A most acrimonious debate ensued in WEU. The final result was a compromise, whereby the United Kingdom were permitted to effect half of the proposed reduction, or 13,500 men, in this fiscal year, largely in the form of non-combatant troops. The decision as to the other half was deferred until another meeting of the WEU Council, tentatively fixed for October of this year. In the meantime SACEUR was asked for his advice on the military aspects of the proposed reductions and the NATO Council for advice on certain economic and currency aspects. The countries on the Continent made it unmistakably clear that, unless more justification was forthcoming, they could not agree to the withdrawal of a further 13,500 United Kingdom troops from Germany.

14. The basic reasons for the United Kingdom White Paper were economic and financial. The country could no longer stand the strain of being a world power ready at all times to intervene wherever British interests were in jeopardy. When the United Kingdom Minister of Defence went to Washington he was advised by the American Chiefs of Staff to leave the nuclear role chiefly to the United States and to maintain their conventional forces with the financial savings that would thereby ensue. This the United Kingdom refused to do

¹ Voir/See Volume 20, Documents 443-445.

because they feared that in an emergency affecting vital British interests the United States might hesitate to entail the risk of using the ultimate weapon or might not use it in the manner best designed to protect vital British interests. In short they concluded that their position as a great power was more assured by being one of the nuclear powers than by having forces capable of policing large areas of the globe.

15. If the United Kingdom had presented their case to their WEU and NATO partners solely in economic and financial terms, they might have obtained a better hearing, but they cloaked it with a strategic doctrine that was a thin disguise of the trip-wire concept. This doctrine happened to run counter to a political directive drawn up by NATO with United Kingdom concurrence and approved by the Council at the ministerial meeting last December. Briefly, the United Kingdom case is that there is no such thing as a limited nuclear war. Once resort is had to nuclear weapons of any kind an all-out war is inevitable. From this it follows that the size of the shield is not important. What is all important is the capability of immediate and devastating retaliation with the ultimate weapon, the "A" or the "H" bomb, delivered either by means of bomber aircraft or by guided missiles.

16. The reaction of the countries on the Continent of Europe to this doctrine has been profound. Unfortunately, this reaction is not well understood in the Anglo-Saxon countries, partly because it was slow to develop and partly because it has not always been correctly appraised by Anglo-Saxon writers on defence subjects, most of whom have their own preconceived ideas to propagate. The first factor to bear in mind is that these countries are wedded to the forward strategy. They are most sensitive to any moves that seem to represent a return to peripheral strategy. They refuse to contemplate the possibility of liberation after occupation. The second factor is their extreme dependence upon the United States as the possessor of the main deterrent to aggression. They see the gradual catching up by the Soviet Union in the nuclear delivery race, a development that has been demonstratively illustrated by the launching of the Soviet earth satellite.²

17. The European case has been well put in a recent report (prepared for the Sixth Bilderberg Conference at Fiumi, Italy) by a retired French air force General, who was formerly at SHAPE, General Pierre M. Gallois. The following is a translation of an extract from that report:

"For each of the powers of the Alliance which do not possess nuclear weapons the question is this: might it find itself in such a situation that an incident of major importance for its own security or independence might be considered minor not only by guaranteeing atomic powers, but also by the other member countries of the Alliance? This assessment of the major or minor nature of a threat against Western countries must be estimated according to a new criterion — the size of the nuclear risk. Even if a vast airborne nuclear exchange appears improbable, or even impossible, and if everyone knows that they were being blackmailed with fear, it is clear that everyone would weigh the size of the stake and of the risk. And in such a calculation it is very likely that countries not directly and immediately threatened might consider some enemy intervention of major importance for the country against which it is directed to be only a minor incident."

² L'Union soviétique avait lancé le satellite Spoutnik le 4 octobre 1957, mettant ainsi en évidence l'état d'avancement du programme soviétique de missiles balistiques en particulier et des capacités scientifiques soviétiques en général.

The Soviet Union had launched the Sputnik satellite on October 4, 1957, demonstrating the advanced state of the Soviet ballistic missile program in particular and Soviet scientific capabilities in general.

18. The above quotation explains why France is continuing to spend large sums on its nuclear programme at a time when it is engaged in a costly local war in Algeria. It also makes it easy to appreciate the force behind the appeals of European countries to the United States for an amendment to the MacMahon Act which would permit that country to furnish its allies with nuclear weapons. Finally it explains why there has recently developed in some European countries an agitation for more conventional forces, notwithstanding the intolerable burdens this would place on the economies of the countries concerned.

19. The proposed United Kingdom reduction of forces in Germany has been described by writers on the Continent as "tip-toeing out of Europe." This reveals a deep-seated fear that the Anglo-Saxon countries may be disposed to leave their allies to their fate if the risk of defence on the Continent appears too great. The European countries have suspected all along that one of the motives the United States had in proposing German rearmament was that this eventually would permit the withdrawal of American forces from Europe. Throughout the discussions in NATO on the United Kingdom reduction of forces there were repeated references to the vital importance of maintaining the continued stationing of American, British and Canadian forces on the Continent of Europe. The Canadian contributions to SACEUR's forces are valued greatly because their quality is relatively superior to their quantity but above all they are valued for the psychological or political reason that they help to assure the continued presence of American and British forces.

20. The theory of reliance on the deterrence of the ultimate weapons was attacked in a book published last summer by a young American, Mr. Henry A. Kissinger. This book is entitled *Nuclear Weapons and Foreign Policy* and has attracted much attention. Kissinger's thesis is that resort to the ultimate weapon involves such mutual destruction that it is not feasible politically and that both sides will refrain from its use even if one or the other resorts to tactical nuclear weapons. He, therefore, propounds the doctrine of limited nuclear war. He spoils this thesis by padding his book with concrete examples of how such wars might be conducted, but there is no doubt that the appearance of this book has had an impact on thinking on both sides of the Atlantic.

21. That a change of thinking is taking place in Washington along the lines of Kissinger's thesis may be seen from an interesting article by Mr. Dulles which appeared in the October issue of *Foreign Affairs*.³ After pointing out that recent tests point to the possibility of possessing nuclear weapons the destructiveness and radiation effects of which can be confined substantially to predetermined targets, Mr. Dulles concludes that: "In the future it may thus be feasible to place less reliance upon deterrence of vast retaliatory power. It may be possible to defend countries by nuclear weapons so mobile, or so placed, as to make military invasion with conventional forces a hazardous attempt."

22. That some of Kissinger's ideas are shared on the Continent of Europe may be seen by quoting the following extracts from the report of General Gallois referred to above:

"Western Europe is still guaranteed by the airborne nuclear power of the United States. We think that the growth of Soviet nuclear capacity, the quality or even the superiority of this capacity over that of the West, is not of such a nature as to change fundamentally the military aspect of the permanent test of force, which is characteristic of this period. On the other hand, it seems that the political aspect of the problem of common defence may be completely changed. For as long as an airborne nuclear monopoly existed the

³ Voir/See John Foster Dulles, "Challenge and Response in United States Policy," *Foreign Affairs* Vol. 36 No. 1 (1957), pp. 25-43.

concept of guarantee had some sense, the risk taken in granting this guarantee was a minor one. This is no longer true.”

“This reasoning could lead to the safety of Western continental European countries being based on the individual possession (or the possession by groups of nations with very closely connected interests) of quantitatively limited nuclear armament, and on their conventional contribution to a collective defence system. The first of these two categories of forces would bring the deterrent to the national level. The second would discourage minor action against one or several allies, and allow the level of the stake to be sufficiently raised to be able to pass gradually to the national, regional, or collective nuclear deterrent.”

23. It has been in this charged atmosphere that General Norstad has been preparing all summer his report that would respond to the request of the WEU Council for advice on the military aspects of the proposed United Kingdom reduction of forces on the Continent of Europe. He very wisely decided not to reply directly to the questions put to him by the WEU Council but to let the answers come out of another report he was preparing. This is a document known as MC 70 and is entitled “Minimum Force Requirements.”⁴ It covers the period up to the end of 1963. SACEUR’s contribution will be combined with those of the other two Supreme Commanders, SACLANT (Atlantic) and CINCHAN (English Channel), and then vetted by the Standing Group and the Military Committee before submission to the Council. Since both SACEUR’s and SACLANT’s contributions contain some revolutionary ideas it is not expected that this procedure can be completed in time for submission of the document to the ministerial meeting of the Council in December. There will, however, be a discussion at that meeting on the procedure for dealing with the document.

24. SACEUR’s contribution to MC 70 was given a preview first of all at a presentation to national Chiefs of Staff on September 18th and secondly at a presentation to the NATO Ambassadors on October 2nd. The latter presentation was rendered necessary by the exigencies of the WEU time-table. The presentation consisted of briefings by General Norstad and his senior officers. Normally nothing is revealed officially to the Council of papers prepared by the Supreme Commanders until they are approved by the Military Committee.

25. We have seen that there are three schools of thought. First that represented by the British who place main reliance on deterrence by the ultimate weapon and who advocate a thin shield. The second school is that of those who question reliance on the deterrent under existing conditions and favour a return to large conventional forces in order to assume the integrity of national territories against political blackmail or piecemeal nibbling. The third school is that which lies between the other two and is represented by the doctrine accepted by NATO since 1954.

26. In his contribution to MC 70 General Norstad has confirmed and further elaborated this accepted NATO doctrine. Without minimizing in any way the deterrent effect of the ultimate weapon he designates the shield as an essential part of the deterrent. He continues to require a shield of around 30 divisions. These shield forces are to have both nuclear and conventional capabilities. They have to be prepared to fight either type of warfare using

⁴ Le texte du MC-70, qui établissait les contributions minimales en main-d’oeuvre et en matériel pour les pays de l’OTAN entre 1958 et 1963, demeure classifié.

The text of MC-70, which mandated the minimum manpower and materiel contributions for NATO countries between 1958 and 1963, remains classified.

that degree of force required to deal with the situation. To make possible the provision of the forces he needs, General Norstad proposes economies through the abolition of forces he does not need. The emphasis is still on the first thirty days. Hence he proposes drastic cuts in second echelon forces that cannot be available within this period. He proposes reductions in the number of aircraft but this is more than compensated for by an overall increase in strike power.

27. It is becoming clear that with the complexity of modern weapons the emphasis is being placed more and more on highly trained regular troops. Field Marshal Montgomery has affirmed that the day of the levy en masse of men to fight a war is over. General Norstad says as much by relegating reserve forces to a very low priority and not requiring them to be assigned to him. He does not go so far, however, as to recommend the abolition of national service because this is the only way some NATO countries can raise forces economically. He puts forward the revolutionary suggestion of an international division under his command ready to be airborne to any part of the NATO area.

28. Hitherto SACLANT has been accused of preparing for war under a concept opposite to that on which SACEUR bases his strategy. His duty is to keep the sea-lanes open and this has presupposed a war of longer than thirty days duration. SACLANT's contribution to MC 70 is reported to be based on a forward defence. Under this strategic concept there would be concentration on keeping the Soviet submarines out of the Atlantic instead of concentrating on destroying them after they have got into the Atlantic. This would assume naval forces in being, whereas at present SACLANT has no forces assigned to him but only forces earmarked for him. This revised concept would enable SACLANT to pay more attention to the early stages of a nuclear war. It is reported that the Standing Group are questioning the concept and this is one of the factors which will contribute to the delay in presenting MC 70 formally to the Council.

29. The United Kingdom Government are in a quandary as a result of SACEUR's presentation of his contribution to MC 70. General Norstad has confirmed the necessity for a strong shield and hence supports the arguments advanced by the countries on the Continent of Europe against the proposed withdrawal of further United Kingdom forces from Germany. There is now little hope that these countries will agree to the further withdrawal of 13,500 men in the next fiscal year. The United Kingdom wish to avoid another heated debate in the WEU Council with all the damage this would cause to their prestige. In particular, they fear the effect this might have on the difficult negotiations for the association of a Free Trade Area with the Common Market comprised of their six partners in WEU. General Norstad paid a private visit to London on October 9th and had talks with Mr. Selwyn Lloyd and Mr. Duncan Sandys. They asked him for his advice. He advised they adopt a proposal he made earlier in the year and agree to leave on the Continent the strategic reserve of 5,000 men. This would reduce the number of United Kingdom troops to be withdrawn in the next fiscal year to 8,500 men. At the same time the United Kingdom could point out that there remains unsolved the currency question relating to the strain on their balance of payments from maintaining troops in Germany. There is a clause in the Paris Agreement of 1954 pertaining to this question, but up to now the discussions on this subject have been abortive, partly due to the obduracy of the German Minister of Finance. It is probable that the questions which have arisen in WEU over the proposed withdrawal of part of the United Kingdom forces stationed in Germany will be settled out of court and that there will be no discussion of these questions at the ministerial meeting of the NATO Council in December.

30. We have seen that MC 70 will not be ready for formal presentation to the Council in time for the December ministerial meeting. Consequently Ministers will not have to take a

stand on the proposals in this document until sometime in 1958. Enough, however, will be known, at least of SACEUR's proposals, to permit them to be reflected in a discussion of the defence problems facing the Alliance which is one of the items on the agenda. This may take the form of a sort of preliminary discussion of the main lines of MC 70 without leading to definite conclusions or decisions. Enough is known also of the broad lines of MC 70 to permit of an intelligent discussion of the procedures to be followed in giving effect to the proposals in the document, which is another item on the agenda for the December ministerial meeting. Here we have some concern that the NATO Secretariat may be harbouring the idea of a large scale multilateral exercise to give effect to MC 70. Fortunately for us, General Norstad has already made his views on this question known in an informal statement he made on October 2nd to some NATO Ambassadors. He said that in his view all that is required to give effect to MC 70 are bilateral conversations between the Supreme Commanders and each of the Governments plus the maximum possible use of the established Annual Review procedure. At the December meeting, however, Ministers will be asked to decide whether MC 70 should be discussed in the first instance at a meeting of Defence Ministers or at a meeting attended by Foreign, Finance and Defence Ministers. The United States are in favour of the latter course, but I should think a great deal will depend upon the degree of insight into these problems the Foreign and Finance Ministers acquire at the December meeting. A meeting of Defence Ministers only would be less unwieldy for the purpose in view. The only substantive decision in the military field Ministers will be asked to take at the December meeting will be to approve the Annual Review for 1957 which sets firm force goals for 1958, provisional goals for 1959 and goals for planning purposes for 1960.

31. The first part of the agenda for the ministerial meeting in December is mainly political. It is not known yet on what points Mr. Spaak will touch in his report on the Main Problems confronting the Alliance. It is thought his object will be to reinforce NATO solidarity. He may deal with such questions as a common policy for the Middle East, measures to bring about a settlement of the Cyprus dispute and steps to lessen the economic dependence of Iceland on the Soviet bloc. Mr. Spaak is a born integrator with much practical experience in European integration. It is possible that some of his suggestions may be designed to bring about the closer integration of the NATO countries. We should be afforded an inkling of Mr. Spaak's latest thinking in the addresses and broadcasts he is to deliver on his visit to the United States towards the end of this month.

32. The item on the agenda for the December meeting providing for a review of the current international situation is intended to provide an opportunity for an exchange of views. It is an item for information and not for action. No conclusions or decisions are intended to emerge from the discussion under this item, but it is hoped that the exchange of views will enable all NATO Governments to take into account in formulating their policies the views expressed by their NATO partners. In this way, if not common policies, at least policies consistent with NATO objectives can be followed by the Governments.

33. Finally, the agenda for the December ministerial meeting will contain an item relating to the report of the Senior Committee on Civil Emergency Planning. This Committee is chaired by Mr. Spaak and is composed of officials in national capitals primarily responsible for planning in this field. They are meeting in Paris this week to finalize the report which they will submit to the December ministerial meeting. It is possible that their report will contain recommendations entailing increased expenditures by governments for civilian planning for an emergency. If so, Ministers will want to consider these recommendations along with those in the purely defence field. It has not yet been worked out how the two sets of recommendations can best be co-related.

34. This completes the review of the principal points with which the Canadian Ministers will be brought in touch both during the visit of General Norstad to Ottawa on November 13th and 14th and as a result of the participation of three Canadian Ministers in the Ministerial meeting of the NATO Council on December 16th to 18th.

L.D. WILGRESS

182.

DEA/50030-AB-5-40

*Note du chef de la 1^{re} Direction de liaison avec la Défense
pour le sous-secrétaire d'État aux Affaires extérieures*

*Memorandum from Head, Defence Liaison (I) Division,
to Under-Secretary of State for External Affairs*

CONFIDENTIAL

[Ottawa], October 30, 1957

PANEL ON ECONOMIC ASPECTS OF DEFENCE — FRIDAY, NOVEMBER 1ST

The only item on the Agenda of this meeting is the following: "Procedure Used in the Preparation of MC70."

2. The questions for discussion under this item were raised initially with this department in General Foulkes' letter to you of October 3.† This letter, which is included in the Agenda documents sets out the views of General Foulkes in some detail.

3. The essence of the problem is as follows. SACEUR and SACLANT's contributions to MC70, the Minimum Forces Study, which is to be completed towards the end of December, contain force allotments broken down by countries. The allotments for Canada do not meet with General Foulkes' approval. He feels that the Commanders overstepped their authority in making these allotments by country and circulating them to all NATO countries. He considers that the Force requirements should have been shown on a regional basis pending council decision on the procedure for the implementation of MC70.

4. General Foulkes has assumed that, by including these country force allotments in their reports, the Commanders were attempting to nullify the Lisbon decision which provided that the Council should have "final determination of annual programs, including force targets and programs required for the supporting build up." This is the first point which might be cleared up.

5. It is quite evident that the Commanders had no intention of ignoring or circumventing the Lisbon decision. In chapter V of SACEUR's contribution (SHAPE/154/57) is the following sentence:

"Where the objectives established (i.e. the country force allotments) cannot be met, we are ready to discuss the problem bilaterally, to provide priority guidance and to consider how best to adjust individual national goals within the Minimum force."

General Norstad told Mr. Wilgress (NATO telegram no. 1677† paragraph 15) that "we could count on his unqualified opposition" to another TCC exercise as a procedure for dealing with MC70. In his view all that was necessary would be bilateral conversations between SACEUR and the governments plus the maximum use of established Annual Review Procedure. He reiterated this view when he appeared before Council on October 22 (NATO telegram 1787† paragraph 5). He said:

"With regard to the procedure for dealing with MC70 ... in the past National Authorities have had the responsibility for determining their force contributions with the benefit of advice from SHAPE. This could still be done but there must be the closest cooperation

between the country, SHAPE, and the International Staff. After this step he felt that perhaps through the Annual Review organization if not specifically through the Annual Review Process, the result would have to be presented to Council."

These statements hardly support General Foulkes' contention that General Norstad's intention was to bypass the Lisbon decisions. General Foulkes has apparently assumed that the Force allotments by countries have the status of firm goals in the sense that firm goals were established by Council as a result of the Annual Review Process. General Norstad, however, is apparently submitting them as guidance just as he provides guidance in the first stages of the Annual Review each year. Thus his allotments are subject to negotiation with countries and processing via Annual Review procedures before Council takes decisions on the force goals.

6. The main bone of contention is that these country force allotments have been circulated to all members, while the Annual Review guidance is not circulated before the bilateral negotiations. This is a point on which General Norstad might be criticized. He has provided some justification for taking this action (paragraphs 13 and 14 of NATO telegram 1677). We would have thought, however, that while country allotments might have been necessary, they need not have been circulated.

7. General Foulkes will probably try to pin some of the responsibility for the circulation of the country force allotments on our NATO Delegation. Last May, the French Delegation submitted questions in addition to the WEU questions to be announced by SACEUR. One of these questions, if agreed by Council, required SACEUR to state the contribution which would be required of each country to arrive at the total number of forces. In our telegram DL-469† of May 3, we informed our Delegation of our view that none of the NATO military authorities should be asked to undertake to answer this question. Unfortunately for reasons which Mr. Wilgress cannot explain, no action was taken on this instruction and on May 16, Lord Coleridge sent a circular RDC/190/57 which said: "No Delegation has raised any objection to these French questions, and they have therefore today been communicated officially to General Norstad."

8. While we must accept some blame for not having noted this at the time, General Norstad has "denied emphatically that he had been influenced in any way by the French questions. He had ignored these questions and had so stated at the presentation on October 2." The decision to include country allotments was taken on General Norstad's own initiative "because it appeared to him to be the only way of accomplishing his objective. He had not been aware that he was transgressing any rule laid down at the Lisbon meeting, nor was he conscious that he was following the specific instructions of the Standing Group" (NATO telegram 1677, paragraph 13).

9. It would appear therefore that this dereliction on our part is not one which has influenced the course of events, but it is nevertheless embarrassing!

10. A third point which General Foulkes has raised is the misunderstanding that developed between him and SACEUR regarding the SHAPE Planning Guidance for the 1957 Annual Review (SHAPE 64/57 of April 3, 1957). This question is dealt with in paragraphs 2 to 8 of General Foulkes' letter of October 3. General Foulkes disagreed with the new force requirements for Canada which were outlined in the paper. He discussed the question with SHAPE and SACEUR agreed to withdraw the recommendations and substitute a statement that Canada agreed to carry out discussions with SHAPE at some later date on the future of the air division and to give consideration to the adoption of a suitable guided missile to support the Brigade Group. General Norstad assumed that his agreement related only to the 1957 Annual Review. General Foulkes thought it related to the Force Goals up

to 1962 no matter what paper the recommendations might appear in. The fact that the same or nearly the same recommendations that he discussed with SACEUR have reappeared in SACEUR's contribution to MC70 has annoyed him considerably.

11. In our view there is some justification for both points of view, but it would not appear reasonable to suggest that SACEUR could not make recommendations in connection with MC70 which go beyond those made for the 1957 Annual Review. General Foulkes' military arguments against the specific recommendations seem rather sensible, but we do not have SACEUR's side of the story. These recommendations, as we have pointed out can be discussed again with SACEUR in the light of the broader recommendations of MC70 which were certainly not identical to those on which the 1957 Annual Review was based. They will then presumably be fed with the Annual Review process (or whatever procedure is decided by Council to implement MC70) before Council takes a decision on them.

12. Finally, there is the question of what the Panel should decide to do about this situation. General Foulkes wants the country allotments deleted from MC70, but Mr. Wilgress (NATO telegram 1677 of October 10) sees grave difficulties ahead if we were to raise this point in Council. He has pointed out that a proposal to delete them would require unanimity and he feels that we could not expect unanimity on this issue. On the contrary, he fears, that by raising this question in Council we would place ourselves in the position of standing out against the efforts of the Supreme Commanders to provide effective and adequate defence and this at a time when the USSR has demonstrated the possibility of a scientific break through upsetting the balance of force between the two sides. There would be attributed to us the motive that we are adverse even to examining the possibility of modernizing our defence contributions to NATO. He points out that the result of our raising this question might well be to stimulate a move for a new TCC exercise as a procedure which might be considered more effective than the present Annual Review procedures — a result which we would wish to avoid.

13. In our view we should not take this matter up in Council at present. MC70 is not completed and the Commanders' contributions are not officially before Council. MC70 will shortly be considered by the Military Committee and that would seem to be the proper place to voice any objections the Panel might agree should be raised. The line you might wish to take in the Panel might be based on the following considerations: As far as Canada is concerned, the harm or embarrassment caused by the circulation of the country force allotments has been done. It cannot be modified at this stage by suggesting the removal of the allotments and our motives might be questioned. Our attention might be directed in the first instance to discussing the Canadian allotments with SACEUR as he suggests in Chapter V on his paper. After the results of these discussions are known the Panel might consider at a later stage and in the light of better information on the views of other countries, whether we might propose in the Military Committee that the revised force allotments for each country be sent only to the country concerned pending a Council decision on procedure for implementing MC70.

PAUL TREMBLAY

183.

DEA/50030-K-40

*Procès-verbal de la réunion du Comité
sur les aspects économiques des questions de la défense*

*Minutes of Meeting of Panel
on Economic Aspects of Defence Questions*

TOP SECRET

Ottawa, November 1, 1957

Present

Mr. R.B. Bryce, Secretary to the Cabinet (Chairman)
 Mr. J. Léger, Under-Secretary of State for External Affairs
 General C. Foulkes, Chairman, Chiefs of Staff
 Mr. K.W. Taylor, Deputy Minister of Finance
 Mr. F.R. Miller, Deputy Minister of National Defence
 Dr. A.H. Zimmerman, Chairman, Defence Research Board
 Mr. A.F.W. Plumtre, Assistant Deputy Minister of Finance
 Mr. F.A. Milligan, Department of Defence Production
 Mr. D.B. Dewar, Privy Council Office (Acting Secretary)

Also Present

Mr. R.G. MacNeill, Mr. E. Gallant, Department of Finance
 Mr. P. Tremblay, Mr. F.G. Hooton, Department of External Affairs.

I. *SACEUR's Contribution to MC70*

(The following documents had been circulated:

Document ED3-57, † Procedure used in the Preparation of MC70; Document ED4-57, † copies of Telegrams DL-469 of May 3, 1957 to Paris; DL-851 of October 8, 1957 † to Paris; 1677 of October 10 from Paris; and 1787 of October 24 from Paris.)

1. *The Chairman* invited General Foulkes to speak on the item before the Panel.
2. *General Foulkes* referred to the contribution of SACEUR to MC70, which had been circulated to member countries, and said that it contained recommended force goals for countries. The goals for Canada were the following: For the Army, it was recommended that Canada provide Honest John missiles in 1958 and Little Johns in 1961, at an estimated cost of one million dollars. For the Air Division, SACEUR has recommended that four squadrons of light bombers (100 aircraft) should be introduced, and four squadrons of day fighters should be eliminated. By 1960 the remaining four squadrons of day fighters should be replaced by four squadrons of all-weather fighters. Since the all-weather fighters required after 1960 would have to be of a newer model than the CF-100, the implementation of the recommendations for the Air Division would cost one billion dollars. The Navy recommendations called for an additional aircraft carrier, three more destroyer escorts and twelve more maritime patrol aircraft by 1960, at a total increased expenditure of \$185 millions. Total increase in capital cost for the implementation of the recommendations to Canada would be approximately \$1,186,000,000.
3. The Canadian government was entitled to take exception to these recommendations on grounds of both substance and procedure. The Chiefs of Staff would not have made similar recommendations to the government on military grounds, quite apart from considerations of cost. The Honest John missile was suitable for armies and corps, but not for brigades, and the recommendations in respect of the Air Division, which involved the stationing in Europe of three different types of aircraft within a relatively small total air strength, and provision of support for them, represented a serious deviation from the principle of balanced forces.

4. On the procedural side, Canada had obtained agreement from SACEUR early in the 1957 Annual Review process that the recommendations for the Army and the Air Division now appearing in MC70 would not be pressed in the 1957 Annual Review. It was surprising, therefore, that the same recommendations were now appearing in MC70. More serious was the assumption by a NATO commander of the right to make recommendations on force goals to countries, to give the opinion that countries were economically capable of meeting the designated goals, and to circulate the document containing these recommendations and opinions throughout the Alliance before they had been studied by the Council or even by the Military Committee. *General Foulkes* said that such a procedure seemed to be in violation of the decision taken at Lisbon by the Ministerial Council that force goal allocations should be made only by the Council and after discussions had taken place in the Annual Review process with the countries involved. Canada was probably placed in a worse position than any other member country as a result of the procedure which had been followed, because we had made a practice of living up to the force goals which had been carefully worked out in the Annual Reviews, and, unlike other countries, we did not accept mutual aid from the United States and would therefore have to meet the capital expenditures involved from our own defence budgets.

5. *Mr. Léger* said that although the procedure used in circulating the country force allotments was perhaps objectionable, the harm or embarrassment caused by this procedure had already been done, and nothing would be accomplished at this stage by suggesting the removal of the allotments. Indeed our motives in making such a suggestion might be questioned. It might be better to wait until the Canadian allotments had been discussed with SACEUR and the views of other countries were known, at which time we might propose in the Military Committee that the revised force allotments for each country be sent only to the country concerned pending a Council decision on procedure for implementing MC70.

6. *In the course of discussion*, the following main points emerged:

(a) Force goals for Canada had actually been increased only in the case of the Navy. The changed goals for the Army and the RCAF involved costly new equipment and fewer aircraft of a more expensive type and increased support costs.

(b) The apparent intention of the Council to ask for comments on MC70 from the Standing Group prior to the Ministerial meeting in December was objectionable because the views expressed by the Standing Group would not reflect the positions of Canada or the other non-Standing Group countries. For example, there was a danger that the proposal that SACLANC should have forces allotted to him prior to the outbreak of war for the purposes of countering the Soviet missile-bearing submarine threat, which was favoured by Canada, might be opposed by the Standing Group as a result of United Kingdom objections;

(c) The contents of MC70 were an example of the difficulties which arise as a result of the close association of SACEUR, as opposed to other NATO commanders, with the NATO Council in Paris. His easy accessibility for the purpose of advising the Council, and his position as military adviser to the WEU as well as to NATO, resulted in the Council being given a view of the military objectives of the Alliance that disproportionately emphasized the defence of Western Europe. Whereas it was true that the concentration of defensive strength in Western Europe had resulted in preventing Soviet encroachments there, the political-strategic situation had so changed that more attention should be given to the air defence of North America as a major concern of the Alliance. NATO should also pay more attention to the dangers of Western Europe being outflanked by Soviet Russia in

the Middle East, North Africa and Iceland, and to the methods of meeting these dangers, particularly by political and economic measures.

(d) The procedure for dealing with MC70 would likely be discussed at the Ministerial meeting in December, but the document itself would not be before the Ministers for discussion in detail or for approval. It might be advisable for the Ministerial meeting to decide that it should be further considered at a meeting of Defence Ministers early in 1958. Although there was little merit in objecting at length at the December meeting to the procedure which had been followed in the preparation of MC70, Ministers should be briefed on the procedural problem, and consideration should be given to the desirability of Ministers putting on record their disapproval of the distribution of country force requirements by commanders prior to their negotiation with the countries concerned.

(e) The position of Canada in dealing with the recommendations in MC70 would be very much strengthened if the defence estimates for the forthcoming fiscal year were not reduced, since a reduction from the level of previous years would lend credence to the contention of SACEUR that this country was capable of a greater effort. If the same order of magnitude as in previous years were maintained, the need for considering a reduction of commitments overseas in order to improve continental defence at home could also be pressed more effectively.

(f) Ministers should be made aware of the impossibility of maintaining the defence effort planned in 1951 even within the budgetary limits decided upon in that year, as a result of rising costs. In particular, it should be pointed out that within present ceilings and programmes, re-equipment of the Air Division overseas would not be possible.

(g) It was possible that Canada might have to reconsider her position of refusing to accept mutual aid from the United States, at least in respect of our forces overseas. An alternative and perhaps preferable means of relieving the burdens of equipment costs would be to inaugurate a programme of reciprocal orders for equipment with the United States along the lines of the programmes adopted in the Second World War and the Korean War.

7. *The Panel* noted that SACEUR would be meeting with Ministers in Ottawa on November 13, and considered that Ministers should be briefed generally on the background of the MC70 problem and on the present state of the Alliance prior to that meeting.

8. *The Panel:*

(a) Noted the points which had been made in the course of the discussion;

(b) Agreed that documents should be prepared by the Chairman, Chiefs of Staff and by the Department of External Affairs to be used at a briefing on November 12 at 3:15 p.m. of the Ministers who would be meeting with SACEUR on November 13.

D.B. DEWAR
Acting Secretary

184.

DEA/50102-5-40

*Le représentant permanent auprès du Conseil de l'Atlantique Nord
au secrétaire d'État aux Affaires extérieures*

*Permanent Representative to North Atlantic Council
to Secretary of State for External Affairs*

TELEGRAM 95

Paris, January 15, 1958

CONFIDENTIAL. PRIORITY.

Reference: Your Tel DL-38 Jan 14.†

COUNCIL MEETING JANUARY 15 — ITEM I — DOC C-M(58)5 — MINISTERIAL
MEETING, POSSIBLE FOLLOW-UP ACTION IN DEFENCE FIELD

Referring to section on NATO Defence Points III A(1-9 inclusive) Spaak intimated that this presented a more complex problem than the other sections. It is his contention that preparation of a conference, at ministerial level, to discuss overall defence problems early in the year is almost impossible of realization since we are still lacking MC70, which document, in his opinion, must of necessity form the basis of all considerations.

2. With regard to MC70 Spaak inferred that the news was not good and that there was little the Council could do to hasten completion and distribution of this document. He advised that Standing Group had been informed of Council's concern in this matter and had been requested to have MC70 in hands of Council by February 15 at latest. He went on to point out that ministerial meeting to study MC70 had been planned for period 5 to 6 weeks after document had been placed in hands of Council, namely around end of March. This time phasing was necessary in order that all preliminary work might be completed and definitive results ready for spring meeting of foreign ministers. He suggested that if above time schedule could not be met it might be necessary to postpone foreign ministers meeting, and seemed, by implication, to suggest that it might also be necessary to postpone March meeting at least until end of March.

3. Spaak went on to say that Standing Group had been asked to request Supreme Allied Commanders to commence providing, as soon as possible, opinions on certain of the suggestions made at December meeting, since this procedure could help to shorten delays which might arise during discussion of MC70, which delays would stem from lack of prior consultation. Netherlands representative agreed with this procedure and stressed the urgency of all action necessary to implement military decisions being taken with least possible delay, regardless of progress on MC70.

4. UK representative, while agreeing that military guidance must be provided, expressed it as his view that governmental guidance was also a requisite. It was his government's view that MC70 would not be ready for the March conference, but it was felt that this conference need not be postponed for this reason, since the Council would have conducted extensive discussions both in Council and with other groups such as, for example, the Defence Production Committee, the military authorities, etc. The results of all these discussions should, in the UK view, provide an adequate basis for consultations at a ministerial meeting in March.

5. In discussion of the four points contained in section III B of Document C-M(58)5 the following thinking emerged. With regard to B(1) the French Delegate considered that there was a requirement here for decisions by governments to be obtained in certain fields and,

consequently, there must be opportunity for the military authorities to consult with governments. Spaak agreed that this section meant that the Council would ask the military authorities to make recommendations. However, he stated that no final decision or stand had been taken here, and it was his contention that the submission of recommendations from the military authorities would infer that discussions with, and an expression of intent by, the countries concerned had been achieved. The Standing Group representative indicated it would be difficult to say when the recommendations would be available.

6. The Netherlands representative suggested that section III B(2) be deleted in deference to the good sense of the Standing Group. The Standing Group representative pointed out that Annex B to RCD 428 (Final) would produce the answers to this section from the military point of view and he therefore suggested that B(2) should be deleted.

7. The UK representative, in the context of B(2), urged that the Council set appropriate groups to work in the matter of logistics. He referred to the Council briefing at CINCENT in early December, at which time General Valley had made some most pertinent remarks on the question of standardization and integration, and suggested that CINCENT, and perhaps SACEUR, might be invited to provide the Council with more detailed views on these topics. Decision on this proposal is to be deferred until next week.

8. It was agreed to delete section B(2) which fact prompted the Netherlands representative to query the disposition of item A(8) which was originally contained in B(2). His proposal that A(8) should be included in section B(4) evoked from the Belgian representative the opinion that this was not the appropriate place since some confusion might arise out of the fact that A(8) dealt with the past and section B(4) dealt with the future. After further discussion the disposition of A(8) was deferred for consideration until next weeks meeting. It was suggested that A(8) could well be included in section B(3) and we would appreciate your comments on this point.

9. Spaak opened the discussion on section III B(3) in a most pessimistic vein. He drew the analogy between MC70 and the expectant mother who had been nurturing her embryo for over nine months, and suggested that we were undergoing a prolonged period of prenatal agony. In somewhat wistful manner he disclaimed any knowledge of the contents of MC70 and, in consequence, asserted that he was not competent to ask the Secretariat to draw up clear and concise procedures for a conference, nor did he consider it feasible to draw up an agenda for the conference until the form and content of MC70 were known.

10. In response to a question posed by the UK as to the latest timing for the placing of MC70 into the hands of the Council the Standing Group representative stated that the information given by the Standing Group in December to the effect that mid-February was the best estimate is still the only authoritative guess available.

11. We admitted that this question of a ministerial meeting in March posed a most complex problem and agreed that it was important to obtain the views of the military authorities in order that we might be able competently to solve the procedural aspects of the conference. We emphasized, however, that in our opinion this was a most important and urgent task and, whilst no decision could be reached at to-day's meeting, we felt this point must be followed up as a matter of urgency.

12. We would appreciate receiving prior to the 22 January meeting any comments or proposals relative to the above which you may wish to forward to us.

[PAUL] BRIDLE

185.

DEA/50102-U-40

*Le secrétaire d'État aux Affaires extérieures
au représentant permanent auprès du Conseil de l'Atlantique Nord*

*Secretary of State for External Affairs
to Permanent Representative to North Atlantic Council*

TELEGRAM DL-64

Ottawa, January 21, 1958

SECRET. OPIMMEDIATE.

Reference: Your Tel 95 of Jan 15.

NATO MINISTERIAL MEETING — FOLLOW-UP ACTION IN DEFENCE FIELD

We are very much concerned at the inconclusive and somewhat jumbled discussion in Council (your reference telegram) on procedures for handling MC-70 and the preparation for the meeting of Defence Ministers to consider this question. It is our understanding that MC-70 will be forwarded to national authorities by the end of January and that a meeting of the Military Committee (Chiefs of Staff Level) could consider it on March 6. In our view it would be worth considering whether this meeting of the Military Committee should not be transformed into a joint meeting of the Military Committee and Council which could if necessary meet for a week. Its main purpose would be to prepare for the meeting of Defence Ministers. National documentation which would have in any case been prepared for the Military Committee could be provided concurrently to the Council for the joint meeting.

2. If this could be agreed the Defence Ministers Meeting could be held toward the end of March provided that ministers were not required to take any decision of substance. The Defence Ministers Meeting should be primarily a briefing meeting.

3. What we have in mind can be seen more clearly in the light of the contents of MC-70. It is our understanding that MC-70 will be divided into two parts. The first part will include an intelligence section, a section on the concept, a section on military planning and a section on overall force requirements. Part two, we understand will include the national forces contributions based on the Supreme Commander's papers.

4. The Defence Ministers could receive a general briefing on Part One and take note of Part Two. Defence Ministers might also take a decision on the procedure to implement Part Two. It would be our hope that this decision would be to have the implementation of Part Two undertaken in the 1958 Annual Review. The Annual Review Committee could then get started immediately after the Defence Ministers Meeting. There would be no new requirement for Supreme Commanders guidance since this would be provided in Part Two of MC-70.

5. The Defence Ministers Meeting could also review the question of the division of new infrastructure expenditure with particular reference to missile infrastructure.

6. If a procedure along these lines could be agreed, we can see two tasks which should be undertaken immediately by the Council. Firstly, the Annual Review Committee should be instructed to work out a time table and amended procedures for dealing with Part Two of MC-70. Secondly, the Infrastructure Committee should be instructed to undertake preparatory work on the financing of new infrastructure requirements relating to missiles.

7. With regard to the spring meeting in which we assume Defence and Finance Ministers would participate along with Foreign Ministers, we would envisage decisions being taken

on Part One of MC-70 in the light of governmental positions worked out subsequent to the Defence Ministers briefings. In addition, the later spring meeting might, if adequate preparation were undertaken, take financial decisions on the division of new infrastructure expenditure. Decisions on Part Two of MC-70 could not be taken until the next December meeting and on the basis of the 1958 Annual Review.

8. With regard to paragraph 5 of your reference telegram and section III B (1) of CM(58)5 it is our understanding that procedures regarding IRBM will have to follow the following sequence: (1) SACEUR will have to suggest in which countries IRBMs should be stationed (2) he will then have to discuss his recommendations with individual governments. (3) following SACEUR's discussions bilateral arrangements between the US and the country concerned will have to take place. We would hope that Council would be kept fully informed on the progress of these negotiations and perhaps you might suggest that such progress reports be made from time to time in the Council. The sequence of negotiations for the stockpiling of nuclear warheads should we think be very similar and equally Council should be kept informed of the progress of negotiations.

9. With regard to section III B (2), we see no reason for deleting this instruction to the military authorities.

10. With regard to section III B (3), we feel that in the light of the suggestions made in this telegram, it should be possible for the Secretary General to prepare a general outline of the procedure for and the tasks to be undertaken by the conference at ministerial level (Defence Ministers). We feel that this item should be kept on the agenda of the Council and that the Secretary General should be asked to prepare a paper on it as soon as possible to clarify various government views on what should be accomplished at this meeting and also if possible on the later spring meeting.

186.

DEA/50102-U-40

*Le président du Comité des chefs d'état-major
au sous-secrétaire d'État aux Affaires extérieures*

*Chairman, Chiefs of Staff Committee,
to Under-Secretary of State for External Affairs*

TOP SECRET

[Ottawa], January 22, 1958

FUTURE MINISTERIAL MEETINGS

1. I would refer to the telegram No. 95 of 15 January 1958 from the NATO Delegation in Paris and your reply DL-64 of 21 January 1958.

2. I was only shown a copy of this telegram No. 95 of 15 January 1958 from Mr. Bridle late yesterday afternoon and therefore only had an opportunity to give our preliminary views on this problem of the next series of Ministerial meetings. While I was able to give Mr. Hooton our tentative views, which he has outlined in DL-64, I now feel that I should elaborate on our views on future ministerial meetings.

3. At the outset I would like to point out that, from a military point of view, the December meeting⁵ was most unsatisfactory and I would hope that we would never again be asked to participate in a meeting dealing with such important military problems with so little advance information and preparation as faced us in the December meeting.

4. While the problems of intermediate ballistic missiles and the provision of warheads was not one of vital concern to Canada, the future discussions on MC 70 are not in this class, but of vital importance to this country. Therefore, I cannot speak too strongly regarding the necessity for adequate military preparation before these problems are discussed by the political and economic bodies of NATO.

5. As you are aware, the Military Committee's advice was not sought on the military problems facing the alliance last December, nor were the Chiefs of Staff of the NATO countries briefed on the characteristics, implications and use of these new weapons. Therefore, the Chiefs of Staff were not in any position to advise their Governments on the action to be taken regarding these recommendations. In this telegram from Mr. Bridle, it appears to me that the Council are again trying to meet dead lines without regard to the need for proper study of the problems which are to be faced at this next series of meetings. I am sure the experience of the last December meeting makes it abundantly clear that our future policy regarding NATO meetings should be to insist that the preparatory work is completed well in advance of the meeting and the subjects on which decisions are sought have been thoroughly examined prior to presentation to the Ministerial meeting. I feel that we should make it quite clear to our Delegation in Paris that we are more concerned in securing the right answer to the problems of MC 70 than to meet any particular dead line required for a meeting.

6. There has been further pressure from the Secretary General for the draft MC 70 papers to be forwarded for Council consideration before these papers have been studied by the Chiefs of Staff of the countries concerned and before the Military Committee has had a chance to take action on this paper. This procedure is considered unsound. It may well happen that the intelligence on which these papers are based is now out of date and may require further revision by the Military Committee. Furthermore, it is already known that the question of limited war and the problem of the creation of an anti-submarine barrier in peacetime is included in the Supreme Allied Commanders' studies. These two questions alone will require careful consideration by the Chiefs of Staff.

7. It appears to me that there is very little value and considerable danger in the attempts of the Council to by-pass the Military Committee and deal with these papers before they have secured the advice of the Military Committee. It is quite likely that the implications of MC 70 to Canada may be of considerable magnitude. Therefore, we should insist on adequate time for study of this paper by national authorities before the Council start to deal with the economic and infrastructure problems that may arise.

8. In discussion with Mr. Hooton yesterday, I suggested a procedure based on our knowledge of what MC 70 is likely to contain. We hope to be able to have a look at the first draft of the paper towards the end of this month and it is our understanding that the paper will be in two parts. Part 1 dealing with the intelligence, the concept and the military plan leading to the overall requirements and there will be a further Part 2 which will be a summation of

⁵ Pour un compte rendu de la réunion des chefs de gouvernement de l'OTAN de décembre 1957, qui a remplacé la traditionnelle rencontre ministérielle de décembre de l'OTAN, voir la quatrième partie du présent chapitre.

For an account of the December 1957 NATO Heads of Government Meeting, which replaced the traditional December NATO Ministerial Meeting, see Part 4 of this chapter.

the requirements of SACEUR, SACLANT and the Channel Commands but no attempt will be made to reconcile the conflicting requirements of the Supreme Allied Commanders nor would their requirements be placed in order of priority. It is understood that the recommendations will be similar to those which appear in the Supreme Allied Commanders' studies but with no indications from the Standing Group of any priorities between these recommendations to countries.

9. General Sparling has reported that the first draft of the paper has not included anything regarding the Canada-U.S. Regional Group. I have instructed General Sparling to discuss with the U.S. authorities the inclusion of a suitable paragraph on the Canada-U.S. Regional Group particularly with reference to the establishment of the Joint Air Defence Command. It may not be possible to include in Part 2 of this paper force requirements and at this stage I think perhaps it is advisable not to include requirements up to 1963 as has been the case in the Supreme Allied Commanders.

10. The Standing Group have informed us that the earliest date on which they will be able to hold a meeting of the Military Committee is March 6, 1958. I would suggest that when MC 70 is in final form for the Military Committee that it should also be sent to the Council and that the Military Committee and the Permanent Council should meet in Paris sometime after March 6 and have briefings from the Supreme Allied Commanders on the papers and decide a procedure for the meeting of Defence Ministers which can take place towards the end of March or the beginning of April.

11. Tentatively I consider that the meeting of the Defence Ministers should be mainly exploratory and informative. They should be briefed thoroughly on Part 1 of the paper and have an opportunity to cross-examine the Supreme Allied Commanders regarding the intelligence, the concept and the total force requirements. Similarly, they would be able to question the Supreme Allied Commanders on Part 2 but not make any attempt to approve Part 2 of the paper. It is suggested that the Defence Ministers should work out the procedures for the Ministerial meeting to be held in April or May for the approval of Part 1 and action to be taken on Part 2. We consider that it would be appropriate to suggest to the Defence Ministers that as Part 2 will require considerable consultation between the Supreme Allied Commanders and other NATO bodies that the implementation of Part 2 should be undertaken by the Annual Review Committee as a normal function of the Annual Review for 1958/59.

12. The Supreme Allied Commander, Europe, should also be asked to make a preliminary report to the Defence Ministers on the implementation of the recommendations made at the December meeting for the siting of intercontinental ballistic missiles and the stockpiling of warheads in Europe. It is anticipated that the Supreme Allied Commander, Europe, will discuss with the countries concerned the siting of the intercontinental ballistic missiles and after reaching agreement on the siting of these weapons that bilateral agreements will be made between the country concerned and the United States for the acceptance of these missiles under the normal mutual defence assistance arrangements. Similarly it is expected that the Supreme Allied Commander, Europe, will make recommendations on the locations of the stockpiles for atomic weapons. It will then be necessary for the Council to consider what part of the installation of the ballistic missiles will be bilateral financial arrangements and what part will be a multilateral infrastructure charge. The same will apply to the creation of storage for warheads.

13. It is considered that the Council should be in a position to have a preliminary discussion along these lines with Defence Ministers so that action can be taken at the Ministerial

meeting in May to establish the criteria for multilateral financing of these two new projects.

14. As the question of the future meetings of ministers will affect the Department of Finance as well as this Department, I would suggest that after you have had time to consider the suggestions in this letter it might be advisable to have a short meeting of the panel in order to clarify our views and send quite definite instructions to Mr. Wilgress regarding the future meetings. Because of the uncertainty of ministerial movements during the next few months it would be useful if these matters could be decided as early as possible.

CHARLES FOULKES

187.

DEA/50102-U-40

*Le représentant permanent auprès du Conseil de l'Atlantique Nord
au secrétaire d'État aux Affaires extérieures*

*Permanent Representative to North Atlantic Council
to Secretary of State for External Affairs*

TELEGRAM 177

Paris, January 25, 1958

SECRET. PRIORITY.

COUNCIL MEETING JANUARY 29 — PREPARATIONS FOR DEFENCE CONFERENCE

The Secretariat have circulated as Document C-M(58)13 a note by the Secretary General setting out suggestions for arrangements and terms of reference for the defence conference at the ministerial level in the spring of this year. The text of this document follows. Begins: "The communiqué issued at the conclusion of the Ministerial Meeting in December 1957 recorded the decision of the Heads of Governments to hold a defence conference at ministerial level in the early months of 1958 'To discuss progress made in these fields (as regards defence) in the light, in particular, of the results of the 1957 Annual Review.'"

The purpose of this paper is to define the character and scope of this conference, to suggest a provisional agenda, to make proposals for the conduct of the necessary preparatory work, and finally to consider the date on which the conference should be held.

Character and Scope of Defence Conference

2. This conference, which would be wholly devoted to the study of defence problems, should I feel bring together the National Defence Ministers of member countries of the Alliance. The ministers would be assisted by their permanent representatives to the Council and also by their national representatives on the Military Committee. The Chairman of the Military Committee and the Standing Group, together with the Supreme Commanders, and, as necessary, the principal subordinate commanders, would be closely associated with the work of the conference. Only thus will it be possible to ensure that the views of the military authorities and the positions of the various governments are discussed concurrently throughout, and so to expedite the work of the conference by enabling replies to be given without delay on the military aspects of any questions raised in the course of debate.

At the same time, the defence conference would be essentially preparatory in character. It would provide for the exploration of all aspects of current defence problems, both

military and non-military, and for the ground to be prepared for decisions to be taken at the normal Ministerial Meeting to be held a few weeks later.

3. The political directive adopted by the Council on December 13, 1956 (C-M(56)138) drew attention in general terms — to draw up the necessary recommendations, taking into account the financial status of existing programmes.

6. [sic] Furthermore, it is understood that the defence conference would be given progress reports:

(i) By the military authorities, on the present state of planning with regard to the introduction of IRBMs into the defence system of Allied Command Europe, the storage and deployment of nuclear warheads for modern weapons systems, and the integration of air defence;

(ii) By the international staff, on the state of progress achieved in co-ordination of research development and production of weapons.

While these various points can of course be discussed by the Permanent Council at any time, it seems to me that in view of their close relationship with the defence problems already on the agenda of the ministerial conference, the state of progress achieved should be brought to the attention of ministers.

Preparatory Work

7. In order to prepare the ground for ministerial discussion, certain action has been or should be initiated, but it is not possible at the present juncture to make more than an initial appreciation of the work required. The following proposals may therefore serve as a general framework within which to proceed.

A. MC70

8. Until such time as the content of MC70 is known, it is hardly feasible to lay down a detailed procedure for handling. It is nevertheless clear that governments should come to the conference prepared to discuss at least in general terms the implications of MC70 on their defence plans, and to report on their ability to provide and equip the forces required of them. Governments should therefore submit their preliminary comments before the conference in sufficient time to allow them to be distributed to and studied by other NATO governments as well as by the military authorities, and by the international staff.

9. The question arises whether it would be possible or desirable to arrange, in the interval between the distribution of MC70 in its final form and the beginning of the conference, for a multilateral study of its implications in the financial, economic and production fields; or whether it be sufficient to arrange for a summary study of such implications to be carried out jointly by the military authorities and the international staff, preferably, of course, in co-operation with the national authorities concerned. The choice between these two courses which might be discussed by the Annual Review Committee and form the subject of a report by the latter to the Council depends on a number of unknown factors, in particular, the date of the ministerial conference.

B. Further Co-ordination and/or Integration of NATO Forces

10. The NATO military authorities have already been invited to express their views on the various proposals submitted by delegations, both written and oral, before and during the Heads of Governments conference. Certain delegations will perhaps have further suggestions or amplifications of their original proposals to submit, which will likewise be passed to the NATO military authorities for their views as the occasion arises.

11. I suggest that the Annual Review Committee should be invited to study any proposals worthy of further consideration and submission for discussion by the defence conference, as and when the comments and views of the military authorities become available. In order to assist the Annual Review Committee in drawing up its report, special task forces might be set up as required to examine particular problems, comprising, in addition to those national delegations wishing to participate, representatives of the appropriate military authorities including the headquarters concerned, and of the international staff.

C. Infrastructure

12. The international staff have invited the Standing Group to furnish them as soon as possible with the elements of future infrastructure requirements with a view to ascertaining the impact of these new requirements on present day programmed infrastructure work. When this information is available, the Infrastructure Committee will draw up a report covering the financial status of the infrastructure programme, the progress of existing infrastructure projects, and future requirements.

Date of Spring Defence Conference

13. In determining the date on which the defence conference should be held, there are two possible approaches. The first is that the conference should meet as soon as possible after the issue of MC70 in final form, and the preparatory nature of the conference might be held to justify this view. The second is that any meeting of Defence Ministers which was not in a position to undertake a useful study of governments' reaction to the measures required for each of them to implement MC70, and to the financial, economic and production implications thereof, would be too restricted in scope. It would therefore be preferable to allow a sufficient interval between the issue of MC70 and the Ministerial Meeting in order to enable a multilateral study to be made of the financial, economic and production implications of MC70, in line with the suggestions in paragraph 9 above.

14. To judge by past experience, and given the complexity of the various factors to be examined, the second approach seems to me the better one. I would therefore propose the following programme of work. This programme is based on the assumption that MC70 will be issued in final form on March 6, having already been distributed to NATO capitals and to the Military Committee on about February 15.

(a) The defence conference should meet about April 15. This would allow about six weeks for governments, the military authorities and the international staff respectively to undertake the necessary preparatory work. This represents, I maintain, the absolute minimum time to deal properly with the studies and other work involved.

(b) As indicated above, no final decisions would be taken by the defence conference.

(c) An interval, I suggest, of about one month will be necessary for negotiations and discussions to be held between governments, the military authorities and the international staff in the light of the discussions which have taken place at the defence conference, in order to enable final recommendations to be prepared for submission to the normal Ministerial Spring Meeting.

(d) In addition to its traditional agenda, the Spring Ministerial Meeting will have to reach final decisions on the conditions and measures required to give effect to MC70, as well as on other questions considered by the Defence Ministers. The meeting should therefore take place between May 19 and May 24 (i.e. between Ascension Day and Whitsun). It is most desirable that the latter date should not be exceeded, bearing in mind the serious repercussions which this would have on the conduct of the 1958 Annual Review, and the delays

which it would entail in the application by member countries of the joint military plans of the Alliance. Ends.

188.

DEA/50102-U-40

*Le chef de la 1^{re} Direction de liaison avec la Défense
au sous-secrétaire d'État aux Affaires extérieures*

*Head, Defence Liaison (1) Division,
to Under-Secretary of State for External Affairs*

[Ottawa], January 30, 1958

MINISTERIAL DEFENCE CONFERENCE

Panel discussion on this item will be centred on a draft telegram to the NATO Delegation which was prepared by the Department of Finance. It is intended to provide instructions for the Delegation on the Secretary General's proposals for the Defence Conference (C-M(58)13) contained in NATO Telegram 177 of January 25. Council had a preliminary discussion on this paper on Wednesday of this week (reported in NATO telegram 219 of January 29†).

The Secretary General's paper proposes that the Defence Ministers Conference should be held about April 15 and that it should explore all aspects of current defence problems both military and non military and for the ground to be prepared for decisions to be taken at the normal Ministerial Meeting to be held a few weeks later. Prior to the Defence Ministers Meeting, the Secretary General suggests that it would be desirable to have prepared, for the Defence Ministers, a study of the financial, economic, and production implications of MC-70.

The Department of Finance telegram takes the line that the Defence Ministers should not come to grips with the financial, economic and other implications of MC-70 and that their agenda should be limited generally to purely military aspects of MC-70 and related questions. The Department of Finance do not envisage decisions being taken on MC-70 by the Defence Ministers. They envisage part II of MC-70 and other basic problems arising from it should be turned over to the Annual Review Committee and other specialized committees of the Council. Since they feel it is highly unlikely that preparatory work could be completed in time for a full Ministerial Meeting in May, their suggestion is that the Permanent Council should take final decisions on Part I and that the Permanent Council would direct the activities of the Annual Review and other committees concerned in preparation for a full meeting in December — or possibly in the fall in the pre-negotiation stage of the Annual Review process.

In our view, the Department of Finance suggestions are open to question. We agree that the Defence Ministers Meeting should be preparatory but we feel that the general principles involved in Part I of MC-70 are of sufficient importance to warrant careful consideration of the desirability of holding a full Ministerial Meeting. For such a meeting it would be important to have some indications of the costs involved in implementing MC-70. National Governments could be expected to have some idea of the costs involved in meeting their own force recommendations in Part II and estimates of the cost of new infrastructure requirements could also be prepared. While no specific commitments could be taken at a Spring Ministerial Meeting, it would seem to be essential that Ministers should

approve Part I as a general basis on which the implementation of National Defence programs and the common infrastructure programs could be undertaken.

There is also a possibility that the basic strategic principles underlying MC-70 will be re-examined. The US is seeking to avoid this, but there are indications that the UK intend to reopen the discussion. The UK are still presumably not in agreement with the concept of the shield forces as set out in MC-70. Apart from the purely military aspects of the shield versus the trip-wire concept⁶ it is possible to envisage a discussion on the political developments since December 1956 which would involve amendments to the Political Directive and consequently have implications for NATO Defence Planning.

It is too soon to see clearly what a full Spring Ministerial Meeting could accomplish, but for this reason also it is too early to suggest that such a meeting can be rejected. We would therefore suggest that in our instructions to the Delegation, we do not take a firm position on procedures following the Defence Ministers Meeting.

The Secretary General raises the question of the date for the Defence Minister Meeting. The draft telegram does not provide instructions on this point. It might be implied, however, in view of the nature of the meeting envisaged by the Department of Finance, that it would take place at the end of March or the beginning of April. We would have no firm views about this and feel the decision should be largely influenced by the views of General Foulkes in the light of whatever agreement is reached on the nature of the meeting.

PAUL TREMBLAY

189.

DEA/50030-K-40

*Extrait du procès-verbal de la réunion du Comité
sur les aspects économiques des questions de la défense*

*Extract from Minutes of Meeting of Panel
on Economic Aspects of Defence Questions*

TOP SECRET

Ottawa, January 31, 1958

Present

Mr. R.B. Bryce, Secretary to the Cabinet (Chairman)
Mr. F.R. Miller, Deputy Minister of National Defence
Mr. J. Léger, Under-Secretary of State for External Affairs
General C. Foulkes, Chairman, Chiefs of Staff
Dr. A.H. Zimmerman, Chairman, Defence Research Board
Mr. A.F.W. Plumtre, Assistant Deputy Minister of Finance
Mr. G.W. Hunter, Assistant Deputy Minister of Defence Production
Mr. W.R. Martin, Privy Council Office (Secretary)
Mr. D.B. Dewar, Privy Council Office (Assistant Secretary)

Also Present

Mr. N.A. Robertson, Ambassador of Canada to the United States
Mr. F.A. Milligan, Department of Defence Production
Mr. P. Tremblay, Mr. F.G. Hooton, Mr. D.B. Wilson, Department of External Affairs
Mr. R.G. MacNeill, Mr. C.L. Read, Mr. E. Gallant, Department of Finance.

⁶Pour un exposé sur les doctrines du bouclier et du fil-piège au sein de l'OTAN, voir le document 181.
For a discussion of the shield and trip-wire doctrines within NATO, see Document 181.

II. *Preparation for Future Ministerial Meetings.*

(Documents: NATO Document MC-70 had been given restricted circulation from the office of the Chairman, Chiefs of Staff; ED2-58, letter of 22 January, 1958, from the Chairman, Chiefs of Staff to the Under-Secretary of State for External Affairs, had been circulated; ED3-58, Telegram No. 177 of 25 January, 1958, from the Canadian Delegation to NATO, had been circulated; ED4-58,† draft message to the Canadian Delegation to NATO, had been circulated; ED6-58,† Suggested Programme for dealing with MC70, from the Chairman, Chiefs of Staff, was circulated at the meeting).

5. *General Foulkes* referred to the procedure suggested by the Secretary-General for the consideration of MC 70 in NATO, which was contained in Document ED3-58. The Secretary-General had proposed that a Defence Ministers Conference should be held about April 15 and that it should explore all aspects of current defence problems — both military and non-military — and prepare the ground for decisions on all the issues arising from MC70 to be taken at a Ministerial Meeting which he suggested might be held in the second half of May. The Ministerial Meeting in May would be expected to reach final decisions regarding the measures required to give effect to MC70.

6. *General Foulkes* believed that national officials would not find it difficult to accept Part I of MC70 which discussed future force requirements in general terms. The real difficulty for countries would arise from Part II of the document which contained the reports of the Supreme Allied Commanders on country contributions. It would be unrealistic to expect a Ministerial Council so early as May to take decisions on Part II. A preferable procedure to that suggested by the Secretary-General would be for the Defence Ministers Meeting in April to consider the defence aspects in Part I of MC70 and to note Part II of the document. The detailed negotiations which would be required on Part II could not, and need not, be dealt with hurriedly and should probably be referred by Ministers to the Annual Review Committee which would be asked to report to Council in December or possibly earlier on the progress made in implementing MC70.

7. *Mr. Plumpton* said he fully agreed with the procedure suggested by *General Foulkes* whereby the broader implications in Part II of MC70 would be dealt with through the machinery of the 1958 Annual Review. It would be quite unrealistic to expect countries to make decisions on these implications in the few weeks between the Defence Ministers Meeting and the proposed plenary Ministerial Council.

8. *General Foulkes* said that the 1958 Annual Review process could perhaps be advanced by about two months if the contents of MC70 were regarded as the recommendations of the Supreme Allied Commanders which were normally drawn up only after visits to countries. The more deliberate timetable imposed by the Annual Review procedure would be more appropriate to the handling of MC70 because some countries including Canada had to take into consideration that their defence role might be changed as a result of events in the next few months. The position of our forces in Germany was a case in point. *General Foulkes* said he would like to stress again that we should have no difficulty in accepting Part I of MC70 in which force requirements were not discussed in quantitative terms.

9. *Mr. Léger* said that he agreed with the procedure outlined by *General Foulkes* but thought we should keep in mind that the Annual Review process in past years had not been very effective. He also wondered whether it would be necessary to hold a Ministerial Meeting in the spring if that meeting would be expected only to refer the really fundamental issues in the document to the Annual Review Committee.

10. *General Foulkes* replied that the contents of Part I of MC70 with which the Conference would deal were indeed fundamental; Part II, which could not very well be dealt with

by Ministers in the spring, dealt with problems of detailed implementation which were more appropriate to the Annual Review process.

11. *Mr. Plumptre* commented that the shortcomings of the Annual Review in past years might not have been due so much to faults in the procedure as to the lack of a sense of urgency on the part of countries. A major advantage in the procedure suggested by General Foulkes was that it was far more orderly than that suggested by the Secretary-General.

12. *Mr. Léger* said that in accepting this timetable we should keep in mind the possibility, which indeed amounted almost to a certainty, that a Summit Meeting would be held this year. Any NATO Ministerial Meeting which would be held in the spring might be preoccupied with issues different from those contained in MC70. One item which would almost certainly be discussed at a Summit Meeting was the problem of Germany, and although it was quite probable that no agreement on Germany could be reached, some agreement might be obtained on the types of weapons to be deployed in Central Europe.

13. *General Foulkes* said that the probability of a Summit Meeting reinforced the need to use regular Annual Review procedures for dealing with MC70. He did not think that the consideration of MC70 need be upset by the prospect of a Summit Meeting. The main effect of any agreements reached at the Summit would likely be on the scale of forces or the nationality of forces in Germany, not on the general concept for the defence of Europe.

14. *Mr. Léger* said that even without a Summit Meeting consideration of MC70 was likely to be affected by the difference of opinion within NATO as to the desirability of a "shield" or "trip-wire" defence in Europe. It might be expected that the U.K. would continue to press the trip-wire thesis.

15. *General Foulkes* said that the U.K. had accepted with some reservations the principles contained in MC70 and he did not see how they could insist upon the trip-wire thesis without reopening the question at the Defence Ministers Meeting and thereby requiring a revision of MC70.

16. *Mr. Léger* said there was a possibility that if a Summit Conference were called for early in the summer, the timetable which the Panel had been considering might be disrupted by a Foreign Ministers Meeting being called before May. It would be necessary to retain a certain flexibility in our approach.

17. *General Foulkes*, in reply to a question from Mr. Bryce, said that in accepting Part I of MC70 Canada would be contemplating to a certain degree increases in defence costs for re-equipment of our forces in Europe during the same period when re-equipment of our forces at home would be a major expenditure. Canada had a special problem which was different from the European NATO countries in this respect; one alternative to our present policy which might have to be considered was whether we should change our view in respect of accepting United States mutual aid. A problem which we shared with European NATO members was the prospect of increasingly expensive infrastructure programmes. These programmes would be fraught with difficulties such as, for example, the attitude of Norway to sharing the cost of infrastructure for modern weapons which the Norwegians did not want to accept but which were going to be placed in other countries.

18. *The Panel:*

(a) approved the procedure for dealing with MC70 which had been proposed by General Foulkes and, in particular, agreed that:

(i) Part I only should be dealt with at the Defence Ministers Meeting;

(ii) Part II should be dealt with through the machinery of the Annual Review;

(b) agreed that the Department of Finance, in co-operation with National Defence and External Affairs, should re-draft document ED4-58 along the lines of the discussion for the instruction of our NATO Delegation.

...

190.

DEA/50102-U-40

*Le secrétaire d'État aux Affaires extérieures
au représentant permanent auprès du Conseil de l'Atlantique Nord*

*Secretary of State for External Affairs
to Permanent Representative to North Atlantic Council*

TELEGRAM DL-104

Ottawa, February 3, 1958

SECRET. OPIMMEDIATE.

Reference: Your Tel 219 of Jan 29.†

MINISTERIAL DEFENCE CONFERENCE

On January 31 the Panel reviewed the comments sent to you in our telegram 64 of January 21 in the light of CM(58)13 and your telegram 219 of January 29. The Panel also had before it the following tentative timetable prepared by CCOS for consideration of MC-70.

| | |
|---------------|--|
| 2 Feb | MC-70 arrives in Ottawa (we already have first draft) |
| 2-16 Feb | Discussions in Chiefs of Staff, etc. |
| 16 Feb | Comments forwarded to Washington |
| 18-28 Feb | Military Committee in Permanent Session revise MC-70 |
| 3 Mar | Revised paper produced |
| 6 Mar | Military Committee Meeting in Paris |
| 10 Mar-15 Apr | Consideration by national authorities in preparation for Defence Ministers Meeting |
| 15 Apr | Defence Ministers Meeting. |

2. The Panel agreed with the US view that the Defence Ministers' Meeting should concentrate on MC-70, however, we realize that it would not be realistic to insist on too restricted an agenda if other governments wish to discuss related subjects which were mentioned in the communiqué. We doubt however whether the subjects mentioned in paragraph 1 of your telegram 219 will be sufficiently prepared to permit a very useful discussion. In any event, these other subjects are of more immediate concern to the European members than to us.

3. The Panel agreed that the Defence Ministers' Meeting should be exploratory and informative and that it should not take decisions of substance on MC-70. Even though this is agreed, we consider that the meeting should not be held before April 15 as we would require at least a month following the Military Committee Meeting in Paris to formulate government views on MC-70.

4. With regard to the preparation for the Defence Ministers Meeting, we are concerned at the implications in the proposals of the Secretary General. His proposal that a multilateral study of the financial, economic and production implications of MC-70 should be prepared for the Defence Ministers in order that the Spring Ministerial Meeting can reach "final

decisions" on the conditions and measures required to give effect to it, goes far beyond our own ideas of what can or should be undertaken by the Spring Meeting.

5. The approach suggested by the Secretary General seems to be premised on two assumptions which we feel are probably unrealistic and accordingly could lead to undesirable developments in the handling of the whole problem. In the first place, the Secretary General seems to assume that there will be little of substance for the Defence Ministers to deal with on part one of MC-70, i.e. the strategic concept itself, the intelligence on which it is based and the size and structure of the overall force requirements, and that the conference would be ready to plunge immediately into the financial, economic, and other implications of these concepts. We are doubtful that approval in principle can be so readily reached, and envisage the conference more as a forum for briefings and general consideration by the ministers, in consultation with their own military advisors and those of NATO on these basic military premises, and in preparation for governmental decisions on the basic military concepts from which the financial, economic and other implications will be derived. This in itself will be a considerable achievement.

6. Secondly, the Secretary General appears to assume that a conference of Defence Ministers alone could and should come to grips with the financial, economic and other implications. These are matters which have an aspect falling normally outside the jurisdiction of Defence Ministers. If such matters were to be considered, presumably it would be appropriate for Finance Ministers and other ministers to attend. Furthermore, we feel it would be inadvisable, in any event, to attempt to come to grips with the financial and economic implications, including those on part two of MC-70, before a firm common position has been reached on the basic concepts involved.

7. We are doubtful that Defence Ministers would be prepared to declare the final position of their governments on part one of MC-70 before they have returned to their capitals. We accordingly agree that final decision should be taken at a later date. Whether the final decision on part one should be taken at the Spring Ministerial Meeting or left to the Permanent Council could be considered at a later stage. We would see no difficulty in assigning this task to the Permanent Council.

8. In our view, neither the Defence Ministers Meeting nor the subsequent Spring Ministerial Meeting should be required to do more than take note of the basic financial, economic and production problems arising from MC-70, including part two. These should be dealt with, at least initially through the Annual Review Machinery and other Specialized Committees of the Council (e.g. production and infrastructure), following approval of Part I. It is unrealistic in our view to expect that preparatory work could be completed in time for a full Ministerial Meeting in May.

9. We would envisage the Annual Review Committee adopting a procedure and timetable leading to final decisions at the normal Ministerial Meeting. This might be as usual in December, but we have also considered the possibility of suggesting as we have in the past a full Ministerial Meeting in the autumn. This might be in the pre-negotiation stages of the Annual Review and after adequate preparation, or the review, if pressed forward, might be completed at that time.

10. From the foregoing, you will appreciate that we wish to avoid any procedure which would necessitate precipitate decisions on MC-70 or involve NATO in a new version of the TCC exercise. We are more concerned with securing the right answers to the problems raised by MC-70 than with meeting any particular deadline. The Annual Review machinery would permit adequate consultation with military authorities on the form of national contributions and their timing over a period of three or four years. It would also allow

smaller countries to point out their requirements for mutual aid in accepting new commitments. It would also have advantages for us as it would allow us an opportunity to bring out the increased requirements for defence of the Canada/US region. In this connection, we have introduced in MC-70 a paragraph on the Canada/US region with particular reference to NORAD. Force requirements for this region will however probably not be included in part two.

11. With regard to the draft agenda for the Defence Ministers Meeting, we feel that paragraph 5(a) of CM(58)13 should be worded so as to permit a full discussion of MC-70 including basic principles of strategy. We agree with the Secretary General that the attitudes of member governments should not be prejudged at this stage by providing too limited a wording for this item.

12. We are not so directly concerned with paragraph 5(b) and would accept the paragraph as amended in your telegram 219. With regard to paragraph 5(c), you will note from our letter DL-18 † that we are concerned about the difficulties which might soon face the Alliance in the field of infrastructure. Our letter DL-18 and the memorandum attached to it were prepared and considered prior to our discussion about the Defence Ministers Meeting. We are now doubtful that a separate agenda item on infrastructure at the defence conference will result in any useful developments, and certainly we would not envisage any decisions being taken nor recommendations being made by Defence Ministers and consider that this task, because of its financial and technical implications should be dealt with by the Permanent Council. We are still inclined to feel that the best approach to this problem may be along the lines outlined in our letter DL-18 subject to further refinements of detail. We are holding any further action on this, however, pending the completion by Standing Group of its study on infrastructure requirements in connection with MC70 which you indicate in paragraph 4 of your telegram 219 should be available any day.

13. We agree that the Defence Ministers should be provided with progress reports as outlined in paragraph 6(1) of CM(58)13.

14. We do not envisage too much difficulty in Council over the agenda for the Defence Ministers Meeting, but we hope that you will be able to clarify the Secretary General's views on what should be accomplished subsequent to it. We would hope that the Council would now cease focusing its attention on the Spring Ministerial Meeting as the forum for taking decisions on MC-70 — with the possible exception of agreeing on part one — and that it would agree to making the fullest use of the 1958 Annual Review for this purpose. You might stress our view that final decisions on part two of MC-70 should only be taken after examination and discussion within the Annual Review machinery and that these final decisions should be envisaged at the December meeting. You might also mention our suggestion that a full ministerial meeting in the autumn might be desirable in the pre-negotiation stages of the Annual Review. In the light of our views, you should also play down the Secretary General's suggestions for a multilateral study of the financial, production and economic implications of MC-70 prior to the Defence Ministers Meeting. This in our view should not be undertaken precipitately, but in the course of the 1958 Annual Review on the basis of established procedure and timetable. You may indicate that our ministers would not be in a position to take decisions of substance on part two of MC-70 at a meeting held in May.

191.

DEA/50107-H-40

*Le représentant permanent auprès du Conseil de l'Atlantique Nord
au secrétaire d'État aux Affaires extérieures*

*Permanent Representative to North Atlantic Council
to Secretary of State for External Affairs*

TELEGRAM 694

Paris, March 17, 1958

CONFIDENTIAL. PRIORITY.

Reference: Our Tel 689 Mar 17.†

NATO ANNUAL REVIEW AND MC70

Following is text of C-M(58)49 which contains report by Annual Review Committee to Council on handling of MC70 through 1958 Annual Review, as revised following March 14 meeting of Annual Review Committee. Begins:

As instructed by Council February 5, Annual Review Committee have studied possibility of utilizing annual review procedure for the implementation of MC70 in accordance with proposal made by Canadian Delegation. Subject to certain conditions as set out below, and bearing in mind that MC70 lays down minimum forces requirements for the years 1958-1963, Committee considers it feasible to adapt 1958 Annual Review for implementation of MC70.

2. In a preliminary report to Council (C-M(58)27) of February 18, Committee drew attention to desirability of securing early adoption of MC70 as a basis for defence planning of the Alliance. But Council reached no definite decision when it discussed this point February 19.

3. It must be emphasised that present report has been drafted for submission to Council at a time when status of MC70, including general recommendations which form a part of it, have still not been finalized nor will be before March 15, and when the outcome of the discussions which will take place at meeting of Council with Military Committee and at Defence Conference of April 15 cannot be foreseen. Subject therefore to any limitations which may be imposed by these prevailing uncertainties, Committee have worked out following proposals.

4. Annual Review process would begin, as usual, with the issue to countries of commanders' guidance, followed by Annual Review questionnaire.

(a) Commanders' guidance, which would be based on military requirements contained in MC70, will be issued in accordance with arrangements to be made by military authorities.

(b) Annual Review questionnaire, on which work is already in progress, will be adapted to take account of special features of MC70 and notably of fact that the latter sets out requirements for period 1958-1963. Countries will therefore be invited in usual way to supply full data relating to conventional three year covered by annual reviews but at same time they will be invited as far as it may be practicable to give military, economic and financial information of a tentative and general nature, as well as information about their equipment plans, for fourth and fifth years of military planning contained in MC70.

The questionnaire will also cover plans for introduction of new weapons and other information necessary to enable 1958 Annual Review to serve as an instrument for implementation of MC70.

The questionnaire will be completed and issued as soon as possible and in any case not later than May 1.

5. Visiting teams would proceed to capitals during June and July. They would be accompanied, as on previous occasions, by members of international staff (but this year the international staff representatives would hope in particular to discuss with national experts the basic assumptions being used by countries in assessment of implications of MC70 in financial, economic and production fields).

6. Subject to timely arrival of replies to Annual Review questionnaire — these should reach Secretariat as early as possible in August — the preparation of military comments, recommendations and country studies would take place in accordance with normal practice during September and October. Country studies would set out to draw a comparison between defence programmes declared by countries and requirements of MC70 and to highlight such major problems as may arise for individual countries. To these studies there would be appended the provisional recommendations of international staff and recommendations of NATO military authorities covering both plans and qualitative improvements desired by NATO military authorities. Country studies and recommendations would serve as the main basis for country examinations, in order to pave the way for multilateral discussions both at these examinations and at the December ministerial meeting and as occasion may arise, for reconciliation between military authorities' requirements and national capabilities.

7. Examining sessions would be followed by preparation, on their sole responsibility, by international staff and NATO military authorities of a summary report (or country chapter) on each country, with recommendations finalized, if necessary, in light of examining sessions. Countries would be able to submit written comments on the chapter of which they are the subject. At same time, a general report (general chapter) would be prepared by international staff in cooperation with delegations and NATO military authorities, reviewing overall defence situation of the Alliance and recapitulating the main problems facing NATO countries within the framework of MC70.

8. During interval between examining sessions and normal ministerial meetings, governments would consider what further action, if any, they were able to take in the sense of the recommendations.

9. Annual Review report for 1958 would be considered at traditional Ministerial Meeting in December. Ministers would be invited to review the major implications of the report, to state further views of their governments vis-à-vis the major recommendations addressed to them, to establish force goals and finally to consider whether additional steps were required to deal with outstanding issues too urgent to await the 1959 Annual Review.

10. Committee also considered possibility of a meeting of Defence Ministers shortly before normal Ministerial Meeting with a view to preparing the ground for plenary session, especially where problems of reconciliation might be involved. Committee did not think it possible at present stage to decide whether such a meeting would be opportune, but considered that the matter should be kept open for decision in light of future developments.

11. Process of implementing of MC70 through 1958 Annual Review will place a considerable burden of work on countries, international staff and military authorities alike. It follows that only by strictest observation of timetable would it be possible to achieve timely completion of various stages which have been described above.

12. It is also highly desirable this year that there should be a more flexible approach to country examinations and a greater readiness on part of governments to make adjustments in light of discussions at examining sessions. Changes which have been proposed in proce-

ture are directed to this end, and with a view to giving greater vitality to Annual Review and to opening the way for a greater degree of genuine multilateral discussion, and as required, of negotiation, than it has been possible to achieve in the past. Ends.

192.

DEA/50030-E-40

*Le représentant permanent auprès du Conseil de l'Atlantique Nord
au secrétaire d'État aux Affaires extérieures*

*Permanent Representative to North Atlantic Council
to Secretary of State for External Affairs*

TELEGRAM 744

Paris, March 20, 1958

TOP SECRET. PRIORITY.

Reference: Our Tel 743 Mar 20.†

MEETING OF COUNCIL WITH MILITARY COMMITTEE — ITEM III

Item III, "Discussion of the Recommendations set out in MC70", gave rise to the sort of broadly based discussion on the paper as a whole which we had sought and in this respect exceeded our hopes. We were also gratified that, except for cursory statements by one or two representatives, e.g. the Greek and the Turk, no country sought to discuss its country breakdowns. In this telegram we will report schematically on the highlights of a wide-ranging discussion marked by both spontaneity and a sense of responsibility.

2. *General* — All representatives expressed appreciation to the military authorities for MC70 and congratulated the Military Committee on resolving differences in a businesslike manner and on presenting an agreed document to Council.

3. *The Strategic Concept* — The UK representative said MC70 was a faithful translation of the political directive; he was confident that his government would agree with the strategic concept. We noted with satisfaction that we have an agreed view on this from the military authorities; we were hopeful that there would now be no disagreement in the Alliance about it or about the forces needed to implement it. The Turks and Belgian representatives explicitly agreed with the general parts of MC70. No representative questioned the strategic concept in MC70 as presented to Council.

4. *The Question of Limited War* — As reported in our telegram 743 disagreement in the Military Committee over definition of "local hostile actions" etc. was circumvented by deleting the relevant paragraph (paragraph 9 of Section IV) and turning the problem back to the Standing Group; similarly, the opening part of paragraph 10 was cut so as to remove any suggestion of interpretation of such phrases as "local attacks."

5. Nevertheless this debate was carried on in Council. The Norwegian representative predicted the Standing Group would have the greatest difficulty in defining the phrases and thought this just as well. The German representative asked why the disputed paragraph had been deleted; the Chairman of the Standing Group replied that the definitions attempted came perilously close to "limited war," and that there is no concept of limited war in NATO.

6. The Turkish representative wanted the phrases defined. Evidently referring to paragraph 13 of Section II, he thought the references to "hostile local actions" etc. should not be under the heading "actions other than general war" because they might entail general war. No country should be asked to have faith in such nebulous terms. Does NATO intend

to countenance a situation in which an aggressor, having gained a local objective, could arrange an end to hostilities?

7. The Italian representative asked whether the military authorities excluded the possibility of local war or whether they thought that it would automatically lead to total war. The Chairman of the Standing Group replied that the military posture of NATO was such that if a local incident occurred, defensive arrangements would at once be brought into play to contain it. If it were contained, it was possible that the incident might be localised. However, if the USSR brought into action further forces in support of the initial local incident and/or took aggressive military measures elsewhere, it was likely that the incident would develop into all-out war.

8. The Italian representative said his authorities were alarmed at the financial burden which MC70 was likely to impose. He did not believe governments would be willing to increase their defence budgets materially and considered it advisable for the Council to undertake an early study of the financial implications.

9. The German representative envisaged higher expenditures both direct and indirect, the latter arising from the need for greater mobility and readiness. Had the Military Committee any ideas on the financing of MC70? What were their views on common financing? Did they envisage economies through priorities?

10. The Standing Group representative denied the military authorities' competence with respect to how to finance MC70. They had simply come up with minimum requirements, bearing in mind the need for "austerity." They admit their requirements will place a greater burden on national budgets (and?) Council would have to decide about common financing.

11. SACEUR intervened to stress that savings in manpower offset increased equipment costs and to suggest that MC70 would cost less than simple implementation of MC48 would have cost. He did not pretend, however, that he could discharge his task at cheap cost. When pressed for an estimate of the increase over present costs he recalled his "educated guess" in relation to his own force requirements study, of a 10-15 percent increase in national defence budgets by 1963 over 1957-58.

12. The UK representative commended the military authorities for producing a plan which, while "it was not distorted by introduction of economic and financial factors," should allow NATO a reasonable balance between armed strength and economic health. He remarked pointedly that economic disaster in NATO would suit the Soviets much better than open war.

13. *Listing the Heavy Tasks Imposed by MC70* — Maintaining the nuclear deterrent, guarding against both accidental and pre-meditated war, matching the submarine threat, countering massive Soviet armies, keeping up aircraft while developing missiles, etc, guarding against local hostile actions near the frontiers, and maintaining a flexible supply system to survive a nuclear bombardment — he agreed this was a minimum demand but asked what it would cost. He personally thought an Italian estimate of a 25 percent increase might be low.

14. The UK representative thought the Defence Ministers needed to study priorities among the requirements of MC70. They should also seek economies through the proposals on integration and standardization, especially balance of forces, and through arms cooperation. They should examine the financial problem posed by keeping forces at full readiness. Without attempting to reach decisions on matters affecting governments as a whole, they should produce guidance along these lines for the Annual Review Committee in working out implementation of MC70 in the course of the year.

15. We said generally that we hoped the Defence Ministers would have a useful and productive preliminary exchange of views which would afford guidance for the Annual Review process looking toward the Ministerial Meeting. We warned, however, that priorities sometimes involve low-priority items going by the board and we thought ministers should not address themselves substantially to force requirements until there had been a thorough examination of financial and economic implications. This should be done first in the Annual Review.

16. We said the military authorities could usefully examine areas where economies could be effected without militating against the force requirements — e.g. balanced collective forces (important for Canada), rationalization of higher command, and simplification of the command and command reporting systems, which are still based on the Lisbon goals.

17. The French representation expressed views on costs in the context of the recommendation that Council accept the country breakdowns as guidance for the 1958 Annual Review. Asserting that some delegations had expressed reserves on the recommendations addressed to them, he said the French defence budget is limited and carries burdens which cannot be reduced or forecast. The French government will want, before taking a stand on the role assigned it, to make a detailed study and participate in multilateral discussion designed to decide, by the end of the year, the tasks to be taken on by all. The French representative agreed that the Defence Ministers should study such matters as common production and standardization and integration with a view to seeking economies and thought priorities, at least in the sense of speed of implementation, should be considered.

18. The Belgian representative, as reported elsewhere, wanted a Secretariat cost estimate before the Defence Ministers' Meeting.

19. The USA representative opposed this proposal for the same reasons we object to it. He did not rule out priorities but thought economic growth would help to solve some economic and financial problems.

20. Asked for his opinion on priorities, the Standing Group representative said they would not make much difference in the force tables and was generally not in favour of them. They would cause commanders to have to rework their studies. He would prefer the practice in national governments whereby, if the civil side decline to provide the full resources required by the military to carry out their assigned task, the latter advise on the defence posture possible and point out the risks involved. (We imagined SACEUR was set to intervene again at this juncture but, if so, he restrained himself.)

21. *Acceptance of Recommendations* — The Netherlands representative urged that the recommendations be accepted at an early date, preferably before the Defence Ministers Conference. He was supported by the Greek representative and, in principle, by the Turkish, Belgian and USA representatives. Both the latter, however, were doubtful of the proposed timing. The USA representative stressed that, in adopting the principles of MC70, it should not be necessary to go behind its philosophy which is firmly rooted in the political directive. The Secretary General thought that, when Council accepts the philosophy of MC70, it should understand what would be involved in putting the philosophy into practice.

22. *Defence Ministers Conference* — General Foulkes said we consider that the defence ministers should thoroughly discuss MC70 and give agreement to the military concept. This would ensure that the Defence Ministers would all speak with the same voice on this at home. He thought that, if the Defence Ministers are thus persuaded of the value of MC70, they will be assisted in obtaining support from governments and parliaments. While the country breakdowns are to be dealt with through the Annual Review, the

Defence Ministers should agree on the strategic concept and the overall force requirements.

23. The Secretary General felt the Council should continue the discussion with a view to preparing for the Defence Ministers Meeting.

24. *Stockpiling* — In the course of our main intervention we lent support to the new emphasis on stockpiling in MC70 and in SACLANT's briefing. We said that for about three years the Agricultural Supplies and Industrial Raw Materials Committees have been conducting useful studies but, now that North American ports might be put out of action at the outset of war, stockpiling should be considered again in Council. We asked that the staff prepare a paper.

(L.D.) WILGRESS

193.

DEA/50107-H-40

*Le représentant permanent auprès du Conseil de l'Atlantique Nord
au secrétaire d'Etat aux Affaires extérieures*

*Permanent Representative to North Atlantic Council
to Secretary of State for External Affairs*

TELEGRAM 749

Paris, March 20, 1958

CONFIDENTIAL

Reference: Your Tel DL-280 Mar 19.†

NATO COUNCIL MEETING: ANNUAL REVIEW AND MC70

The Standing Group representative said that the Standing Group had examined CM(58)49, the report to Council on the handling of MC70 through the 1958 Annual Review, and considered it feasible to use the Annual Review procedure for implementing MC70. Consequently the Standing Group agrees with the main conclusions in the paper. At the same time they would not wish at this stage to take a definite stand on the detailed procedure outlined in paragraphs 5 to 10; on these aspects they would prefer to wait until after the Defence Ministers Meeting. This, however, would not hold up the Annual Review procedure because this could go ahead commencing with the issuance of the provisional guidance and the questionnaire.

2. The Chairman of the Annual Review Committee said that the Committee had conducted an extensive examination of the Canadian proposal and that, after discussion and as a result of the flexible attitude of the Canadian Delegation with regard to one aspect of its proposal relating to a fall ministerial meeting, the Committee had drawn up CM(58)49 which recognizes that the 1958 Annual Review, with certain modifications, can be used to implement MC70. Commenting on the statement by the Standing Group representative, he pointed out that the document had had to be drawn up at a time when the military authorities had not fully considered all the details. He noted, however, that the details are not of immediate importance and can easily be finalized following the Defence Ministers Meeting. (He identified these parts as paragraphs 6 and 7). He proposed that Council accept the document in principle, leaving aside questions of detail in the part of the paper on which the military authorities have not yet firm views. This would provide the Committee with a solid basis for getting on with its work.

3. This proposal was accepted by Council.

[L.D.] WILGRESS

194.

PCO

Rapport du ministre de la Défense nationale

Report by Minister of National Defence

CDC DOCUMENT NO. 1-58

[Ottawa], April 23, 1958

TOP SECRET

REPORT OF MINISTER OF NATIONAL DEFENCE ON NATO DEFENCE MINISTERS'
MEETING 15-16-17 APRIL 1958

1. The atmosphere of the conference was cordial and friendly. One of its chief benefits was that it gave Ministers of Defence an opportunity to meet and exchange views both in the meetings and outside them. Several ministers expressed satisfaction with this aspect of the conference.

2. Although there was an agreement on one point of substance, the agenda called for no substantive decisions and it seemed to be well understood that the main objectives were to exchange views on MC 70 — "Minimum Essential Force Requirements 1958-63" — and give impetus to it, as well as to review progress in related defence fields while laying the ground for further co-operative measures. These objectives were achieved and while no major problems were tackled, neither did any serious difficulties come to a head.

3. A substantial achievement was the unanimous support given under Item I — "Minimum Essential Force Requirements 1958-63" — MC 70 — to basic NATO strategy, and the declared readiness of ministers to accept for planning purposes the total force requirements of MC 70 and the MC 70 country breakdowns as guidance for the 1958 annual review, although a few raised questions or made observations with respect to the breakdowns applying to their particular countries. It is assumed that the recommendations in MC 70 will now come before Council for approval at an early date.⁷

4. The one agreement on a point of substance was reached under Item II — "Co-ordination of Defence." The Ministers approved a proposal introduced on behalf of Western European Union by Mr. Sandys, that "any group of nations in NATO, such as the Western European Union, should be encouraged to formulate collective plans for cooperation in defence research, development and production; that such plans should be presented to NATO through the Secretary-General; and that proper provision should be made to give any interested NATO country, which can make a positive contribution, the opportunity to associate itself with any such plans." In order to facilitate further immediate discussions within the Standing Armaments Committee of Western European Union, the ministers approved this proposal.

5. The briefings on MC 70 which opened the conference were of high quality. These briefings gave ministers an opportunity to listen to General Lauris Norstad, Supreme Allied Commander Europe (SACEUR) and to Admiral Jerauld Wright, Supreme Allied Commander Atlantic (SACLANT), and to discuss points with them.

⁷ Le Conseil de l'OTAN a approuvé les recommandations contenues dans le MC-70 le 1^{er} mai 1958.
NATO Council approved the recommendations contained in MC70 on May 1, 1958.

6. The highlight of SACEUR's briefing was his quiet but forceful plea for the fullest possible implementation of MC 70. He warned that any significant deficiencies might mean that commanders would have to assess their assigned tasks to see if they can carry them out with the forces likely to be available. He praised what NATO had done so far and complimented governments on the degree of co-operation they have achieved in building NATO defence but went on to say frankly that he hoped this conference would not be marked, as have others in the past, by a series of caveats and reservations.

7. Another aspect of SACEUR's briefing, on which he placed great emphasis was his cogent and reasonable presentation of the case for a strong shield. He developed at some length his thesis that the shield is important as completing the deterrent. Assuming that the retaliatory forces will continue to be capable of performing their function, he believes that resort to a general war as the result of a deliberate decision to provoke it is most unlikely and that the great danger of a World War III springs from a possible mistake in judgment. An incident on NATO's eastern border (either as the result of an accident or as the result of a deliberate decision to provoke) would face NATO with the painful need to decide to use force first in order to redress the situation, if the incident took place where NATO forces were non-existent or weak. If, on the other hand, NATO forces are strong, there must be some period of delay, some decision to use force against NATO by the other side. Since this would involve consideration of the effects of the whole deterrent, the shield strongly discourages such dangerous incidents and at the same time gives NATO some military and political flexibility with regard to actual use of the ultimate deterrent. At the same time SACEUR warned that he was not suggesting that limited war is a likelihood in this critical period — or even that it is a possibility; indeed, he thought limiting a war highly unlikely under present conditions. But his conviction is that, if we do not have the means of dealing with a less than ultimate incident with less than ultimate force, we invite the occurrence of such incidents.

8. When advocating more closely integrated air defences SACEUR stated that, in the future, the military authorities would also be making recommendations for some Allied control and responsibility in peacetime in other fields. He wished to avoid, in certain fields, the need for passing from national to allied control at the time when forces have to be engaged.

9. Admiral Wright delivered a long and impressive lecture on the importance of sea power to NATO in the age of nuclear warfare, and argued vigorously for implementation of MC 70 as it affects naval forces in particular and the alliance in general. One point he developed in greater detail than in previous briefings was the "tremendous destruction" which both European and North American ports will face in the event of war. This, he said, meant scaling convoy schedules down from what we consider is the maximum. Also, reduction of available supplies in North America consequent on nuclear bombing and curtailed distribution facilities in Europe requires flexibility in K-Day (the day convoys start); this will probably be between thirty and sixty days after D-Day, perhaps later, depending on the effect of the nuclear exchange.

10. In the discussion with the Commanders, Mr. Sandys was persistent in seeking clarification from SACLANT regarding his assumption of a relatively prolonged war at sea, and from SACEUR regarding the usefulness, in relation to a short, sharp land war, of forces other than D-Day forces. SACLANT offered no further remarks on the questions.

SACEUR, after recalling the agreed assumptions in MC 14/2 regarding the two phases of a war, namely:

(a) a period of violent large-scale organized fighting of a comparatively short duration, not likely to exceed thirty days, the first few days of which would be characterized by the greatest intensity of nuclear exchange;

(b) a longer period of indeterminate duration for reorganization, resupply and the accomplishment of necessary military tasks leading to a conclusion of the war;

said that the force requirements of MC 70 would be the same even if one could assume the war would be over in less than thirty days. Mr. Sandys found SACEUR's answer somewhat more convincing than SACLANT's theory that the war at sea may last several months after a decision had been reached on land.

11. Surprisingly, Mr. Sandys directed a question to General Norstad about disengagement. He asked for his views as to the purely military aspects of disengagement in the centre of Europe. The reply was to the effect that any substantial thinning out of forces could destroy NATO's defensive strength, unless there were some proper and enforceable system of control and inspection that would guarantee that the security balance remained the same. Without this it would be possible for the other side to return in force in a matter of hours or days, while our troops would take considerably longer, perhaps eternity if they were across the Atlantic. Moreover, history shows that in any sensitive region, whenever there is disengagement there is almost immediately a battle as a consequence of the vacuum and some situation being created in it and someone moving in. He would only wish to look at disengagement in the context of the guarantee he had mentioned, that is, of "a proper political form" and adequate inspection and control. His concluding remarks left the clear impression that he felt the weight of argument was against "thinning out" as a practicable form of disengagement at this time.

12. I asked SACLANT if he could provide information regarding Soviet guided missile submarines and specifically whether he considered they would be deployed into the Atlantic before the land war began. SACLANT gave a very general summary of Soviet guided missile submarine capabilities but did not produce any firm figures.

13. Mr. Spaak introduced the item on MC 70 with a statement strongly urging the need for effective, modernized NATO forces in the face of Soviet military progress and continued refusal to reach a general agreement on disarmament. He recognized that the financial cost would be high and said the financial and economic implications of MC 70 should be examined very carefully in the course of the annual review. Also, co-ordination of NATO defences should be examined as a possible means of partly off-setting the need for higher defence expenditures.

14. Mr. Staf of the Netherlands spoke most vigorously in favour of early adoption and full implementation of MC 70. He also thought that an ad hoc group of experts or the international staff, or the two in concert, might analyse data on modern weapons and personnel requirements and examine the economic and financial implications of MC 70, as a means of assisting governments in adopting and implementing MC 70. Mr. Spaak indicated this proposal should be considered by Council in due course.

15. Mr. McElroy (USA) supported MC 70 as a sound basis for NATO planning and believed the forces the United States would indicate in the annual review would basically meet MC 70 requirements for 1959, 1960 and 1961. He spoke in favour of balanced collective forces being worked out through the annual review process and said that, within the scope of what MC 70 asks, his government would be prepared to consider specific recommendations from the NATO military authorities for adjustments in the number and types of units to be committed by the United States to NATO in future years. The object would be

to permit other nations to make a more effective contribution by specializing. He indicated United States mutual aid would remain at about the same level as last year.

16. Mr. Sandys' statement was generally constructive. As expected, he gave general support to NATO strategy but drew attention to the probable cost of implementing MC 70 and urged the establishing of priorities.

17. All other ministers gave general support to MC 70. The observations on country breakdowns were briefly as follows. France could determine only at the end of the year what her contribution would be and her undertakings would be subject to possible modifications resulting from "the political and military situation." Norway doubted if she could improve both quality and quantity and she shared the United Kingdom in desire for priorities but went a step further by suggesting that "the extent and on what conditions the force goals of MC 70 can be met by member countries" should first be examined. Denmark frankly doubted that the defence budget could be increased by the amount necessary to reach MC 70 force goals.

18. Germany, a rather special case, seems to have special problems. Mr. Strauss gave broad support to MC 70 and NATO strategy, in particular the emphasis on modern weapons. However, he thought the equipment of certain German forces with these weapons, as called for in MC 70, would raise manpower and financial problems. He proposed for future discussion:

(a) What is the most rational form for developing and producing the requirement of missiles and equipment? and

(b) What new methods of common financing can be found in order to enable the individual states to fulfil requirements placed upon them?

He said the provision of certain missiles such as Matador on German territory would also raise manpower and financial problems, and technical problems as well. He indicated Germany would do its best to bring its planning in line with MC 70 but might have modifications to propose.

19. On a number of occasions Mr. Zorlu of Turkey raised the question of definition of "local hostile actions" which appeared in MC 70. In his view this could be interpreted as a form of limited war where Turkey might be left by herself. He referred to the common border with the USSR and the difficulties with Syria.

20. The briefing on missiles covered all important types, including Intermediate Range Ballistic Missiles. It was noteworthy that one was left with an impression of the high cost and large numbers of trained personnel involved in their production. However, the ostensible object was to interest European governments in joint production of missiles.

21. Under Item III the most important progress report was that of General Norstad on Intermediate Range Ballistic Missile sites and stockpiles of nuclear warheads. Because of the recent security leaks, General Norstad made only a general report on progress in negotiations with France and other interested NATO nations.

22. In the matter of stockpiles of atomic warheads, General Norstad reported that a general overall plan had been worked out and transmitted to the subordinate Allied Commanders for them to fill in the details. These Commanders had had preliminary discussions with authorities in several of the NATO countries. Details which the subordinate commanders had to provide related particularly to the number of the stockpiles required and their specific locations. They were required to report by the end of April. No formal action will be taken by SACEUR until these reports are received.

[GEORGE PEARKES]

195.

DEA/50107-H-40

*Note du sous-secrétaire d'État aux Affaires extérieures
pour le secrétaire d'État aux Affaires extérieures*

*Memorandum from Under-Secretary of State for External Affairs
to Secretary of State for External Affairs*

TOP SECRET

[Ottawa], July 28, 1958

NATO ANNUAL REVIEW: CANADIAN MEMORANDUM

Each year NATO undertakes an extensive "Annual Review" of the defence efforts of member countries based on replies to a questionnaire drawn up by the Annual Review Committee. The purpose of the Annual Review is to enable the force recommendations made by the military authorities to each country to be considered in the light of financial and economic factors so that force goals can be agreed at the December meeting of the Council.

This year the Annual Review has assumed a particular importance due to the Council's decision last May to use it as a vehicle for implementing the Military Committee's Minimum Essential Forces report (MC70). This report contains far reaching recommendations which would involve quite substantial revisions in the national defence plans of member countries.

The attached memorandum which constitutes our reply to the Annual Review Questionnaire and which was approved by the Panel on Economic Aspects of Defence Questions on July 25, is in five parts. The first part contains a General Statement of Canadian Defence Policy which summarizes the other parts of the memorandum. You may therefore feel that it is not necessary to read Parts 2 to 5† which are voluminous and which are in line with the General Statement.

There are three important recommendations in the Military Guidance to Canada this year. These involve equipping our brigade in Germany with tactical missiles, the provision of an additional aircraft carrier and the acceptance of new "strike" role for our Air Division in Europe which would involve equipping it with a new aircraft. Paragraph 7 of the General Statement implies Canadian acceptance of the first recommendation; paragraph 11 on the other hand indicates that we will not provide an additional carrier; paragraph 13 indicates that the question of re-equipping the Air Division together with its serious financial implications is being given further study. I am satisfied that it is not possible or wise to be more forthcoming in our reply to the Questionnaire pending Cabinet decisions on these important questions.

I should be grateful if you would indicate whether you approve the General Statement contained in Part 1 of the attached memorandum and agree that the Canadian reply may be submitted to the Annual Review Committee.⁸ Your Colleagues, the Ministers of National

⁸ Note marginale :/Marginal note:
OK SE S[mith]

Defence, Finance and Defence Production, are also being asked for their approval of the Canadian memorandum.⁹

D.V. LEP[AN]
for Under-Secretary of State
for External Affairs

[PIÈCE JOINTE/ENCLOSURE]

Note

Memorandum

TOP SECRET

CANADIAN REPLY TO ARQ(58)
PART I — GENERAL STATEMENT

1. The constant aim of Canada's defence policy has been to provide for the security of Canada by means of collective arrangements within the NATO Alliance and support of the objectives of the United Nations organization.

2. As the primary objective recognized by Canada and her Allies is to prevent the outbreak of a third world war, Canada's defence forces have been designed to form an effective part in the combination of forces of NATO constituting the best possible deterrent under present conditions. Canada has always recognized that the inherent advantage in collective defence within the framework of the NATO Alliance is that the best combination of forces can be provided along the most economical lines, and therefore smaller countries in the Alliance such as Canada are not required to strive for complete and balanced forces but rather can concentrate on the provision of those elements which constitute their particular needs and which can be most effectively built up and maintained.

3. As a member in the North Atlantic Treaty Organization, Canada will continue to contribute and steer her defence programme towards producing a practical realization of the aims of this organization in close cooperation with other partners of this Alliance.

4. At the end of 1958 Canada's M-Day Land Forces contribution will, in accordance with the force goals of the 1957 Annual Review, remain at one infantry brigade group in Europe and two infantry brigade groups in Canada which, together, comprise the 1st Canadian Division. A third armoured regiment has now been activated and an armoured regiment has been included in each brigade group.

5. NATO strategy has as its primary aim the prevention of war and to this end the allies have concentrated on building up deterrent forces of such magnitude that a potential aggressor will pause in reflection of the outcome of certain retaliatory measures that would be taken against him in the event of all-out-war. The United States Strategic Air Command is the primary deterrent of these forces and as a result of cooperation between Canada and the United States, the air defence for this deterrent or retaliatory force will continue to be a primary objective of the joint North American Air Defence Command. Canada has programmed the development of a new interceptor aircraft and is considering the procure-

⁹ Note marginale :/Marginal note:

31 July DND Mr. Pearkes agrees with minor amendments to para. 7 of general statement ie replace "in the next few months" by "in the near future." He does not insist on final paragraph on Food Bank if others do not wish it (telephone call from Rothschild). PCO Fin DDP & we don't want it. 31 July DDP Mr. Green approves (telephone call from Milligan). [auteur inconnu/author unknown]

ment of a semi-automatic ground environment and ground-to-air missiles as a further contribution to the protection of the deterrent forces based on North America.

6. In regard to the recommendations resulting from the 1957 Annual Review, Canada has not accepted the recommendation to provide an Honest John launcher; however Canada is giving consideration to providing a ground-to-ground missile suitable to the support of its land forces, and it is expected that a decision on the type of missile to be provided will be made in the next few months.

7. The RCN, in studying the methods of achieving mobile support for the maintenance of RCN forces, is giving consideration to the provision of one ocean-going tanker/supply ship by 1962 and some mobile repair facilities by 1961. Consideration will also be given to the provision of an additional two tanker/supply ships at a later date. Further provision is being made for the dispersal of stocks for main bases.

8. It is planned to accelerate the introduction of helicopters into A[n]ti-S[ubmarine] W[arfare] forces and to this end the RCN is conducting trials to determine the feasibility and worth of operating helicopters from small ships.

9. SACEUR's combat effectiveness report, 1957, continues to emphasize the fact that the concentration of aircraft on most airfields is still too great and it takes too long to react to an alert. In view of the decision of the North Atlantic Council to improve the location of air units and thus disperse these profitable atomic targets, dispersal airfields have been allotted in Europe for use by the RCAF and the Canadian Government has recently completed negotiations for the use of these airfields.

10. As it is planned to eventually change the Air Division role from the present air defence task, it is not Canada's intention to increase the all-weather forces but to maintain the present strength of four squadrons as long as they have an operational capability. The future role of the Air Division is now under active consideration.

11. In line with the outcome of the review of the Canadian defence programme outlined in the Canadian reply to ARQ 57, it is noted that Canada's naval expansion programme has resulted in further replacement of obsolescent ships in the Canadian Navy by the new construction anti-submarine escort and it is also noted that during 1957 a new type Canadian-built maritime patrol aircraft, the Argus, has been introduced into the Royal Canadian Air Force. These forces have greatly improved the quality of D-Day anti-submarine force effectiveness.

12. With regard to logistic support of Canadian forces in Europe, Canada has accepted a sixty-day war reserve for the brigade in Europe and a thirty-day war reserve for the balance of the 1st Canadian Infantry Division plus a thirty-day formation operational reserve for the entire division. Arrangements have been completed with the United Kingdom for the storage in continental Europe for the first thirty-day war reserves of the brigade group assigned to SACEUR and these reserves are now in position.

13. The Canadian Government has reviewed the recommendations of the 1957 Annual Review regarding the most expeditious movement of the balance of the 1st Canadian Infantry Division to Europe after M-day. Negotiations have commenced with U.S. authorities to determine what assistance can be provided to carry out this movement.

196.

DEA/50104-40

*Note du sous-secrétaire d'État aux Affaires extérieures
pour le secrétaire d'État aux Affaires extérieures*
*Memorandum from Under-Secretary of State for External Affairs
to Secretary of State for External Affairs*

SECRET

[Ottawa], July 28, 1958

NATO COMMON INFRASTRUCTURE REQUIREMENTS 1958-63

Attached is a memorandum drawn up by the Panel on the Economic Aspects of Defence Questions which outlines current NATO infrastructure problems and recommends general Canadian policy guidance. It was agreed in the Panel that this memorandum should be submitted to you and your colleagues of the Departments of Finance and National Defence for approval.

Infrastructure is a word taken over from the French who use it to describe the fixed equipment of railroads, i.e.: the track and right of way, in order to differentiate it from the mobile units, i.e.: rolling equipment. In NATO the term is used in the same way to distinguish between the fixed installations required by armed forces and their mobile equipment. NATO *common* infrastructure refers to those fixed installations which, because they are used by the forces of more than one country, are financed in common by the Alliance as a whole, according to a cost sharing formula.

Up to now NATO common infrastructure has consisted mainly of airfields, pipelines, and communications systems. Now there is a further requirement for installations of the missile age, such as missile launching sites and nuclear storage facilities, which must be constructed soon to enable the deployment of missiles delivered by the United States. There is, therefore, some urgency about taking decisions on the common financing of these installations.

Obviously there are complications in this subject which cannot be summarized completely in a short paper but the attached memorandum is, I think, clear and self-explanatory. I am in full agreement with the suggested Canadian policy outlined in paragraph 13 for the guidance of our delegation and I recommend it for your approval.¹⁰

D.V. LEP[AN]
for Under-Secretary of State
for External Affairs

[PIÈCE JOINTE/ENCLOSURE]

*Note**Memorandum*

SECRET

NATO INFRASTRUCTURE REQUIREMENTS 1958-63

The acceptance of MC-70 (The Minimum Essential Forces Requirements 1958-63) for planning purposes by the NATO Council last May has faced member countries with

¹⁰ Note marginale :/Marginal note:
OK SE S[mith]

difficult and costly problems of implementing its recommendations. The new Force requirements have given rise to extensive new capital or "infrastructure" requirements, many of which will be proposed for common financing. Since 1951 NATO has had a common infrastructure programme under which fixed installations such as airfields, pipelines, communications systems, etc., which are used in common by a number of NATO Allies, have been financed in common. Canada has contributed to these programmes according to cost sharing formulas which differed from slice (annual programme) to slice, but averaged about 6%.

2. The total funds committed by member countries for common infrastructure from 1951 up to and including 1960 amounts to \$2,600 million, of which Canada's obligation amounts to \$158.5 million. Of the total amount, \$2,360 million has been programmed to the end of 1958 and \$138 million has been set aside for contingencies, leaving unallocated some \$101 million for 1959 and 1960.

3. The unallocated amount of \$101 million left in the Four Year Programme must be compared to the Military Committee's estimate (MC32/11) of the cost of new infrastructure requirements for 1958/63 which is of the order of \$1,176 million. Even this large estimate could be substantially increased when more detailed costing takes place. Also, a review of 1962/63 force requirements could involve additional infrastructure requirements. The possibility of improved types of IRBM's in 1960 and an anti-missile missile becoming operational in 1963, and the extension of common financing (favoured by several governments) to air defence, logistic support, the standardization in production of weapons, etc., could also increase the cost of commonly financed infrastructure.

4. On the other hand the infrastructure programmes already approved could well be curtailed to some extent, releasing funds to meet the new requirements. SACEUR has stated that 29 programmed airfields in the Central Region alone are excess to 1958-63 requirements.

5. Although for the above reasons, the Military Committee's estimate of \$1176 millions as the amount of additional funds required can only be regarded as a tentative one, it serves to illustrate the potential financial implications for Canada of agreeing on the basis of our present percentage share to the common financing of the new requirements. If new commitments of this magnitude are ultimately approved, and the unexpended portion of our present commitments taken into account, Canada's total outstanding commitments would amount to \$161 million. This figure is almost the same as our total commitments since the inception of infrastructure in 1951 of which only 40% have been discharged at an average annual rate of \$10 million as detailed at Annex I.† If the rate of physical implementation of the projects is doubled, the annual Canadian expenditure could reach \$20 million for both the now approved programmes and the new proposals. The inclusion of completely new items in programmes, or even more rapid progress in completion would increase the demands on Canada. Experience suggests, however, that there is little possibility of annual expenditures exceeding \$20 million a year unless, of course, Canada's rate of contribution was significantly increased.

6. In presenting the new infrastructure requirements, the Military Committee distinguished between the two classes of facilities. In one class are conventional facilities already eligible for common financing under the current definition of the term, required for the further development or completion of conventional infrastructure projects already programmed. The other class is detailed at Annex II and includes facilities for new categories of weapons not previously programmed, such as nuclear storage facilities, surface-to-air missile sites and IRBM sites. These facilities are not now eligible for

common financing and the council must decide whether or not the principle of common financing is to be extended to them. The requirements are summarized by broad class as follows:

| | <u>1959-1960</u> | <u>1961-1963</u> (Million dollars) | <u>Total</u> |
|--|------------------|---------------------------------------|---------------|
| Eligible for common financing as now defined. | 215.6 | 112.0 | 327.6 |
| Eligibility for common financing not yet determined | 364.0 | 366.8 | 730.8 |
| Contingencies | <u>64.4</u> | <u>53.2</u> | <u>117.6</u> |
| Total | <u>644.0</u> | <u>532.0</u> | <u>1176.0</u> |

7. To implement any portion of this programme, additional funds beyond the amounts already committed by member governments for the period to 1960 will be required. However, before there has been an opportunity to examine thoroughly, and set precise limits on the new programme and to arrive at an agreed basis for funding it, member governments are being asked to decide in principle on the eligibility for common financing of a number of the new items scheduled for completion prior to 1960. A positive decision in this regard will, in turn, set the pattern for completing and further developing these facilities subsequent to 1960. It would also have a bearing on the decision which must be taken in future on the proposals put forward at the meeting of NATO Heads of Governments in Paris, December, 1957, to extend the common financing of European defence requirements beyond present confines into such areas as logistic support and an integrated air defence which so far have been national responsibilities.

8. On the basis of statements made by various countries, it has been the view of Canadian officials, that additional funds to meet the new requirements under the present concepts and cost sharing principles of common financing, would not be too readily forthcoming from European NATO members.

9. When Council is ultimately confronted with the need to seek additional commitments from member governments to finance the new requirements, a number of these countries can be expected to seek a reduction in their percentage cost share of contributions on the grounds that the rising costs of the non-infrastructure elements of the new weapons systems (i.e. the operations and maintenance expenditures and the cost of the weapons themselves), which under present concepts are borne nationally, have placed heavy competing demands on their defence budgets. Similar arguments may be put forward to justify the extension of common financing to the more costly aspects of the new weapons systems which, under present concepts, would not qualify as infrastructure.

SUGGESTED CANADIAN ATTITUDE

10. The Panel on the Economic Aspects of Defence Questions considered the position which Canada might adopt towards this complex infrastructure problem.

11. It was considered that it would not be feasible for Canada to take an inflexible stand against expanding the common infrastructure programme to include the new requirements. An attitude of this kind would indicate a reluctance on Canada's part to assist in the implementation of the concepts in MC-70, and would be interpreted by other member countries as evidence that Canada was seeking to withdraw from her commitments in Europe and would, as a result, give rise to irritation with Canada out of all proportion to the financial obligation involved.

12. On the other hand, for Canada to promote actively the implementation of the new military concepts in Europe through common financing, would imply a willingness to participate liberally in the financing of an expanded programme and would probably result in Canada having to accept a substantially increased cost share of the programme. This was regarded as an unacceptable course to pursue at a time when Canada will, within its defence budget, have to assume increasing responsibilities for implementing the new concepts in the Canada-United States region.

13. In the circumstances the Panel recommends that our Delegation should be instructed to adopt a relatively passive role on the size of the programme to be financed in common, leaving the onus of the negotiations to the United States and the European nations. At the same time, our Delegation would be instructed, if Ministers approve:

(a) to make it known that, while Canada is prepared to agree to include the new requirements in the infrastructure programme insofar as they can be regarded as falling within the present definition and criteria of NATO Common Infrastructure, Canada's percentage contribution to future programmes would not be raised above the present 6.16%.

(b) to agree to the programming of the new requirements only on the assurance that the host and user countries are prepared to finance the non-infrastructure elements of the projects concerned. This would involve assurances (1) that user nations will have the weapons to deploy on the facilities concerned and will also assume the usual financial responsibilities for the operation and maintenance of the facilities and (2) that host European countries will assume the ordinary host country responsibilities, i.e. the provision of land, local utilities, access roads, etc.

14. By following this course we would be limiting our financial commitments to reasonable proportions without taking a position which could be interpreted as a withdrawal of support for European defence or obstructing the implementation of the concepts set out in MC-70.

197.

DEA/50107-H-40

*Le représentant permanent auprès du Conseil de l'Atlantique Nord
au secrétaire d'État aux Affaires extérieures*

*Permanent Representative to North Atlantic Council
to Secretary of State for External Affairs*

TELEGRAM 2511

Paris, October 18, 1958

SECRET. OPIMMEDIATE.

Reference: Our Tel 2510 Oct 18.†

Repeat CIS(L) (Information).

NATO ANNUAL REVIEW — QUESTIONS ON CANADA

Following is final list of prepared questions on Canada which we have just received in advance copy form from International Staff:

Question 1 — Comment: International Staff has made a study of defence expenditures needed by Canada to meet NATO military authorities' requirements for period covered by Annual Review, on assumption that mutual aid will be continued to Canada's allies at its present level. This study suggests that an increase in defence expenditures of the general

magnitude of 5 percent over level of expenditures in 1958/59 will probably be necessary in 1959/60 and beyond. International Staff estimates that for 1959/60 this would involve an increase in defence appropriations of roughly 10 percent over level of appropriations for 1958/59, since special account resources have been used up this year.

Canadian economy is strong and prospects for further expansion seem good. Share of defence in total output, though still fairly high, has declined significantly in recent years and the defence effort does not repeat not seem to place an undue burden on the economy.

Questions: (a) Does Canada agree with International Staff's estimate of increase in defence appropriations and expenditures required in 1959/60 to meet NATO military authorities' requirements and to continue provision of aid at its present level?

(b) If so, is Canadian government willing to consider incurring these larger outlays in 1959/60 and subsequent years?

Question 2 — Comment: No information on mutual aid is given in Canadian reply beyond current fiscal year.

Questions: (a) Can any information yet be given by Canadian Delegation on total value and components of 1959/60 programme?

(b) What possibility is there of increasing amount of materiel directly procured?

(c) Does Canadian government consider that it will be possible to give general indications of programmes 2-3 years ahead, to assist recipient countries' planning?

Question 3 — Comment: The value of materiel delivered from Canadian mutual aid over the last four years and estimated for current year, compares to total of equipment deliveries and NATO aircrew training as follows:

| | 1954/55 | 1955/56 | 1956/57 | 1957/58 | 1958/59 |
|--------------------|------------------------------|---------|---------|---------|---------|
| | MILLIONS OF CANADIAN DOLLARS | | | | |
| Total of this, | 248.0 | 164.5 | 119.5 | 107.9 | 108.5 |
| direct procurement | 25.1 | 15.8 | 8.1 | 3.1 | 1.5 |
| Transfers from | 170.0 | 97.7 | 63.7 | 78.5 | 98.0 |
| Service stocks | | | | | |

According to these figures, the proportion of procurement of new materiel has been diminishing steadily from 10 percent in 1954/55 to 1 percent estimated for 1958/59. Proportion of equipment transferred from service stocks is planned to increase during same period from 69 percent to an estimated 90 percent. Questions of definition and valuation may however have obscured the real position: in particular the decision to change valuation of equipment taken from service stocks constituted before March 31, 1950 from its replacement value to cost of reconditioning, which took place with effect from 1956-57; and inclusion of new materiel, or materiel unused by Canadian forces, in category "transfers from service stocks," since some of this equipment seems to be held for a time in service stores.

Questions — (i) What is value of equipment from pre-1950 stocks at its present assessment included in 1956/57 1957/58 and 1958/59 totals?

(ii) What would be value of this equipment at replacement costs?

(iii) Within category "transfers from service stocks," what is proportion of up to date materiel, which having been stored with service stocks, may be categorised as materiel obtained from new procurement?

II. Army

Question 4 — Comment: In MC70 there is a requirement for one Honest John battalion (two launchers) in 1958 and one Little John battalion in 1961. In its memorandum Canada states: "... that the Honest John is not repeat not necessarily the best missile for Canadian land forces ... it is expected that a decision on type of missile to be provided will be made in near future."

Question — (a) Is Canadian delegation in a position to give information on type and number of missile units they intend to introduce in their M-day brigade in Europe?

(b) If so, can delegation provide dates at which it is estimated these missile units will become operational?

(c) Will these missiles be procured abroad or produced in Canada?

Question 5 — In view of the rather serious shortage of non-organic combat support units required for forces in centre region of Europe, do Canadian authorities have any plans for future provision of such non-organic support units for M-Day brigade in Europe?

Question 6 — Comment: In AR(57) recommendations the NATO military authorities recommended arranging the most expeditious movement of the balance of 1st Canadian Infantry Division to Europe after M-Day. It is noted that Canada has commenced negotiations with USA authorities to determine what transportation assistance can be provided. NATO military authorities are concerned that no repeat no firm plan has yet resulted from these negotiations.

Questions — (a) Can Canadian delegation furnish information on status of negotiations with USA regarding completion of arrangements to move balance of 1st Canadian Division to Europe promptly after M-Day?

(b) When do they expect such arrangements to be finalized?

Question 7 — Comment: Manning level of M-Day brigade group in Europe is planned to be maintained at 88 percent of war establishment instead of 100 percent recommended by NATO military authorities.

NATO military authorities are concerned with possible failure of a timely arrival of balance of 100 percent in an emergency due to disruption of transport and communications.

Question — Since balance of 100 percent manning is only about 700 men, would Canada comment on feasibility of remedying this deficiency?

III. Navy

Question 8 — Comment: In her memorandum (paragraph 13d of Navy section), Canada states that an allowance has been made of about one-sixth of total operational escorts under category B to provide for those ships undergoing refit and docking.

The number of escorts planned for 1961 earmarked for assignment to SACLANT is 24 in category A and 5 in category [unintelligible] which will be retained under national command these figures are 12 and 2 respectively. From this it appears that the number of category A escorts can hardly be increased without increasing total number of escorts.

Question — Do Canadian authorities contemplate any measures to increase number of ocean-going escorts in category A, earmarked for assignment to SACLANT, in order to meet 1963 requirement of 29 in MC70?

Question 9 — Comment: In her reply Canada states that since Canada is increasing category A availability of escorts and maritime aircraft, it is not repeat not possible to meet requirements of a second carrier. NATO military authorities note with regret this shortfall

in a class of highly important ships. Moreover, there will be times when even the one carrier will not repeat not be available, such as during overhaul and maintenance. Since the same situation also occurs in other countries, the consequent reduction in anti-submarine warfare carrier strength actually available to SACLANT is a serious one.

Question — Can Canadian delegation say whether Canadian government is willing to reconsider provision of a second anti-submarine warfare carrier?

IV. Air Force

Question 10 — *Comment:* Expenditure on aircraft for last two years has been below estimates. In current year an increase is foreseen:

| MILLION DOLLARS | | | | |
|-----------------|--------|----------------|--------|----------------|
| <u>1956/57</u> | | <u>1957/58</u> | | <u>1958/59</u> |
| Estimate | Actual | Estimate | Actual | Estimate |
| 234.1 | 217.5 | 244.1 | 223.1 | 278.7 |

It is not yet known what types of aircraft will be chosen for RCAF. It is nevertheless likely that RCAF will have to be extensively re-equipped in next few years. Aircraft (e.g. AWX for IDF) may be much more expensive.

Question — What developments does Canadian delegation foresee in costs of procurement for aircraft over next few years and what impact is this increase in cost likely to have on aircraft procurement programme and Air Force expenditures?

Question 11 — *Comment:* In AR(57) recommendations the NATO military authorities recommended: "Proceed at an early date to discuss with SHAPE future contribution of RCAF to Allied Command Europe, particularly as to their roles and mission."

In their memorandum Canadian authorities state that re-equipment of Air Division in Europe is being given further study.

Questions — (a) Could Canadian Delegation give an idea when this study will be completed?

(b) Is it possible to give now an indication as to Canada's intentions regarding modernizing present equipment and increasing the all-weather capability of the First Canadian Division?

(c) Would the decision of Canadian government to equip the Air Defence System of Canada with "BOMARC" missiles¹¹ have any effect on Canada's plans for modernization of RCAF units committed to Allied Command Europe?

¹¹ Voir le volume 25 (à paraître), chapitre premier./See Volume 25 (forthcoming), Chapter I.

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DEA/50107-H-40

*Le secrétaire d'État aux Affaires extérieures
au représentant permanent auprès du Conseil de l'Atlantique Nord*

*Secretary of State for External Affairs
to Permanent Representative to North Atlantic Council*

TELEGRAM DL-846

Ottawa, October 24, 1958

SECRET. OPIMMEDIATE.

Reference: Your Tel No. 2511 of Oct 18.

Repeat CJS London, CJS Washington; CCOS, DM/DND (Information).

NATO ANNUAL REVIEW

We are setting out below for your guidance suggested replies to the prepared questions listed in your telegram under reference which were considered yesterday by the Panel on the Economic Aspects of Defence Questions. We shall deal with some of the general considerations arising out of these questions in a separate telegram† to follow.

Questions 1(a) and 1(b): The level of defence appropriations in Canada is not fixed by direct reference to an arbitrary proportion of the gross national product. Rather, it is determined in relation to a considered judgment of the military requirements to be met. At the present time, as has already been stated, it is not possible to come to a firm conclusion on the extent and nature of these requirements. In determining the level of appropriations consistent with accepted defence needs, Canada has endeavoured in the past to achieve all economies possible within the limitations of defence commitments, and it is intended that, once the future defence requirements can be more clearly defined, the same considerations will apply.

The Canadian authorities are, at the present time, unable to agree with the International Staff's estimate that Canada's defence expenditures should be increased by about 5% in order to meet the requirements of the NATO military authorities and to continue our mutual aid programme at its present level. Before any indication can be given of even a rough order of magnitude of the defence expenditures necessary for 1959/60 and following years, it will be necessary to have more precise knowledge of the requirements; yet detailed requirements cannot be established until the present unresolved issues are settled. The re-equipment of the Canadian Air Division in Europe is still under study; the final decision on the development and production programme of the Arrow aircraft is yet to be taken; and the cost of installation of BOMARC, SAGE and reinforcements to the radar system are not known. The final outcome in financial terms in these and similar cases cannot fail to have a significant impact on the level of defence expenditures required in future years to provide for Canada's contributions to the defence of the Canada-United States region and of NATO-Europe. We feel that question 1(a) is perhaps premature in that there is not sufficient information at the present time to judge the accuracy of the conclusions reached by the International Staff on the future cost of our defence expenditures.

Question 2(a): Since the mutual aid programme for 1959-60 has not yet been developed we cannot indicate its total value or its components at this time. We can say, however, that the value of the programme will probably be somewhat below that of the current year.

Question 2(b): For the reasons stated in answer to question 2(a) it is not possible to forecast the content of next year's programme. However, it must be recognized that the category "direct procurement" has not been, in recent years, the main category under which directly procured equipment has appeared in the Canadian mutual aid programme. As the International Staff have recognized in framing question 3, an important proportion of the equipment included in the category "transfers from service stocks" has been equipment procured on order by the Canadian services but transferred as mutual aid. Further, any equipment in this category which is in effect drawn from service stocks is completely reconditioned to bring it up to the standard of new equipment.

Question 2(c): The position of Canada with regard to our inability to provide forecasts of defence appropriations beyond the present fiscal year is well known. Because of the interaction of content and the level of appropriations in determining the annual mutual aid programmes, we regret that we are unable to give any general indication of the content of future programmes.

Question 3: The mutual aid charges for pre-1950 stocks included in the 1956-57, 1957-58 and 1958-59 totals are as follows:

| | <u>1956-57</u> | <u>1957-58</u> | <u>1958-59</u> |
|-----------|----------------|----------------|----------------|
| Navy | 14,437 | 1,040,924 | 500,000 |
| Army | 9,359,098 | 17,816,784 | 4,000,000 |
| Air Force | 963,735 | 4,785,261 | 500,000 |
| | 10,337,270 | 23,642,969 | 5,000,000 |

An estimate of the original cost of the above equipment is as follows:

| | <u>1956-57</u> | <u>1957-58</u> | <u>1958-59</u> |
|-----------|------------------|-------------------|------------------|
| Navy | 57,748 | 4,163,696 | 2,000,000 |
| Army | 37,436,392 | 71,267,136 | 16,000,000 |
| Air Force | <u>3,854,940</u> | <u>19,141,044</u> | <u>2,000,000</u> |
| | 41,349,080 | 94,571,876 | 20,000,000 |

It is difficult to be precise in answering the question on the proportion of service stocks classified as materiel obtained from new procurement, but we would consider the materiel procured subsequent to March 31, 1950 as being the equivalent of new equipment. (A rough estimate showing the proportion of used (reconditioned) to new equipment will be provided separately by the Department of National Defence, and will follow later.)

Question 4(a): A decision has been taken for the initial purchase of one battery composed of 4 Lacrosse launchers and associated fire control equipment and 12 missiles. One half of this battery will be provided for the support of the Canadian brigade group in Europe and the remainder used for training at the artillery school in Canada.

Question 4(b): No dates can be specified, but it is hoped that these missiles will be available to the brigade in Europe by 1961.

Question 4(c): It is intended that these weapons will be initially procured from United States sources.

Question 5: The army is now reviewing the plans for combat support of the brigade group in Europe in the light of the changes in organization of other NATO powers and the introduction of new weapons. Further reference to re-organization of the brigade group is shown in the answer to Question 7.

Question 6: Negotiations with the United States of America are being pursued actively regarding arrangements to move the balance of 1 Canadian Infantry Division to Europe promptly after M-Day.

It would be premature at this stage to set a date for the completion of these arrangements.

Question 7: The manning level of the brigade group was reduced two years ago from one hundred to ninety per cent, when the armoured squadron was increased to a full armoured regiment. This increase of armoured support greatly increased the combat effectiveness of the brigade group. It should be emphasized that the establishments of the units in the brigade group were laid down prior to 1951 on the basis of the units in the British war establishment for the large infantry division of 20,000. It will be realized that the discussions which have been held with the Commander-in-Chief Central Europe will produce in the near future a new organization for the basic division and the brigade group, especially tailored for operations in Europe. It is expected that, because of the introduction of many new weapons such as missiles, armoured carriers, etc., the manpower requirements as visualized in the old establishments of the division will be considerably revised. It is therefore not considered prudent to increase the number of other ranks now in the brigade group in Europe until this review of establishment has taken place. It is pointed out that the strength of the brigade group, even at ninety per cent, compares most favourably with other comparable NATO formations.

Question 8: It is intended to have all frigates and destroyers in commission by the end of 1959 and earmarked for NATO. A ship construction programme commencing in 1959 at the rate of two ships per year will provide anti-submarine warfare ships for commissioning in 1962-63. The older destroyers will be reaching the end of their useful life by 1962, having been in operational use over 20 years. As the new construction will be replacing them, the category "A" force goals are not expected to increase. It is suggested as the anti-submarine warfare capability of the fleet will be improved that it will have the effect of increasing category "A" forces. In any case, it should be noted that the deployment of anti-submarine warfare ships, all earmarked for NATO, to the east or west coasts is reviewed annually by the Chiefs of Staff Committee and it may be possible to meet the 1963 requirement of 29 category "A" escorts as recommended in MC 70.

Question 9: The provision of a second carrier for SACLANT does not carry the military judgment of the Canadian Chiefs of Staff. The question of a second carrier has already been discussed between the Chairman, Chiefs of Staff and SACLANT and between naval authorities and SACLANT's travelling team and they are well aware of our views in this regard. No further consideration will be given to SACLANT's request for a second carrier.

Present and Past Commitments to SACLANT:

As background information to support the Canadian case for not giving sympathetic consideration to SACLANT's ardent plea for Canada to provide a second carrier the following is a brief outline of our immediate past and present commitments to SACLANT.

D-Day availability of escort forces has steadily increased over the last five years from a total of 6 in 1953 to 24 category "A" ships in 1959. These latter ships include a number of new construction escorts which have improved the anti-submarine warfare capability of our forces immeasurably. Two fighter anti-submarine carrier aircraft squadrons have been replaced with new aircraft during the past five years.

In regard to our improved shore and sea-going facilities for the support of our forces earmarked for SACLANT, the RCN has provided mobile repair maintenance ships, improved and dispersed dockyard facilities, built new ammunition and stores depots,

improved training and expanded communication facilities. These improved facilities, together with the cost of our new construction DDE and carrier aircraft, have resulted in an expenditure of over 1 1/2 billion dollars during the past five years.

SACLANT force goals for maritime aircraft have remained at 28 aircraft since 1954, but during this period the Lancaster aircraft has been progressively phased out and replaced by the Neptune and the new Argus aircraft. To support these new type aircraft at Greenwood and Summerside in the form of hangar construction, runway improvements, and bulk fuel storage, has resulted in an expenditure of \$8,102,000 and to this figure should be added the cost of Neptune and Argus aircraft of 185 million dollars making a grand total of \$193,102,000.

It should be emphasized that the modernization of the forces earmarked for SACLANT has involved a total expenditure over the past 6 years of 1.7 billion dollars, which would appear by any comparison to be a most important contribution.

Question 10: In line with the considerations outlined under question 1 above, and until more precise information is known regarding the type and quantity of the equipment with which the RCAF is to be re-equipped, it is not possible to estimate their future level of aircraft procurement outlays and RCAF expenditures in general.

Question 11(a): It is not expected that a decision regarding the re-equipment of the 1 Canadian Air Division will be taken in time to affect the present Annual Review.

Question 11(b): Canada does not intend to modernize present equipment nor increase the all-weather capability of 1 Air Division.

Question 11(c): This will depend entirely on the outcome of the study now being undertaken to determine the future role of the Air Division in Europe. Therefore, it would be premature at this time to state whether the government's revised air defence policy would affect Canada's plans for modernization of RCAF units overseas.

199.

DEA/50107-H-40

*Le représentant permanent auprès du Conseil de l'Atlantique Nord
au secrétaire d'État aux Affaires extérieures*

*Permanent Representative to North Atlantic Council
to Secretary of State for External Affairs*

TELEGRAM 2618

Paris, November 3, 1958

SECRET. OPIMMEDIATE.

Repeat CJS(1) (Priority) (Information).

NATO ANNUAL REVIEW — EXAMINATION OF CANADA

Following is summary report.

We were represented by our Annual Review team and General Kitching and Lt/Col Tackaberry from London.

2. With one exception our *prepared* replies were those in your DL-846. Supplementary answers were drawn mainly from your background telegrams.

3. Gregh opened by reminding the Committee of the exceptional importance of this year's Annual Review as the instrument for implementing MC70 and of the role which Canada had played in this regard. Only the results would show if the Annual Review

procedure had been an effective mechanism; a very serious effort was demanded of all to ensure that the Review did not simply degenerate into a rubber stamping of deficiencies. It was his hope that there would be full ministerial discussion in December with concessions being made in a sincere attempt to close gaps and only then could firm force goals be set. It was useless to end up with the classical conclusion of noting fixed positions. We responded with the opening statement we had prepared as modified by your DL-868,† with one additional sentence within the intent of your instructions.

4. Gregh's comments on our reply to Question (1), though we refused to be drawn on some issues he raised, involved the Committee in a discussion which lasted about an hour. We had anticipated most of his arguments and were able to reply with some effect. His main points were the following. The costs of NATO defence are clearly going up, mainly due to the cost of new equipment. Canada's replies, both to A[nnual] R[evue] Q[uestionnaire] 58 and in the examination, are vague as to future expenditures. Moreover, a substantial part of this year's expenditure is from special account. Also, the Canadian authorities are now finalizing their "budget provisions" for the next fiscal year. If the Canadian authorities are going to wait until the cost of new commitments can be determined to the last cent, this might be too late. He was less concerned that the Canadian authorities have not accepted the staff's estimate of the additional expenditures which would be needed than with our apparent unwillingness to say whether or not we would consider incurring larger outlays, if these should prove necessary. Canada, he said, should be able to afford this and he rehearsed the usual arguments about GNP and the proportion of budgetary expenditures devoted to civilian and military purposes. He was waiting to hear that Canada was prepared to meet MC70 requirements even if this meant an increase in defence expenditures. There were also interventions by General Parker and the UK representative.

5. Our replies were on these lines. We had explained the unresolved issues which make it impossible for us to estimate costs with any degree of accuracy at the present time. General Parker had pointed to MC70 requirements being minimum and having taken account of financial factors. We did not dispute this nor did we object to the staff making their own estimates if they wish to do so. But the Canadian government must make its own cost estimates and a large number of the unknowns lie outside MC70 and in the realm of Canada-USA defence. These are very complicated factors involving large sums of money, and the margin for error is great. In response to a query from the UK representative as to whether Canada was holding back on commitments for NATO-Europe in the fear of some possible big and unknown factor relating to the Canada-USA region, we said we were not holding back but were merely endeavouring to appraise the situation in the light of both savings and new expenditures which would flow from decisions many of which are yet to be taken. On Gregh's other points we said no conclusions should be drawn from our use of the special account this year: the money was there and we decided to spend it. We refrained from comment on his reference to "budget provisions" now under preparation, not feeling equipped to speak with authority on the actual relationship which will exist this year between the main estimates and the final budgetary provisions for defence. We dealt firmly with his renewed reference to economic factors and asserted, further, that we did not believe the Canadian government would wish to commit itself to any particular level of defence expenditures until it was clear what the actual cost would be.

6. The USA representative intervened helpfully and remarked that, while he did not wish to detract in any way from the vigour of the Annual Review examination, he nevertheless felt it necessary to point out that there are real difficulties in projecting defence expenditures. An explanation of these difficulties should not be interpreted as in any way

indicating an unwillingness to meet the requirements. He felt that the Canadian statement showed a determination to carry through and to tackle problems which must first be resolved in order to meet the requirements as defined in MC70.

7. No comments of substance were made on our replies to Question 2, although Gregh said that the probable decline forecast in our reply to Question 2A was bad news. At Gregh's suggestion the Committee did not discuss our answers to Question 3, so as to avoid getting entangled in technicalities. He intimated, however, that the staff would take up with us directly certain points arising from our answers.

8. Our reply to Question 4 drew expression of satisfaction from the Standing Group representative but he went on to recall that, under MC70, the first battalion of missiles is a 1958 requirement. He wondered whether Canada might not adopt an interim solution of, for example, the Honest John, to improve on the date of 1961. We emphasized that we had said "by 1961" rather than "in 1961" and recalled that we did not think the Honest John to be a suitable weapon for a brigade group. When probed further as to what our intentions were about the provision of a second Lacrosse battalion, we said that our statement had referred to an "initial" purchase. We mentioned that Canadian personnel have already been trained in use of the Lacrosse.¹²

9. Questions 5 and 7 were taken together. The Standing Group representative pointed out that the former relates to non-organic support. Provision by other nations was not proving satisfactory and he wondered whether Canada would consider undertaking the responsibility from her own resources. We stated that the question of non-organic support was being looked into with the UK authorities and we believed that the situation was better than SHAPE reports implied. In response to a specific query from the Standing Group representative on question 7 as to whether or not we were prepared to meet the standards of MC55/1 if certain adjustments were made to the brigade we replied in the affirmative. We added that with about 800 actual battalion strength our units at 88 percent of establishment were currently fully combat worthy. The Standing Group representative said that he understood that the remaining 12 percent were available in Canada and he wondered if they could not be brought to Europe. We said that we did not intend to increase the overall strength of the brigade group beyond its present level of some 5,500 men. The 12 percent were needed in Canada in connection with such matters as missile training and the introduction of armoured personnel carriers. However, in an emergency they would be flown to Europe.

10. On Question 6 the Standing Group representative expressed the hope that the negotiations would soon be terminated successfully as the problem went back as far as 1953.

11. In our prepared reply to Question 8 we stated: "By 1963 Canada will have in commission and deployed on its east and west coasts sufficient ocean-going escorts to meet MC70 requirements. In this aspect it should be noted that the deployment to the east and west coasts of anti-submarine warfare ships earmarked for NATO is reviewed annually by the Chiefs of Staff Committee and it may, therefore, be possible to meet the 1963 requirement of 29 category "A" escorts as recommended in MC70." In answer to supplementary questions we took the same general line but, when pressed regarding the redeployment to be completed by the end of 1959, we based ourselves on paragraph 4 of

¹² Le Cabinet a approuvé l'achat d'une batterie de missiles sol-sol Lacrosse le 1^{er} octobre 1958.

Cabinet approved the purchase of one Lacrosse battery of surface to surface missiles on October 1, 1958.

your DL-864. When asked if this meant that there would be 24 category "A" ships based on the east coast by this period we replied in the affirmative.

12. After noting our reply to Question 9 the Standing Group representative said that the overall requirement for the carrier still remained in MC70. He was aware of our plans for a tanker replenishment ship. He wanted to know with reference to military recommendation (8), if Canada would envisage it having a dual role, also that of helicopter carrier. We undertook to draw the recommendation to your attention. Admiral Woods said that he understood Canada's reluctance to have a second carrier, but, if SACLANT had been persistent, it was because of the serious shortfall in total carrier availability in the Atlantic command. Furthermore, with refits, our first carrier would not always be operational. After we had given some of the background of our progressive contributions to SACLANT and their cost Gregh threw in an idea of his own. He noted that the practice of ships in reserve in one country being loaned to other countries in need of them had been adopted in NATO in recent years. He understood that the USA had a reserve carrier and its loan to Canada might be an acceptable solution. He had not discussed this with the USA delegation in advance.

13. No comment was made specifically on our reply to Question 10. We had had a word with the staff before the meeting about Questions 10 and 11, indicating it would be best not to press us too hard. Also, sensing a possible misinterpretation of our reply to 11(b) — because of the slightly ambiguous wording of the question itself — we prefaced our answer with an interpretive comment designed to prevent misunderstanding. In spite of these precautions we were questioned quite closely. We eventually made the staff and the Committee understand that, in giving a negative answer to 11(b), we were simply stating our attitude toward proposals relating to interim period of 1958 Annual Review; further, that by modernization we understood modifications of existing equipment, and that by increase in all-weather capability we understood a proposed increase during interim period. Question of re-equipment of Air Division, we emphasized, is still under study. To make this clear we found it necessary to outline, without prejudice to the study, current Canadian thinking on relative suitability of proposed roles for Air Division. At one point in discussion Standing Group representative asked if military authorities could do more to assist Canadian military authorities in assessing technical problem and reaching decision. He was told they had done all necessary at present and he did not repeat not press his point. However Gregh asked point blank if Canadian military authorities would be prepared to discuss problem again with SHAPE and we felt bound to reply in affirmative.

14. Gregh said that he had one supplementary question to put to us. It was relatively minor and related to SACLANT's comment on Canadian reply to ARQ(58) reading "It is noted with satisfaction that it is intended to construct a maritime headquarters outside Halifax target area." He asked us to let him know what progress is being made.

15. In his summing up Gregh drew attention to Canada's excellent past record and to good intentions expressed in our general memorandum this year and in our opening statement. Nevertheless, examination had created a very unsatisfactory impression in his mind. In his opinion our reply to Question 1 had virtually been negative. No repeat no specific information had been given in answer to Question 2. To Question 4 we had only said "by 1961." Question 5 was still under study. No new information had been furnished on Question 6 and to Questions 9 and 11 we had replied negatively — thus giving flat rejections to two of the military recommendations. Canadian attitude in examination had not repeat not allowed that full discussion be expected this year. Canadian contribution was far too important to be allowed to slip; he could only hope that Canadian authorities would reflect further and adopt a flexible attitude during balance of review. At the moment his views

were provisional, but, on basis of our present replies, he would have to tell facts bluntly in the Canadian Country Chapter. It was the apparent gap which caused him so much concern and he specifically requested that his conclusions be drawn to your attention.

16. We told Gregh in no repeat no uncertain terms that his conclusions were exaggerated in their pessimism and, in certain respects, entirely unwarranted. It was dangerous to attempt to summarize answers as he had done. We had given negative replies on two specific points — aircraft carrier and modernization and increased AWX capability of Air Division in interim period. On Question 1 and main part of Question 11 it was not repeat not true that we had responded negatively. We had simply explained that these important matters are still under study and reasons for this, we hope for mutually satisfactory solutions; these would not repeat not be aided by too hasty conclusions. In this we once again received support of USA delegation; on balance they considered that we had adopted an affirmative position. There was no repeat no comment from rest of Committee.

17. We will comment in a subsequent telegram. You are, of course, aware of special reasons for a tough line on staff's part this year. We are therefore hopeful that no repeat no untoward conclusions will be drawn.

200.

DEA/50309-A-40

*Note du sous-secrétaire d'État aux Affaires extérieures
pour le secrétaire d'État aux Affaires extérieures*

*Memorandum from Under-Secretary of State for External Affairs
to Secretary of State for External Affairs*

TOP SECRET

[Ottawa], December 5, 1958

NATO ANNUAL REVIEW — CANADIAN COUNTRY CHAPTER

The attached paper is a draft of the General Summary of the Country Chapter on Canada incorporating those amendments (parts underlined) which will probably appear in the final version to be circulated shortly before the Ministerial meeting in Paris. The amendments have been proposed by the International Staff following the Canadian examination which was held on October 30. The comments of the various Departments concerned which were forwarded to our Delegation for discussion with International Staff are indicated where appropriate below the amendments.

2. The examination of Canada and the other member countries was a particular stiff one this year. The Annual Review has rightly been regarded as an important exercise this year. You may recall that it was agreed (largely at Canada's suggestion) that the Annual Review should not only study as usual the defence effort of the Alliance for the coming 3 years but should also obtain the reaction of the member countries to the financial, economic and military implications of MC 70, the estimated minimum force requirements during the period 1959-63. The results of the examination have shown that a number of countries expect they will be unable to meet MC 70 requirements. From this the Secretariat has drawn a number of pessimistic observations in its general assessment of the examination and has recommended that Ministers should be made aware of the situation and the need for a serious reassessment of their national defence efforts if the requirements of MC 70 are to be met.

3. Because of a number of unresolved issues in the field of North American defence it was not possible for our Delegation to be as forthcoming in their replies as they have been

in previous examinations. In the circumstances, the Chairman of the Annual Review Committee made a number of critical comments regarding our general attitude and what appeared to be an unwillingness to be more forthcoming. In particular, he drew attention to our Delegation's inability to give any indication of the future level of Canadian defence expenditures or the value of the components of the 1959-60 Mutual Aid Programme. The Chairman noted with regret from the Canadian replies that the value of our mutual aid for 1959-60 might be less than that of the current year. A separate memorandum† is going forward to you on this subject.

4. Generally speaking, the Departments concerned have been reasonably satisfied with the draft summary in its present form. The proposed amendments are for the most part less critical than we expected, and in some cases they represent an improvement on the earlier text. However, it is significant that the recommendations of the International Staff refer to two areas where the Delegation were unable to be forthcoming: the future level of defence expenditures and mutual aid.

5. The purpose of submitting the draft summaries to the Ministers attending the Paris meeting is two-fold. The officials concerned would like to acquaint you and your colleagues with the document which will form the basis for the final Country Chapter to be circulated shortly before the Ministerial meeting. Second, they are hopeful that it may be possible to come to some understanding with respect to the extent to which Ministers may be able to give some indication in Paris as to the expected level of our defence expenditures in 1959-60. In this connection, a separate letter† to Mr. Pearkes and Mr. Fleming on this subject has been prepared for your signature, if you agree.¹³

N.A. R(OBERTSON)

[PIÈCE JOINTE/ENCLOSURE]

Projet de note

Draft Note

TOP SECRET

CANADIAN COUNTRY CHAPTER
GENERAL SUMMARY

Military Considerations

The Canadian forces contribution to NATO continues to be maintained at a high level of effectiveness, and continuous efforts are being deployed to furnish them with the most modern weapons and equipment. The Canadian mutual aid equipment and training programmes also represent an important contribution to the military strength of the Alliance. Canada's military commitments include the provision of forces not only for SACEUR and SACLANT, but also for the joint air and sea defence of the Canada-United States region. Subject to differences of opinion on the role, and hence equipment, of certain Canadian forces, which have yet to be resolved in consultation with the NATO military authorities, Canada accepts the requirements of MC 70 in most respects.

¹³ Voir la 3^e partie en ce qui concerne le projet de programme d'aide mutuelle pour 1959-1960.
See Part 3 for Canada's proposed mutual aid programme for 1959-1960.

ARMY

2. The Canadian contribution throughout the period of the Review will be one M-day infantry brigade group in Germany, and the balance of the 1st infantry division, kept as an M-day force in Canada, as part of SACEUR's strategic reserve to arrive in Europe by M-day plus movement time. This meets MC 70 requirements.

[Le texte souligné indique les révisions proposées par le personnel international au document AR(58) Canada D/3 / Underlining of text indicates revisions proposed by International Staff to AR(58) Canada D/3.]

3. MC 70 requires one Honest John battalion (two launchers) by the end of 1958 and one Little John battalion by the end of 1961. Canada will provide half a battery (2 out of 4 launchers) Lacrosse missiles for the support of the Canadian brigade in Europe by 1961. No information could be given whether the requirements of a Little John type missile unit could be met.

Comment: On the instructions of the Office of the Chairman, Chiefs of Staff, we have asked the Delegation to press for deletion of the last sentence, and to explain to the International Staff that the Canadian military authorities do not consider that Little John type missile units meet Canadian requirements.

4. The Canadian land forces are generally ready to accomplish their wartime mission. The M-day brigade in Europe consists entirely of regulars, but its manning level is only 88% as against the 100% level recommended by MC 55/1. These forces are entirely dependent on other nations for combat support: since M-day non-divisional combat support in the centre region is limited, this tends to aggravate an already difficult situation. Plans for the transport to Europe of the balance of the 1st Canadian division have not yet been completed.

NAVY

5. *Aircraft carriers:* The Royal Canadian Navy plans to provide one light aircraft carrier through 1961. MC 70 requires a second (helicopter) carrier by 1963. Since Canada is increasing the category "A" availability of other units, she does not consider it possible to meet this requirement. At the same time, to increase the ASW capabilities, Canada is now considering the selection of suitable helicopters for escort vessels; however, the ASW potential of a helicopter cannot be exploited fully if the size of the helicopter is limited by the need to operate from an escort.

6. In escort vessels Canada has earmarked for assignment to NATO in 1958 nineteen category "A" (Category A: those available between D-day and D+2; Category B: those available between D+2 and D+30; Category C: those available after D+30) and thirteen category "B" ships; this contribution, compared to the 1958 requirements of MC 70, means a shortfall of ten category "A", but a surplus of thirteen category "B" ships. It is noted from the reply that by 1959 a redeployment of escort vessels between the east and west coasts will result in an allocation to NATO of twenty-four category "A" and five category "B" vessels, which contribution remains the same throughout 1961. As far as 1963 MC 70 requirements are concerned, deployment to east or west coasts of anti-submarine escorts earmarked for NATO is reviewed annually by Chiefs of Staff Committee; it may therefore be possible to meet MC 70 1963 requirement of 29 category escorts.

7. The maritime patrol aircraft situation is very good. The replacement of existing aircraft by modern aircraft began this year, and the re-equipment of two complete squadrons of fourteen aircraft each will be completed by 1960.

8. Although certain measures have been taken for the provision of fleet support units, the mobile logistic support is insufficient to ensure the full mobility of Canadian fleet units.

The dispersal of operational stocks and of ashore maintenance and repair facilities is considered to be inadequate.

9. Except for a shortage of submarines for ASW training, a high and satisfactory state of training is maintained.

AIR FORCE

10. A very high standard of aircraft combat readiness and efficiency has been maintained by the Canadian Air Division.

11. Comparison is made between the Canadian Air Force contribution for 1958 and SACEUR's requirements for 1963, as laid down in MC 70:

| 1958 | | 1963 | |
|-------|-------------|-------|--------------------|
| AWX/F | 4 squadrons | AWX/F | 8 squadrons |
| IDF | 8 squadrons | IDF | Nil |
| | | LB/FB | attack 1 squadron |
| | | LB/FB | strike 3 squadrons |

Canada plans to maintain this contribution in the coming years, and is of the opinion that it is not in keeping with the concept of balanced collective forces for the Air Division to be asked to carry out varied roles which require different types of aircraft. It is the Canadian military view that an air defence system requires complete integration of all air forces; air defence of Europe therefore should be a national and European responsibility. Question of equipment of the Air Division, together with its serious financial implications, is being given further study. It is however not the intention to modify present equipment or to increase all-weather capability of Air Division while this study is not yet completed. A speedy decision is strongly urged by NATO military authorities.

Comment: We have advised our Delegation that we support the deletion of the word "therefore" and the inclusion of the word "essentially" before "a national and European responsibility."

In the revised sentences beginning "It is the Canadian military view ...," we have also agreed with our Delegation's suggestion that the word "equipment" in the third to last sentence should be deleted and the phrase "re-equipment and future role" substituted.

12. The concentration of aircraft on the main airfields of the First Canadian Air Division is still too great. Canada has taken steps to correct this weakness by obtaining the allotment of four dispersal airfields. Since the dispersal is not on a permanent basis, this solution does not fully meet MC 60 standards.

13. The control and reporting system of the First Canadian Air Division conforms to SHAPE standards and is fully effective.

Other Considerations

EQUIPMENT AND PRODUCTION

14. The large and diversified resources of Canadian industry, supported by a growing defence research and development programme, can continue without difficulty to supply the Canadian armed forces, and other NATO countries, through Mutual Aid. In general, Canadian industry can supply all the equipment required by MC 70 forces for Canada. There has, however, been some delay in providing a ground nuclear delivery system.

Comment: The last part of the final sentence in paragraph 14 of the original copy has been deleted by the International Staff: "and the delay may be extended if missiles are to be procured from Canadian production."

15. While most production is planned well ahead for all services, the important question of the new aircraft for the First Canadian Air Division has not yet been decided, and the Canadian reply gives no information.

Comment: The following sentence has been deleted from the original by the International Staff: "A strategic question has to be solved — as to the role of the aircraft in Europe — which will need further discussion between Canada and the NMA, before the considerable production problems are considered; and it is to be feared that delay in re-equipping the Division may result."

16. Canada has for some time maintained a substantial programme of defence research and development. The recently announced modifications in the plans for the air defence of Canada have led to certain changes in this programme. Thus, while the development of the CF 105 Arrow and its Iroquois engine, which was one of Canada's major projects, will continue temporarily, the decision as to whether to put them into production has been postponed until March 1959. Development of the accompanying missile and fire control system has been stopped all together.

Comment: We have supported our Delegation's suggestion that the word "temporarily" should not be included on the grounds that nothing was said at the Examination which would support its insertion.

We have asked the Delegation to press for the deletion of the words "air defence of Canada" and the substitution of the phrase "air defence of the Canada — U.S. region of the Alliance," on the grounds that the words "air defence of Canada" suggest it is our primary concern at the moment.

17. There is unused capacity in several sectors of Canadian arms industry and production to meet army requirements can readily be expanded. It seems possible that aircraft and ships may be made available for transfer to other countries when new types are introduced for the Canadian forces.

DEFENCE FINANCE

18. Up to present, Canada has not allowed financial considerations seriously to impede the maintenance of an effective forces contribution to NATO. Such shortfalls as appear in Canadian forces during coming years in relation to requirements of NATO military authorities are primarily due to differences of appreciation on technical or strategic factors; but some at least seem to be due to financial limitations. Cost of these forces is however likely to rise: although Canadian navy does not intend to provide a second aircraft carrier, there is need for helicopters and supply vessels; air force faces a major reconversion programme and army has to introduce missiles for which no financial provision has yet been made. The general tendency of operating costs is to rise — a tendency which will be enhanced by introduction of new equipment.

Comment: We are in agreement with the Delegation's proposal that the word "seriously" in the first sentence should be replaced by the phrase "to any significant extent."

19. It thus seems likely that maintenance of Canadian forces in their present high state of efficiency and continuance of Mutual Aid at its existing level would, in the next few years, involve a considerable increase on existing levels of expenditure. Canadian authorities acknowledge that new defence programme cannot fail to have a significant impact on level

of defence expenditures required in future years, but do not consider it possible to make accurate forecasts at present time. Such increase as might be necessary would mean a more than equivalent rise in defence appropriations in 1959/60, since budgetary resources have been swelled this year by a once for all drawing of \$240 million from special account for Mutual Aid equipment and other sources.

Comment: We have requested the Delegation to press for the insertion of the words "assigned or earmarked for assignment to SACEUR and SACLANT" between the words "Canadian forces" and "in their present," in the first sentence. We have also asked for the inclusion of the words "for these forces" at the end of the first sentence.

We have requested that the second sentence be deleted and the following substituted: "Basic decisions in regard to Canada's contribution to the defence of the Canada - U.S. region have yet to be taken by the Canadian Government and for this reason the Canadian authorities are unable at the present time to estimate the future level of Canada's overall defence budget."

We consider that the last sentence is meaningless, and only reflects the Secretariat's inability to understand Canadian budgetary procedures. If they insist on maintaining this sentence, we have instructed the Delegation to press for the deletion of the last three words.

20. The part to be played by Canadian Mutual Aid in equipping NATO forces will be at least as important during MC 70 period as it has been in the past. But the value of Mutual Aid has been reduced by more than half over the past four years and is expected to decline further, though slightly, in 1959/60; though the decline by volume is rather less, as pre-1950 equipment has been written down in value by about 80% since 1956/57. The components of the Aid have also changed; direct procurement has almost ceased, the air training scheme — its work nearly complete — is costing little, and a very large part now consists of equipment transferred from Service stocks. This equipment is in new condition and of great value to the recipient countries; but though about half of it is actually unused, the remainder has been in service with Canadian forces, and a considerable amount dates from earlier than March 31, 1950. Provision of these categories of equipment is undoubtedly a smaller claim on Canada's resources than the equivalent in direct purchases.

Comment: We have proposed that the fourth sentence beginning "This equipment ..." should be deleted and replaced by the following: "This equipment is in new condition and of great value to the recipient countries. Half of this equipment is unused and some of it has been transferred directly from the manufacturer. A very small amount is transferred from pre-1950 stocks."

21. Defence expenditures, as a percentage of gross national products, dropped from a peak of 9% in 1953 to 6.6% in 1957. Allowing for price increases, national product rose by about 13% while real value of defence expenditures declined by about 20% from 1953 to 1957. In 1958 share of defence in national product is expected to diminish slightly, given a small increase in total output and little change in level of defence expenditures.

22. The Canadian economy appears able to carry the current defence effort without undue strain. There are indications that a resumption of economic expansion has just begun, following a period of moderate recession, but manufacturing capacity remains under-utilised. Prices generally have ceased to rise, and there is no shortage of skilled or unskilled manpower. The action of the federal government in sharply increasing their expenditures has had a favourable effect on the economy and, within the framework of this expansionary policy, there is room for some increase in defence expenditures.

23. Over period covered by MC 70, further economic growth can reasonably be expected. With extensive natural resources and relatively high living standards, a rise in level of defence expenditures throughout the period in order to meet military requirements and to maintain Mutual Aid programme, is well within the capacity of the economy.

INTERNATIONAL STAFF RECOMMENDATIONS

(The Chairman of the Annual Review Committee has indicated that the recommendations will probably be distributed separately and a little later than the Country Chapter.)

Given the extensive economic resources of Canada and the high standard of living, International Staff recommend that Canadian Government should: (1) Raise Defence expenditures during period 1959-63 as may be necessary to maintain the forces required by MC 70; (2) Maintain at least the present value of Mutual Aid and give consideration to increasing amount of materiel directly procured.

Comment: In our instructions to the Delegation we expressed our view that it would be most unfortunate if the references in the recommendations to "extensive national resources" and "high standard of living" should appear in the final recommendations to Canada and not in the recommendations directed to other countries, particularly the United States. We asked the Delegation to make this point to the International Staff and to express our hope that the final recommendations will be comparable in tone and substance to the recommendations made to other countries.

201.

DEA/50107-H-40

*Le représentant permanent auprès du Conseil de l'Atlantique Nord
au secrétaire d'État aux Affaires extérieures*

*Permanent Representative to North Atlantic Council
to Secretary of State for External Affairs*

TELEGRAM 2905

Paris, December 6, 1958

TOP SECRET. OPIMMEDIATE.

Reference: Our Tel 2888 Dec 4.†

Repeat CCOS, DM/DND (Priority), CJS (London) (Information).

NATO ANNUAL REVIEW — CANADIAN COUNTRY CHAPTER

We received the draft Country Chapter on Canada yesterday, shortly before it was considered in committee in the afternoon. Copies went forward in yesterday's bag.

2. As in the case of all other chapters paragraphs have been added in the sections on the army, navy and air force containing tables showing "the contribution to NATO for the years 58 and 61, and the MC 70 requirements for 61 and 63."

3. Again as in other Country Chapters, the military recommendations have been inserted as a separate paragraph but without the table included in AR(58)CDA-D/4 which, minus the footnotes, has been covered as indicated above. The military recommendations in the Country Chapter are prefaced as follows: "In view of the military considerations detailed above, the NATO military authorities recommend that Canada should attain the force requirements in 59, 60 and 61 at Annex and the standards of readiness laid down in MC-55/1 and to that end should implement the following recommendations." Substantially the same preface is contained in all the Country Chapters.

4. The summary of Canadian force plans for end-59 and of the NATO military authorities' forces recommendations for end-59, 60 and 61, which is to be annexed to our Country Chapter, had not repeat not been printed in time to forward it in yesterday's bag. We are therefore sending substance in a following telegram.† It follows the same pattern as the summaries annexed to the Country Chapters of other countries. The annexes also contain summaries of the countries' force plans for end-59 and of the NATO military authorities forces recommendations for 63.

5. You will recall that the above procedure insofar as it relates to the country's force plans and the NATO military authorities' recommendations was reported in paragraph 1 of our telegram 2832.† We consider that this change and the others reported above are in themselves unobjectionable. We will pay particular attention to the terms of the draft resolution, which is expected on Tuesday, insofar as it relates to force goals but see no repeat no problem at this stage and doubt if there will be one. The above changes in Country Chapters have given rise to no repeat no comment from other delegations.

6. The revisions reported in our reference telegram have been made in the Chapter. With regard to paragraphs 19 and 20 which are now numbered 23 and 24, the Staff have taken account of our proposals but have only partially reflected them. The revised paragraphs read as follows: Text begins:

23. Basic decisions in regard to the Canadian contribution to the defence of the Canada/USA region have yet to be taken by the Canadian government and for this reason the Canadian authorities are unable at the present time to estimate the future level of Canada's overall defence budget, but they acknowledge that the whole of the future defence programme cannot fail to have a significant impact on the level of defence expenditures required for future years. In any case it seems likely that the maintenance of Canadian forces, assigned or earmarked for assignment to SACEUR and SACLANT, in their present high state of efficiency and the continuance of mutual aid at its existing level would, in the next few years, involve a considerable increase in current levels of expenditure. Such increase as might be necessary would mean a more than equivalent rise in defence appropriations in 59/60, since budgetary resources have been swelled this year by a once for all drawing of some \$200M from the defence equipment replacement account.

24. The part to be played by Canadian Mutual Aid in equipping NATO forces will be at least as important during the MC70 period as it has been in the past. But the value of Mutual Aid has been reduced by more than half over the past four years and is expected to decline further, though slightly, in 59/60; however, the decline by volume is rather less, as the pre-1950 equipment has been written down in value by about 80 percent since 56/57. The components of the Aid have also changed; direct procurement has almost ceased, the air training scheme — its work nearly complete — is costing little, and a very large part now consists of equipment transferred from service stocks. This equipment is in new condition, and of great value to the recipient countries. About half of it is actually unused: the remainder, although fully reconditioned, has been in service with the Canadian forces, and some dates from earlier than March 31/50. Provision of these categories of equipment is undoubtedly a smaller claim on Canadian resources than the equivalent in direct purchases. Text Ends.

7. You will see that, with regard to the first of these paragraphs, the Staff have altered the order of the sentences and have, in effect: included both your revised sentence 2 and their old sentence 2 as a new sentence 1. In sentence 2 (previously 1) they have included your phrase "assigned or earmarked for assignment to SACEUR and SACLANT" but have not repeat not added the words "for these forces" at the end of the sentence. We hope that the

new sentence 1, though not repeat not perfect, will be acceptable. We felt it would be unwise to press in committee for addition of "of these forces" to sentence 2 because this would probably raise the question of additional wording to take care of the reference to Mutual Aid in the sentence. This would clearly be undesirable in the context of the sentence. Consequently, in committee we limited ourselves to indicating that we thought the second sentence could be regarded by our authorities as reflecting the opinion of the International Staff more than their own, and reviewed reasons briefly. We suggested that substitution of "possible" for "likely" might be an improvement. We made no repeat no comment in the last sentence which, though imperfect, we hope will be acceptable in its present form.

8. The revision of the fourth sentence of the paragraph on Mutual Aid only meets us part way. The reason the Staff had given us for not repeat not accepting "a very small amount" was that they appraise volume as well as value. However, "some" is better than the old wording. We felt it inappropriate to seek any further changes in committee.

9. When talking to the Staff we spoke briefly along the lines of the first sentence of paragraph 7 of your reference telegram and, in the most general terms and without mentioning specifics, indicated three or four lines along which we are working in the Mutual Aid and services spheres, basing ourselves on what General Foulkes told us on November 25 (our telegram 2834 November 28†).

10. In committee we made a few appropriate general remarks designed to ensure that no repeat no untoward conclusions were drawn from the late distribution of our Chapter. In the course of these remarks, apart from the paragraphs on defence finance and Mutual Aid quoted above, we indicated general satisfaction with the objectivity and balance of the Chapter.

11. It would be our hope that any further comment you might wish to make on the above paragraph on defence finance might be of an indirect nature and consist of whatever the Minister of Finance may say generally on this subject at the Ministerial meeting.

12. The Annual Review report will probably go to Council on December 10.

202.

DEA/50107-H-40

*Le secrétaire d'État aux Affaires extérieures
au représentant permanent auprès du Conseil de l'Atlantique Nord*

*Secretary of State for External Affairs
to Permanent Representative to North Atlantic Council*

TELEGRAM DL-1019

Ottawa, December 9, 1958

SECRET. OPIMMEDIATE.

Reference: Your Tel No. 2905.

Repeat CCOS(5), DM/DND (Information).

NATO ANNUAL REVIEW — CANADIAN COUNTRY CHAPTER

On the whole we are satisfied that the military section of the Country Chapter on Canada reflect a fair assessment of the situation as it exists. Unfortunately, however, our satisfaction does not encompass the section on defence finance. We are very much concerned by the attitude of the International Staff and consider as regrettable their refusal to amend the Chapter on Canada to reflect better the true situation. While the amendment

contained in your 2922† represents an improvement we think it would be desirable to have in the minutes of tomorrow's meeting of the Council, a statement explaining our situation as it is. Subsequent statements by ministers could thus concentrate on issues of substance.

2. You could explain to Council that the Canadian defence programme comprises two sectors: (a) Canada's contribution to NATO forces under SACEUR and SACLANT and (b) Canada's contribution to the defence of the Canada - U.S. region. Under (a) we provide land, air and sea forces to NATO commanders and, in addition, Mutual Aid to our European Allies. Under (b), in cooperation with the United States, we provide military installations and forces for the defence of the U.S. deterrent forces (Strategic Air Command) and for the defence of the Canada - U.S. region.

3. Basic decisions in regard to (b) above have yet to be taken. Until such decisions are made it is not possible to estimate the cost of this most important sector of Canada's defence programme. With respect to (a) the maintenance of Canada's defence contribution at its present state of efficiency and the continuance of Mutual Aid at its present level would involve, in the next few years, an increase in defence expenditures in this particular sector of our defence programme. Such an increase, however, might or might not affect the overall level of our defence budget, depending on what decisions are taken in regard to the other and larger sector of our defence programme and depending also on the extent to which we have been successful in cutting down overhead costs and in eliminating unnecessary items in our defence programme so as to increase the defence value of our budget.

4. As far as the paragraph on Mutual Aid is concerned we feel that Council should be told that the word "some" in the second last sentence of new paragraph 24 in fact means \$5 million in 1957 - 58 out of a total programme of \$120 million, less than \$5 million in 1958 - 59 out of a programme of \$130 million, and, as far as we can see, practically nil in 1959 - 60.

5. In addition to the above you might indicate, in reference to the old paragraph 22, that we do not of course share the views of the International Staff. The summary appraisal of the Secretariat appears to ignore the basic difficulties arising from financial as opposed to physical considerations, hence their conclusion about the ability of the Canadian economy to shoulder a large defence effort. For a full appraisal of the Canadian economic situation member countries should refer to our examination in the OEEC where these financial problems and difficulties were discussed. Financial policy considerations are of the utmost importance for the immediate and long term future of the Canadian economy.

6. *For your own information* we might mention that the Minister of Finance is deeply concerned about the present threat of inflation resulting from excessively large budgetary deficits and considers it essential that there should be restrictions of government spending wherever possible. National Defence is the one area where it may be possible to hold the line or make some minor cut-backs without reducing essential programmes. In the circumstances the estimates which will be presented some time in January probably will be framed in the light of the pressing need for economies. However, since the estimates will not contain provision for expenditures should the government decide to go ahead with the CF-105 or alternatively purchase interceptors from the U.S., it would be unfortunate if they were interpreted as heralding a slackening of our defence contributions to NATO. In the circumstances it is important that an effort be made to expose clearly the faulty reasoning employed by the Secretariat in new paragraph 23.

203.

DEA/50107-H-40

*Le représentant permanent auprès du Conseil de l'Atlantique Nord
au secrétaire d'État aux Affaires extérieures*

*Permanent Representative to North Atlantic Council
to Secretary of State for External Affairs*

TELEGRAM 2941

Paris, December 9, 1958

CONFIDENTIAL. OPIMMEDIATE.

Reference: Our immediately preceding tel.†

Repeat CCOS Ott, DM/DND Ott (OpImmediate), CJS(L) (Information).

DRAFT RESOLUTION ON THE 1958 ANNUAL REVIEW

We set out below the text which was proposed at today's meeting of the Annual Review Committee for submission to the Council in permanent session on "December 12". It may be subject to a few minor editorial changes, but the substance will remain essentially the same. Begins:

"The North Atlantic Council having considered the report on the 1958 Annual Review and document MC 39/10 containing the Military Committee's comments thereon, having noted:

That the Review has been directed not repeat not only towards a critical examination of the status of forces of member countries and the indication of the improvements which can be worked into each country's defence programme for the period beginning in 1959, but also to the analysis and to the preparation of comments on the first reaction of NATO countries to the minimum forces requirements of MC 70 for the period 1959-1963, that the 1958 Annual Review cannot repeat not be considered as having produced final decisions as regards countries' intentions on the full implementation of the requirements of MC 70 and of MC 55/1; but that the NATO military authorities consider that unless present unfavourable trends in the building up of NATO forces and support structure are corrected, the military posture of the North Atlantic Organisation will, by 1961, be deficient to the extent that the NATO area will be in serious jeopardy and that the overall defence planning of the North Atlantic Treaty Organisation will require major review. Brings to the attention of the NATO nations the serious impact of the shortfall of the forces reflected in the 1958 Annual Review on the capability of major NATO Commanders to carry out their assigned missions and tasks through the period 1961. Having noted: The firm goals for 1959, provisional goals for 1960 and planning goals for 1961, as they have been submitted by countries in reply to the 1958 Annual Review Questionnaire.

(1) Notes as agreed firm goals the force plans given by each country for 1959, these goals representing the minimum initial basis for implementing the force requirements of MC 70;

(2) Recommends that countries should make every effort to meet the force levels laid down for 1959, 1960 and 1961 by NATO military authorities (these goals for the army and air force are shown in the annexes to Country Chapters. Since no repeat no naval force requirements are given in MC 70 for the years 1959, 1960 and 1961, countries should direct their naval planning in such a way as to ensure that the force recommendations shown are met not repeat not later than 1963).

(3) Urges governments -

- (a) To meet at least their firm commitments with respect to the 1959 goals;
- (b) To give earnest consideration individually and by reinforcing co-operation between member countries to the recommendations of the NATO military authorities and of the International Staff contained in the Country Chapters, in order to remedy present deficiencies in the military posture of NATO and to correct the serious deficiencies and adverse trends reported in MC 39/10;
- (c) To make known as soon as possible their clear intentions for the period through 1961 with regard to the implementation of recommendations made above and their general intentions with respect to the 1963 MC 70 minimum essential force requirements;
- (d) To maintain close consultation with the NATO military authorities for the purpose of implementing the above recommendations and before making any changes in their NATO forces." Ends.

204.

DEA/50107-H-40

*Le représentant permanent auprès du Conseil de l'Atlantique Nord
au secrétaire d'État aux Affaires extérieures*

*Permanent Representative to North Atlantic Council
to Secretary of State for External Affairs*

TELEGRAM 2952

Paris, December 10, 1958

SECRET. OPIMMEDIATE.

Reference: Your Tel DL-1021 Dec 9.†

Repeat DM/DND from Ottawa, CCOS, CJS London (Information).

NATO: REPORT ON THE 1958 ANNUAL REVIEW

Your telegram DL-1019 has not yet been received. In the light of your telegram, under reference we made no comment when the report on the 1958 Annual Review came up in Council this morning.

2. Caught between a long and inconclusive discussion on infrastructure and the Chairman's desire to proceed to consideration of Berlin in private session, the item on the Annual Review received perfunctory treatment. The Chairman wrongly stated at the beginning that Council was being asked to consider the General Chapter but we feel sure that all delegations, in the light of the agenda item and the documentation as given on the agenda, fully understood that it was the full report which was being considered for forwarding to Ministers.

3. The USA representative made a general comment to the effect that the report on the Annual Review is of first importance, particularly in the light of the military authorities' comments on it in MC39/10. The UK representative remarked that he assumed that Ministers might comment on the General Chapter at the Ministerial meeting. There was no comment from any other permanent representative. We are inclined to think that, if any permanent representative had been under instructions to comment on his Country Chapter, he would have done so in spite of the pressure of time.

4. The draft resolution was circulated in working paper form. It is substantially as in our telegram 2941 December 9, except that the second operative part reads slightly differently, i.e. "Takes note, as agreed goals, of the force plans for 1959 given by each country, which

represent the minimum initial level for the implementation of the force requirements of MC70.”

5. The UK representative said he had no views to express on the draft resolution but that his authorities would wish to examine it and that he looked forward to Council having an opportunity to pass on it at a later date. This was agreed. We expect that the resolution will be considered when Council next meets to complete consideration of the balance of today's agenda. No decision was taken today as to when such a meeting should take place; presumably it will be some time before the end of this week.¹⁴

2^e PARTIE/PART 2

POLITIQUE DES ARMES NUCLÉAIRES NUCLEAR WEAPONS POLICY

205.

DEA/50219-AM-40

*Le sous-secrétaire d'État par intérim aux Affaires extérieures
au président des chefs d'état-major*

*Acting Under-Secretary of State for External Affairs
to Chairman, Chiefs of Staff*

SECRET

[Ottawa], July 29, 1957

Dear General Foulkes:

I wish to thank you for referring to this department a copy of your notes† on certain aspects of the recent United States proposal for NATO stockpiles of nuclear weapons. The department was also interested in Mr. Dulles' recent statement on this matter,¹⁵ and did in fact prepare a paper on the subject for the Prime Minister on the occasion of Mr. Dulles' visit to Ottawa.¹⁶ A copy of this department's paper is attached for your information. Unfortunately, your notes reached us too late to be incorporated in our paper, but I have brought them to the attention of our Minister, so that he may have a fuller understanding of the implications of the U.S. proposal from Canada's point of view.

2. In this connection, your department and ours will presumably wish, in a not too distant future, to have the U.S. proposal discussed on some interdepartmental basis, since it would appear from President Eisenhower's¹⁷ and Mr. Dulles' recent statements that the United States authorities are seriously considering developing further the idea of NATO stockpiles of nuclear weapons.

¹⁴ Cette résolution a fait l'objet de discussions et a été approuvée le 17 décembre 1958 à la rencontre ministérielle de l'OTAN à Paris. Voir United States, Department of State, *Foreign Relations of the United States (FRUS)*, 1958-1960, Volume VII, Part 1, Washington: Government Printing Office, 1993, pp. 386 à 398.

This resolution was discussed and approved on December 17, 1958 at the NATO Ministerial Meeting in Paris. See United States, Department of State, *Foreign Relations of the United States (FRUS)*, 1958-1960, Volume VII, Part 1, Washington: Government Printing Office, 1993, pp. 386-398.

¹⁵ Voir/See United States, Department of State, *Bulletin*, Volume XXXVII, No. 945, 5 August 1957, pp. 233-234.

¹⁶ Dulles a visité Ottawa du 26 au 28 juillet 1957. Voir le volume 25 (à paraître), chapitre premier. Dulles visited Ottawa from July 26 to 28, 1957. See Volume 25 (forthcoming), Chapter I.

¹⁷ Voir/See *Public Papers of the Presidents of the United States: Dwight D. Eisenhower 1957*, Washington: Government Printing Office, 1958, pp. 550, 555.

3. Any comments therefore which you may have on the various considerations outlined in our paper would be welcome, as an initial step towards interdepartmental consultations.

Yours sincerely,

J.W. HOLMES

[PIÈCE JOINTE/ENCLOSURE]

Note

Memorandum

SECRET

[Ottawa], July 26, 1957

NATO STOCKPILING OF NUCLEAR WEAPONS

The United States Proposal

There has been, in recent years, considerable pressure on the part of the smaller NATO members for a share of the nuclear weapons which have now become available, and with which some of the United States troops stationed in Europe are equipped. Numerous suggestions have been made in the past for the establishment of some NATO pool of nuclear weapons, from which member nations could draw their requirements. The United States government now appears to have accepted, for the first time publicly, the possibility of NATO stockpiles of nuclear weapons.

2. At his press conference in Washington on July 16, Mr. Dulles revealed that the United States defence authorities had been giving serious thought to the creation of NATO stockpiles of nuclear weapons, through which such weapons could be made available to the members of the Alliance. The following day, on July 17, President Eisenhower endorsed publicly the principle of NATO stockpiling of nuclear weapons, and confirmed generally the information given by Mr. Dulles concerning the United States study of plans for the creation of such stockpiles. The text of Mr. Dulles' remarks at his press conference is attached as annex "A"† to this paper.

3. The United States Secretary of State has explained that the United States had at present no specific programme for carrying out the proposal, and indicated that in any case Congressional sanction would probably be necessary before one could be worked out and implemented. The United States Atomic Energy Act might also require amendments, since it permits at present supply of nuclear weapons to allies of the United States only after war has broken out. Both the President and Mr. Dulles have said enough, however, to suggest that the United States authorities are now prepared to take concrete steps towards the establishment of such NATO stockpiles.

NATO Stockpiling and Disarmament

4. The publicly announced United States proposal for NATO stockpiling of nuclear weapons is in harmony with U.S. policy in the current disarmament negotiations in London. In their latest proposals on disarmament, the United States has indicated the intention to reserve the privilege of deciding, in case of a disarmament agreement, to station their stockpiles of nuclear weapons outside the borders of the United States, and further the privilege of training other than United States troops in the use of nuclear weapons. The United States proposal for NATO stockpiling of nuclear weapons gives therefore a practical significance to the recent United States reservations in the Disarmament Subcommittee.

5. It is probably also designed to alleviate the fears of some of their partners in the Sub-Committee, especially the United Kingdom and France, to the effect that agreement on the suspension of nuclear tests, with an eventual halt in the production of nuclear weapons, might leave these countries without real means of modern defence. If the temporary suspension of nuclear tests were linked not only with the cut-off of production for weapons purposes, as the U.S. plans envisage, but also with a prohibition of deliveries to allies, then such countries as the United Kingdom, which is actually producing materials for nuclear weapons, and France, which apparently is considering such production, might indeed be left in a position of having means for the delivery of nuclear warheads, but inadequate supplies of such warheads. This is particularly important for the United Kingdom which has just recast most of its defence policy on a basis of nuclear as opposed to conventional armaments.

6. It remains to be seen, however, how the Soviet government will react in the Disarmament Sub-Committee to this United States proposal for NATO stockpiles of nuclear weapons. The Russians are known to fear any dispersal of nuclear weapons among the NATO countries, especially Germany. Discussion of the distribution of missiles (without atomic warheads) by the United States to some Western European allies was sufficient, a few months ago, to prompt the Soviet government to despatch to these NATO governments, at the risk of being charged with interference in internal affairs of other states, letters of dire warning about accepting the stationing of such weapons on their respective territories. A strong Russian reaction in the Sub-Committee to the publicly announced United States proposal for NATO stockpiles should not therefore be unexpected, and the course of the disarmament negotiations might in turn well suffer.

NATO Stockpiling and the "Fourth Power" Problem

7. The Bermuda conference earlier this year underlined the concern of both the United States and the United Kingdom over the problem of production and of possession of nuclear weapons by "fourth" powers.¹⁸ The disarmament discussions have shown that the Soviet Union was no less concerned with the "Fourth Power" problem, although their position might be somewhat simpler, as they wish above all to ensure, for their own security reasons, that no fourth country could secure possession of nuclear weapons either by transfer or manufacture. One of the main conclusions which have emerged so far from Canadian inter-departmental consideration of the "Fourth Power" problem is that renunciation of manufacture of nuclear weapons could only be acceptable to countries which have the capacity to produce them, if in turn they can be assured of the availability of such weapons in case of serious threat to their security. Canadian officials have thus tended to view the question of "attractiveness of renunciation" of manufacture of nuclear weapons as the more promising basis of a satisfactory solution to the "Fourth Power" problem.

8. Mr. Dulles' proposal for NATO stockpiles of nuclear weapons would, it seems, go a long way towards making renunciation of nuclear weapons manufacture and of individual possession a more acceptable proposition. The establishment of NATO stockpiles of nuclear weapons, under an appropriate system of control, would undoubtedly tend to save other NATO countries the economic burden of developing themselves these expensive weapons. It would strengthen NATO defence arrangements, underline the collective character of the military side of the Alliance, and promote generally the feeling of solidarity within the Alliance. It would offer within NATO, to every member government, including those which have been hoping to achieve it through the production of their own nuclear

¹⁸ Voir/See Volume 22, Document 735.

weapons, the kind of "nuclear protection" every NATO country has been seeking. It could well therefore constitute ultimately an important step towards a limitation in nuclear weapons production, and perhaps strengthen the bargaining position of the Western world in disarmament negotiations.

NATO Stockpiling and Canada's Defence Policy

9. The President of the United States, in endorsing the plan for NATO stockpiles of nuclear weapons, remarked at his press conference that such a move would be "exactly logical" and that to defend themselves against nuclear attacks, the countries of the Atlantic Alliance "ought to have the right, the opportunity and the capacity of responding in kind." Mr. Dulles pointed out that such stockpiles would assure allied countries that if war came, they would not be in a position of supplicants for the use of atomic weapons. It would not be a healthy relationship, he said, to have allied nations wholly dependent on the United States in this respect. The United States leaders seem also to have recognized the desirability of approaching the problem in the NATO forum, rather than attempting to draw a distinction between individual allies. Mr. Dulles saw the possible concentration of nuclear weapons in Europe as an act of confidence which would strengthen the fellowship of the North Atlantic Community. Canadian officials concerned with defence matters and who have been following NATO developments would generally agree that on the whole, implementation of the United States proposal for NATO stockpiles of nuclear weapons would carry these advantages, and be beneficial to the security of the Atlantic Community.

10. Implementation of the proposal would nonetheless present the Canadian government with important problems. As the proposal, in its latest context, is really new, it would seem premature to talk in terms of a Canadian policy. A number of considerations of direct interest to Canada can however be advanced at this stage.

11. It is assumed that, in the event of the creation of NATO stockpiles, under conditions permitting access to them by the NATO members, its supplies would be available to Canadian forces on a basis of equality with forces from all other NATO countries. It is also assumed that such stockpiles would be located, at least at the outset, in Europe. In theory, the ability of Canadian contingents in Europe to use these weapons should not give rise to serious difficulties. Most of the agreements which Canada has with countries such as France and Belgium for the use of airfields provide that Canadian contingents stationed at those bases would only be armed with conventional weapons. These governments, however, would presumably agree, in the event of the establishment of stockpiles of nuclear weapons, to the working out of appropriate agreements permitting Canadian forces equipped with such nuclear weapons to be stationed on their territory.

12. Canadian officials have been inclined however, so far, to consider that Canada's armed forces in Europe, as well as in North America, did not, in practice, have any immediate requirement for nuclear weapons, although within a few years, would require certain specific modern defensive weapons, sometimes referred to as tactical weapons. The United States Air Force is already using one such "small" weapon in the air defence of North America, and has been given authority to use it over Canada. For technical reasons, the R.C.A.F. does not at present wish to adopt this particular weapon.

13. Although there has been no reference to this possibility so far, the United States proposal could also of course envisage the establishment of NATO stockpiles of nuclear weapons in Canada. Canada, like the United States, is in principle an integral part of the NATO area. Most of the agreement negotiated with the United States regarding the use of bases in Canadian territory by United States forces took place at a time when nuclear weapons meant only mass nuclear deterrent, and when defensive weapons were still at the

planning stage. There are therefore in the United States Leased Bases Agreements no reference to U.S. forces being equipped with nuclear weapons, and in fact no distinction between conventional weapons and others. Recent agreements with certain European countries concerning the use of airfields by Canadian forces contain however clauses stipulating specifically that Canadian forces stationed there would be armed only with conventional weapons. Although there are, strictly speaking, no provisions in the U.S. Leased Bases Agreements preventing U.S. forces to be equipped with nuclear weapons, it is evident, in the light of recent precedents, that fresh agreements would have to be negotiated before NATO stockpiles of nuclear weapons could be established on Canadian territory, as would be the case for most western Europe countries.

Control over NATO Stockpiles of Nuclear Weapons

14. The question of control over stockpiles of nuclear weapons constitutes the most important aspect of the United States proposal. It is desirable that the NATO Alliance be permitted to develop its full military potential by arming itself with the most modern weapons. But it is unlikely that this objective could be successfully and effectively reached unless it is done under a control system which could minimize the "Fourth Power" problem while, at the same time, reducing and softening the differences in status between the two "nuclear powers" in NATO and the other members of the Alliance.

15. It will seem equally essential to ensure that the establishment of NATO stockpiles of nuclear weapons will not enable any NATO power to embark unilaterally on a war against any other power, or accidentally to provoke a situation which could lead to preventive or retaliatory action by a major power. We can be certain in any event that the Scandinavians, for instance, would look with the greatest concern upon a situation where the Greeks and the Turks could, in a moment of over-estimated danger, and ensuing national panic, let go an atomic attack, thereby bringing into the fray the whole of the NATO Alliance. Likewise however, the small members of NATO would see little advantage in the creation of NATO stockpiles of nuclear weapons if the control over them were left exclusively to SACEUR and to the President of the United States. Such arrangements would, in any case, likely defeat the purpose behind the proposal of cementing NATO's solidarity, and of decreasing the dependence of each of the NATO members upon the present United States monopoly of the nuclear deterrent.

16. An initial form of control, therefore, might well consist in having the proposed stockpiles under the formal custody of SACEUR. They would be used only in accordance with the specific military directions of SACEUR, which in turn would be given only in accordance with general directives of the NATO Council regarding the use of such weapons. This policy would be in line with the interpretation made by the NATO Foreign Ministers, including Mr. Dulles, and by General Gruenther, of "MC-48", the report of the Military Committee of NATO on the most effective pattern of NATO military strength over the next few years. This report was approved by NATO at its ministerial meeting in December 1954, and the so-called principle of "civilian control" reaffirmed at the last December ministerial meeting.¹⁹ Its interpretation left to member governments through the NATO Council rather than to the military authorities the decision as to when the NATO nuclear weapons would be used.²⁰

¹⁹ Voir volume 22, la 5^e partie, chapitre III.

See Volume 22, Chapter III, Part 5.

²⁰ Pour un exposé sur la réaction du Canada au MC-48, voir volume 20, la 5^e partie, chapitre III.
For an account of the Canadian response to MC 48, see Volume 20, Chapter III, Part 5.

17. As a result, it would seem that the practices of NATO might need to be reconsidered in the light of such increase in the military advantages and responsibilities of NATO partnership. At a moment when the central contribution of NATO to a nation's military potential is being increased, it is an opportune moment to improve the means for guaranteeing that this increased military potential is used in conformity with NATO's objectives. Furthermore, the establishment of stockpiles of nuclear weapons without an adequate system of control might well affect adversely the balance of power within NATO, as existing deterrents to unilateral action (such as the threat of U.S. and U.K. abandonment of the continental land-mass to the Soviet Union) might no longer be as efficient as before. The Canadian approach, therefore, could be that with the establishment of NATO's stockpiles of nuclear weapons, it would become necessary to strengthen the political consultation and control machinery of the NATO Council over the disposition and use of these weapons.

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DEA/50219-AM-40

*Le président des chefs d'état-major
au sous-secrétaire d'État par intérim aux Affaires extérieures
Chairman, Chiefs of Staff,
to Acting Under-Secretary of State for External Affairs*

SECRET

[Ottawa], August 8, 1957

Dear Mr. Holmes:

I have your letter of 29 July, with which you forwarded a copy of a memorandum which you prepared for the Prime Minister on the subject of NATO stockpiling of nuclear weapons. I agree with you that it is perhaps timely that we have a discussion on an interdepartmental basis on this question of the effect upon Canadian defence plans of NATO stockpiling of nuclear weapons. I had already suggested to the Under-Secretary of State for External Affairs that we should prepare a joint paper and I had understood from discussion with Mr. Léger that he would show us this paper before it was presented to the Prime Minister. I feel it is regrettable that this paper was not referred to this Department before it was sent to the Prime Minister. I understand that there may not have been time for this procedure but I do feel that there are grave dangers in presenting to the Prime Minister a paper which involves the policies of another department without giving that other department an opportunity to at least check whether the facts and the quotations attributed to that department are correct or are in their proper context.

I am particularly concerned with the discussions in para. 9 to 16, headed "NATO Stockpiling and Canada's Defence Policy." These paragraphs quote Canadian officials concerned with defence matters and refer to certain alleged Service opinion. Surely matters of defence policy and statements of officials concerned with defence matters and Service opinions are matters of primary concern to this Department and should not be quoted without reference to this Department.

My main concern, however, is in regard to para. 16. This paragraph is very similar to para. 15 of the External Affairs amendments to the paper on "Atomic Weapons Policy and the Fourth Power Problem," which was submitted to a special group studying the Fourth

Power Problem by the Under-Secretary of State for External Affairs, on 29 May.²¹ You may recall that at a meeting of this special committee on 10 June, I raised the question of the authority to use nuclear weapons and challenged the statements made in para. 15 of External Affairs amendments. I made certain quotations from NATO documents and I was given the impression from the Under-Secretary that this matter would be given further study by the Department of External Affairs as there was no doubt some conflict of opinion regarding the interpretation of the NATO documents. I am greatly surprised to find that after the credibility of the statement made at that time had been challenged, this same statement should appear in this document going to the Prime Minister.

I have searched all the military and Council documents and failed to find any justification for the statement that the NATO Council rather than the military authorities will decide as and²² when NATO nuclear weapons will be used; nor can I find any statement made by General Gruenther which in any way supports this claim. Furthermore, while in Paris in July, I discussed this matter with the Supreme Allied Commander, and the Supreme Allied Commander has no illusions as to what his responsibilities are. I would refer you to a discussion which was held at SHAPE for the Permanent Council. A copy of the transcript† of this discussion was forwarded to you under file CSC 1750-3 of 5 June. You will note that the Secretary-General is certainly not as definite on this matter as you have indicated the Council to be in your para. 16. You will also note in para. 10 of the Council transcript that "The Netherlands Representative has also posed the constitutional question as it affected the use of nuclear weapons even before a declaration of war." In addition, in para. 14 the Secretary-General asked for clarification of our position with respect to the use of atomic weapons. SACEUR answered that it was not decided beyond the provisions of MC.48, which provided authority for planning on the use of atomic weapons at the outset.

Therefore the only effective authority which is available is MC.48, and the conclusion of MC.48 agreed to by the Council is as follows: "approved the Military Committee's report MC.48 (Final) as a basis for defence planning and the preparations by the NATO military authorities, noting that this approval did not involve the delegation of the responsibilities of governments for putting plans into action in the event of hostilities." I would point out the significance of the phrase "putting plans into action." There is no suggestion here that plans will be changed. The conclusions of MC.48 are quite specific, as follows: "It is militarily essential that the NATO forces should be able to use atomic and thermonuclear weapons in their defence and that the NATO military authorities should be authorized to plan and make preparations on the assumption that atomic and thermonuclear weapons will be used at the outset." I am afraid that the confusion which exists is in the interpretation of the words "for putting plans into action in the event of hostilities," which actually means a decision as to whether NATO will go to war or will not go to war.

You have quoted General Gruenther making a statement in the Military Committee. As I have attended all the meetings of the Military Committee since its inception, I am well aware of the statements which have been made at that Committee. However for your information I will quote what General Gruenther said, as reported in the minutes of the Military

²¹ Pour un compte rendu des discussions interministérielles sur le problème de la quatrième puissance, voir volume 23, la 3^e partie, chapitre VII.

For an account of the inter-departmental discussions on the Fourth Power Problem, see Volume 23, Chapter VII, Part 3.

²² Note marginale :/Marginal note:

To: we said to not and [Auteur inconnu/Author unknown]

Committee meeting of 13 December, 1954. General Gruenther was discussing the question as to whether there could be two strategies, whether he could be prepared to defend Western Europe using only conventional weapons, or whether he could defend Europe using both conventional weapons and atomic weapons. General Gruenther pointed out at that time that if there was a question of a decision not to use atomic weapons being taken at a time when an attack was imminent, he would require to have available a sufficient number of divisions armed with conventional weapons to fight that kind of a war, and that would mean he would have to have 100 divisions. If a decision was taken that he could have only 30 divisions and be allowed to use nuclear weapons, he would have to fight with those 30 divisions and the nuclear weapons when a decision to fight was taken. However he made it quite clear that he could not defend the NATO area with 30 divisions unless they were armed with nuclear material, and therefore the decision was being taken now as to the way in which he was going to fight in future. This is actually what he said:

"While he was not the one who made the policy, he would like to make it clear as to what had been asked of the Standing Group and which, he thought, had been faithfully reproduced in M.C. 48. He had said this: 'It is unquestionably a political decision to decide whether or not there is an act of war, and there is no thought in our Headquarters that that should be a military decision — and certainly not one that our Headquarters should make.'

"But, it having been decided that there was an act of war, and that it was an all-out act of war, and not simply a local war, he felt it was not feasible to go to this or that strategy, that the political authorities would have to make up their minds in advance as to whether it was this or that, and it could not be changed at the last minute."

You will notice that General Gruenther emphasized that "it is not feasible to go to this or that strategy," and "this or that" referred to atomic or conventional strategy.

I recall very vividly the discussions surrounding the decision on M.C.48 which was taken by the Council. You may recall there was a difference of opinion between the United Kingdom and the United States, and there was a special meeting held of the Foreign Ministers of Canada, the United States and the United Kingdom and their Defence Ministers before the final meeting of the Council. Mr. Campney attended this meeting and gave me a clear account of the meeting as soon as he had returned from this discussion. He stated that Mr. Dulles had a direction from the President making it quite clear that the United States intended to press for approval of the Military Committee's M.C.48, and the wording of the last phrase in the Council approval was, to use Mr. Dulles' term, "left fuzzy" to avoid a discussion as to how the Council or governments would give their approval, mainly based on the fact that if the pattern of war was anything like it is being forecast there would be no time to get Council approval; it would mean actually going to war.

I would also invite you to study the statement made by Mr. Dulles at the Council meeting on 17 December, 1954, in which he emphasized that under modern conditions of war, atomic weapons could almost be regarded as a new form of conventional weapons and the free world would find it difficult to develop two separate strategies or two separate capabilities.

In another part of para. 16 you refer to the "so-called principle of civilian control, reaffirmed at the last December ministerial meeting" and its interpretation that member governments through the NATO Council rather than the military authorities would take the decision as to when nuclear weapons would be used. I attended every session of this meeting of the Council and I fail to find even any discussion recorded in the minutes

which could be interpreted as leaving to the Council the decision as to whether nuclear weapons would be used or not. I would refer you to the directive issued by the Council, which clearly states in para. 4(d): "To deal with armed aggression other than that referred to in (b) above (border incidents) in accordance with the concept of forward strategy, counting on the use of nuclear weapons at the outset." Further, para. 6 of the directive states: "The responsibility of governments to make decisions for putting NATO plans into action in the event of hostilities is not affected by this directive." I would emphasize again what this para. 6 means to the military: it is a decision to put into effect existing plans, and existing plans call for the use of nuclear weapons for the defence of the NATO area with the exception that they will not be used for border incidents. Nowhere is there any suggestion that if the NATO area is attacked the Supreme Allied Commander is required to get permission from the Council before he can use thermonuclear weapons.

The reason I am so worried about this interpretation is that it would be completely impracticable to put into effect. I would draw your attention to para. 8 of the political directive which lays down that "in any case the consequences of attack on NATO without warning are such that the NATO forces and facilities directly related to early warning and nuclear retaliatory action must be kept in constant readiness at all times." This indicates that the nuclear forces must be ready to react immediately when an attack is made without warning, but in accordance with your interpretation the Supreme Allied Commander would be required to go to the Council and secure authority from the Council to use these retaliatory weapons. If such were the case, as far as I know there is no procedure in our instructions given to Mr. Wilgress as to what he will do if such a request is made. From my knowledge of the Government War Book, there is no provision in that book or indication that the Government will have to take a decision on such a point very rapidly. As I am unaware of any instructions that Mr. Wilgress has regarding action he would take if SACEUR made such a request, I presume that all Mr. Wilgress could do would be to send a wire and get authority from Ottawa. As this could arrive on any day, including a Sunday, I would see interminable delay in finding anyone who would take that kind of authority and therefore even under our own procedures it might be several hours or days before a decision could be taken. Under conditions of modern war the war would be lost and quite likely the whole of the NATO area destroyed.

This is not in line with reality. The NATO Council has no, repeat, no control over the Strategic Air Force,²³ which is the main retaliatory power of the West. This retaliatory power can be released by an order from the President and there is no hope that Congress would ever agree that the NATO Council would have any veto on the actions of the President to defend the United States. If we were to slavishly follow the suggestion in your para. 16, we might find the Supreme Allied Commander striving to get the agreement of fourteen countries for the use of nuclear weapons, with the Strategic Air Forces of the Soviet Union and the United States in full operation long before authority was given to SACEUR in Europe.

I would further point out that if any such matter were taken to the Council and the Council decided that nuclear weapons would not be used, this would spell complete defeat for the western forces in Europe, as the number of divisions available to General Norstad are only just sufficient provided they can count on the full use of thermonuclear weapons. It is the view of the military side of NATO that the decision to use thermonuclear weapons in any all-out war of the future in Western Europe was taken in 1954 and it cannot be

²³ Foulkes fait allusion ici au Commandement aérien stratégique.
Foulkes is referring here to the Strategic Air Command.

changed unless the NATO nations are prepared to provide the necessary additional 70 divisions. The decision which is left for the political authorities to take is the decision as to whether NATO goes to war, and that has always been, and always will remain, a political decision.

As there is this considerable difference of opinion, I feel very strongly that we should settle this matter in our own minds and not make any further reference to this subject of Council authority to use or not to use thermonuclear weapons until this matter is thoroughly thrashed out and thoroughly documented. From discussions with Mr. Bryce, I understood that he proposed to reconvene this committee which was operating on the Fourth Power Problem. If that is the case, then perhaps this Committee would be the best place to straighten away this present matter. However, in the meantime I would suggest that perhaps your Department would like to prepare the documentation to support the statements you have made in para. 16.

Yours sincerely,
CHARLES FOULKES

207.

DEA/50219-AM-40

*Le sous-secrétaire d'État aux Affaires extérieures
au président des Chefs d'état major*

*Under-Secretary of State for External Affairs
to Chairman, Chiefs of Staff*

SECRET

[Ottawa], September 6, 1957

Dear General Foulkes:

I have received your letter of August 8 concerning the United States proposal for NATO stockpiles of nuclear weapons, and I note with satisfaction your concurrence in our suggestion that this question should be in due time the subject of interdepartmental consultation. I see no difficulty in having this subject form part of the current study of the "Fourth Power Problem," and agree that the Committee mentioned in your letter should be the forum in which to examine the United States proposal.

2. In view of the considerable importance which you attach, in this context, to the related problem of "control" over the use of nuclear weapons, this department would also readily agree to have this particular issue considered in the Committee at the same time as the others.

3. I might say at this stage that the *principle of civilian control* over the use of nuclear weapons does not appear to this department to raise the apparently controversial issues which your letter under reference would seem to suggest. Our department's position, which we also understand to have been the Government's position, has always been that of General Gruenther, which you quote with approval in paragraph 6 of your letter: the implementation of MC(48) and the use of nuclear weapons must await a political decision: namely, that "there was an act of war, and that it was an all-out act of war, and not simply a local war." We know of course that NATO is committed to a strategy involving the use of nuclear weapons but the actual implementation of this strategy presupposes the political decision by the NATO governments that they are faced with an all-out act of war.

4. Perhaps it is not necessary to elaborate this principle that (in Mr. Dulles' words) "the authority to push the button... is vested in the civilian heads of government." In the case of

NATO, this can evidently only mean the Council, which speaks and speaks alone for the NATO governments. Paragraphs 6 and 12 of your own letter seem thoroughly to approve the principle that only the political authorities can send NATO to war; and it can assuredly be taken for granted that the Council will not send NATO to war until the momentous consequences of thermo-nuclear retaliation have been taken into account.

5. It is true that varying circumstances, such as the case you raise of an all-out nuclear attack, would make the implementation of this principle more or less difficult; and no one, as far as we know, has refused to accept the resulting qualifications of the principle which circumstances might conceivably impose. But it would be wrong to suggest that, because the principle of civilian control was not elaborately articulated in the December 1954 meeting, agreement on this crucial point had not been reached. You refer to the American desire at this time for a vague formula; you will of course also recall the misgivings of European partners about a formula in which the principle of civilian control was not also expressed. Subsequently, Mr. Dulles, when approving MC(48) for the purpose of planning by the military authorities, agreed that such approval did not involve the delegation of the responsibility (which, as he pointed out, rested "in the civilian heads of government") "for putting plans into action in the event of hostilities." (C-VR(54)50 p.23) Subsequent discussion pointed to the importance attached to this qualification, which was incorporated both in the Council Resolution on M.C.48(C-R(54)50 para. 42(1)) and in the final Communiqué which was released. (C-M(54)123 para. 6) We have attached an annex which indicates some of the highlights of these discussions and of the circumstances under which they took place; but perhaps the best documentation is the Verbatim Record of the 50th Meeting of the NATO Council (C-VR(54)50, pp. 21ff). I would draw your attention particularly to the statement of the French representative, M. Temple:

"La délégation française approuve la proposition qui a été faite par le Secrétariat International et est prête à voter en sa faveur. Nous pensons en effet que ce texte répond bien aux deux préoccupations que nous avons en vue:

1. laisser les Autorités militaires poursuivre leurs études sur les transformations des forces armées rendues nécessaires par l'emploi éventuel de l'arme atomique:
2. laisser aux pouvoirs politiques la décision d'employer ou non en cas de nécessité cette arme atomique." (loc.cil.,p.23)

6. There is also the other consideration which you have yourself mentioned, that NATO finds itself in this ambiguous position of having a strategy based on the concept of nuclear deterrents, while its main retaliatory force is actually to be found in the United States Strategic Air Command. The United States Strategic Air Command does not only serve as the nuclear retaliatory force of NATO, but constitutes as well the main defence of the United States, in any case of all-out aggression, whether or not this aggression is within the NATO area. No one would suggest that the NATO Council has either the right or the power to veto the directives which the President of the United States may give directly to his Strategic Air Command. The United States, however, have not shown any desire to "go it alone," should it come to an all-out nuclear conflict in Europe; and it is reasonable to expect, given the tremendous political importance of following such a course, that they will wish, if humanly possible, to consult their closest allies before releasing the power of the Strategic Air Force. It is obviously for these considerations that the United States representatives in NATO have always been reluctant to define the application of the principle of collective civilian control over the use of nuclear weapons, and it is because the other NATO members appreciated and understood the United States position that none has

ever pressed in the NATO Council for anything more than the wording used by the Council on December 17, 1954 in approving MC-48.

7. In short, the principle that the civilian heads of government would not delegate the authority "to push the button" was unanimously reaffirmed in December 1954 with the clear implication that such decisions, insofar as they were taken by NATO, would be taken in the Council and not by the military authorities. To suggest otherwise would, I am sure, give rise to the strongest objections from several NATO governments, and might well in fact induce these governments to press for an even more rigid formula of civilian control than that which exists at present. This is only plain political realism, which was again more than confirmed recently when the question arose of stationing atomic weapons in certain European NATO countries.

8. Since 1954, however, there have been new developments which may call for a re-assessment of the conditions under which the principle of civilian control ought to be exercised. On the one hand, a wider range of nuclear weapons have been developed, from the so-called "tactical weapons" to H-bombs of unpredictable capacity. On the other hand, governments have now come to realize that the implications of a declaration of war may not be as precise, in terms of weapons to be used, as they have been in the past. It was in part to meet these changing circumstances that NATO members considered it necessary last year to undertake a military reappraisal and to formulate at the December ministerial meeting a new Political Directive. This directive has confirmed that aggression against the NATO area could assume several forms, not all of which would necessarily call for the use of nuclear weapons at the outset. The emergence of the possibility of "minor outbreaks," to use Mr. Dulles' expression, means in effect that NATO member governments may no longer have only the task of declaring whether or not an all-out act of aggression has been committed, but they may also have the responsibility for determining the actual nature and degree of the "aggression" in case of any acts of apparent hostility such as those mentioned in para 4(b) Part II of the Political Directive.

9. Document M.C.70 entitled "Minimum Essential Force Requirements" now under preparation by SACEUR will probably throw some light on the possibility of graduated defence, including or excluding nuclear weapons, and civilian and military responsibilities may have to be reconsidered in the light of that document. Moreover, the fact that it is now planned to provide forward troops with tactical nuclear weapons will give a fresh impetus to reviewing the problem of the implementation of political control over the use of these weapons and to the development of procedures to render this implementation as effective as possible.

Yours sincerely,
JULES LÉGER

208.

DEA/50030-K-40

*Note pour le Comité sur les aspects économiques
des questions de la défense*

Memorandum to Panel on Economic Aspects of Defence Questions

DOCUMENT ED 6-57

[Ottawa], November 18, 1957

TOP SECRET

STOCKPILING OF ATOMIC WARHEADS FOR TACTICAL WEAPONS IN EUROPE

The Council has already approved in principle of the equipment of the shield forces with atomic weapons. MC/48 adopted at the 1954 December Meeting of Council approved a new NATO strategy based on the use of tactical nuclear weapons to counter an all-out attack by the Soviet Union. The Political Directive (CM(56)138 Final) approved at the December 1956 Meeting states that: "The shield forces must include the capability to respond quickly, should the situation so require, with nuclear weapons to any type of aggression. They must, of course, also have the capability to deal with the situations envisaged in 4(6) (Local actions) without necessarily having recourse to nuclear weapons." MC/48/2 confirms this agreement. The implementation of this agreed strategy by the stockpiling of atomic warheads for tactical weapons in Europe will be raised for the first time in December. It involves a number of problems for NATO, not all of which can be decided at the December meeting. The main problems would appear to be the following:

The Problem of Control

The Political Directive sets out The Principle of Civilian Control: "The responsibility of governments to make decisions for putting NATO military plans into action in the event of hostilities is not affected by this directive." It is clear that the SAC, which is not only the nuclear deterrent for NATO, but also for the U.S., would be governed by decisions of the President of the U.S. The principle is not clear for tactical nuclear weapons. We understand that the U.S. intention is to stockpile the nuclear warheads in Europe but to retain ownership and control in U.S. hands through an American logistic chain. SACEUR would have operational control under the NATO Council. The real question at issue is whether a declaration of war by NATO governments would imply that SACEUR would have full control over the use of nuclear weapons under his command or whether Council should retain a degree of control over the use of tactical atomic weapons. The Political Directive recognizes the possibility of localized hostilities. It is evident that an important element in ensuring that localized hostilities do not turn into all-out nuclear warfare may involve the decision as to whether or not to use nuclear weapons. Many governments will feel that this decision should rest with the Council. In practice, however, this might prove a most difficult responsibility for Council as presently constituted and might involve unacceptable delays for countries whose forces are directly involved.

Before a decision to stockpile atomic warheads is taken, some countries may feel that the Political Directive should be modified to make more explicit the manner in which the decision to use them could be taken. In our view, this would be a most difficult subject to take up at the Heads of Government Meeting and we feel that the Canadian Delegation should support the view that it should be considered at the Ministerial Meeting which will be called to consider MC/70.

The Problem of Acceptance

It would appear that the European countries will be primarily concerned with the problem of acceptance and the terms under which they would accept the stockpiling of nuclear warheads on their territories. In order to restrict the Fourth Power Problem, the Canadian Delegation should support the present U.S. plan for stockpiling under U.S. control in European countries. Under present U.S. law, no other plan could be implemented.

It would not appear that there will be any immediate decision necessary on the provision of atomic warheads for the use of our Brigade in Germany. Our agreement to the stockpiling scheme would, however, pave the way for eventual equipment of the Brigade with atomic weapons should this meet the requirements of the military authorities and the agreement of the Canadian government. The same considerations would apply to the Air Division.

The Political Problem

While there is an obvious and accepted requirement for strengthening the shield forces, a decision to provide atomic stockpiles in Europe is certain to give rise to violent reactions for the Communist countries, particularly if Germany is involved. The reaction from India and other uncommitted countries is likely to be unfavourable and there are already indications that the announcement will have a mixed reception in Europe.

It will therefore be necessary to consider very carefully the context in which these and other announcements (missiles) will be presented.

To meet this problem, the United States have in mind:

(1) A widening of the knowledge of the total capabilities of security that are in being or in prospect.

(2) An assurance that this power will in fact be available in case of need for common security.

(3) An assurance that it will not be used for purposes other than individual or collective self defence as authorized by the United Nations.

We have made a proposal in the Council that a Declaration should be drawn up for the Heads of Government with a view to meeting this political problem in a wider context. Our views on what this Declaration might contain are considered in a separate paper.

209.

DEA/50030-K-40

*Extrait du procès-verbal de la réunion du Comité
sur les aspects économiques des questions de la défense*

*Extract from Minutes of Meeting of Panel
on Economic Aspects of Defence Questions*

TOP SECRET

[Ottawa], November 22, 1957

Present

Mr. R.B. Bryce, Secretary to the Cabinet.
 General C. Foulkes, Chairman, Chiefs of Staff.
 Mr. F.R. Miller, Deputy Minister of National Defence.
 Mr. D.A. Golden, Deputy Minister of Defence Production.
 Dr. A.H. Zimmerman, Chairman, Defence Research Board.
 Dr. E.W.R. Steacie, President, National Research Council.
 Mr. L. Rasminsky, Deputy Governor of the Bank of Canada.
 Mr. J.B.C. Watkins, Assistant Under-Secretary of State for External Affairs
 Mr. A.F.W. Plumpton, Assistant Deputy Minister of Finance.
 Mr. W.R. Martin, Privy Council Office. (Secretary)
 Mr. D.B. Dewar, Privy Council Office. (Assistant Secretary)

Also Present

Mr. P. Tremblay, Mr. F.H. Hooton, Department of External Affairs.
 Mr. R.G. MacNeill, Mr. E. Gallant, Department of Finance.
 Mr. F.A. Milligan, Department of Defence Production.
 Dr. J.D. Babbitt, National Research Council.

...

II. STOCKPILING OF NUCLEAR WARHEADS IN NATO COUNTRIES

(Document ED6-57 had been circulated.)

(Document ED6(a)-57, dated November 21, 1957,† from the Chairman, Chiefs of Staff, was circulated at the Meeting.)

5. *Mr. Tremblay* said there were indications that some European countries might be reluctant to accept the stockpiling of nuclear weapons on their territories. Moreover, the position of France would likely be that although the weapons would be accepted, such acceptance should not be considered prejudicial to the future possibility of France manufacturing nuclear weapons herself.

6. *Dr. Steacie* said that complete freedom of exchange of information might persuade the French not to undertake the making of nuclear weapons, which was very expensive, because such an exchange would satisfy prestige considerations.

7. *General Foulkes* agreed and said that if France were convinced that the nuclear stockpile and the missile bases in France satisfied her security needs she might not undertake manufacture of nuclear weapons. Under the United States plan, SACEUR would be in possession of the nuclear weapons in his capacity as a United States officer and they would be released to NATO forces only at the direction of the President. This was a good system of control over the use of the weapons and merited the support of Canada. The quantity of weapons in question was not large and they were of tactical range only; they could be considered as defensive weapons which lent strength to the shield. The provision of Intermediate Range Ballistic Missiles in Europe was another matter. Because these missiles had a range of about 1500 miles, they formed part of the retaliatory force rather than the shield.

8. *Mr. Tremblay* said the new element in the situation was that the European countries would for the first time have tactical nuclear weapons on their territory. It was to be expected that in the case of small wars, which did not call forth full nuclear retaliation, these countries would want to have some control over the use of these weapons. If a formula were devised to give the European countries more control over the use of these tactical weapons, the question would arise whether Canada should also use this formula.

9. *General Foulkes* said that it had already been decided that Canadian and United States forces could use defensive nuclear weapons over Canada in war. Since our forces in Europe made up only a small part of the shield, Canada should not become too deeply involved in suggestions as to how best the defence of Western Europe should be conducted.

10. *Mr. Bryce* said that since Canada would not be threatened except in a major war our real interest was in ensuring that SACEUR did not make a wrong judgment between a general attack and a small border incident in Europe.

11. *General Foulkes* said that the political directive was clear in saying that SACEUR must deal with border incidents without using nuclear weapons. At the same time it was unrealistic to expect a military commander to wait for authority from the Permanent Council or from governments to use nuclear weapons should a small incident develop quickly into general war. The decision must be taken now at the political level as to what general instructions were to be given to the military commanders. However, no commander could be expected to forego the use of all the weapons with which he had been supplied to repel an attack. Nuclear tactical weapons were replacing army and corps artillery. The decision as to whether NATO was faced with a border incident or a "limited attack" would be made by SACEUR, and in making this decision he would at the same time be deciding whether to use tactical nuclear weapons. Should a border incident show signs of developing into a larger attack, SACEUR would of course use whatever time was available to him for consulting with his political superiors.

12. *Mr. Bryce* said that the distinction between the two types of attack could not, strictly speaking, be said to be of direct Canadian concern, but it was a very serious matter for the Europeans. Would they be willing to let SACEUR make the decision, and if not what sort of political decision-making procedure would be acceptable? If this problem were raised at the NATO meeting, Canada would have to take a position on it.

13. *Mr. Miller* said he thought the distinction between a border incident and a "limited attack" would be quite easy to make.

14. *General Foulkes* commented that since the question related to the defence of Europe and did not directly affect Canada our Ministers should be advised not to intervene in it.²⁴ Ministers should be briefed, however, on the implications for Canada of the United States proposal to stockpile atomic warheads in NATO countries. The Canadian requirements for such warheads were quite small. The Canadian Infantry Brigade group assigned to SACEUR would not [likely be equipped with] a ground-to-ground missile of the close support type until about 1960. The RCN and perhaps the RCAF Maritime forces would probably require nuclear depth bombs and torpedoes which could be kept in United States installations on the Canadian east coast for transfer to Canadian forces on the out-break of

²⁴ Note marginale :/Marginal note:

It does directly affect Canada: if the U.S. are involved we are. We also have troops in the field. We are surely more committed than Portugal. [Jules Léger]

war. No decision would be required in the immediate future on the provision of nuclear weapons for the Canadian Air Defence Forces.

15. *Mr. Bryce* suggested that although an immediate decision on acceptance of nuclear warhead stockpiles in Canada did not seem to be necessary, it might be desirable for this country to indicate willingness to accept them in order to help overcome the reluctance of other NATO countries to accept. If the government agreed, consultations could be held with the United States on this subject and an announcement made in Parliament before the NATO meeting of a Canadian decision to accept stockpiles in Canada of defensive tactical weapons from the United States. There would be no question of storing offensive nuclear weapons in Canada and it could be pointed out that the defensive weapons would be used only in accordance with NATO plans to repel a major attack on the NATO area.

16. *General Foulkes*, in reply to a question from Mr. Bryce, said that he saw no advantage to Canada in obtaining nuclear weapons for our own use (as opposed to accepting nuclear warhead stockpiles) even if the McMahon Act were amended to allow it.²⁵ Canada would have no need for the weapons unless the United States were at war also, and it would be more economical to accept them from American control only on the outbreak of war. Purchase of nuclear weapons from the United States would be disadvantageous also because it might weaken the system of control over the use of the weapons which we were attempting to establish in NATO.

17. *The Panel* agreed -

(a) to recommend to Ministers that, after consultation with the United States, Canada should publically announce, prior to the Heads of Government Meeting, that for defensive purposes it would accept the stockpiling of nuclear warheads in Canada;

(b) to recommend to Ministers that Canada should not take an active part in discussions about the problem of political control over the use of tactical nuclear weapons in Europe; and

(c) that External Affairs and National Defence should revise the background paper for Ministers on this subject.

...

²⁵ La loi de McMahon, appelée officiellement la Loi sur le contrôle de l'énergie atomique, a été initialement promulguée en 1946 et a permis d'empêcher que des armes nucléaires américaines soient contrôlées ou utilisées par un autre pays.

The McMahon Act, officially termed the Atomic Energy Act, was originally enacted in 1946 and prevented American nuclear weapons from being controlled or employed by another country.

210.

DEA/50102-S-40

*Le secrétaire d'État aux Affaires extérieures
à l'ambassadeur aux États-Unis*

*Secretary of State for External Affairs
to Ambassador in United States*

TELEGRAM DL-1042

Ottawa, November 26, 1957

SECRET. OPIMMEDIATE.

YOUR MEETING WITH MR. DULLES

With reference to your conversation with the Minister, we are sending by separate telegram† sections of the Minister's statement relating to NATO which he will deliver tomorrow in the House.²⁶

2. We are most concerned at the almost total lack of official information on the proposals which the U.S. government will make to the NATO meeting. When you talk to Mr. Dulles, it would be helpful if you could secure from him some more definite information on what U.S. has in mind. As you know we have some information which has never been confirmed on stock-piling, missiles and scientific and technical cooperation but it is important that we should have something more definite if we are to prepare adequately for the NATO meeting.

3. Apart from these three subjects, we should like to know whether the U.S. will have any proposals on the question of balanced forces. We would also like to know what content they intend to give to the principle of interdependence, i.e. will this be related only to missile production and to scientific and technical cooperation or will there be other proposals.

4. Any information you can secure on these points would be most helpful. We should also like to know what sorts of decision the U.S. envisages at the meeting. We would assume that in view of the shortness of time available before the meeting the decisions to be taken would have to be in general terms leaving details to be worked out later.

211.

DEA/50370-40

*L'ambassadeur aux États-Unis
au secrétaire d'État aux Affaires extérieures*

*Ambassador in United States
to Secretary of State for External Affairs*

TELEGRAM 2514

Washington, November 26, 1957

SECRET. PRIORITY.

Reference: Our Tel 2508 Nov 26.†

Repeat London, NATO Paris (Information).

²⁶ Voir Chambre des Communes, *Débats*, volume II, 1957-1958, pp. 1590 à 1599.
See House of Commons, *Debates*, Volume II, 1957-58, pp. 1511-1520.

DISCUSSION CONCERNING NATO MEETING WITH SECRETARY OF STATE
(MISSILE PROGRAMME)

In view of the news with regard to the President,²⁷ and the pressure of preparatory meetings on the Secretary, we have not yet been able to cover all the points mentioned in your telegram DL-1042 November 26. With regard to the missile programme, however, the Secretary had some interesting things to say which should be reported. He began by indicating that intelligence forecasts, going back over the period of recent years, had indicated the likelihood that the Soviets would have in operational form the IRBM and the ICBM by 1960. Until that date, long range bombers would continue to be the main strategic USA weapon, and it had been anticipated that this would remain true for a period after 1960. By and large, the USA had shaped its programme on the assumption that its long range bombers would be supplemented by operational missiles by about 1960. The Secretary said that even after a review of recent events, the view here was that there was nothing seriously wrong with that assumption and the production programme based upon it. Although he thought it was possible that the Soviets had perhaps gained a year in the development of operational missiles, he doubted whether enough of these could be produced to advance the date of the anticipated missile threat from the USSR ahead of 1960.

2. The USA expected to have an operational IRBM in production by the end of 1958 or the beginning of 1959, and while there were no grounds for complacency, programmes with respect to missile development were already in hand. The big question facing the USA authorities was whether action should be taken to accelerate present programmes at considerable additional cost in order to meet the present psychological demand for a "crash programme," or alternatively whether it would not be preferable, both from a military and financial point of view, to delay going into accelerated production until an improved and better weapon is available. The Secretary made it clear that this question had not yet been settled within the Administration, and indeed that he was about to participate in a meeting with military officials to see what the answer should be. So far as the military judgment was concerned, there was no desire to embark on a crash programme, mainly for the reason that a more effective weapon could be developed, with the acceptance of some delay, to meet anticipated missile requirements. While Mr. Dulles did not commit himself on his view, or on the final outcome, he said that his personal feeling was against yielding to the current crisis psychology and to support an orderly and planned programme of production in this field.

3. In addition to these internal problems of production which had not yet been settled, the Secretary said that the "reception" of missiles by other NATO countries presented a series of complicated problems. There had, for example, to be a determination of whether these new weapons were wanted, and where they should be located. There was the problem of establishing appropriate conditions of use, and the related problem of authority and command. There was the additional question of providing training, and the need for reaching agreement with recipient governments as to the complicated and expensive launching sites required. The Secretary added that, although the arrangements for the reception of the IRBM in the UK had been discussed before Bermuda, a number of these questions had not yet been settled between the two governments. He thought, therefore, that even if the new weapons were not to reach full production for a period of about 18 months, a period of this order would be needed in order to settle questions of this sort between the USA and recipient countries, and there would in fact be no delay due to production factors.

²⁷ Le 25 novembre 1957, le président Dwight Eisenhower a eu un léger accident cérébrovasculaire.
On November 25, 1957, President Eisenhower suffered a mild stroke.

4. I told the Secretary that I thought the problem of control was of central importance, and raised with him the prospects for a possible pooling of production in the missile field involving the European NATO members. It was clear from his comments that they are envisaging some form of pooling of production in the weapons field, but it is difficult to say on the basis of our brief discussion how far and how fast this aspect can be advanced by December. Quite apart from the legislative problem affecting the warheads, with which you are familiar, the Secretary anticipated other technical and security problems which would have to be ironed out before any substantial progress could be made in this direction.

212.

DEA/50030-K-40

*Projet de note du Comité sur les aspects économiques
des questions de la défense
pour le Comité du Cabinet sur la défense*

*Draft Memorandum from Panel on Economic Aspects of Defence Questions
to Cabinet Defence Committee*

DOCUMENT ED 10-57

[Ottawa], November 26, 1957

TOP SECRET

DEPLOYMENT, PRODUCTION AND DEVELOPMENT OF INTERMEDIATE RANGE
BALLISTIC MISSILES IN EUROPE

Apart from the stockpiling in Europe of atomic warheads for tactical weapons, we have learned unofficially that the U.S. government is preparing a broad scheme for announcement at the December Meeting for dividing the responsibility for future production of missiles between North America and Europe. Under this scheme, North America (i.e. the United States) would concentrate on missiles of the ICBM type and Europe on IRBM. In application of this policy, the U.S. would divide the intermediate range missiles into three categories:

- (i) Missiles which have been tested and which are already on production lines in the United States.
- (ii) Missiles which have not been tested but which they are sure will be successful and are near the production stage.
- (iii) Missiles which are in the research and early development stage.

According to our unofficial information, missiles in the first category would be supplied to some European countries from production lines in the United States. With regard to the second category, a Missile Production Authority would be set up under the NATO Defence Production Committee which would arrange for European production of IRBM's. With regard to the third category, a Missile Research Institute would be set up under NATO for the future development of missiles.

It is the U.S. intention that IRBM's stationed in Europe should remain completely under the control of SACEUR and not under national military organizations.

IRBM's with a range of 1500 miles would have little or no operational value if based in North America and are therefore of no direct interest to the Canadian forces. If stationed in Europe and armed with nuclear warheads, they could penetrate into the heart of European Russia.

The IRBM is a strategic weapon. Up to the present, all strategic weapons have been held outside the control of NATO viz U.S. Strategic Air Command and U.K. Long Range Bomber Force. The introduction of IRBM's under SACEUR will involve a new and direct interest for NATO in the launching of the strategic offensive. Accordingly, a decision to station IRBM's in EUROPE should be regarded as a deployment of the deterrent rather than as a strengthening of the shield forces. This will involve some revision of the NATO strategic concept, but this aspect is not expected to be considered in detail at the December meeting.

It would appear only logical to station IRBM's in an area where they would be effective. They would be a very valuable addition to the deterrent strength of the Alliance. The provision of IRBM's to European countries and the arrangements under which they would develop and produce them would provide important new strength for the continent of EUROPE besides developing the concept of interdependence within NATO. The Panel, therefore, recommends that the Canadian Delegation should support a decision to base, develop and produce IRBM's in Europe. Canada is not, however, directly involved in such a decision. This is a problem for the European countries and one which will involve a number of them in serious political difficulties.

We have no information on how missiles might be produced under a NATO Missile Authority nor any further indications regarding the establishment of a Missile Research Institute. The implications are that they would be developed and produced under multilateral schemes, probably involving multilateral financing. It is too early to say whether and to what extent Canada might become involved, but it would appear that this is largely a European responsibility since there would be no foreseeable Canadian requirement for missiles of the IRBM type.

The production of missiles by Germany involves a special problem. Under the London Agreements which provided for the entry of Germany into NATO, the Federal Republic agreed to refrain from the production of missiles. These agreements provide, however, that this prohibition can be amended or canceled on the request of the Federal Republic and the competent NATO Supreme Commander by a two-thirds majority of the W.E.U. Council of Ministers. There are indications that neither Germany nor France would wish to amend or cancel this prohibition at the present time. The alternative would be to have Germany participate in some multilateral scheme for developing and producing missiles. In this case, the provisions of the London Agreements are considered not to apply.

Conclusions and Recommendations:

(1) The provision, development and production of IRBM's for European NATO countries would provide important new strength for the continent of Europe besides developing the concept of interdependence within NATO.

(2) There is no requirement for IRBM's for Canada or for our forces stationed in Europe. Decisions regarding the stationing of IRBM's and their production and development in Europe are primarily the concern of the European members of the Alliance.

(3) The Panel recommends that the Canadian Delegation should give general approval to the proposals for stationing, developing and producing IRBM's in Europe under appropriate control arrangements.

213.

DEA/50030-K-40

*Projet de note du secrétaire d'État aux Affaires extérieures
et du ministre de la Défense nationale
pour le Cabinet*

*Draft Memorandum from Secretary of State for External Affairs
and Minister of National Defence
to Cabinet*

CABINET DOCUMENT NO. ED 9-57

[Ottawa], November 27, 1957

TOP SECRET

STOCKPILING OF NUCLEAR WEAPONS IN NATO COUNTRIES

1. Recent Soviet developments emphasize the significance of public statements by the President of the United States and Mr. Dulles in July 1957,²⁸ and again by Mr. Dulles in November 1957,²⁹ to the effect that the United States government is considering the stockpiling of nuclear weapons in NATO countries. Under such a programme it is understood that nuclear warheads would be kept under the control and custody of United States officers to avoid amendment to the United States Atomic Energy Act. It is expected that a proposal to this effect will be made by the United States at the forthcoming NATO heads of governments meeting in Paris.

NATO and Nuclear Weapons

2. NATO strategy depends upon the possession of nuclear weapons in two principal components of its military structure, that is, the national retaliatory forces of the United States and the United Kingdom and the collective shield forces of the NATO countries. In the case of the retaliatory forces the stockpiling of nuclear weapons has had in the past little direct implication to other NATO countries. However, with the proposed introduction of Intermediate Range Ballistic Missiles (IRBM) to be located in some of the NATO countries in Europe this will have a significant implication to such countries because of their involvement in the launching of a strategic nuclear offensive although such missiles would be under the direct control of SACEUR. In the case of the NATO shield forces the possibility of United States stockpiles abroad is significant as a measure to implement the decision in the current NATO Political Directive that "The shield forces must include the capability to respond quickly, should the situation so require, with nuclear weapons to any type of aggression."

3. It has been recognized that the shield forces are only effective as a deterrent against numerically superior Soviet forces if equipped with nuclear weapons. The alternative would be to raise much larger conventional forces, a course unacceptable to the NATO countries. As a result shield forces are being developed with weapon delivery on the assumption that nuclear warheads will be available on the outbreak of war. It is understood that tactical missiles and delivery systems would be incorporated in National forces, and the custody and control of the atomic warheads wherever located, would be vested in the Supreme Allied Commanders in their capacities as United States officers.

²⁸ Voir le document 205, note 17/See Document 205, 17n.

²⁹ Voir/See United States, Department of State, *Bulletin*, Volume XXXVII, No. 963, December 9, 1957, pp. 916-922.

Canadian Nuclear Weapons Requirements

4. (a) Canadian requirements for nuclear weapons under present plans are limited:

(i) The Canadian Infantry Brigade Group assigned to the Supreme Allied Commander, Europe require a ground-to-ground missile of the close support type (Little John rocket) from about 1960.

(ii) Royal Canadian Navy and possibly Royal Canadian Air Force maritime forces earmarked for the Supreme Allied Commander, Atlantic require nuclear depth bombs and torpedoes.

(iii) Canadian air defence forces will not be equipped for nuclear weapons unless a decision is reached on the adoption of the MB1 air-to-air missile or a successor by the Royal Canadian Air Force.

(b) As the Intermediate Range Ballistic Missile is a strategic weapon there is no requirement for this weapon in the Canadian forces and in view of its range it would have no operational use based in North America.

Implications to Canada

5. The main problems arising from the stockpiling of nuclear warheads appear to be associated with storage, maintenance and control. As far as Canada is concerned these problems would be negligible in Europe where Canadian requirements could be met from stockpiles in other NATO countries under the custody and control of SACEUR as a United States officer.

6. The needs of the Royal Canadian Navy and Royal Canadian Air Force maritime forces could be provided from stocks at a United States base in the United States or in Canada which could be under the custody and control of SACLANT also a United States officer. If however nuclear warheads should be required by Canadian air defence forces they would have to be stored at each RCAF fighter base in Canada under the nominal custody of a United States officer.

7. Discussions with government departments concerned has revealed that no change in Canadian legislation would be required, but that minor modifications to regulations would be needed, to permit stockpiling of nuclear warheads in Canada for the use of Canadian forces, or for the use of United States air defence forces at Goose Bay, Labrador and Ernest Harmon Air Force Base, Newfoundland.

Recommendations

8. This proposal has been considered by the Panel on the Economic Aspects of Defence Questions and it is recommended that Canada should support such a proposal for the stockpiling of nuclear warheads in NATO countries and that consideration be given to the advisability of informing Parliament of the government's intention to concur in such a proposal.

9. We concur in the above recommendation.

Secretary of State for External Affairs

Minister of National Defence

214.

DEA/50030-K-40

*Extrait du procès-verbal de la réunion du Comité
sur les aspects économiques des questions de la défense*

*Extract from Minutes of Meeting of Panel
on Economic Aspects of Defence Questions*

TOP SECRET

[Ottawa], December 4, 1957

Present

Mr. R.B. Bryce, Secretary to the Cabinet.
 Mr. F.R. Miller, Deputy Minister of National Defence.
 Mr. J. Léger, Under-Secretary of State for External Affairs.
 General Charles Foulkes, Chairman, Chiefs of Staff.
 Dr. A.H. Zimmerman, Chairman, Defence Research Board.
 Mr. D.A. Golden, Deputy Minister of Defence Production.
 Mr. L. Rasminsky, Deputy Governor of the Bank of Canada.
 Mr. A.F.W. Plumptre, Assistant Deputy Minister of Finance.
 Dr. J.D. Babbitt, National Research Council.
 Mr. W.R. Martin, Privy Council Office. (Secretary)
 Mr. D.B. Dewar, Privy Council Office. (Assistant Secretary)

Also Present

Mr. R.G. MacNeill, Department of Finance.
 Mr. F.H. Hooton, Department of External Affairs.
 Mr. F.A. Milligan, Department of Defence Production.

...

II. STOCKPILING OF NUCLEAR WARHEADS IN NATO COUNTRIES.

(Documents ED9-57 and ED12-57† had been circulated.)

3. *Mr. Bryce* referred to the discussion at the previous meeting of the Panel, when it had been agreed to recommend to Ministers that after consultation with the United States, Canada should publicly announce prior to the Heads of Governments Meeting, that for defensive purposes it would accept the stockpiling of nuclear weapons in Canada. Such an announcement would give Parliament an opportunity to discuss the decision before the meeting, and might assist the United States in its efforts to overcome the reluctance of some NATO countries to accept nuclear weapon stockpiles on their territories.

4. *General Foulkes* commented that in raising the matter with the United States, we should want to find out whether they thought such an announcement would in fact be helpful to them.

5. *Mr. Léger* said that it was difficult to estimate the effect of such an announcement prior to the Ministerial Meeting on the attitude of the European countries. Apart from France, most of the European member countries had so far shown little interest in the United States stockpiling plan. It was doubtful whether an announcement that Canada had decided to accept the plan would have very much influence with those countries, who felt that their position was quite different from ours. Would Canada announce at the same time that she was willing, when necessary, to arm her forces in Europe with weapons capable of using nuclear warheads stockpiled on the territories of European member countries? The deployment of such stockpiles and the procedure by which they would be released for use raised very difficult political problems, among them the problems of consultation and of political control over the decision to go to war.

6. *Mr. Bryce* agreed that the problems raised were very difficult, but suggested that their solution should not be made a precondition to a decision on stockpiling of nuclear weapons being taken by NATO.

7. *The Panel:*

(a) considered and agreed to certain revisions in the document on Stockpiling of Nuclear Weapons in NATO Countries;

(b) agreed to recommend to Ministers that Canada should support a proposal for the stockpiling of nuclear warheads in NATO countries, and that the Government should give consideration now to the advisability of informing Parliament of Government policy in regard to the principle of stockpiling defensive nuclear weapons in Canada and arming Canadian forces in Europe with defensive nuclear weapons if NATO and the countries concerned should decide that these shield forces should be so armed.

III. ARMING NATO FORCES WITH MODERN WEAPONS.

(Document ED10-57 had been circulated.)

8. *Mr. Bryce* asked whether the recommendations in the document should be taken to mean that strategic weapons would be given to European NATO countries, or that U.S. strategic weapons would be placed in Europe as well as elsewhere.

9. *General Foulkes* said that SACEUR had indicated during his visit to Ottawa that Intermediate Range Ballistic Missiles would not be given to the national forces of European member countries. Although more satisfactory from the point of view of control over the IRBMs, such a restriction would place the United States and the United Kingdom in a special position in NATO, and might be difficult for the European member countries to accept.

10. *Mr. Léger* noted that Canada had no requirement for IRBMs either at home or for our forces in Europe, and suggested that the document be rewritten in the form of an information brief with the recommendation only that Canada had no direct concern in the matter.

11. *The Panel* agreed:

(a) that the subject of arming NATO Forces with Intermediate Range Ballistic Missiles did not properly fall within its field; and

(b) that External Affairs and National Defence should submit the paper to Ministers as an information brief after making whatever revisions were necessary.

W.R. MARTIN
Secretary

D.B. DEWAR
Assistant Secretary

215.

DEA/50219-AL-1-40

*Note du secrétaire d'État aux Affaires extérieures
et du ministre de la Défense nationale
pour le Cabinet*

*Memorandum from Secretary of State for External Affairs
and Minister of National Defence
to Cabinet*

TOP SECRET

[Ottawa], December 3, 1957

STOCKPILING OF NUCLEAR WEAPONS IN NATO COUNTRIES

1. Recent Soviet developments emphasize the significance of public statements by the President of the United States and Mr. Dulles in July 1957, and again by Mr. Dulles in November 1957, to the effect that the United States government is considering the stockpiling of nuclear weapons in NATO countries. Under such a programme it is understood that nuclear warheads would be kept under the control and custody of United States officers to avoid amendment to the United States Atomic Energy Act. It is expected that a proposal to this effect will be made by the United States at the forthcoming NATO heads of governments meeting in Paris.

NATO and Nuclear Weapons

2. NATO strategy depends upon the possession of nuclear weapons in two principal components of its military structure, that is, the national retaliatory forces of the United States and the United Kingdom and the collective shield forces of the NATO countries. In the case of the retaliatory forces the stockpiling of nuclear weapons has had in the past little direct implication to other NATO countries. However, with the proposed introduction of Intermediate Range Ballistic Missiles (IRBM) to be located in some of the NATO countries in Europe this will have a significant implication to such countries because of their involvement in the launching of a strategic nuclear offensive although such missiles would be under the direct control of SACEUR. In the case of the NATO shield forces the possibility of United States stockpiles abroad is significant as a measure to implement the decision in the current NATO Political Directive that "The shield forces must include the capability to respond quickly, should the situation so require, with nuclear weapons to any type of aggression."

3. It has been recognized that the shield forces are only effective as a deterrent against numerically superior Soviet forces if equipped with nuclear weapons. As a result shield forces are being developed with weapon delivery systems on the assumption that nuclear warheads will be available on the outbreak of war. It is understood that tactical missiles and delivery systems would be incorporated in National forces, and the custody and control of the atomic warheads wherever located, would be vested in the Supreme Allied Commanders in their capacities as United States officers.

Canadian Nuclear Weapons Requirements

4. (a) The Chiefs of Staff envisage future Canadian requirements for nuclear weapons as presently planned as follows:

- (i) The Canadian Infantry Brigade Group assigned to the Supreme Allied Commander, Europe require a ground-to-ground missile of the close support type (Little John rocket) from about 1960.

(ii) Royal Canadian Navy and possibly Royal Canadian Air Force maritime forces earmarked for the Supreme Allied Commander, Atlantic require nuclear depth bombs and torpedoes.

(iii) Although it seems likely that Canadian air defence forces, at least in North America, will eventually require air-to-air missiles with atomic warheads, no decision has yet been reached to adopt either the MB1, which is used now by the U.S.A.F., or any alternative defensive weapon.

(b) As the Intermediate Range Ballistic Missile is a strategic weapon there is no requirement for this weapon in the Canadian forces and in view of its range it would have no operational use based in North America.

Implications to Canada

5. The main problems arising from the stockpiling of nuclear warheads appear to be associated with storage, maintenance and control. As far as Canada is concerned these problems would be negligible in Europe where Canadian requirements could be met from stockpiles in other NATO countries under the custody and control of SACEUR as a United States officer.

6. The needs of the Royal Canadian Navy and Royal Canadian Air Force maritime forces could be provided from stocks at a United States base in the United States or in Canada which could be under the custody and control of SACLANT also a United States officer. If however nuclear warheads should be required by Canadian air defence forces they would have to be stored at each RCAF fighter base in Canada under the nominal custody of a United States officer.

7. Discussions with government departments concerned has revealed that no change in Canadian legislation would be required, but that minor modifications to regulations would be needed, to permit stockpiling of nuclear warheads in Canada for the use of Canadian forces, or for the use of United States air defence forces at Goose Bay, Labrador and Ernest Harmon Air Force Base, Newfoundland.

8. Heretofore the problem of civilian control over the use of nuclear weapons has been purely American and, more latterly, British. With the arming of the shield forces of other nations in Europe with such weapons, decisions will have to be reached as to the authority necessary to commit such forces to war. As yet no real resolution of this problem within the NATO context has been found. Undoubtedly a proposal to stockpile and use nuclear warheads for the shield forces will raise this problem, and thought will have to be given to a practical arrangement that will meet both the political and military necessities of the NATO partners.

Recommendation

9. The Panel on the Economic Aspects of Defence Questions, which has considered this problem, recommends that Canada should support a proposal for the stockpiling of nuclear warheads in NATO countries, and arming Canadian forces in Europe with defensive nuclear weapons if NATO and the countries concerned should decide that these shield forces should be so armed.

10. We concur in this recommendation.³⁰

216.

DEA/50030-AG-2-40

*Le représentant permanent auprès du Conseil de l'Atlantique Nord
au secrétaire d'État aux Affaires extérieures*

*Permanent Representative to North Atlantic Council
to Secretary of State for External Affairs*

TELEGRAM 467

Paris, February 20, 1958

SECRET. PRIORITY.

Repeat London, Washington, Paris, Bonn (Information)

USA-UK IRBM AGREEMENT

Burgess and Roberts gave the Council advance notice this morning that the USA-UK agreement on IRBM's would be made public early next week,³¹ probably Monday, and would then be circulated in the Council. Roberts explained that four squadrons, each of fifteen USA missiles and related equipment, would be located in the UK, to be manned and operated by RAF command personnel, who would be trained in the USA. The UK would provide sites and facilities. Warheads would remain in USA custody. Launching of the weapons would require joint decision of both governments in the light of circumstances at the time and having regard to the obligations of both governments under Article 5 of the North Atlantic Treaty.

³⁰ Ce document n'a pas été présenté au Cabinet. Les décisions du Cabinet de la réunion du 12 décembre 1957 indiquent simplement que le ministre de la Défense, George Pearkes, « outlined the problems arising from the stockpiling of nuclear weapons in NATO countries and Canadian policy relating thereto ». On peut supposer que Pearkes a basé ses commentaires sur un mémoire au Cabinet qui a été approuvé officiellement par le Comité le 6 décembre 1957. H. Basil Robinson signale que ce document est l'un des documents « discussed informally » entre les responsables avant que n'ait lieu la réunion des chefs de gouvernement de l'OTAN à Paris en décembre 1957. (Voir H. B. Robinson, *Diefenbaker's World: A Populist in Foreign Affairs* [Toronto, 1989], p. 29.) Robinson déclare que le discours formulé avec soin que le premier ministre, John Diefenbaker, a prononcé à la réunion des chefs de gouvernement du 16 décembre 1957 représentait la position canadienne officielle sur la question des stocks d'armes nucléaires et du déploiement des missiles balistiques en Europe. Ce discours est publié en tant que document 254. Voir la quatrième partie du présent chapitre pour un compte rendu des décisions prises au cours de cette réunion au sujet des armes nucléaires.

This document was not submitted to Cabinet. At the December 12, 1957 Cabinet meeting, the Cabinet Conclusions simply record that Defence Minister George Pearkes "outlined the problems arising from the stockpiling of nuclear weapons in NATO countries and Canadian policy relating thereto." Presumably, Pearkes based his comments on the memorandum to Cabinet which had been officially approved by the Panel on December 6, 1957. H. Basil Robinson notes that this document was one of several papers "discussed informally" among officials prior to the NATO Heads of Government meeting in Paris in December 1957. (See H.B. Robinson, *Diefenbaker's World: A Populist in Foreign Affairs* [Toronto, 1989], p. 29.) Robinson states that Prime Minister Diefenbaker's carefully worded speech at the Heads of Government meeting on December 16, 1957 represented the official Canadian position on the issue of nuclear weapons stockpiles and ballistic missile deployment in Europe. This speech is printed as Document 254. See Part 4 of this chapter for an account of the decisions taken at this meeting concerning nuclear weapons.

³¹ Voir/See United States, Department of State, *Bulletin*, Volume XXXVIII, No. 977, March 17, 1958, pp. 418-419.

2. The Norwegian representative asked whether this agreement should be considered as within the framework of the December Ministerial decision that NATO military authorities should recommend to Council re the IRBM needs of the Alliance and that Council should then consider the various questions involved. Roberts replied quickly that the USA-UK agreement was an extension of bilateral arrangements of several years standing and had been agreed in principle at Bermuda last spring.

[L.D.] WILGRESS

217.

DEA/50030-AG-2-40

*Le secrétaire d'État aux Affaires extérieures
au représentant permanent auprès du Conseil de l'Atlantique Nord*

*Secretary of State for External Affairs
to Permanent Representative to North Atlantic Council*

TELEGRAM DL-209

Ottawa, February 27, 1958

SECRET. PRIORITY.

Reference; Your telegram 467 of February 20.
Repeat London, Washington (Information).

USA-UK IRBM AGREEMENT

We are somewhat concerned over the implications of the statement made by Roberts in Council concerning this matter.

2. In paragraph 8 of our telegram DL-64 of January 21³² we outlined what we thought would be a logical procedure to follow in order to implement the December Ministerial decision regarding the introduction and deployment of stocks of nuclear warheads and IRBMs. After reading Mr. Roberts' statement we are not sure that the validity of these views is recognized. We are prepared of course to agree that factually the US-UK agreement on IRBMs is an extension of the principles agreed upon at Bermuda but we find it difficult to understand why the UK should wish to emphasize that their current agreement with the US ought not to be considered in a NATO context.

3. Quite apart from the well known sensitivity of the French over the Bermuda agreement which Mr. Roberts' statement certainly did nothing to allay, it seems to us that the UK statement may give some encouragement to other NATO countries to bypass NATO when they enter into similar bilateral agreements. This would be unfortunate as we believe that the political implications of the decisions to be eventually reached over the stationing of IRBMs and storage of nuclear warheads in Europe are such that the Council should be kept fully informed of these negotiations in order to ensure that the political as well as the military factors involved are given due consideration.

4. We may have read more into Mr. Roberts' statement than he wished to convey to the Council but would be grateful for any further information you may be able to give us regarding the manner in which the Council envisages implementing Section III B(1) of document C-M(58)5.

³² Voir/See Document 185.

218.

DEA/50030-AG-2-40

*Le représentant permanent auprès du Conseil de l'Atlantique Nord
au secrétaire d'État aux Affaires extérieures*

*Permanent Representative to North Atlantic Council
to Secretary of State for External Affairs*

TELEGRAM 565

Paris, March 3, 1958

SECRET. PRIORITY

Reference: Your Tel DL-209 Feb 27.

Repeat London, Washington (Information).

USA-UK IRBM AGREEMENT

USA-UK IRBM agreement stems from Macmillan-Eisenhower discussion in Bermuda last March and subsequent discussion Mr. Sandys had when he visited Washington later in the year. In this sense agreement does not derive from decision taken at December meeting of Heads of Government.

2. It is true, as you mention, that statement of Sir Frank Roberts in Council did nothing to allay well-known sensitivity of French over Bermuda agreement. I understand from Norstad that French are making difficulties. They want to have any USA-France IRBM agreement to be on all fours with USA-UK agreement.

3. In UK view role of IRBMs is equivalent to that of UK Bomber Command. That is why they are to be manned by UK bomber squadrons. As you know, UK Bomber Command is not subject to jurisdiction of SACEUR. From this it follows that SACEUR will not have jurisdiction over IRBM squadrons in UK. They will, however, coordinate plans with him in same way as SAC and UK Bomber Command have been coordinating plans with SACEUR.

4. SHAPE view is that when we come to the Continent we are in what is clearly recognized as being area of Allied Command Europe. SHAPE therefore feels that IRBM squadrons located on Continent should be subject to jurisdiction of SACEUR. They consider this particularly desirable because they wish IRBMs stationed on Continent to be used not only for strategic purposes but also to support SACEUR's tactical plans by knocking out airfield and assembly points which can be used by Russians for an all-out attack on Central Europe.

5. In this way we find a direct conflict developing between French sensitivity and desire to be treated in all respects the same as another member of Standing Group, namely UK, and SACEUR's desire to have complete jurisdiction over all IRBM squadrons located within area of Allied Command Europe. The situation is further complicated by desire of SACEUR to extend air defence to UK and to this degree coordinate British Isles with rest of area of Allied Command Europe.

6. It follows from this that attitude of Council towards implementation of Section III B(1) of document C-M(58)5 will depend upon how USA is able to overcome difficulties presented by present French attitude. It is intention of NATO military authorities fully to carry out provisions of December decisions. USA-UK IRBM agreement is not necessarily a precedent because it stems from an earlier bilateral understanding reached between the two countries prior to December meeting.

[L.D.] WILGROSS

219.

DEA/50030-AG-2-40

*Note du chef de la 1^{re} Direction de liaison avec la Défense
pour le sous-secrétaire d'État aux Affaires extérieures*

*Memorandum from Head, Defence Liaison (1) Division,
to Under-Secretary of State for External Affairs*

SECRET

[Ottawa], April 9, 1958

ESTABLISHING OF TACTICAL ATOMIC WEAPONS AND IRBM'S IN EUROPE

In your note to me you asked the following questions; "Has SACEUR the sole responsibility in deciding (a) where tactical atomic weapons are to be stockpiled? (B) where IRBM launching sites are to be built? Does he have to report to Council?"

You will recall that decisions relating to IRBM and stocks of nuclear warheads were set out in the communiqué of the Heads of Government Meeting last December as follows:

(20) To this end, NATO has decided to establish stocks of nuclear warheads, which will be readily available for the defence of the Alliance in case of need. In view of the present Soviet policies in the field of new weapons, the Council has also decided that intermediate range ballistic missiles will have to be put at the disposal of the Supreme Allied Commander Europe.

(21) The deployment of these stocks and missiles and arrangements for their use will accordingly be decided in conformity with NATO defence plans and in agreement with the states directly concerned. The NATO military authorities have been requested to submit to the Council at an early date their recommendations on the introduction of these weapons in the common defence. The Council in permanent session will consider the various questions involved.

In conformity with the Council decisions outlined in these two paragraphs, SACEUR is undertaking negotiations at the military level with chiefs of staff of the countries in which he wishes to establish stocks of nuclear warheads and IRBM launching sites. The Standing Group on the advice of SACEUR has provided guidance on the introduction of tactical weapons units which can be armed with nuclear warheads. This guidance is contained in the country annexes to MC70. It is expected that, following the Defence Ministers Conference, Council will have to accept MC70 for planning purposes. While the acceptance for planning purposes will probably not include multilateral acceptance of the country guidance, it is nevertheless the case that if no objections are raised to the guidance, this will be an indication of at least multilateral political approval of the establishing of tactical nuclear weapons in the countries, including Germany, for which they are recommended.

The Defence Ministers in April will also be "invited to take note of the progress reports by the military authorities on the present state of planning with regard to:

- (1) the introduction of IRBMs into the defence system of allied command Europe, and,
- (2) the storage and deployment of nuclear warheads in modern weapons systems."

While SACEUR may make further progress reports to Council, we would think that the final stamp of approval on the introduction of these weapons would be given at the next December Ministerial Meeting, when the 1958 Annual Review is approved. By this time, it would be extremely difficult for any individual country to object.

As we see it, SACEUR is proceeding on the assumption that multilateral approval for the introduction of both IRBMs and tactical nuclear weapons has been given by the Heads of Government meeting and that the political problem now is limited to that of securing the

acceptance of these recommendations by individual national governments directly involved. It is obvious that once national authorities, after bilateral negotiations with SACEUR, have decided to accept IRBMs or tactical nuclear weapons and this information is given to Council, it would be extremely difficult and delicate for any member to question the desirability of establishing these weapons in the countries concerned for other than military reasons. The only practical opportunity for doing so in our view would be in conjunction with a proposal relating to disarmament and/or disengagement.

PAUL TREMBLAY

220.

DEA/50154-40

*Note du chef de la 1^{re} Direction de liaison avec la Défense
pour le sous-secrétaire d'État aux Affaires extérieures*³³

*Memorandum from Head, Defence Liaison (1) Division,
to Under-Secretary of State for External Affairs*³³

SECRET

[Ottawa], April 11, 1958

TACTICAL NUCLEAR WEAPONS FOR FEDERAL REPUBLIC

Following the foreign policy debate in the Bundestag last month, the position of the Government of the Federal Republic on tactical nuclear weapons has been clearly defined. The Government considers that it must accept the arming of its forces with tactical nuclear weapons *if NATO requires it* since a refusal would place in jeopardy the Federal Republic status in NATO and its political influence in Europe. The SPD opposition on the other hand, although it lost its struggle against nuclear weapons in the Bundestag, is continuing its campaign outside parliament and there are signs that it is having at least temporary success in organizing a large body of public opinion which is opposed to the Government's position.

2. In the country table for Germany in MC70, it is recommended that in 1959 the land forces of the Federal Republic should include 6 Honest John missile units, 1 Corporal or Sergeant missile unit and 1 Lacrosse unit. It is to be expected that the Federal Republic will, during the course of the 1958 Annual Review, negotiate with SACEUR on the basis of these recommendations and that, if Government policy is maintained, firm force goals for 1959 which will include nuclear missile units, will come up for multilateral approval at the December Ministerial Meeting. At this time, it will probably be too late to avoid the arming of the Federal Republic forces with nuclear weapons. Even in the course of the Annual Review, it would be difficult, if not impossible to question the desirability of arming the Germans with nuclear weapons without very substantial and broadly based reasons which could be expected to carry the judgement of the Federal Republic.

3. Nevertheless, the implications of arming the Federal Republic forces with nuclear weapons are sufficiently serious to warrant some reconsideration of this question in the light of current exchanges with the Soviet Union. In the first place, a definite NATO decision to introduce nuclear weapons into the German forces might seriously hinder agreement at a Summit Meeting. The prospects of German reunification, once the decision is taken, will certainly be much reduced and the reactions both military and political in the

³³ Note marginale :/Marginal note:

Mr. Tremblay: could we discuss? J. L[éger]

Satellites will be in the direction of increased tension. Politically and militarily, the Satellites may be wedged more firmly back into the arms of the Soviet Union.

4. The timing of the decision to arm German forces with tactical nuclear weapons is of considerable importance. The fact that this move is of very great interest to the Soviet Union and the Satellites may account for some of the recent flexibility in their pronouncements. The Rapacki proposal is a good indication of their fears of German nuclear forces. If it becomes obvious in the next few weeks that NATO will press on with its plans, the Soviet position may harden considerably. On the other hand, if some indication could be given that NATO might postpone the decision to arm the German forces with nuclear weapons in return for Soviet concessions (i.e. progress toward German reunification), the West would be placed in a very favourable bargaining position and the Soviet Bear, besides finding itself under pressure from the Satellites, would have a tempting carrot dangling in front of its nose during the preparations for the Summit meeting and for a limited period thereafter.

5. In addition, the Adenauer régime could be expected to have a more quiescent time in Germany as the most controversial policy decision with which it has yet been confronted would be postponed through NATO action. The postponement of this aspect of the implementation of NATO nuclear strategy would probably not involve any very great military risks since planning and training of German forces in missile warfare could continue and serve as an added incentive to the Russians to make whatever concessions might be necessary to prevent the ultimate nuclearization of the German forces.

6. In addition, the announcement of a decision by NATO to postpone the arming of German forces with nuclear weapons for a year would be of considerable propaganda value to the West at a time when we are greatly in need of this asset.

7. Although a postponement of the arming of German forces with nuclear weapons would not necessarily be a prelude to political decisions regarding disengagement, it would nevertheless constitute a step which would make a move in that direction possible. For that reason it is important to know to what extent our concern over the introduction of nuclear weapons in the German forces is shared by the United States authorities. In this connection, we thought that the Minister might wish to discuss these ideas with Mr. Dulles when he sees him next Monday.

PAUL TREMBLAY

221.

DEA/50154-40

*Le secrétaire d'État aux Affaires extérieures
à l'ambassadeur aux États-Unis*

*Secretary of State for External Affairs
to Ambassador in United States*

TELEGRAM G-75

Ottawa, April 22, 1958

SECRET. OPIMMEDIATE. CANADIAN EYES ONLY.

Following for Robertson:

If general lines of following communication are in accord with your own thoughts I should be glad if you were to convey this letter to Mr. Dulles on my behalf. Text begins:

I very much appreciated your courtesy in arranging a meeting between us last Monday. Personal discussions of this kind are of great value and I am looking forward to seeing you again in Copenhagen next month.

Although we were able to cover a good deal of ground in Washington, there were several subjects which I would have liked to have raised had there been time. One of these relates to the question of the arming of the forces of the Federal Republic with nuclear weapons.

In our consideration here of the various suggestions which have been put forward concerning the problem of Central Europe, we have constantly been confronted with the inevitable political repercussions of the arming of German troops with nuclear weapons. While I am of course aware that, following the decisions taken at the December meeting, the Military Committee in its minimum forces paper (MC70) has, in the Country Guidance to the Federal Republic, recommended the acceptance of a number of tactical missile units in 1959, little consideration has been given to the political advisability of arming German troops with these weapons.

Quite apart from the military considerations involved which are supported by the Canadian government, the political implications of providing the German forces with tactical nuclear weapons are sufficiently important and far-reaching to give us serious concern. In the first place, the implementation of the decision by NATO to introduce these weapons into the German forces might seriously hinder some of the discussions which could be held with the Soviet Union. The prospects of German reunification, once the decision is taken, will certainly be much reduced and reactions both political and military in the satellites will be in the direction of increased tension. Politically and militarily the satellites may be wedged more firmly in the Soviet camp. There have, as you know, been indications from both Poland and Czechoslovakia that these countries may be forced to move toward some form of nuclear armament if the German forces are so armed and if this were done, they would inevitably become more dependent than ever on the USSR.

I feel that the timing of delivery of atomic weapons to the German forces will be of the greatest importance. The fact that such a move is of such concern to the Soviet Union and satellites may account for their recent pronouncements. The Rapacki proposal is, for example, a good indication of their fears of German nuclear armament. If it becomes obvious before long that NATO will press on with its plans, the Soviet position can be expected to harden considerably. On the other hand, if it were possible to delay this decision in return for Soviet concessions with the understanding that the decision would be implemented if progress were not made within a year or possibly two years on the solution of outstanding problems, the West might find itself in a very favourable bargaining position.

I, of course, realize the implications that a decision to postpone the arming of German forces with nuclear weapons might be interpreted as discrimination by the Germans. On the other hand, the Government of the Federal Republic, as we know, is confronted with considerable popular pressure against this move and it might view a NATO decision to postpone equipping their forces with nuclear weapons at least with mixed feelings. The stated position of the German government on this issue, I understand, is that it must accept the views of its NATO partners on this matter.

The postponement of the German aspect of the implementation of the NATO nuclear strategy would probably not involve any undue military risks since the weapons, according to MC70 are not to be introduced until 1959. The training of the German forces in missile warfare would of course continue and serve as an added incentive to the Russians to make

whatever concession may be necessary to prevent the ultimate nuclearization of the German forces.

What I am most concerned about is that some political review should be undertaken of this matter and that it should not be left to the military authorities alone to determine which countries should receive weapons. Once the German forces are armed with nuclear weapons, I would expect that rigidities, which would be most difficult to overcome, would be introduced into any negotiations with the Russians.

Mr. Robertson, a week or so ago, discussed with your officials some very tentative ideas we have been formulating on this general question. These ideas were influenced by some of the considerations which I have outlined in this letter.

Your Government is, of course, in a much better position than we are to weigh the various military and political factors involved in issues of this kind. I can only stress that I consider the issue, which must be uppermost in your mind, an extremely grave one and thought I would share my anxieties with you. I regret that we did not have a chance to discuss it together this week.

With very best personal wishes,
Sincerely,
SIDNEY SMITH

Ends.

222.

DEA/50030-AG-2-40

*Le représentant permanent auprès du Conseil de l'Atlantique Nord
au secrétaire d'État aux Affaires extérieures*

*Permanent Representative to North Atlantic Council
to Secretary of State for External Affairs*

TELEGRAM 997

Paris, April 17, 1958

SECRET. PRIORITY.

Reference: Our Tel 565 Mar 3.†

STATIONING OF IRBMS AND NUCLEAR WARHEADS IN EUROPE

Under Item 111(a) of agenda of Defence Ministers Meeting, General Norstad made an oral report on (i) the introduction of IRBMs into defence system of Allied Command Europe and (ii) storage and deployment of nuclear warheads in modern weapons systems.

2. He prefaced his remarks by referring to number of leaks concerning deliberations at Defence Ministers Meeting which had already got into press. Since subject he was about to deal with was of a very sensitive character, both from the military as well as from the domestic political standpoint, he would speak only in general terms. He would, however, be glad to give any Defence Minister more detailed info if he approached him direct.

3. Concerning stationing of IRBMs in area of Allied Command Europe, General Norstad stated that technical information had been made available to French authorities. Experts had come to Paris from US for this purpose and French experts had visited USA. He anticipated that before very long necessary technical agreements would be concluded for French manned IRBM units. Exploratory conversations were also taking place with several other NATO countries. He could assure the Defence Ministers that requirements of Alliance in this respect will be met by countries of the Alliance.

4. Stockpiles of atomic warheads — General Norstad reported that a general overall plan had been worked out and transmitted to the subordinate allied commanders for them to fill in the details. These commanders had had preliminary discussions with authorities in several of the NATO countries. Details which the subordinate commanders had to provide related particularly to the number of the stockpiles required and their specific locations. They were required to report by the end of this month. No repeat no formal action will be taken by SACEUR until these reports are received.

[L.D.] WILGRESS

2.

DEA/50030-AG-2-40

*Le secrétaire d'État aux Affaires extérieures
au représentant permanent auprès du Conseil de l'Atlantique Nord*

*Secretary of State for External Affairs
to Permanent Representative to North Atlantic Council*

TELEGRAM DL-377

Ottawa, April 22, 1958

SECRET. OPIMMEDIATE.

Reference: Your Tel 997 of Apr 17.

Repeat London, Washington (Information).

STATIONING OF IRBMS AND NUCLEAR WARHEADS IN EUROPE

From your reference telegram which summarizes Norstad's report to Defence Ministers on IRBMs and stockpiles of nuclear weapons, we gather that SACEUR is negotiating bilaterally with various European countries on the assumption that multilateral approval for the introduction of both IRBMs and warheads has been given by the December meeting (paragraphs 20 and 21 of the communiqué). It would appear that he assumes that the residuary political problems are now limited to securing the acceptance of these weapons by individual national governments.

2. As you know, we are concerned about the implications of a NATO decision to supply troops of the Federal Republic with nuclear weapons and feel that the political considerations in relation to a summit meeting, east-west relations, disengagement, European security and German reunification should be reviewed before any final decisions are taken. We realize the delicacy of this subject but this is offset by the serious political implications of a broader nature.

3. We should be grateful for information on how and at which stage SACEUR will report to Council in accordance with paragraph 21 of the communiqué, and how you envisage Council dealing with his recommendations.

224.

DEA/50030-AG-1-40

*Le représentant permanent auprès du Conseil de l'Atlantique Nord
au secrétaire d'État aux Affaires extérieures*

*Permanent Representative to North Atlantic Council
to Secretary of State for External Affairs*

TELEGRAM 1052

Paris, April 23, 1958

SECRET. PRIORITY.

Repeat London, Washington, Permisis New York, Paris, Bonn (Information).
By Bag Oslo from London.

ARMING THE GERMAN FORCES WITH MODERN WEAPONS

There has been, both in telegrams from missions and in press comments, a certain amount of confusion about the role of NATO in requiring the German forces to be armed with tactical nuclear weapons or more correctly weapons capable of delivering nuclear warheads. This confusion stems from the fact that Chancellor Adenauer during the foreign affairs debate in the Bundestag last month sought refuge in the argument that NATO required the German forces to be equipped with these weapons.

2. In order to examine the actual legal basis for what Chancellor Adenauer said, it is necessary to review once again the gradual evolution of present NATO strategy.

3. At the meeting of the North Atlantic Council in December 1954, the decision was taken that NATO forces should be able to use nuclear weapons in their defence from the outset. This was considered to be the only way of offsetting the overwhelming Soviet superiority in conventional forces because experience had shown that the force goals established at Lisbon in 1952 were beyond the political and economic capabilities of the NATO countries.

4. The 1954 decision was approved by Council as a basis for defence planning and preparations by the NATO military authorities. But it is clear that once plans are based on the use of certain weapons there can be no going back and resort must be had to these weapons if aggression takes place.

5. The next step was the adoption of the political directive at the Ministerial Meeting of the Council held in December 1956. This directive confirmed the concept of the "forward strategy" based on the use of nuclear weapons from the outset. At the same Ministerial Meeting Mr. Wilson, the USA Secretary of Defence, announced that the USA was prepared to supply to other NATO countries tactical weapons which could be married to nuclear warheads in the event of hostilities. The USA also undertook to train personnel of other NATO countries in the maintenance, operation and employment of these weapon systems.

6. Following upon the adoption of the political directive, the NATO military authorities revised the basic strategy concept to conform to the directive. After this had been done the Supreme Commanders were asked to draw up their minimum force requirements in accordance with the strategic concept based upon the political directive.

7. It is these minimum force requirements that have recently received the attention of the NATO military authorities and the Council. They were considered by the Military Committee at its meeting in March and immediately thereafter at a joint meeting of the Council with the Military Committee. They then were explained and discussed at the meeting of the

Defence Ministers held April 15 to 17 but that meeting did not take decisions on these requirements. Following the meeting, the Permanent Council is to take note of the overall minimum force requirements, to approve their use for planning purposes and to accept the country breakdowns as guidance for the 1958 Annual Review. This means that during the course of the year military recommendations will be submitted to governments based on these minimum force requirements.

8. One feature of the minimum force requirements was that it broke down the forces required by countries. In the case of practically every NATO country the requirements included tactical weapons that could be used with nuclear warheads, although in most cases these weapons are also adapted for use with conventional warheads. Since the requirements indicated that German forces should be equipped with these weapons, Chancellor Adenauer was justified in saying that NATO required the German forces to be equipped with these weapons. On the other hand, the meeting of Defence Ministers did not take a decision on this question nor is it coming up for decision at the meeting of Foreign Ministers in Copenhagen next month because it has been agreed that defence questions will not be on the agenda of that meeting.

[L.D.] WILGRESS

225.

DEA/50030-AG-2-40

*Le représentant permanent auprès du Conseil de l'Atlantique Nord
au secrétaire d'État aux Affaires extérieures*

*Permanent Representative to North Atlantic Council
to Secretary of State for External Affairs*

TELEGRAM 1064

Paris, April 23, 1958

SECRET. OPIMMEDIATE.

Reference: Your Tel DL-377 Apr 22.

Repeat London, Washington (Information).

STATIONING OF IRBMS AND NUCLEAR WARHEADS IN EUROPE

The impression I have is that those concerned in NATO regard the approval of paragraphs 20 and 21 of communiqué at December meeting as approval in principle of stationing of IRBMs and nuclear warheads in Europe. From conversations I have had with General Norstad I gather that this is his understanding and that he is operating on basis of second sentence of paragraph 21 of communiqué where it is stated "The NATO Military Authorities have been requested to submit to Council at an early date their recommendations on introduction of these weapons in the common defence."

2. Before General Norstad can submit his recommendations to Military Committee for them to forward to Council he has to complete his negotiations "with the states directly concerned."

3. Accordingly, I would envisage that early in the summer we shall have the report of NATO military authorities giving details regarding stationing of IRBMs and nuclear warheads in Europe and that these details would have previously been agreed with "the states directly concerned." It would then be up to Council in permanent session to act upon last

sentence of paragraph 21 but this will be within framework of general approval implied through acceptance of paragraphs 20 and 21 of communiqué at December meeting.

[L.D.] WILGRESS

226.

DEA/50154-40

*L'ambassadeur aux États-Unis
au secrétaire d'État aux Affaires extérieures*

*Ambassador in United States
to Secretary of State for External Affairs*

TELEGRAM 933

Washington, May 1, 1958

SECRET. CANADIAN EYES ONLY. OPIMMEDIATE.

Reference: Mr. Dulles' reply to Minister's Let Apr 22.

Repeat London (for the Minister) (Information).

Timmons, Head of European Regional Affairs, today informed us that the Secretary has signed a reply to Minister's letter of April 22 and that original signed letter would be handed to the Minister in Copenhagen on Saturday. Meanwhile, for advance information, we were provided with copy of the letter which we are repeating to London for the Minister. Begins:

Dear Mr. Secretary of State:

I appreciated receiving your letter of April 22, referring to our recent discussions here in Washington. I fully agree that personal talks of that kind are of very great value, and I hope we shall soon have an occasion for a further exchange of views.

I only regret that we were not repeat not able to cover, during our discussions, the subject of your letter to me of April 22. I have read your letter with great interest and I am glad of this opportunity to outline to you in turn my thinking on the question of arming the forces of the German Federal Republic with modern weapons. Some of the considerations I will touch on have already been discussed in talks which Ambassador Robertson and members of his staff have recently had with some of my associates in the department, but I should like to summarize the entire situation as I see it.

As you indicate, the question of the arming of the Federal Republic's forces with nuclear weapons is now being much discussed publicly and in the press. I have been struck by the fact that in this discussion little attention has been paid to the actual NATO proposals and procedures in this field. There has been no repeat no suggestion that nuclear warheads and bombs should be placed in the custody of German forces, or that of any of the other continental members of NATO. It was and is the aim of the NATO atomic stockpile plan, first suggested by the French Foreign Minister last May, to assure the availability of nuclear warheads and bombs to NATO forces in time of emergency, without having control and custody of such nuclear components pass into additional hands. I have the impression that the Alliance as a whole felt this was a desirable solution of an admittedly difficult problem, and the Germans in particular have indicated their satisfaction with it. It is important, I think, for the NATO countries to stress, both to their own publics and to the Soviets, the carefully worked out arrangements that are envisaged, and the assurance that such arrangements offer against any use of nuclear weapons except to repel aggression in accordance with agreed NATO strategy.

The Germans have indicated of course that they do wish to equip their forces with modern weapons, including those which have the capability of being fitted with nuclear warheads or bombs as well as conventional warheads or bombs — the so called "dual-capable" delivery vehicles. Such vehicles cover a wide range of equipment, including for example modern fighter-bombers, which can carry atomic bombs. Thus, as a practical matter, if the armed forces of a country were to be deprived of the capability of delivering nuclear warheads and bombs, such a prohibition would have to cut deep into the field of conventional weapons in order to include all "dual-capable" vehicles. This would seem to us to be impracticable and to pose unacceptable military risks. For Germany to possess dual-capable weapons but to be denied access to elements of the NATO atomic stockpile in Germany, thus placing the Federal Republic's forces in the position of being the only forces in Germany without access to nuclear weapons in the event of emergency, would seem equally impractical.

I thought it useful to review these general considerations as a background to a discussion of the political problem you raise, since use of the term "arming Germany with nuclear weapons" does not repeat not clearly bring out several pertinent and important factors, particularly the safeguards that NATO planning offers against the possibility of any aggression from our side.

The question has been raised as to the consideration given in NATO to the political advisability of including Germany within the arrangements being worked out to give an atomic capability to other NATO forces. It is my impression that there has been extensive consideration of this matter from the political as well as from the military point of view. It has been generally accepted that members of the Alliance have equal rights and obligations, and that discrimination against one country in a basic matter of defense could well seriously weaken the principle of collective security in NATO. To review only the recent past, last May, at the Ministerial Meeting in Bonn, the North Atlantic Council noted that the USSR had launched a campaign designed to induce public opinion in various member countries to oppose the modernization of defense forces. The Council agreed that one of the objects of this campaign was to ensure for Soviet forces a monopoly of nuclear weapons on the European continent, and that no repeat no power can claim the right to deny to the Alliance the possession of the modern arms needed for its defense. The recent statements of Mr. Mikoyan, during his visit to the Federal Republic, seem to leave no repeat no doubt that it remains one of the prime aims of Soviet policy, in its efforts to divide and weaken the Alliance, to attempt to prevent Germany from playing its full part in NATO's defensive plans.

In view of Germany's importance in NATO defensive strategy, it was evident that a policy of modernizing NATO defense forces could not repeat not, in practice or logic, exclude Germany. The Heads of Government meeting last December reemphasized the views expressed by the Council in May and initiated several specific steps in the modernization process. Thus, I think it fair to say that NATO's military planning, in MC-70 and other documents, regarding the modernization of all NATO forces including those of Germany, has been carried out pursuant to a clear political directive.

It is against this political background that Chancellor Adenauer obtained last month a majority vote in parliament for the proposition that the armed forces of the Federal Republic must be so equipped with the most modern weapons that they are in a position to meet the obligations which the Federal Republic has taken upon itself in the framework of NATO. The Bundestag again stressed Germany's interest in achieving general controlled disarmament.

I should like now to turn to the specific suggestion you discuss in your letter, the possibility that the West might offer to delay Germany's participation in the process of ensuring that the most modern weapons are available to NATO forces, in return for Soviet concessions, on the understanding that Germany would so participate if progress were not repeat not made in a year or so on the solution of outstanding problems.

The foremost practical consideration I see is that the Chancellor has already engaged the prestige of his government on the question of modern weapons. It seems evident that the German government has now concluded that German forces must have a nuclear capability and that they should not repeat not be in an inferior position to the forces of other countries in Germany. In these circumstances it would seem that, even if such action were desirable, it would not repeat not be politically feasible for him to modify that stand without serious weakening of his position and that of NATO in Germany.

Secondly, and more important from the standpoint of policy, I should not repeat not think that any important aspect of NATO's defensive plans should be treated as something to be speeded up or slowed down depending upon Soviet tactics at any particular time. NATO has charted for itself what I conceive to be the only possible course — to maintain and modernize its defenses at the fastest practicable rate, and simultaneously to seek to negotiate with the USSR a general controlled and inspected disarmament agreement. If the suggestion under discussion were put to the Soviets, the result might well be not repeat not Soviet concessions but rather intensified Soviet propaganda designed to bring about unilateral measures by the West which would weaken our position. Further, it would be extraordinarily difficult to define the time and circumstances under which the arming of German forces with modern weapons, once suspended, would be resumed — how the "lack of progress on the solution of outstanding problems" would be measured. Such a process of delay and then resumption might imply that the West believed the international situation had suddenly sharply deteriorated at the time of resumption and thus might seriously heighten tensions at that time.

It is also suggested that postponement of Germany's participation in NATO's plans for developing a nuclear capability would not repeat not involve any undue military risks. While it is true that certain German missile units are not repeat not to come into being until 1959, it is my understanding that the buildup of the German forces has already approached the point where a large number of planning decisions cannot repeat not be delayed. It seems that if the modern weapons units required by NATO military plans in 1959 and subsequent years are to come into being, the German government must begin to contract now in other countries for the necessary equipment, since the production "lead-time" is usually a lengthy one. Thus, deferring these planning decisions could in fact introduce a delay that would not repeat not be made good in the future.

Finally, I doubt that any action by Germany or the West of the nature contemplated would have the effect of hardening the already rigid Soviet position on German reunification and European security. They have as yet shown no repeat no disposition to examine seriously the positions put forward by the West at Geneva in 1955, which offer the Soviets a genuine measure of security against the possibility of future aggression by Germany. Instead, the only schemes that the Soviets advocate are those which could fatally weaken the western defences, such as "atom-free" zones and the linking of outer space control with the liquidation of overseas bases.

I fully recognize that the Soviets, at a time when they feel it necessary to tighten their political control over Eastern Europe, are using the spectre of a Germany armed with nuclear weapons as a propaganda weapon to this end. I think NATO can and should do

more to make known the purely defensive nature of its military planning and the safeguards that NATO offers against any possibility of misuse by one of its members of nuclear weapons. But I do not repeat not feel that this should deflect us from the course of action that NATO has chosen. Even if the forces of the Federal Republic were not repeat not equipped with modern weapons, the Soviets would undoubtedly concentrate their propaganda upon the existence of any German forces at all, or on the presence of other NATO forces in Germany. This is in fact the process we are now witnessing, with the Soviets simultaneously propagandizing against the presence of British, Canadian and USA forces in Europe, NATO bases in other countries, the rearmament of Germany, and so on. To delay or give up any important element of NATO's defences would, I fear, invite still further Soviet pressures in these directions.

I think I need not repeat not assure you of the determination of the USA to continue to seek the reunification of Germany, a dependable system of European security, and a controlled disarmament agreement. If Germany should be reunified in conjunction with a system of forces and arms limitations in Europe, it seems clear that a large part of the burden of defending the German area, whether or not repeat not she is a member of NATO, would have to fall on German forces. In the absence of general disarmament arrangements of some significance, the USSR would continue to be in a position to maintain a nuclear-equipped striking force of massive proportions against central Europe, and it does not repeat not seem that to deprive German forces of the means of effective retaliation against a Soviet attack would be in the West's interest.

I apologize for having written at such length, but I believe the importance of the subject justifies it. I appreciated the frank expression of views contained in your letter, and I have attempted to reply in the same fashion. I hope we shall have an early opportunity to resume the discussion of this and related matters.

With warmest good wishes,

Sincerely yours,
(SIGNED) JOHN FOSTER DULLES

Ends.

227.

DEA/50154-40

*L'ambassadeur en République fédérale d'Allemagne
au secrétaire d'État aux Affaires extérieures*

*Ambassador in Federal Republic of Germany
to Secretary of State for External Affairs*

TELEGRAM 247

Bonn, May 20, 1958

CONFIDENTIAL

Repeat NATO Paris, Paris, London, Washington (Information).

ADENAUER ON ATOMIC WEAPONS

Last Sunday, May 18, Adenauer made an address in Dortmund as part of his contribution to the CDU campaign in North-Rhine-Westphalia. He took the opportunity to attack the Social Democrat attitude towards the proposed equipment of the Bundeswehr with tactical nuclear weapons. He is quoted as saying: "We consider that a shift of the military balance in favour of Soviet Russia such as would result from not repeat not equipping the Bundeswehr with tactical atomic weapons would mean the end of all efforts for general,

controlled disarmament." This rather large but confidently expressed statement was followed by a declaration that disarmament was the most urgent topic on which progress must be made at a summit conference. He then called upon the Great Powers to make every effort to ensure that a summit conference took place.

2. Of perhaps greater interest was the Chancellor's comment on present plans for German atomic weapons. He said it was "fairly certain" that long-range or intermediate-range missiles would not be based in the Federal Republic. More-over, the six launching ramps and 24 Matador missiles bought from the USA by Germany would remain in the USA where German soldiers would be trained in their use. He said that the training period for these men would be from 18 to 24 months.

3. We asked Baudissin of the Foreign Office today whether the statement by the Chancellor that the Matadors would not be brought to Germany for 18 months at any rate was a planned part of the speech or whether it was impromptu. He said he understood that the Chancellor had included this part intentionally to reassure the anxious that these controversial dual-capacity weapons would not be in the hands of German soldiers on German soil for many months to come.

4. The German press has commented that Adenauer did not mention dual-capacity anti-aircraft weapons (the Germans are considering purchase of the NIKE Hercules, it is understood) although Dortmund as a typical Ruhr industrial city would have provided a suitable forum. It seems rather curious that the Christian Democrats have not repeat not publicly exploited the natural concern of the people of the Ruhr to achieve effective defense against air attack in order to popularize at least this type of tactical dual-capacity weapon. We know from Social Democrat sources that the SPD are nervous that the North Rhine-Westphalia elections could be lost if the CDU could make it appear that the SPD stand on tactical weapons would make the Ruhr more vulnerable to air attack

[SCOTT] REID

228.

DEA/50030-AG-2-40

*Note du chef de la 1^{ère} Direction de liaison avec la Défense
pour le sous-secrétaire d'État aux Affaires extérieures*

*Memorandum from Head, Defence Liaison (1) Division,
to Under-Secretary of State for External Affairs*

SECRET

[Ottawa], October 9, 1958

IMPLEMENTATION OF NATO IRBM NUCLEAR STOCKPILING AND TACTICAL WEAPONS
PROJECTS³⁴

I am attaching a paper prepared in this Division on the present status of the arrangements governing the deployment and use of IRBM nuclear stockpiles and tactical atomic weapons in NATO European countries other than the United Kingdom.

2. While the conditions attached to the United States offer of these weapons at the December 1957 Heads of Government meeting are known and their implications reasonably clear, we have no firm information to indicate whether European countries are

³⁴ Note marginale /: Marginal note:

Some of this (particularly para. 3) came as a surprise to me, but after speaking to Mr. Tremblay, I am convinced that it is accurate. D.V. L[e]P[an]. 14 Oct. '58.

prepared to accept these weapons on these terms, or whether they may be seeking additional safeguards which would permit them, as host countries, to exercise some measure of control over the use of the weapons on their territory in the event of hostilities. It is certainly premature at this stage to regard the terms of the United States offer as an established NATO Pattern for the siting and use of these weapons in Europe.

3. Because it is purely a strategic weapon, the problem of control must present itself most acutely to European governments in respect of the IRBM. The United States has offered this weapon to NATO in the first instance on the understanding that it will be turned over, under an agreement between SACEUR and the host government, only to the national forces under direct NATO operational command in peacetime. This condition, together with United States custody of the warheads, effectively eliminates any possibility that the host country could utilize the weapon on its own initiative. On the other hand, the host country is provided with no veto powers over their use and presumably, without additional safeguards, situations could arise in which SACEUR would have the authority to fire an IRBM contrary to the will of the host country concerned. Similarly we are unaware of any arrangement at this stage, between SACEUR or the United States and host countries whereby the host country has the right to veto the use of tactical nuclear warheads on their territory.

4. Since December, 1957, SACEUR has been negotiating with European governments the details of arrangements for siting the IRBM and nuclear stockpiles on their territory. The brief reports SACEUR has made to Council on the progress of his negotiations have included nothing of substance on the question of control, and we have no firm indication from other sources of the position which the various European countries concerned have taken up on this question. However, in the context of the current discussions in the Infrastructure Committee and at SHAPE on the eligibility for common financing of the infrastructure requirements related to nuclear weapons, the French have indicated that they are opposed to common financing for "political reasons." Common financing is related to the control problem in that all national forces, together with their weapons utilizing commonly financed facilities, fall under SACEUR's operational command in peacetime. In view of this relationship we would infer that the "political reasons" for French opposition to the common financing of these projects refer primarily to the control problem, and that the French may well be seeking arrangements which would afford them more national control over the deployment and use of the weapons concerned.

5. We have prepared for your signature, if you approve, a telegram to our NATO Delegation asking for their comments and for any information they may have which would throw some light on the attitude of European governments towards the control problem in relation to both strategic and tactical nuclear weapons.³⁵

PAUL TREMBLAY

³⁵ Note marginale :/Marginal note:

P.S. These memos have been prepared in accordance with your suggestion that we look into the matter of control over A[dvanced] W[eapons] within NATO. P[aul Tremblay]

[PIÈCE JOINTE/ENCLOSURE]

Note du chef de la 1^{re} Direction de liaison avec la Défense
Memorandum by Head, Defence Liaison (1) Division

SECRET

[Ottawa], October 9, 1958

THE IMPLEMENTATION OF NATO IRBM, NUCLEAR STOCKPILING
 AND TACTICAL WEAPONS PROJECTS

During the recent series of discussions in the Infrastructure Committee on the principle of eligibility for common financing of the infrastructure requirements for IRBMs, nuclear stockpiles and other new weapons, the French representative has repeatedly asserted that his government favoured the national financing of IRBM infrastructure. However, he refused to be drawn into providing any indication of the reasoning on which this position was based.

2. The most recent indication of the French position on this question came at a meeting at SHAPE in Paris, September 2nd to 5th, when the French representative placed on record the following statement.

"Ministry of Defence France deems it necessary to inform SHAPE officially of the French Government's position with regard to these installations, in order to avoid any misconceptions and to prevent SHAPE from embarking upon a programme which might be a failure, for political reasons.

The French Government has expressed its intention of installing the infrastructure for IRBM launching sites, and surface-to-surface missile launching sites, including Matadors, on French soil by national financing.

Accordingly, and for the same political reasons, France plans the national financing of the stockpiles of atomic weapons for IRBM and surface-to-surface missiles (including Matadors) on French soil. However, she recalls that, from the technical standpoint and subject to previous political agreement, she has agreed to common financing of airfield depots, some NIKE depots, and, on a scale to be determined, the corresponding reserve and maintenance depots."

3. SACEUR and the Standing Group, with the firm support of the United States, have recommended and continue to press for the common financing of the new infrastructure requirements basing their position on the following considerations:

- (a) The necessity for SACEUR and SACLANT to have complete control of these weapons in peacetime as well as in wartime.
- (b) The desirability of having the projects identified as NATO installations.
- (c) The high degree of common interest embodied in the individual projects.

The problem of control is unquestionably the most important of these three considerations. It is related to common financing in that commonly financed installations may be utilized only by forces assigned in peacetime to SACEUR's operational control. It would, therefore, follow that if all the fixed installations for weapons employing nuclear warheads in Europe were to be commonly financed, SACEUR would then retain control over them not only through his custody of the warheads, but also through his operational command over the national forces utilizing the commonly financed facilities. In view of this relationship we would infer that the "political reasons" for French opposition to the common financing of these projects refer primarily to the control problem and that the French are seeking

arrangements which would afford them more national control over the deployment and, in the event of hostilities, the use of weapons concerned.

4. The offers³⁶ by the United States to provide European NATO countries with IRBMs, nuclear stockpiles and tactical nuclear weapons delivery systems had different conditions attached to each of them. In the case of IRBMs, the United States has offered to supply the delivery systems and missiles, minus warheads, to NATO in the first instance. They would then be assigned, on the basis of a bilateral agreement negotiated by SACEUR with the host country, to those forces of the host country which come under SACEUR's operational command, with SACEUR retaining full and direct operational command over the weapons in both peacetime and wartime.

5. The United States offer to provide stockpiles of nuclear warheads for IRBMs as well as air defence and ground-to-ground missiles is conditioned by their reservation of custodial rights. A further condition is that in the event of hostilities, the warheads would, on the authorization of the President of the United States, be released to the custody of the appropriate NATO Supreme Allied Commander for employment by the nuclear capable forces of NATO under his command (and not to European Governments or national forces directly).

6. We have no indication of any specific conditions attached to the United States offer to supply NATO governments with ground-to-ground and ground-to-air missile delivery systems as in the case of IRBMs. Presumably the United States is prepared to turn over these delivery systems to national governments for deployment with their forces under either national or NATO command. However, control over their nuclear capacity would be exercised through SACEUR's custody of the nuclear warheads. Furthermore, if the infrastructure requirements for these weapons were to be commonly financed it would ensure SACEUR's operational command in peacetime over those of the host country forces utilizing the weapons deployed on the commonly financed facilities.

7. At the December, 1957, Heads of Government meeting Mr. Pineau voiced his concern that the arrangements envisaged by the United States for the provision of IRBMs to Europe, while ensuring that no European host country could use an IRBM on its own initiative, did not necessarily provide the host country itself with a veto over the use of any IRBM stationed on its territory. Although we have received no report of the course of negotiations between SACEUR and France on the deployment of IRBMs on French territory, we would assume that French fears in this respect have not yet been removed.

8. Although SACEUR has been negotiating with European governments, since the Heads of Government meeting in December, 1957, on the deployment of IRBMs and nuclear stockpiles on their territory, we have received no report of the progress he has been making in respect of the detailed arrangements which would presumably form the basis of any agreement in this regard. We are completely in the dark as to the position he may be taking up with regard to the form of control which the host country might exercise over the actual use of the weapon in the event of hostilities. We are similarly unaware of the position held by SACEUR and the host countries concerned on this aspect of the control problem in relation to nuclear stockpiles and tactical weapons delivery systems.

9. In the case of ground-to-ground missiles, there is one aspect of the control problem in which Canada has an interest now that the decision to provide the Canadian Brigade with a LACROSSE battery has been taken. The question arises as to the control by the host

³⁶ La note de bas de page dactylographiée suivante figure dans l'original : The following typed footnote appears in the original:

Presented at the Heads of Government Meeting in December, 1957, Doc. RDC/57/428 (General).

country over the use of nuclear weapons by NATO forces from other countries in the event of hostilities. Should the Germans insist upon some form of veto over the use of nuclear weapons deployed on German soil, it is a matter for speculation whether this would or could be extended to affect the use of nuclear warheads by Canadian forces in Germany in the event of hostilities. Presumably Canada would wish to participate in any discussions between the Germans and SACEUR which might touch on this possibility.

10. While the terms and conditions of the United States offer of nuclear weapons and delivery systems to the European members of NATO are reasonably clear, it is by no means clear whether the European governments are prepared to accept these weapons on these terms or, at least, without additional safeguards which would have the effect of giving to these governments some form of veto power over the use of the weapons concerned. It is, therefore, premature to suggest that the conditions attached to the United States offer of these weapons form the substance of a "NATO pattern" for their use. There are, to the contrary, indications that the French are holding out for more national control over the use of nuclear weapons and that the control pattern which eventually will emerge could be substantially different from that envisaged by the United States when making their offer to provide the weapons.

PAUL TREMBLAY

Note: Attached is NATO telegram 2263 of Dec. 11,³⁷ reporting SACEUR's briefing to Council of Dec. 11/57 on the terms of the U.S. IRBM offer. See particularly paragraphs 4, 7 and 8.

229.

DEA/50030-AG-2-40

*Le secrétaire d'État aux Affaires extérieures
au représentant permanent auprès du Conseil de l'Atlantique Nord*
*Secretary of State for External Affairs
to Permanent Representative to North Atlantic Council*

TELEGRAM DL-796

Ottawa, October 15, 1958

SECRET. OPIMMEDIATE.

Repeat DM/DND, CCOS (Information).

IMPLEMENTATION OF NATO IRBM NUCLEAR STOCKPILING
AND TACTICAL WEAPONS PROJECTS

We have noted in Document AG 6100/IP-140/58 program the record of discussions at the SHAPE meeting September 2-5 on Slice X,³⁸ the French representative's statements that his government intends, for political reasons, to nationally finance the infrastructure for IRBM launching sites, ground-to-ground missiles and nuclear stockpiles and is therefore opposed to the policy of common financing this infrastructure.

2. Our understanding is that the major consideration, on which SACEUR's insistence on the common financing of these installations is based, is that he must have operational com-

³⁷ Voir/See Document 253.

³⁸ Les diverses composantes du programme d'infrastructure commune de l'OTAN appuyées financièrement par les États membres ont été appelées des « Slices » (tranches).

Various components of the NATO common infrastructure program supported financially by member nations were designated as "Slices."

mand in peacetime over all strategic and tactical nuclear forces in peacetime. We would infer from the French position on common financing that they are concerned primarily with its relation to the question of control and that they are seeking arrangements which would afford them more national control over the deployment and use of the weapons concerned.

3. Since December 1957 SACEUR has been negotiating with European governments the details of arrangements for siting the IRBM and nuclear stockpiles on their territory. The brief reports SACEUR has made to Council on the progress of his negotiations have included nothing of substance on the question of control, and we have no firm indication from other sources of the position which the various European countries concerned have taken up on this question.

4. It seems clear that the arrangement SACEUR is negotiating with European countries, and from all indications particularly France, for the siting of IRBM and nuclear stockpiles on their territory will have a direct bearing on the decision ultimately taken with regard to the eligibility of the new infrastructure items for common financing. In addition any information available to you on the headway SACEUR is making in his negotiations would be of immediate interest to us in the context of our forthcoming negotiations with the United States on the terms of our use of BOMARC and Lacrosse missiles. Another aspect of the control problem in Europe in which we have a direct interest now that the decision to provide the Canadian Brigade in Germany with a Lacrosse battery has been taken,³⁹ is the question of the control by a host country over the use of nuclear weapons on its territory by NATO forces from other countries in the event of hostilities. We would be particularly interested to know, therefore, whether the Germans might be seeking some form of veto over the use of nuclear weapons deployed on German soil.

230.

DEA/50030-AG-2-40

*Le représentant permanent auprès du Conseil de l'Atlantique Nord
au secrétaire d'État aux Affaires extérieures*

*Permanent Representative to North Atlantic Council
to Secretary of State for External Affairs*

TELEGRAM 2479

Paris, October 16, 1958

SECRET. OPIMMEDIATE.

Reference: Your Tel DL-796 Oct 15.

Repeat DM/DND, CCOS from Ottawa (Information).

IMPLEMENTATION OF NATO IRBM NUCLEAR STOCKPILING
AND TACTICAL WEAPONS PROJECTS

In considering the arrangements for the operational control of weapons capable of delivering nuclear warheads it is necessary to distinguish between those relating to IRBMs and those relating to tactical weapons. SACEUR has made no repeat no headway in his negotiations with the French for the location of IRBM launching sites on French territory. The French have been insisting on an arrangement not repeat not less favourable than that

³⁹ Le Cabinet a approuvé l'achat d'une batterie de missiles sol-sol Lacrosse le 1^{er} octobre 1958. Cabinet approved the purchase of one Lacrosse battery of surface to surface missiles on October 1, 1958.

concluded with the UK as a result of the Bermuda agreement negotiated in the spring of 1957. Under this agreement, IRBMs have been made available to Bomber Command and control over their use is a national responsibility. Until such time, however, as the UK is able to manufacture warheads they will have to depend upon nuclear warheads provided by the USA who will maintain stockpiles near the launching sites. The President of the USA will have to grant authority for use of the warheads but the operational control of the IRBMs will be a UK responsibility.

2. The negotiations with France have been conducted on the basis of the decision reached at the Heads of Government Meeting in December 1957. Under this decision, IRBMs are to be supplied to the national forces under the command of SACEUR and are to remain under his operational control. This means that national units will be trained in the use of the IRBMs but they will operate under the command of SACEUR and the nuclear warheads can only be used on the authority of the President of the USA.

3. The justification for this distinction between IRBMs stationed in the UK and those stationed on the Continent is that up to now the UK has been outside the area of Allied Command Europe whereas France and the other countries on the Continent are within that area.

4. SACEUR does not repeat not consider French territory to be of the highest priority for the stationing of IRBMs. He has accordingly proceeded to negotiate with other countries although he would have preferred first of all to conclude the negotiations with France because it was French request for these missiles following the Bermuda agreement that led to the proposal being made by the USA at the Heads of Government Meeting last December. Negotiations with Italy have been concluded to the satisfaction of SACEUR and we understand that negotiations are also likely to be concluded soon with Turkey. Discussions have also taken place with The Netherlands but we are not repeat not certain as to their present status.

5. The French position is very extreme and they are even pressing for control over the warheads stationed on French territory. In order partly to overcome their objections, SACEUR has been considering the elaboration of a set of conditions under which nuclear warheads could be used without the necessity of seeking the express authority of the President of the USA. These conditions would be the clear indication that total aggression had taken place. While this would overcome one of the misgivings of the French, it would be open to the objection of broadening the area of possible miscalculation and therefore it is not repeat not likely to be agreed by the USA.

6. The situation with regard to other weapons capable of delivering nuclear warheads is less complicated. These are being provided by the USA outright to the national forces under the command of SACEUR. They may be used in the same way as any other weapon assigned to these forces. They cannot, however, use a nuclear warhead without the express authority of the President of the USA. The stockpiles of nuclear warheads will be controlled exclusively by USA units under SACEUR in his dual capacity of Commander of the USA Forces in Europe as well as Supreme Commander of Allied Forces.

7. Another factor behind the requirement for the common financing of infrastructure required for the use of weapons with a nuclear capability and for the common financing of nuclear stockpiles is that these are to be concentrated very largely on German territory. Since they are for the common protection of NATO, it is considered equitable that they should be commonly financed under infrastructure rather than nationally financed.

[L.D.] WILGRESS

231.

DEA/50030-AG-2-40

*Le représentant permanent auprès du Conseil de l'Atlantique Nord
au secrétaire d'État aux Affaires extérieures*

*Permanent Representative to North Atlantic Council
to Secretary of State for External Affairs*

TELEGRAM 2505

Paris, October 17, 1956

TOP SECRET. CANADIAN EYES ONLY. OPIMMEDIATE.

Reference: Our Tel 2479 Oct 16.

Repeat DM/DND, CCOS from Ottawa (Information).

IMPLEMENTATION OF NATO IRBM NUCLEAR STOCKPILING
AND TACTICAL WEAPONS PROJECTS

During course of a farewell visit I paid this p.m. on General Norstad I took advantage of opportunity to ask him what sort of agreement had been concluded with Italian government concerning location of IRBM launching sites on Italian territory.⁴⁰ In particular, I asked him if he could tell me whether or not Italians had retained a veto over launching of these missiles. His first reply was to state that a veto was inherent in the fact that Italians would actually have possession of the missiles. They would be provided by USA government to units manned exclusively by Italians who would be trained by USA. Two squadrons were envisaged for Italy and each of these squadrons would be under Italian command. Over the two squadrons there would be an Italian Major-General in charge of missile units. He in turn would come under NATO command through regular military hierarchy.

2. Norstad then illustrated his point by showing me a match folder containing only one match. He took off the match and held it in his hand asking me to retain the folder. He said the folder could not repeat not be moved but the match could. The only way I could strike a match would be if he would give it to me but there was no repeat no power that could compel me to strike the match if I did not repeat not wish to do so.

3. I then took the liberty of enquiring what was nature of agreements between the two governments and whether they were similar to agreements concluded for supply of tactical weapons capable of delivering nuclear warheads. He said that the essential difference between IRBMs and tactical weapons was that SACEUR insisted on retaining operational control over IRBM units both in peace and war whereas in case of tactical weapons the units would come under operational control of SACEUR only in the event of war.

4. He then rang for an officer and asked him to bring two documents which he read over to me. First was a letter from General Norstad [to] Minister of Defence outlining basis of understanding reached. He said that he had drafted this with some care in consultation with one of the Italian officers on his staff and had sent the officer to Rome with drafts to which Italian Prime Minister and Minister of Defence had made some minor changes before the

⁴⁰ L'accord officiel entre les États-Unis et l'Italie concernant le déploiement de missiles balistiques sur le sol italien a été signé le 30 mars 1959. Voir United States, Department of State, *FRUS, 1958-1960*, Volume VII, Part 1, Washington: Government Printing office, 1993, p. 453.

The official agreement between the United States and Italy concerning the deployment of ballistic missiles on Italian soil was signed on March 30, 1959. See United States, Department of State, *FRUS, 1958-1960*, Volume VII, Part 1, Washington: Government Printing office, 1993, p. 453.

letter was finally sent off. The letter covered the points which one would have expected but it included a significant sentence reading as follows: "The decision to launch the missiles will be taken by SACEUR upon agreement with governments of Italy and USA." There was a paragraph devoted to atomic stockpile which made it clear that this would remain in USA custody as required by USA law.

5. The other document was draft basis for an agreement between governments of Italy and USA now being negotiated in Rome by USA Embassy. It repeated much of what was in the letter Norstad had sent to Minister of Defence except that naturally the details for providing missiles to Italy were elaborated at greater length. It repeated the sentence about launching missiles which I have quoted in paragraph 4.

6. Norstad concluded that if it would be of help to General Foulkes he could send him a model draft of agreement with name of country left blank. This would be substantially the same as draft agreement to be concluded with Italian government although naturally we would understand that he could not repeat not let us have copies of either of the two documents he had read to me. If it would be of help to General Foulkes to have a draft model agreement I suggest that he take this up with General Norstad through the usual military channels.

[L.D.] WILGRESS

232.

DEA/50030-AG-2-40

*Le secrétaire d'État aux Affaires extérieures
au représentant permanent auprès du Conseil de l'Atlantique Nord*

*Secretary of State for External Affairs
to Permanent Representative to North Atlantic Council*

TELEGRAM DL-817

Ottawa, October 17, 1958

SECRET. PRIORITY.

Reference: Your Tel 2479 Oct 16.

Repeat DM/DND, CCOS (Information).

IMPLEMENTATION OF NATO IRBM NUCLEAR STOCKPILING
AND TACTICAL WEAPONS PROJECTS

SACEUR Standing Group and now the Military Committee have recommended and continue to support the common financing of tactical nuclear weapons infrastructure on the grounds that it is necessary in order to enable SACEUR's operational control over these weapons in peacetime. We had inferred from this argument that SACEUR's operational control over these weapons in peacetime would not be secured through any restrictions placed by the USA on the disposition of the tactical nuclear delivery systems to be turned over to NATO countries.

2. However in paragraph 6 of your telegram under reference you state that the USA are providing these weapons "outright to national forces under the command of SACEUR." We should be interested to learn whether you can confirm the interference to be drawn from this statement that the USA is not providing these weapons to national governments directly for possible use (with conventional warheads) by forces under national command. If this is so then it would appear to us, conversely, that the question of operational control is not relevant to the common financing issue.

233.

DEA/50030-AG-2-40

*Le représentant permanent auprès du Conseil de l'Atlantique Nord
au secrétaire d'État aux Affaires extérieures*

*Permanent Representative to North Atlantic Council
to Secretary of State for External Affairs*

TELEGRAM 2542

Paris, October 23, 1958

SECRET. PRIORITY.

Repeat DM/DND, CCOS from Ottawa (Information).

As you have noted Mr. Wilgress, in paragraph 6 of our telegram 2479, states that tactical nuclear weapons are being provided by the USA outright to the national forces under the command of SACEUR. In this respect we agree with the inference you have drawn in your telegram DL-817 to the effect that the USA is not repeat not providing these weapons to national governments for use by forces under national command.

2. In view of the reasons set forth by SACEUR, the Standing Group and the military, as defined in document SG137/54, in support of their contention that common funding is desirable as a means of increasing integration and centralized operational control, we are inclined to think that these reasons must be considered in relation to NATO forces and that they have, therefore, some validity.

3. If there should be any further points on which you require elucidation you might wish to discuss this matter with Mr. Wilgress in Ottawa.

234.

DEA/50030-AG-2-40

*Le secrétaire d'État aux Affaires extérieures
au représentant permanent auprès du Conseil de l'Atlantique Nord*

*Secretary of State for External Affairs
to Permanent Representative to North Atlantic Council*

TELEGRAM DL-926

Ottawa, November 14, 1958

SECRET. PRIORITY.

Repeat DM/DND, CCOS (Information).

IMPLEMENTATION OF NATO IRBM NUCLEAR STOCKPILING
AND TACTICAL WEAPONS PROJECT

Several aspects of the arrangements covering the deployment and use in Europe of IRBM and tactical weapons being provided by the USA remain unclear to us. The first concerns the precise distinction between the control arrangements envisaged for IRBMs and those applicable to tactical nuclear weapons. Paragraph 3 of telegram 2505 of October 17 reports SACEUR as stating that "The essential difference between IRBM and tactical weapons was that SACEUR insisted on retaining operational control over IRBM units in both peace and war, whereas in the case of tactical weapons, the units would come under operational control of SACEUR only in the event of war." However, paragraph 6 of telegram 2479 of October 16 indicates that "tactical weapons are being provided by the USA outright to the national forces under the command of SACEUR." These two statements

taken together would imply that while the national forces possessing tactical weapons would be under SACEUR's command in peacetime, the weapons themselves would not come under his operational control. Any information you could let us have which would clarify this apparent anomaly would be appreciated. We are also confused by the term "outright to NATO forces." This could be read to mean that the weapons are being supplied direct to national forces without any covering agreement between the USA and national governments concerned; but this seems improbable.

2. Our second question refers to the original terms of the USA offer of IRBMs to NATO. According to our understanding of this offer, the USA was to turn IRBMs over to NATO in the first instance and then agreements covering their deployment and use were to be negotiated on behalf of NATO by SACEUR with the host countries concerned. However, there has been no indication that the USA government proposes to enter into an agreement with NATO as a whole governing the use of IRBMs, and paragraph 5 of telegram 2505 indicates that in addition to an exchange of letters between SACEUR and the Italian authorities, the deployment of IRBMs in Italy is to be covered by an intergovernmental agreement between the USA and Italy. It would seem to us at first glance that these arrangements depart somewhat from those which we might have envisaged would flow from the terms of the original USA offer. We would be interested to have your further appreciation of the situation.

235.

DEA/50030-AG-2-40

*Le représentant permanent auprès du Conseil de l'Atlantique Nord
au secrétaire d'État aux Affaires extérieures*

*Permanent Representative to North Atlantic Council
to Secretary of State for External Affairs*

TELEGRAM 2883

Paris, November 28, 1958

SECRET. PRIORITY.

Reference: Our Tel 2763 Nov 20.†

Repeat CCOS, CM/DND (Information).

IMPLEMENTATION OF NATO NUCLEAR STOCKPILING
AND TACTICAL WEAPONS PROJECT

Following is an interim report based on a conversation we were able to have at a social function with General Norstad and General Schuyler.

2. The nuclear weapons over which SACEUR insists on having control in peacetime are major weapons such as IRBM's and weapons of a similar order which would be probable targets in the event of aggression, and ground-to-air weapons which would have to be brought into action immediately in the event of hostilities. These two categories do not repeat not include tactical nuclear weapons in the sense in which this term is normally understood. Tactical weapons in the hands of national forces would be at the disposal of those forces as are any other weapons in their possession, while at the same time the forces themselves would be under SACEUR's command.

3. Stockpiles of nuclear warheads would of course be under SACEUR's control in peacetime.

4. In your telegram DL-817 you mentioned that SACEUR, Standing Group and the Military Committee have recommended common financing of tactical nuclear weapons infrastructure on the grounds that it is necessary in order to ensure SACEUR control over these weapons in peacetime. We think that, if you examine the list of weapons to which this recommendation applies, you may conclude that it is limited to weapons of the type we have cited as those over which SACEUR desires to have control in peacetime.

5. We believe you are right in assuming that the term "outright to national forces" in paragraph 6 of telegram 2479 does not repeat not mean that the weapons are being supplied direct to national forces without any covering agreement between the USA and the national governments concerned. However, we will do our best to check further on this, particularly with reference to weapons to be supplied to German forces.

6. With regard to your second question, we assume that the terms under which IRBM's are to be made available are covered by the statement made by Mr. Dulles at the Heads of Government Meeting and the relevant paragraphs of the communiqué issued following that meeting. There is nothing in these documents which seems to provide specifically for an agreement between the USA government and NATO as a whole governing the use of IRBMs, and we did not repeat not have the impression from our conversation with General Norstad that he anticipates such an agreement. What SACEUR insists on is control by him over IRBM's.

7. Mr. Dulles told the December meeting: "If this Council so desires, and in order to strengthen NATO's deterrent power, the USA is prepared to make available to other NATO countries intermediate range ballistic missiles for deployment in accordance with the plans of SACEUR. Nuclear warheads for these intermediate missiles would become a part of the NATO atomic stockpile system. Such intermediate ballistic missiles' deployment would be subject to agreement between each such country and the USA with respect to materiel, training and other necessary arrangements."

8. The relevant parts of the communiqué are: "NATO has decided to establish stock of nuclear warheads, which will be readily available for the defence of the Alliance in case of need. In view of the present Soviet policies in the field of new weapons the Council has also decided that intermediate range ballistic missiles will have to be put at the disposal of the Supreme Allied Commander Europe." "The deployment of these stocks and missiles and arrangements for their use will accordingly be decided in conformity with NATO's defence plans and in agreement with the states directly concerned. The NATO military authorities have been requested to submit to the Council at an early date their recommendations on the introduction of these weapons in the common defence. The Council in permanent session will consider the various questions involved."

9. It is our understanding that SACEUR and the USA government are proceeding in accordance with these provisions of the communiqué in seeking or working out agreements with certain governments. It is clear that SACEUR's arrangements are to be subject to consideration and approval by Council, and it must be admitted that the progress reports so far made both on stockpiles and on IRBM's have told the Council very little. At least in the case of negotiations with France there are good reasons for this. We nevertheless assume that Council will be told more when SACEUR considers this appropriate, and that Council will have an opportunity to consider the arrangements before they are finalized.

10. There is another question which you raised in your telegram DL-796 on which we can now shed a little light. We discussed with the UK delegation here the question whether the Germans might be seeking some form of veto over the use of nuclear weapons deployed on German soil. The UK have been having some difficulty in arranging for the

equipment of certain of their forces with sergeants and corporals. This difficulty, however, stems from the attitude of certain local authorities with whom the German government is discussing this matter. The UK delegation seem confident that these difficulties will be ironed out fairly shortly. In their experience there has been no repeat no suggestion of any desire on the part of the German government to exercise any sort of control over tactical nuclear weapons to be provided to foreign forces stationed in Germany. They cannot repeat not make any prediction as to the future. With regard to weapons requiring fixed sites, it is relevant that the German government is having difficulty acquiring and assigning land of NIKE sites.

11. On the points raised in your ref telegram we are writing to General Norstad with the object of obtaining his views more precisely. When I have his reply I may discuss the matter with him before reporting further.

236.

DEA/50219-AL-1-40

*Le représentant permanent auprès du Conseil de l'Atlantique Nord
au sous-secrétaire d'État aux Affaires extérieures*

*Permanent Representative to North Atlantic Council
to Under-Secretary of State for External Affairs*

LETTER NO. 694

Paris, February 6, 1959

SECRET

Reference: Our telegrams No. 2883 of November 28 and No. 182 of January 26.†

IMPLEMENTATION OF NATO STOCKPILING AND TACTICAL WEAPONS PROJECT

I enclose a copy of a letter which I have received from General Norstad in reply to my letter to him of December 1† on the above subject.

2. General Norstad's letter generally bears out the analysis in our telegram No. 2883 and will, I think, be of value to you as an authoritative statement of the official SHAPE point of view on the questions raised in your earlier telegrams.

3. We have noted the following points with respect to which General Norstad gives either an additional explanation or a somewhat different interpretation from that in our telegram No. 2883:

(1) General Norstad's interpretation of the provisions with respect to the role of the NATO Council in the implementation of the nuclear stockpiling and IRBM projects, is of interest. He states "I have made periodic statements to the Military Committee and to the North Atlantic Council concerning the progress of both the IRBM and NATO special ammunitions storage programs. I am proceeding on the assumption that these constitute reports on the progress of approved projects and that the North Atlantic Council can at any time make special inquiries or observations with respect to the arrangements that are being developed."

(2) You will note General Norstad's reply to the question about whether or not the Federal German Government might be seeking some form of veto over the use of nuclear weapons deployed on German soil. Before writing General Norstad we had not discussed this point with him but thought it might be worth raising in a tentative way. His reply is not very enlightening but is of some value as clearly stating SHAPE's stand on this whole question.

4. It was at the suggestion of General Norstad that I used the method of writing him a letter in order to obtain his considered views on the questions raised in your telegram. Considering the fundamental nature of some of these questions, it is gratifying that he has seen fit to answer them as fully as he has. I would therefore be grateful if you would give this letter only such restricted circulation as you think necessary. I assume that you will of course refer a copy of it, and of the enclosure, to the Chairman Chiefs of Staff.

JULES LÉGER

[PIÈCE JOINTE/ENCLOSURE]

*Le commandant suprême des Forces alliées en Europe
au représentant permanent auprès du Conseil de l'Atlantique Nord*

*Supreme Allied Commander in Europe
to Permanent Representative to North Atlantic Council*

NATO SECRET

February 3, 1959

Dear Mr. Ambassador:

Your letter concerning the deployment and use in Allied Command Europe of IRBMs and tactical nuclear weapons poses a number of questions of fundamental importance.

You have asked for clarification on the differentiation between IRBMs and tactical nuclear weapons *from the point of view of control*. The restrictions which limit my exercise of control over conventional forces in peacetime cannot, I feel, be applied to my control of such a weapons system as the IRBM which with its capacity for immediate reaction and its great flexibility in target assignment will play a most important role in the initial stages of an emergency. Therefore, while I do not need to control directly in peacetime those atomic delivery means which have a more limited range and which are in a supporting role, I consider that units manning IRBMs must be instantly responsive to SHAPE direction. In this regard I have consistently maintained that IRBM units must be under NATO operational control (as defined in paragraph 18a(3), Section II, MC 57/1) in peace as well as in war.

The extensive capabilities of IRBMs make it mandatory that they not only be available for immediate use but also that units so equipped be responsive to a centralized authority which would direct their employment. In view of these requirements I intend to negotiate special command arrangements for IRBMs with the Ministers of Defense who have agreed to provide units, equipment and sites for these weapons.

As you have pointed out stockpiles of nuclear warheads of U.S. source but allocated to Allied Command Europe will remain under U.S. custody. Thus, while I may not have direct peacetime operational control of all atomic-capable units or delivery systems, I will nevertheless control the atomic capability of most of these forces.

With respect to the meaning of Mr. Wilgress' phrase "tactical weapons are being provided by the U.S. outright to the national forces under the command of SACEUR," one must distinguish between nuclear warheads on the one hand and delivery systems on the other. The delivery systems, such as aircraft, HONEST JOHN equipment or the delivery elements of IRBMs, are furnished outright to national forces for their manning and inclusion within their defense establishments. These systems normally are furnished by the United States under military assistance programs and become the property of the recipient nation. As noted above, this is not true in the case of nuclear warheads, either for the so-called tactical weapons or for the IRBMs.

It is of course true that common infrastructure financing of certain nuclear weapons systems as well as storage sites would tend to provide a measure of Allied control over them in peacetime. This is not the only reason, however, for my belief that these items should be supported by common funding. I feel that the infrastructure for any weapons system which is located and constructed with a view to serving the common defense, as distinguished from the defense of a single nation, could in fairness be paid for by the Alliance, particularly where the cost may otherwise fall disproportionately on a NATO country.

Your third question pertains to procedural arrangements for providing nuclear warheads and IRBMs and the role of the Council with respect to such arrangements. Nuclear warheads are furnished by the United States in accordance with its undertakings at the Heads of Government Meeting in December 1957 for the defense of the NATO area. They are intended for use by the Alliance only in case of need. Separate bilateral agreements are negotiated between the United States and the NATO nations concerned regarding the specific arrangements for storing the warheads on national territories. I exercise centralized control over the use of nuclear warheads through specific implementing procedures developed at SHAPE for the forces of ACE.

In the case of IRBMs, arrangements are being developed in accordance with the heads of government communiqué. The IRBM delivery vehicle is provided upon my recommendation directly to the country concerned. The United States makes arrangements with these countries to carry out their respective spheres of responsibility. Additionally, I make arrangements with the same nations with respect to my sphere of responsibility.

I have made periodic statements to the Military Committee and to the North Atlantic Council concerning the progress of both the IRBM and NATO special ammunitions storage programs. I am proceeding on the assumption that these constitute reports on the progress of approved projects and that the North Atlantic Council can at any time make special inquiries or observations with respect to the arrangements that are being developed.

In answer to your last question, as SACEUR, I can only say that the NATO plans for the use of any nuclear warheads which might be located in Germany provide for their release under standard NATO procedures,⁴¹ and no exception has been made for the Federal Republic of Germany or any other NATO nation. You will understand, of course, that any information concerning the other arrangements which are worked out between the United States and the recipient governments should be obtained from the governments concerned.

I trust that this information will be helpful to you in answering the inquiries of your government.

Sincerely,

Lauris Norstad

⁴¹ Note marginale :/Marginal note:
What are they? [auteur inconnu/author unknown]

3^e PARTIE/PART 3
AIDE MUTUELLE
MUTUAL AID

237.

PCO

*Note du ministre de la Défense nationale
pour le Comité du Cabinet sur la défense*
*Memorandum from Minister of National Defence
to Cabinet Defence Committee*

CDC DOCUMENT No. 4-58

[Ottawa], April 23, 1958

SECRET

CANADIAN MUTUAL AID PROGRAMME 1958-59

The proposed Canadian Mutual Aid Programme for 1958-59 introduces no new principles in programme planning. It is designed to fit into the Canadian defence and production pattern as well as to supply important European NATO defence needs. The \$130,000,000 programme is of the same value as the programme for 1957-58 and provision has been included in this amount in the 1958-59 Estimates.

The proposed 1958-59 Mutual Aid Programme totalling \$130,000,000 provides for;

(a) the NATO aircrew training programme at an estimated cost of \$9,000,000, which is based on the completion of the Canadian commitment for NATO aircrew training in 1958, together with the estimated costs of training aircrew for Norway, Holland and Denmark less token payments which will be made by these countries for this training. No cost is included for training German pilots as the extra costs in this connection will be met by payments from Germany;

(b) carryover of \$1,500,000 on previously approved items of direct production for Mutual Aid including transportation costs on shipments to Turkey, no amount is provided for new items;

(c) equipment that can be made available from Canadian Service stocks estimated at \$98,000,000;

(d) estimated contributions of \$21,500,000 for NATO infrastructure and military budgets.

Some of the main items included in the 1958-59 Programme are as follows:

| <u>Item</u> | <u>No.</u> | <u>Value</u> |
|---------------------------------|------------|--------------|
| (a) T33 aircraft and spares | 50 | \$10,516,012 |
| (b) Sabre V aircraft and spares | 40 | 20,622,000 |

The only countries likely to bid for these aircraft are Turkey and Greece to which Canada has already transferred earlier models with U.S. engines which have been maintained by the U.S. The Sabre V's have French engines and Canada would have to assume responsibility for their support. This would involve additional administrative problems and a continuing cost of approximately \$500,000 per year. It is not proposed to offer these aircraft until further exploratory talks are held with SHAPE to clarify the need for them.

| | | |
|---|---|------------|
| Frigates | 3 | 15,000,000 |
| To cover the transfer to Norway of ships which have been on loan to that country. | | |
| (d) Algerine minesweepers | 4 | 8,000,000 |

These ships are no longer required by the RCN. The valuation used includes refit costs to make the ships available for Mutual Aid at an estimated expenditure in the order of \$500,000 per ship if done by outside contract. In addition there would be an outlay of approximately \$33,000 per ship to make up deficiencies in stores and equipment. Preliminary enquiries indicate that Belgium and Denmark would be interested in two ships each.

The cash expenditures involved in the implementation of this programme are approximately \$45,000,000 and cover (a) expenditures on Infrastructure and Military Budgets; (b) expenditures by the Services in the overhaul, etc., and shipment of equipment to seaboard; and (c) NATO Aircrew Training.

A more detailed list of the main items included in the programme is attached.†
I recommend approval of this programme.⁴²

[G. PEARKES]

238.

DEA/50030-L-40

*Note du chef de la 1^{re} Direction de liaison avec la Défense pour le sous-secrétaire d'État adjoint aux Affaires extérieures*⁴³

*Memorandum from Head, Defence Liaison (1) Division, to Assistant Under-Secretary of State for External Affairs*⁴³

CONFIDENTIAL

[Ottawa], November 22, 1958

CANADIAN MUTUAL AID PROGRAMME 1959/60

I have been advised that there will be a meeting in Mr. F. Miller's office on Monday, Nov. 24, at 10:00 a.m. which will take the form of a preliminary screening of the Defence Budget Estimates for 1959/60. Mr. MacNeill, General Foulkes and the Chiefs of Staff will be in attendance. Mr. Miller has suggested that this Department be represented at the meeting, particularly in view of our interest in the Mutual Aid section of the estimates which will be up for consideration.

2. We have heard that the Defence Budget Estimates, as now constituted, may include only between 24 to 50 million dollars for Mutual Aid. Of this amount approximately 20 million will be required to cover infrastructure and military budget commitments, the remainder is to be set aside for the provision of T-33 jet trainers and naval aircraft. However, we are informed that it is doubtful whether the RCAF will agree to release any

⁴² Approuvé par le Comité du Cabinet sur la défense le 28 avril 1958. Après un exposé oral fait par le ministre de la Défense nationale, George Pearkes, le 8 mai 1958, le Cabinet prend note avec approbation du programme d'aide mutuelle pour 1958-1959.

Approved by the Cabinet Defence Committee on April 28, 1958. After an oral presentation by National Defence Minister George Pearkes on May 8, 1958, Cabinet noted with approval the Mutual Aid program for 1958-1959.

⁴³ Note marginale :/Marginal note:

I found this memorandum very useful for this morning's meeting (on which I have prepared a brief memo) 24 Nov '58. D.V. LeP[an]

T-33 aircraft, which are expected to be in short supply during the fiscal year, and also whether the only countries which could make use of the naval aircraft involved, France and the Netherlands, would be interested in acquiring them. Under present plans, at worst, our Mutual Aid Programme might be effectively terminated and, at best, would represent a very sharp curtailment of the amount of aid provided during this fiscal year. The following is a table showing our Mutual Aid contributions since the inception of the programme in 1950:

| <u>Year</u> | <u>Expenditure</u> (Thousand of Dollars) |
|--------------------|---|
| 1950-51 | 195,417 |
| 1951-52 | 126,416 |
| 1952-53 | 235,053 |
| 1953-54 | 289,707 |
| 1954-55 | 253,380 |
| 1955-56 | 174,966 |
| 1956-57 | 133,553 |
| 1957-58 | 118,464 |
| 1958-59 (Estimate) | 130,000 |

3. In addition to the decline in the total amount of our programme in recent years, the proportion of the total representing direct procurement (inclusive of the NATO Air Training Scheme) has fallen drastically from a high of 136 million in 1952-53 to approximately 30 million dollars in 1957-58.

4. This decline reflects both the gradual phasing out of the NATO Air Training Scheme and the conclusion reached some time ago by the Departments of National Defence and Defence Production that direct procurement of materials for Mutual Aid is not of real assistance to Canada in maintaining our defence production facilities. In this connection it is explained that the concept of "immediate readiness" has rendered a philosophy of maintaining standby production facilities available for post D-Day expansion obsolete. Now, with service stocks of old, dispensable equipment depleted; with no apparent advantage accruing to the Services from direct procurement for Mutual Aid; and with other requirements for North American defence competing for funds in a strictly limited Defence Budget, the Department of National Defence would seem to have lost the vested interest it once had in supporting a Mutual Aid programme of any magnitude.

5. To our knowledge the present Cabinet has never been asked to consider our Mutual Aid policy. In fact, a hurried search of our records indicates that the last discussion by Cabinet on the substance of our Mutual Aid policy took place on November 12, 1954.⁴⁴ At the time Cabinet approved the statement by the then Minister of Defence to the effect that a major factor affecting our programme was the manner in which it could be utilized to help the requirements of Canadian forces. However, out of the ensuing discussion, it was noted that another important dimension of our Mutual Aid policy was the general desire to co-operate in building up the strength of NATO forces and doing Canada's part in the burden-sharing exercise undertaken by all NATO nations.

6. This department has consistently supported the latter view and we would recommend that at the meeting on Monday morning, it be argued that no decision should be taken on the level of our Mutual Aid programme for the next fiscal year until the broader policy

⁴⁴ Voir/See Volume 20, Document 264.

aspects of the question have been fully examined by the Panel on Economic Aspects of Defence and subsequently by Cabinet.

7. One of the factors which will have to be taken into account in such an examination is the political reaction we can expect of our NATO allies to an abrupt curtailment of our Mutual Aid programme and how this, in turn, might affect Canada's role in the Alliance as a staunch supporter of the European defence effort. Although we are not in a position to indicate at this stage how severely our NATO allies would react to the effective termination of our programme, it is pertinent that the Annual Review Committee, in examining the Canadian submission this year, chose to attack our failure to indicate a forecast of the magnitude of our programme for the forthcoming year. Apprehension was expressed as to the future level of our programme and the obvious decline in the direct procurement portion of it was sharply criticized. The Committee has now indicated that unless we provide more information to indicate that Canadian Mutual Aid is to be maintained at a relatively high level, the Canadian Country Chapter will include a critical analysis of our efforts in this regard.

8. It would also seem necessary to consider the level of our Mutual Aid programme very carefully in relation to intentions with regard to the Air Division in Europe. The termination of our Mutual Aid programme, together with the withdrawal of the Air Division, would clearly be regarded seriously by our European allies as well as by the NATO military authorities. Current discussions on production sharing with the United States offer another context in which our future Mutual Aid plans should be examined. In the absence of our clear knowledge of the outcome of these discussions, it may be premature to dismiss the possibility of developing new weapons or components in Canada for Canadian use and for distribution to our European allies as Mutual Aid. We are reminded, in this connection, of the situation which arose in 1953 when the Canadian forces had a requirement for "Walkie-Talkie" radio sets. A production run of this equipment in Canada became economically feasible only by arranging for the disposal of sufficient quantities through Mutual Aid.

9. Another thought which occurs to us is that an unfortunate comparison could be made by our European allies between our Colombo Plan efforts and our Mutual Aid efforts if the latter were allowed to drop to a value below that of our Colombo Plan contributions. Nor could this policy be represented as indicating a transfer of effort on the part of Canada from military aid to economic assistance in view of the fact that the recent increase in our Colombo Plan contributions would hardly offset significantly the decrease in our Mutual Aid Programme.

PAUL TREMBLAY

239.

DEA/50030-L-40

*Note du sous-secrétaire d'État adjoint aux Affaires extérieures
pour la 1^{re} Direction de liaison avec la Défense*

*Memorandum from Assistant Under-Secretary of State for External Affairs
to Defence Liaison (1) Division*

CONFIDENTIAL

[Ottawa], November 24, 1958

MUTUAL AID PROGRAMME

I was moderately encouraged by the discussion of the Canadian Mutual Aid Programme that took place at this morning's meeting of the Estimates Committee of the Department of National Defence in the office of the Deputy Minister. It now seems likely that the programme for 1959-60 will reach a respectable total, at least in notional terms; and work is being set on foot which holds out promise for a more soundly-based programme in subsequent years.

2. At the opening of the meeting a new draft of the Mutual Aid Programme for 1959-60 was circulated. I am attaching it† to this memorandum, and as you will see, it reaches a total of \$88 million, which is substantially greater than the figure we had been considering on Saturday. Mr. Miller, who was in the chair, explained that efforts had been made by all three of the services to scrape together as many suitable items as they could. This process was not entirely complete, and when it was he thought that the estimate for next year would be very close to \$100 million. After these few preliminary explanations, I was called on to give the views of this Department. I said that we found ourselves in some perplexity. General Foulkes had recently referred several times to the bad patch through which NATO was passing and to the difficulty which was being experienced in trying to use the Annual Review as a means of implementing M.C. 70. We were afraid that if we had shortly to announce a very substantial reduction in the Canadian Mutual Aid Programme, the effect on NATO would be highly dispiriting. On the other hand, we realized that the practicalities of the situation had altered radically. The Air Training Programme was now virtually complete; our stocks of obsolescent equipment were almost exhausted; NATO forces in Europe now had fairly adequate supplies of conventional arms and equipment; and it had recently been announced by the United States Permanent Representative in Paris that their mutual aid contribution would more and more take the form of unconventional weapons. In this situation it was by no means clear to us what the outlines of a sensible Canadian Mutual Aid Programme on a continuing basis should be. We thought, however, that study should be given to the possibility of supplying our NATO allies with some weapons and equipment from new production. We were aware, for example, of the anxiety of the Department of Defence Production to maintain the facilities of the Canadian electronics industry; and we wondered whether, as an outcome of the current discussions with the United States authorities on production sharing, it might not be possible to make arrangements for producing electronics equipment in Canada which would be shipped as mutual aid to other NATO countries. Returning to the point where I had begun, I said that we would be very concerned about the possible consequences of a decision to reduce sharply our programme of mutual aid. We hoped that these issues could be discussed in the Panel on the Economic Aspects of Defence and then be referred to Cabinet.

3. At the part of the meeting that I attended there were representatives of the Department of Finance, and of the Department of Defence Production, as well as of the Department of National Defence; and no one seemed to quarrel with anything I had said. Mr. Golden

added that, in his opinion, there was little that could be done about the programme for 1959-60. Our Mutual Aid Programme, as presently constituted, was grinding to a halt and it could not be restarted without new Cabinet decisions. He hoped that these would be taken in time to formulate a more respectable programme for 1960-61. What was needed was a Cabinet directive informing officials that the Government was prepared to contemplate a Mutual Aid Programme of so many million dollars annually, and was also prepared to authorize deliveries from new production. In the absence of such policy decisions, the best that could be done for the 1959-60 programme was to keep scraping the bottom of the barrel in an effort to put the best possible appearance on what was essentially an unsound situation.

4. The Vice-Chief of the General Staff, General Allard, intervened to suggest that there were quite a few items which, in his opinion, could sensibly be produced in Canada and which would be very welcome to our NATO allies. He mentioned specifically the V.C. 12 Radar (for communications between army formations), the new counter-mortar radar and the Bobcat (which is a new tracked vehicle developed by the Canadian Army). If these items were supplied in some quantity to the forces of other NATO countries as well as to Canadian forces, their unit costs would drop substantially. Indeed General Allard went so far as to say that unless a decision were taken by the Canadian Government to supply mutual aid from new production, the day might not be far off when the Canadian Army would be obliged to join the list of recipients for these, as well as other similar, items of equipment.

5. At the Chairman's suggestion, it was agreed that a paper should be prepared for consideration by the Panel on the Economic Aspects of Defence. This would outline the policy that is being followed at present and the consequences to which it is leading. It would also make recommendations concerning the new policy decisions that seem to be required. After consideration by the Panel, it would be referred to the Cabinet, which, I gather, is now planning to hold a series of meetings on defence questions early in the new year.

DOUGLAS LEPAN

240.

DEA/50309-A-40

Note pour le Comité sur les aspects économiques des questions de la défense

Memorandum to Panel on the Economic Aspects of Defence

DOCUMENT ED 41-58

Ottawa, December 1, 1958

CANADIAN MUTUAL AID PROGRAMME

The programme worked out for 1959-60 totals \$90,000,000 compared to \$130,000,000 in 1958-59. Under main headings it compares as follows:

| | <u>1959-60</u> | <u>1958-59</u> |
|--|----------------------|-----------------------|
| Infrastructure and Military Budgets | \$ 21,500,000 | \$ 21,500,000 |
| Direct Production and other direct items | 550,000 | 1,500,000 |
| Equipment from Service stocks | 60,700,000 | 98,000,000 |
| Aircrew Training | 7,250,000 | 9,000,000 |
| | <u>\$ 90,000,000</u> | <u>\$ 130,000,000</u> |

The main items included are

| | | |
|---|-----------|------------------------|
| <u>Army</u> | | |
| 90 MM Guns AA, fire control equipment, etc. | No. 50 | Amount \$ 5,179,000 |
| <u>Navy</u> | | |
| CS2F Tracker aircraft and spares | 17 | \$ 23,500,000 |
| <u>Air Force</u> | | |
| CF 100 aircraft and initial spares (conditional on sale of an additional 10 to Belgium) | 10 | \$ 10,000,000 |
| Orenda Aero Engines MK 10 | 225 | 16,065,000 |
| Nene 10 Aero Engines | 75 | 2,125,000 |
| F 86 Spares Support — Turkey and Greece | | 2,520,000 |

The programme level included in the annual estimates of National Defence and expenditures recorded since commencement are -

| | <u>Estimates</u> | <u>Expenditures</u> |
|---------|------------------|---------------------|
| 1950-51 | 300,000,000 | 195,417,216 |
| 1951-52 | 165,000,000 | 126,415,799 |
| 1952-53 | 324,000,000 | 235,953,327 |
| 1953-54 | 324,000,000 | 289,707,406 |
| 1954-55 | 300,000,000 | 253,379,789 |
| 1955-56 | 175,000,000 | 174,966,318 |
| 1956-57 | 143,000,000 | 133,552,637 |
| 1957-58 | 130,000,000 | 118,464,310 |

From the outset the major factors underlying programme planning were that it should meet NATO deficiencies and assist to develop and maintain military productive capacity in Canada of a kind to meet equipment needs of Canadian Forces.

The first needs were equipment for forces in being and the training of aircrew. To satisfy these requirements Canada transferred the equipment for several army divisions, held in Canada from World War II stocks, and inaugurated the NATO Aircrew Training scheme. The latter was not a continuing commitment but was for a period sufficient to enable the European countries to quickly obtain trained pilots, and set up their own continuing arrangements for training. Expenditures on Aircrew Training have totalled over \$400 million, with a high in 1952-53 of \$104 million.

The emphasis on direct production items was centred on electronic items, including Radar Sets No. 4 MK 6/2 and Walkie Talkie Sets CPRC-26, all of which were in short supply in NATO countries and were needed by the Canadian Forces in quantities that did not justify Canadian production. The combined programmes were used to establish a basic electronic defence industry. Other substantial contributions consisted of Wasp Aero Engines, 12D40 propellers, 155 MM Howitzers, and various types of explosives and ammunition. The heavy expenditures on direct production items were incurred in the fiscal years 1952-53 to 1955-56, by which time it had become apparent that the Mutual Aid programme could play only a small part in the overall problem of maintaining production facilities or of reducing the unit costs of equipment required for the Canadian forces.

World War II equipment from Service holdings which comprised a large part of earlier programmes and which satisfied immediate NATO deficiencies is of course no longer

available in any significant quantity and it is in any case of doubtful value except to maintain equipments transferred earlier.

The transfer of current type equipment from Service holdings or contracts has varied from year to year, depending on the specific types that could be released. The F 86 aircraft programme for the United Kingdom resulted in expenditures of \$40 million in 1952-53, \$63 million in 1953-54 and 3.4 million in 1954-55. The F 86 programme to Turkey and Greece required \$25 million in 1953-54, \$83.1 million in 1954-55. The Navy's ship transfer programme reflected charges of \$18.1 million in 1953-54, \$8.4 million in 1954-55 and \$27.3 million in 1957-58. The quantities of useful equipment available from Service stocks have declined and can no longer be relied on as a steady source of a substantial volume of Mutual Aid.

The specific reference to Mutual Aid in the Canadian chapter of the 1958 Annual Review is as follows:

The part to be played by Canadian Mutual Aid in equipping NATO forces will be at least as important during MC 70 period as it has been in the past. But the value of Mutual Aid has been reduced by more than half over the past four years and is expected to decline further, though slightly, in 1959/60; though the decline by volume is rather less, as pre-1950 equipment has been written down in value by about 80 percent since 1956/57. The components of the aid have also changed; direct procurement has almost ceased, the Air Training scheme — its work nearly complete, is costing little, and a very large part now consists of equipment transferred from Service stocks. This equipment is in new condition and of great value to the recipient countries; but though about half of it is actually unused, the remainder has been in service with Canadian Forces, and a considerable amount dates from earlier than March 31, 1950. Provision of these categories of equipment is undoubtedly a smaller claim on Canada's resources than the equivalent in direct purchases.

As the continuance of a Mutual Aid programme of significant levels in future would require decisions to be taken now, consideration should be given to the need to maintain a significant level of Mutual Aid in support of NATO from both the political and defence aspects. In addition the usefulness of Mutual Aid in Canadian defence industry should be considered.

Recommendations should be developed as to;

- (1) whether Canada should restrict equipment transfers to Service equipment which is being replaced by more modern types for Canadian forces, without regard to varying levels of Mutual Aid that will result;
- (2) whether unused capacity in Canadian industry is to be used for production for Mutual Aid transfer to sustain a level of Mutual Aid and, regardless of the ability of the likely recipients to produce or finance their own requirements;
- (3) whether Canadian aid is to be undertaken on a selective basis taking into consideration the financial capability of countries to finance their own requirements,
- (4) whether Mutual Aid should again be looked to for the support of Canadian production of items required by the Canadian forces in quantities too small to provide economic production runs.

241.

DEA/50030-K-2-40

*Extrait du procès-verbal de la réunion du Comité
sur les aspects économiques des questions de la défense*

*Extract from Minutes of Meeting of Panel
on Economic Aspects of Defence Questions*

TOP SECRET

Ottawa, December 8, 1958

Present

Mr. R.B. Bryce, Secretary to the Cabinet.
 Mr. F.R. Miller, Deputy Minister of National Defence.
 General Charles Foulkes, Chairman, Chiefs of Staff.
 Mr. N.A. Robertson, Under-Secretary of State for External Affairs.
 Mr. D.A. Golden, Deputy Minister of Defence Production.
 Dr. A.H. Zimmerman, Chairman, Defence Research Board.
 Mr. A.F.W. Plumptre, Assistant Deputy Minister of Finance.
 Mr. L. Rasminsky, Deputy Governor of the Bank of Canada.
 Mr. D.V. LePan, Assistant Under-Secretary of State for External Affairs.
 Mr. W.R. Martin, Privy Council Office. (Secretary)
 Mr. D.B. Dewar, Privy Council Office. (Assistant Secretary)

Also Present

Mr. P. Tremblay, Mr. J.J. McCardle, Mr. R.P. Cameron, Department of External Affairs.
 Mr. J.A. Macdonald, Mr. E. Gallant, Department of Finance.
 Mr. F.A. Milligan, Department of Defence Production.

...

III. CANADIAN MUTUAL AID PROGRAMMES

23. *Mr. Miller* said that the paper before the Panel indicated a downward trend for our mutual aid programme which would continue in future years unless a new sort of programme were agreed upon. Even the forecast level of \$90 millions for 1959-60 might well be too high, because, for instance, the Aero Engines which were included might be sold to Germany instead of being given as mutual aid.

(Document ED41-58 had been circulated).

24. *General Foulkes* said that it was time to consider whether we should revise our procedures for allocating equipment under mutual aid. If Canada no longer made items available to the Standing Group for allocation, but rather arranged bilaterally for such aid, we would be free to take decisions on which countries most needed the equipment we gave away, and which were most likely to make good use of it. It was true that the procedure of allocation by the Standing Group had protected us from having to fend off numerous requests made bilaterally by countries, but if we took the compromise position in future that we would still seek Standing Group advice on allocations, some of the difficulties of a policy of bilateralism could perhaps be avoided.

25. *Mr. LePan* said that External Affairs would favour the maintenance of a fairly high level of mutual aid if such a programme made economic and military, as well as political, good sense. It was difficult for External Affairs to judge the economic and military merits of any particular size of programme, however. If, as had been suggested, the programme were to fall to a very low level in 1960 or 1961, External Affairs would be concerned about the political implications for NATO.

26. *Mr. Macdonald* said that the Department of Finance was anxious to know in advance whether a substantial programme, which would perhaps include a large degree of direct

procurement items, was going to be adopted in 1960 or subsequent years. If External Affairs or National Defence foresaw the need for such a programme, the Department of Finance would need to know well in advance of their intention to propose it.

27. *Mr. Miller* said that it would be useful to examine the areas of production from which items for mutual aid might be drawn, and for a study to be made of the implications for NATO relations of a declining programme.

28. *Mr. Tremblay* said that there might be an increasing need for Canada to provide conventional armaments through mutual aid as the United States programme moved more and more into "unconventional" armaments.

29. *The Panel* agreed to draw the attention of Ministers to the declining mutual aid programme with a view to obtaining guidance as to future Canadian policy on mutual aid.

D.B. DEWAR
Assistant Secretary

242.

PCO

Extrait des conclusions du Cabinet
Extract from Cabinet Conclusions

SECRET

[Ottawa], December 9, 1958

Present

The Minister of Public Works and Acting Prime Minister (Mr. Green) in the Chair,
The Minister of Finance (Mr. Fleming),
The Minister of Veterans Affairs (Mr. Brooks),
The Solicitor General (Mr. Balcer),
The Minister of National Defence (Mr. Pearkes),
The Minister of Trade and Commerce (Mr. Churchill),
The Minister of Justice (Mr. Fulton),
The Minister of National Revenue (Mr. Nowlan),
The Minister of Fisheries (Mr. MacLean),
The Minister of Labour (Mr. Starr) (for afternoon meeting only),
The Postmaster General (Mr. William Hamilton),
The Minister without portfolio (Mr. Macdonnell),
The Minister of Mines and Technical Surveys (Mr. Comtois),
The Minister of National Health and Welfare (Mr. Monteith),
The Minister of Northern Affairs and National Resources (Mr. Alvin Hamilton),
The Secretary of State for External Affairs (Mr. Smith),
The Minister of Defence Production (Mr. O'Hurley),
The Secretary of State (Mr. Courtemanche) (for afternoon meeting only).
The Secretary to the Cabinet (Mr. Bryce),
The Assistant Secretaries to the Cabinet (Mr. Fournier), (Mr. Martin).

...

N.A.T.O. MUTUAL AID PROGRAMME, 1959-60

24. *The Minister of National Defence* said that the proposed N.A.T.O. mutual aid programme for 1959-60 amounted to \$90 million as compared with \$130 million for the current year. It involved a reduction of nearly \$40 million in the amount of equipment for transfer to N.A.T.O. countries from service stocks and a small reduction in air crew training. The main items under the equipment heading included 90 mm guns at \$5.2 million.

naval tracker aircraft at \$23.5 million, and aircraft engines, and spares from the R.C.A.F. totalling \$30.7 million.

The principal factors underlying the programme since its inception had been that it should help meet N.A.T.O. deficiencies and at the same time assist in the maintenance of productive capacity in Canada of a kind needed to meet the equipment needs of Canadian forces. The transfer of equipment from World War II stocks for several army divisions and the N.A.T.O. aircrew training scheme formed the most significant elements in the programme during its early years. Subsequently, emphasis had been shifted to direct production items, particularly electronic equipment, which was in short supply in Europe and was also needed by Canadian forces, but not in sufficient quantity to justify Canadian production for Canadian use alone. The combined need had been used to establish a basic electronic defence industry. The heavy expenditures on direct production items occurred from 1952 to 1956. By then, however, it had become apparent that the mutual aid programme could only play a small part in the overall problems of maintaining production facilities or of reducing unit costs of equipment required for Canadian forces. World War II equipment was no longer available in any significant quantities and it was, in any case, of doubtful value now except to maintain equipment transferred earlier. Transfers of current types of equipment from service stocks, or from contracts, had been substantial. However, the amount available had now declined and could no longer be relied upon to supply a steady volume of mutual aid.

In the current annual review, the N.A.T.O. authorities had pointed out that continuance of a Canadian mutual aid programme at significant levels required decisions to be taken now, that Canada should bear in mind that such a programme was important to the alliance from both the political and defence points of view, and that the usefulness of mutual aid to Canadian industry should be borne in mind.

Decisions were required now on what the future mutual aid policy should be. Should the programme be fixed for next year at \$90 million as he had described? Should plans be made to increase the size of the programme next year by the transfer of equipment from direct production? If this were the case, the policy had to be settled soon because it would take at least a year before any such equipment would be available. If it were decided not to do this and continue as at present, mutual aid would be lower than \$90 million in 1960-61 because supplies of service equipment would be lower.

An explanatory memorandum had been circulated, (Memorandum to Panel on Economic Aspects of Defence Dec. 1 — Cab. Doc. 353-58).⁴⁵

26. *Mr. Pearkes* recommended a programme of \$90 million for 1959-60, recognizing that, on the present basis, it would fall further in future years.

27. *The Secretary of State for External Affairs* said he had to agree, reluctantly, with this recommendation. However, the reduction and smaller programmes in the future could be defended on the ground that Canada had to undertake larger commitments for the defence of North America.

28. *During the discussion* the following points emerged:

(a) Canada's record in N.A.T.O. was a creditable one and would continue to be so. A reduction in mutual aid should not alarm the alliance in view of the fact that more had to be spent for defence in North America which was a contribution to the deterrent in which Europeans were vitally interested. Furthermore, the condition of many nations of the alli-

⁴⁵ Voir/See Document 240.

ance had changed. Germany, which could probably put mutual aid equipment to the best use, should surely pay for its own armament and supplies.

(b) Of the \$90 million in the proposed programme, approximately \$22 million would appear as a direct charge against next year's budget. Replacement of the equipment for transfer from service stocks would increase this figure.

(c) There was something to be said for using mutual aid to support Canadian industry. However, this would mean embarking on a production programme of items to be given away. Was the government prepared to increase taxes for this purpose?

(d) It could be pointed out that an offer of \$10 million worth of wheat for strategic stockpiles had been made and this was part of Canada's contribution to the alliance. So far, however, not much interest had been shown in the proposal. No provision had been made in the Main Estimates for 1959-60 for this item.

29. *The Cabinet* noted the report of the Minister of National Defence on the N.A.T.O. mutual aid programme for 1959-60 and agreed that, unless convincing arguments were made at the N.A.T.O. Ministerial Council meeting for increasing Canada's contribution over that which was contemplated, the programme be fixed at \$90 million, as proposed by the Minister, recognizing that this figure would fall in the future as stocks of service equipment available for transfer were depleted.

...

4^e PARTIE/PART 4

RÉUNION DES CHEFS DU GOUVERNEMENT,
PARIS, 16-19 DÉCEMBRE 1957
HEADS OF GOVERNMENT MEETING,
PARIS, DECEMBER 16-19, 1957

243.

DEA/50359-A-40

*L'ambassadeur aux États-Unis
au secrétaire d'État aux Affaires extérieures*

*Ambassador in United States
to Secretary of State for External Affairs*

TELEGRAM 2282

Washington, October 28, 1957

SECRET. PRIORITY.

Repeat London, NATO Paris (Information).

EISENHOWER-MACMILLAN DECLARATION

The representatives of NATO countries in Washington were asked to attend a meeting in the State Department this afternoon at which Mr. Burke Elbrick, Assistant Under Secretary of State, presided. He did not take the meeting through the whole of the "Declaration

of Common Purpose"⁴⁶ but went straight to the last two sentences of paragraph 5 of Part II.

2. He emphasized three points in this passage:

- (a) the need for a wider understanding of the nature and potentialities of "new weapons";
- (b) the rather cryptic reference to their availability in case of need meant that the USA would be ready to develop the concept of atomic stock piles in NATO countries;
- (c) the undertaking by the USA, and as relevant by the UK, that the "new weapons" would not be used "for purposes other than individual and collective self-defence, as authorized by the Charter of the UN."

These sentences contained propositions of policy on which the President and the UK Prime Minister had agreed and which they hoped would commend themselves to the other countries of the free world.

3. That was why the President and Mr. Macmillan, after discussion with M. Spaak, had felt that the December meeting of the Council of NATO would be the most appropriate place and occasion for examining and developing the implications of these policy positions on which the UK and the USA were already agreed.

4. I understood from Mr. Elbrick that the USA representative in the Permanent Council of NATO was today formally raising with his colleagues the desirability of making the December ministerial meeting one at which Heads of Governments would be expected to attend. It was assumed that members of NATO Council would wish to consult their governments on this point and it was hoped that replies will be received to permit the Council to take a definite decision in this sense on Wednesday.

5. The Netherlands representative (Van Roijen) said that his government cordially welcomed the Anglo-American "Declaration of Common Purpose" and wondered if the sentences in paragraph 5, Part II, of the declaration to which Elbrick had especially drawn our attention would, in fact, constitute the agenda for the special meeting of NATO that was in contemplation. He thought his government would also welcome a discussion at a high level of the possibilities of progress in weapons standardization. He thought too the December meeting should consider whether anything more could be done to improve diplomatic consultation between members of NATO. He thought his colleagues around the table appeared to agree that this summer's NATO discussion of disarmament policy had been the most effective exercise in consultation yet undertaken.

6. The Italian representative (M. Brosio) wondered whether in view of the importance of the questions to be discussed at the December meeting and of the fact that Heads of Governments were likely to attend, it might not be desirable to set up some special preparatory body quickly, to make sure that the policy implications of the questions on the agenda were fully studied in advance of the meeting so that the Heads of Governments would take the requisite decisions when they met in Paris.

7. Elbrick said that the USA was fully aware of the amount of homework which would have to be done between now and any useful meeting in Paris in December. He said the USA had assumed that the Permanent Council of NATO would be used to coordinate national preparations required for the special meeting but would see that Brosio's suggestion of an ad hoc preparatory body received consideration.

⁴⁶ Pour le texte de la Déclaration d'objectif commun, voir United States, Department of State, *Bulletin*, Volume XXXVII, No. 959, November 11, 1957, pp. 739 à 741.

For the text of the Declaration of Common Purpose, see United States, Department of State, *Bulletin*, Volume XXXVII, No. 959, November 11, 1957, pp. 739-741.

8. Brosio wondered whether the situation in the Mideast should be considered at the December meeting. In principle he thought it should, but he recognized that from a tactical point of view it might be undesirable to develop a public NATO position on Mideastern problems.

9. The German Ambassador took advantage of the meeting to convey to the USA government his government's grateful appreciation of the reaffirmation in the Anglo-American declaration of the NATO position on the reunification of Germany.

[N.A.] ROBERTSON

244.

DEA/50102-S-40

*Le secrétaire d'État aux Affaires extérieures
au représentant permanent auprès du Conseil de l'Atlantique Nord*

*Secretary of State for External Affairs
to Permanent Representative to North Atlantic Council*

TELEGRAM DL-959

Ottawa, November 5, 1957

CONFIDENTIAL. OPIMMEDIATE.

Reference: Your Tel 1841 of Oct 30.†

Repeat London, Washington (Information).

DECEMBER MINISTERIAL MEETING

1. A new situation has been created by the decision that the December meeting be attended by Heads of Government. Their presence will enhance the importance of the meeting and this should be reflected in the agenda. The present agenda may well be considered to be inadequate for this purpose. You will recall that there was even some hesitation about holding the meeting in December when it became apparent that MC70⁴⁷ could not be prepared in time for submission to it.

2. It is not yet certain to what extent the Heads of Government will wish to deal with the items on the present draft agenda. They may wish to have their ministers discuss most of the regular items. It would appear from Washington telegram 2282 of October 28 that the U.S. and the U.K. intend to develop three points contained in the "Declaration of Common Purpose," namely:

- (a) the need for wider understanding of the nature and potentialities of new weapons;
- (b) arrangements for stocking atomic weapons in NATO countries; and
- (c) an understanding that the new weapons would not be used for purposes other than individual and collective defence as authorized by the Charter of the U.N.

While these points are important in themselves, they barely call for a meeting at the Head of Government level.

3. If the forthcoming meeting is to be successful — and the state of the Alliance is such that it can ill afford a failure at this time — some hard thinking will have to be done during the next few days. We realize that Mr. Spaak's absence from Paris may be delaying the

⁴⁷ Voir la première partie du présent chapitre pour les documents relatifs au MC-70 et à la planification stratégique de défense.

See Part 1 of this chapter for documents relating to MC-70 and NATO strategic defence planning.

preparations but this should not prevent the delegations from exchanging views during his absence.

4. We therefore share the view of the Netherlands representative (your telegram 1812 of October 28^f) that there will have to be very careful preparation for this meeting. We are also aware that time is very short. We may at a later stage have more substantial comments to make but in order not to lose too much time, thought might be given immediately to the preparation of a declaration which could be issued by the Heads of Government at the meeting. Such a declaration might be issued in addition to the normal communiqué. We had in mind a declaration of inter-dependence which might give a much needed fillip to NATO and serve as a guide to future NATO and free world action. The principles of inter-dependence might be drawn up as a series of points on which agreement could be reached and serve the following purpose:

- (1) give new vigour to the Alliance in military and related fields;
- (2) reawaken interest in NATO countries to the concept of collective security and self-defence;
- (3) create a better understanding of NATO and its purpose in countries outside NATO and a feeling of co-partnership in the maintenance of freedom;
- (4) provide a new and better focussed military and political perspective for the recent Soviet successes in the field of missiles;
- (5) provide a stimulus for the "inexorable" evolutionary process through which the dictatorial Communist governments confronted with ever more insistent demands for freedom will be forced over a period of time to meet these demands (reference Section I Washington Declaration of Common Purpose);
- (6) provide a common statement on disarmament; (this will be particularly important as a result of the decision taken by the U.S.S.R. to withdraw from the Disarmament Subcommittee and the Disarmament Commission⁴⁸ of the General Assembly);
- (7) set the conditions under which the NATO countries conceived of a summit meeting between the major powers and the Soviet Union.

5. There are serious complications in drafting such agreed points; some might have to be discarded and others added. Point 7 for example is particularly difficult to handle at this stage. We must bear in mind, however, that this NATO Summit Meeting is a means to an end and not an end in itself.

6. The announcement of the intention to stockpile atomic weapons in NATO countries is bound to have serious and far-reaching repercussions throughout the whole of Europe and in uncommitted countries. Great care must therefore be taken to offset this announcement with a broad and forward-looking reaffirmation of the objectives of the Alliance in the context of current developments.

7. The preparation of a declaration of this nature should in our view begin at once. If necessary a drafting committee could be set up jointly to work with the Secretary General on this task. Prior to the Summit Meeting, the senior officials could meet in Paris early in December jointly with the permanent delegates to draw up a final draft declaration for submission to Heads of Government.

8. Please discuss these thoughts informally with your colleagues before your departure.

[JULES] LÉGER

⁴⁸ Voir/See Document 134.

245.

DEA/50219-AL-1-40

*Le secrétaire d'État aux Affaires extérieures
au représentant permanent auprès du Conseil de l'Atlantique Nord*

*Secretary of State for External Affairs
to Permanent Representative to North Atlantic Council*

TELEGRAM V-697

Ottawa, November 7, 1957

SECRET. PRIORITY.

Repeat Candel New York, London, Washington, Paris, Bonn, Brussels, Hague, Rome (Information).

By Bag Ankara, Athens, Copenhagen, Lisbon, Oslo from London.

STOCKPILING OF NUCLEAR WEAPONS IN NATO COUNTRIES

It is now likely that a pronouncement concerning arrangements for the stockpiling of nuclear weapons in NATO countries might be made at the Ministerial Meeting in December. However desirable this move may be from a military point of view we must accept the fact that it will be poorly received by most of the world outside NATO and by some sections of public opinion within NATO countries. It is also a step which will be represented by the Soviet Union and probably also by some neutralists as contrary to efforts to achieve either disarmament or a reduction in world tension.

2. It would therefore be advantageous if the December meeting were to place some emphasis on disarmament and on the peaceful solution of international problems. Evidently it will not be easy to evolve a convincing and meaningful declaration especially as one of the logical central subjects would be restrictions on the use of nuclear weapons. A repetition of the usual NATO protestations in combination with reiteration of the sense of point three of the August 29 proposals⁴⁹ in this respect would be insufficient.

3. We have begun exploring what might be done and for the present are merely presenting the problem. We would be grateful for comments from all addressees and suggest that the question be discussed informally with other delegations at NATO and New York and raised with foreign offices in London, Paris and Washington.

4. For Washington only: With reference to your telegram 2308 of November 1† we would be especially interested in knowing whether this aspect has been considered by Elbrick and Gerard Smith.

[JULES] LÉGER

⁴⁹ Pour le texte officiel des propositions occidentales de désarmement du 29 août 1957, voir *Débats sur le désarmement, 1957* (Ottawa, 1958), pp. 39 à 44.

For the official text of the August 29, 1957 Western disarmament proposals, see *Report on Disarmament Discussions, 1957* (Ottawa, 1958), pp. 33-38.

246.

DEA/50105-G-40

*Note du sous-secrétaire d'État adjoint aux Affaires extérieures
pour le sous-secrétaire d'État aux Affaires extérieures*

*Memorandum from Assistant Under-Secretary of State for External Affairs
to Under-Secretary of State for External Affairs*

PERSONAL AND CONFIDENTIAL

[Ottawa], November 8, 1957

NATO UNITY

One of the major aberrations of our time is the assumption that unity is an end in itself and that it is by nature an unquestionably good thing — unless, of course, it applies to Communists, Asians and Africans. No one could deny that there is a time and a place for unity, but we should be frank enough to recognize that there is also a time and a place for disunity. It seems to me that the forthcoming session of the NATO Council is the time and place for Canada to support unity for the right purposes but recognize, if not the virtue of disunity as such, at any rate the false importance which can be attached to unity. We Canadians have been preaching for a long time that the strength of the Commonwealth lies in this same paradox. Perhaps we should speak frankly about these things to our NATO colleagues before they allow the mystique of unity to enmesh us in proclamations and promises which, if taken seriously, would cripple our diplomacy and hasten us in the direction of a world split in two camps (and Armageddon shortly thereafter) or, if not taken seriously, (which is much more likely) would create frustration, misunderstanding and the debilitating consciousness of hypocrisy.

2. Certainly one of the purposes of the "Summit" meeting of NATO at this time should be to demonstrate a sense of unity among the members of NATO. Whether one believes that our diplomacy should be a tough continuation of cold war tactics or the seeking of settlements and peaceful co-existence, this is no time for us to look scattered and frightened. Neither kind of diplomacy can be pursued effectively or safely from weakness — or from apparent weakness. We must show that we are not intimidated by recent events, that we are not panicky, that we are more than ever anxious to pool our resources and improve our military strength. These gestures of unity will be much more effective, of course, if they are related to something substantive. We are not going to stagger the Kremlin with the rhetoric of "togetherness."

3. On matters of military defence there is no doubt that unity to a considerable extent is a good thing. It is on the political side that questions arise. It is tempting to say that the NATO countries should unite for strictly military purposes and leave it at that. This is, of course, not good enough to defend us and non-NATO countries against Soviet diplomacy. We cannot allow them to play one of us against the other. We must frustrate their knavish political tricks by coordinating our policies towards countries threatened by them. We must strive for political as well as military unity. The question is how much.

4. Because of the unquestionable virtue of unity in so many things, it is often assumed that the more we seek to promote joint policies on everything the better. Whatever lip service we have paid to such seductive principles, any tendency towards excessive unity has been resisted by Canada and other members on an ad hoc basis. This is healthy enough, but it has usually been accompanied with a guilty feeling that we were not fulfilling the mystic principle of unity. Should we not, however, recognize that unity on political and diplomatic matters is a good thing only to a limited extent and that to go beyond that extent is not even to be hankered after.

5. One reason we should not pursue the false god of unity too far is that it could lead us into uniting behind a wrong policy. We have talked too often as if the main cause of distress in the Middle East crisis last year was that the unity of NATO was broken, whereas the real cause for distress was that some of our members were pursuing a disastrous policy. (It doesn't matter for the purposes of this argument whether one considers that it was the French and British or the Americans who were wrong.) It was far better that NATO should be split than that we should all unite in error. If one of our members is pursuing a policy not conducive to our best interests, it is better for us to oppose it.

6. The argument against unity is particularly strong on "colonial matters." It would be one thing to unite in support of a wise French policy in Algeria, but it would be disastrous to stand behind the kind of policy which might be produced if an extremist Government came to power in Paris. If NATO is not to be discredited in the eyes of Asians, Africans, and Latin Americans, we must unite only in support of enlightened colonial policies. So long as there are wide variations in the policies of our colonial powers it is better that we exercise our independent judgment on such matters. There is no valid NATO reason why we should support Portugal over Goa which could not be translated into a valid Commonwealth reason for supporting India.

7. We have set our faces, in the words the Prime Minister used at the United Nations, against rigid blocs, although we favour group consultation.⁵⁰ There can be no objection to a good deal of consultation in NATO. The danger is that groups can turn into blocs without seeing where they are going. There may seem no reason at the time why the NATO members of FAO should not meet in Rome and consider what candidates they should support for the FAO Council, but it is in this way that we begin to establish conventions of bloc voting which are difficult to break when they are taken for granted. It may have seemed sensible to the Americans to ask the NATO Council members to intervene with the Director-General of UNESCO on a matter of UNESCO procedure, but this too would set a precedent of joint action which would lead us either into acting as a real power bloc or, what is more likely, leading the NATO Council into perpetual disunity over trivial matters. (It has always been a tacit principle of the Commonwealth that one preserves unity by not introducing too many causes of disunity.)

8. There are, furthermore, situations in which there are advantages in different members pursuing different policies. Take the question of arms for Tunisia. Because the French cannot supply arms for Tunisia, should the British and Americans follow suit and allow these arms to come from Czechoslovakia? Or consider the present position of Egypt. It is in the common interest to pull Egypt away from its too close association with the Communist powers. Britain and France, and also the United States, find it difficult for various reasons to assist this process. However, Turkey is making a determined effort to re-establish its relations and its influence in Cairo, and the Egyptians have not been unresponsive. The Norwegians and Canadians in the United Nations Assembly have been able to deal with the Egyptians during the recent crisis over Syria in a way that was impossible for some of our NATO allies but which undoubtedly served the purposes of the West. Egypt needs economic assistance to keep itself out of the Soviet orbit, and the Germans and Italians might be able to help. It would be far better for NATO to have Germans (Western variety) in Egypt than Russians. In situations like this our NATO diplomacy must be flexible; it is

⁵⁰ Voir Canada, ministère des Affaires extérieures, *Affaires Extérieures*, vol. 9, N° 10, octobre 1957, pp. 282 à 288.

See Canada, Department of External Affairs, *External Affairs*, Vol. 9, No. 10, October 1957, pp. 282-288.

one advantage we have over the Communist bloc. If, however, we had, in response to appeals for "unity" agreed on a joint boycott of Egypt or otherwise inhibited individual national diplomacy we should be quite powerless to exploit many situations in our own interest. Would it have served any sensible purpose, for instance, if we had all pledged ourselves to break relations with Yugoslavia when the Germans did? Is it not a good thing that some of us have relations with and listening posts in Peking? Do we really want to hamstring the United States, our strongest champion, to a world policy tied too closely to the narrower interests of Western Europe?

9. We must try to remember, even with all the emotions of December in Paris, that NATO is only one of several associations which are important to us. In the military field it is fundamental, but in the political field we have other essential interests as well. The problems of the world are not simply a matter of confronting the Communists with a United Western Europe and its overseas associates. Our concern to keep our links with our Commonwealth associates and to hold the affection of Asians and Africans in the United Nations is not just a sentimental frill. It is a thoroughly hard-boiled effort to prevent the Russians from turning our flanks and exposing NATO as a Maginot Line. Because NATO is of supreme military importance to us, we should not assume that it is of exclusive political importance. There is no point in arguing the relative importance to us of NATO, the Commonwealth, and the United Nations and to decide in principle which should take priority. Priorities will vary depending upon the situation. The fact is that each is an essential part of our effort by military and diplomatic means to keep the balance of power in the world on our side. We must maintain enough flexibility in our diplomacy to associate when necessary with non-NATO countries in the United Nations and elsewhere, to pursue policies with which other NATO countries do not agree, and even to support non-NATO countries in disputes with NATO countries. The NATO association implies an obligation to seek agreement with other members and to oppose them with special reluctance, but it does not involve any more than that.

10. It may well be argued that the theme of this memorandum is essentially a skirmish with a straw man because no one is really advocating NATO unity of the kind herein criticized. The trouble is that everybody keeps on talking as if we should. It is true that no member has ever yet supported this kind of unity in practice. No Great Power has seriously consulted its NATO partners through NATO machinery about any major issue or crisis, with the possible exception of disarmament (and that was largely because certain aspects applied specifically to certain NATO countries and their consent was necessary). Even small powers like Turkey refuse to talk in the Council when a crisis involves them. The Belgians forget to consult the Council when they put forward a U.N. resolution about disarmament, and the French, who wouldn't dream of consulting NATO about their policies in Israel or Algeria, read the Belgians a lecture on NATO unity. A cynic might well argue that NATO unity is merely a slogan produced in speeches, an argument produced by any member when he wants an automatic commitment from other members to support his policy, or the basis of a charge laid against a member who has done something someone else doesn't like.

11. The theme of this memorandum is not cynical, however, and it is in favour of rather than opposed to NATO consultation on political matters. It is opposed only to pretentious talk about NATO consultation and NATO unity and to demands for a "common foreign policy" for NATO members. The Council has been developing practical and sensible methods of exchanging views on such long-range questions clearly pertinent to NATO purposes as trends in Soviet policy, cultural exchanges with Communist countries, developments in Communist China. Consultations on disarmament are valuable, provided

they are about long-range aims and not about day-to-day tactics. This pooling and exchange of views, and in some cases the coordination of policies, is all to the good and should be encouraged. Would it not be wiser to encourage this sort of thing rather than to proclaim the virtues of unrestrained unity by consultation of a kind that cannot exist, then lacerate our souls because we have not attained some higher concept of unity or call upon more wise men to point out the way. We should set fairly well understood bounds to our ambitions for consultation. Specifically, ought we not to recognize that the Great Powers are never going to bring their crises to us as a body or, if they do so, it will be not to ask our views in advance but to exploit the mysticism of unity in order to demand our support for decisions already irrevocably taken.

12. By our brave talk of unity we not only nourish our own neuroses; we also feed the delusions of the uncommitted countries whose good will we desperately need. Most of these countries view NATO with suspicion. They don't object so much to us in our 1949 guise as an essential defensive Alliance against an obvious danger, but they do object to us when we assume the appearance of Custer's last stand of Paleface privilege. We need not be intimidated by their misconceptions and at times deliberate misrepresentations of NATO, but we ought not to encourage these unnecessarily. It is our loud talk about unity, not our actual behaviour, which frightens them into thinking that we are united to promote our own interests and oppose theirs. If one considers it impossible that people on this earth should so misunderstand our intentions, consider in reverse the bogey of ferocious and militant unity many Westerners have conjured out of the factious fraternity of Africans and Asians in the United Nations. We cannot afford to tailor our NATO to the whims of the Asians and Africans, but it would be folly to ignore their feelings and extremely foolish to frighten them with a unity that doesn't exist.

13. Finally, there is the danger that we will be so beguiled in the next month by brave talk about girding up our loins, pulling up our socks, and standing shoulder to shoulder that we will imagine that NATO unity, if it were only attainable, would be the hundred per cent answer to intercontinental missiles and sputniks and Syria and Germany and every other problem. Huddling together to keep warm is a normal defensive reflex after shock, but it doesn't last long or achieve much on its own. It isn't very impressive either to critical onlookers. If the Council is going to create the impression required by present circumstances, then it should give a low priority to unity declarations and give its earnest attention to the policies on which it might be best to be united.

J.W. H[OLMES]

247.

DEA/50102-S-40

*Le représentant permanent auprès du Conseil de l'Atlantique Nord
au secrétaire d'État aux Affaires extérieures*

*Permanent Representative to North Atlantic Council
to Secretary of State for External Affairs*

TELEGRAM 1967

Paris, November 13, 1957

SECRET. PRIORITY.

Reference: Your Tel V-697 Nov 7 and our Tel 1902 Nov 8.†
Repeat London, Washington, Paris (Information).

NATO — DECEMBER MINISTERIAL MEETING

At Mr. Wilgress' suggestion, we have completed our sounding of the majority of the delegations on the proposal outlined in your telegram DL-959 November 5. We have also had a word with these same delegations about the views contained in your ref telegram.

2. As we have already indicated, you may take it that your main proposal, at least in general terms, has been well received. As you have anticipated, there will no doubt be a number of views regarding what the declaration should contain. Reactions to the possible list we put forward informally for consideration have been of a preliminary nature and some differences of view, particularly with regard to point of your telegram DL-959, have emerged. However, we have so far encountered no outright opposition to any of your tentative ideas, and we have found general sympathy with your main aims of framing a declaration which would give a lift to NATO, serve as a guide to future NATO and free world action, and reflect a conviction that the NATO Summit Meeting is a means to an end and not an end in itself. In a separate telegram† we report on a recent indication of a possible shift in the USA attitude toward a declaration.

3. With one or two exceptions, the preliminary reactions we have received to the news in your V-697 have been generally sympathetic. Burgess, with whom we had a word yesterday, had already expressed the opinion, when we talked to him about your DL-959, that it is important for NATO to emphasize peaceful purposes. Yesterday, he drew attention, as Mr. Robertson has, to passages in President Eisenhower's recent address.⁵¹ He also expressed the opinion that it should be possible for NATO to give some emphasis to its peaceful aspects through its consideration in December of scientific and economic matters.

4. Since our mission in London had already raised this question with the UK authorities and are awaiting their comments, we had only a casual word here with Cheetham, the Deputy Head of the UK delegation. His reaction was somewhat cool. He pointed out that the Russians parade their modern weapons in the Red Square and he sees no reason for NATO to feel under an obligation to offer any explanations of steps to defend itself by such measures as stockpiling atomic weapons. We pointed out that, at the same time as the Russians build their defences and show their strength, they also make much peaceful propaganda which is fairly effective in many parts of the world. Cheetham did not seem particularly moved.

5. Like the other delegations we have approached, the German and Italian delegations are well disposed toward your proposal for a joint declaration of interdependence. Blankenhorn, whom we saw yesterday following his return from Bonn where he had reported to Adenauer following Spaak's return, agreed wholeheartedly with the idea of a joint declaration. He thought it most important to give emphasis to NATO's peaceful purposes, for example in the field of disarmament, and stressed that the meeting should have the right impact in uncommitted countries. He asked if we had drawn something up. We said we had prepared a very tentative list of possible purposes to be covered and, at his request, are sending it to him. In another telegram we report briefly on Blankenhorn's main preoccupation — the substance of the meeting.

6. De Gasparini, the Italian Counselor, whom we saw yesterday, had few comments but was well disposed to our suggestions and undertook to get his government's reactions. He was very much aware of the political problem of presentation of the December decisions, especially as Italian public opinion might be affected.

⁵¹ Voir/See United States, *Public Papers of the Presidents of the United States: Dwight D. Eisenhower 1957*, Washington: Government Printing Office, 1958, pp. 789-799.

7. De Staercke, the Belgian representative, was fully in sympathy with the purpose expressed in your V-697 and attempted to formulate a number of points which the Prime Ministers could make to emphasize the defensive and peaceful intent of NATO. His formulations were conventional but this perhaps simply illustrates the difficulty of lifting such pronouncements out of the well worn rut.

8. You may take it that the Norwegian and Danish delegations share the views in your ref telegram. The reactions of the Netherlands delegation are also generally favourable as anticipated by our Embassy in the Hague (their telegram 437 November 12†).

9. Although governments' views have not, in most cases, been developed, it is our impression that the main resistance to your ideas for giving the December Council's decisions a peaceful Christmas wrapping will come from the French. We recently asked Millet (Head of the Asian department of the Quai and therefore presumably the protagonist of Asian sensibilities) what he thought of the suggestions outlined in V-697. He at first replied noncommittally but when pressed said he thought a NATO declaration should not go out of its way either to impress or to avoid offending opinion in the so-called uncommitted countries. He thought a disarmament reference should be included in the declaration or communiqué but strongly doubted that anything we could do to "dress up" NATO's decisions would have the least effect on, for example, Indian opinion.

248.

DEA/50102-S-40

*Le représentant permanent auprès du Conseil de l'Atlantique Nord
au secrétaire d'État aux Affaires extérieures*

*Permanent Representative to North Atlantic Council
to Secretary of State for External Affairs*

TELEGRAM 2004

Paris, November 18, 1957

CONFIDENTIAL. OPIMMEDIATE.

Reference: Our Tel 2000 Nov 18.†

DECEMBER MINISTERIAL MEETING — DECLARATION OF COMMON PURPOSE

You will note from paragraphs 11-13 of our reference telegram that Council is to discuss the form and content of the proposed Declaration of Common Purpose at a meeting to be held on Tuesday morning November 26. I assume that you will wish me to outline the seven points set forth in paragraph 4 of your telegram DL-959 November 5. Of these we probably attach the most importance from the purely drafting point of view to points 6 and 7, dealing with disarmament and a Summit Meeting respectively. It would be of help if we could give the Council an exact text of the draft paragraphs dealing with these two subjects. In this way we can best convey what we would like the declaration to contain with respect to disarmament and a Summit Meeting.

2. The prevailing view expressed in the Council on November 16 was that the declaration should be short. Accordingly it would not be feasible to deal at length with either the subject of disarmament or that of a Summit Meeting but I believe we can make our points in a few sentences.

3. If you think well of the proposal that we should give the exact text of what we consider the declaration should contain respecting disarmament and a Summit Meeting I would be glad if this could be furnished to us by Monday, November 24.

[L.D.] WILGRESS

249.

DEA/50102-S-40

*Le secrétaire d'État aux Affaires extérieures
au représentant permanent auprès du Conseil de l'Atlantique Nord*

*Secretary of State for External Affairs
to Permanent Representative to United Nations*

TELEGRAM DL-1038

Ottawa, November 22, 1957

SECRET. OPIMMEDIATE.

Reference: Your Tel 2004 of Nov 18.

Repeat Washington, London, Paris, Brussels, The Hague, Oslo, Copenhagen, Bonn, Rome, Athens, Ankara (Information).

MINISTERIAL MEETING — DECLARATION

We are glad that Spaak has taken up with so much enthusiasm our proposal that a declaration should be drawn up in addition to the communiqué for the Heads of Government. We agree with his view that the communiqué should explain the decisions taken at the meeting. As we see it, the communiqué should in the light of the decisions taken (i.e. stockpiling, etc.) place emphasis on the growing strength, interdependence and unity of the Alliance. This underlying thought could be used in general terms in the declaration and would provide a link between these two documents. In the declaration, however, the strength, unity, and interdependence of the Alliance should be placed in a wider context.

2. We have given a great deal of thought to the wider context in which main military decisions might be placed in a declaration. We have come to the conclusion that it will be very difficult to break any new ground. In drafting the declaration, we feel that the main point of departure should be the Washington Declaration of Common Purpose especially section I and paragraphs 1, 4, 5, 7, 8 and 9 of section II. By this we do not mean that all of the ideas contained in these sections need necessarily be included in a NATO declaration but they should be subjected to close scrutiny by the drafters and included if they meet the agreed purpose of the declaration.

3. In our view the declaration should present the military decisions of the meeting not as an end in themselves but as an obvious and vigorous defensive response to the Soviet threat, which, far from decreasing, has been reinforced by their development of long range missiles. The main objective is the search for peace. It should emphasize explicitly the main thoughts in the preamble of the treaty i.e. the desire to live in peace with all peoples and all governments coupled with the united determination to safeguard freedom.

4. It should contain a rededication to the principles of the United Nations and a declaration that the great strength of the Alliance will only be used for individual and collective self defence as authorized by the Charter of the United Nations. This part of the declaration should focus attention of the overall objective we wish to obtain, namely, the return to collective security arrangements under the United Nations. We have given careful thought to the suggestions contained in Washington telegram 2456† and other suggestions devel-

oped within the department along the same lines but have concluded that in the declaration it would not be possible to go further than to state the general principle enunciated above.

5. It should place the responsibility for the disruption of the disarmament negotiations squarely on the Soviet government and reemphasize the desire of all NATO governments and peoples to secure an agreement on disarmament which would put an end to the nuclear armaments race.

6. It should affirm the desire to decrease tensions between East and West. It might refer to the "peaceful coexistence" doctrine of the Communist countries and emphasize that the intent expressed by these words, which reflects the strong desire of all peoples and all governments, cannot be a reality until the Soviet government gives convincing evidence that it has abandoned its policies of domination and imperialistic expansion. Coexistence cannot be accepted as a cover for subversion in the free countries of the world.

7. It might include a paragraph along the lines of the Declaration of Common Purpose (section I paragraph 3) i.e. the suppression of liberty in the Communist countries will not last forever. Already in these countries there is evidence of the growing desire for intellectual and economic freedom. The Communist leaders will be forced to allow freedom to grow by an evolutionary process, or in time they will be faced with violent revolution. If the free nations are steadfast, the totalitarian menace that now confronts them will eventually recede.

8. It might include a reference to the satisfaction with which Heads of Government have viewed the arrival at independent international status of previously dependent territories. They, and other nations of the free world, are co-partners with the nations of the North Atlantic Alliance in the preservation of freedom as well as in the steady development of their economies.

9. It should include a reference to the necessity of continuing the search for opportunities to resolve differences between the Communist countries and free world, through the United Nations and at an appropriate time by meetings of world leaders.

10. We have not attempted to comment on the draft declaration prepared for Spaak contained in your telegram 2059.† We agree that a draft declaration might better be drafted and circulated after instead of before Council discusses the contents.

250.

DEA/50102-S-40

*Le représentant permanent auprès du Conseil de l'Atlantique Nord
au secrétaire d'État aux Affaires extérieures*

*Permanent Representative to North Atlantic Council
to Secretary of State for External Affairs*

TELEGRAM 2207

Paris, December 6, 1957

SECRET. PRIORITY.

Reference: Our Tel 2198 Dec 5.†

DECEMBER MINISTERIAL MEETING — DRAFT DECLARATION

Following is text of draft declaration drawn up as a result of Council discussions and referred to in my reference telegram. Text Begins:

"We, the representatives of 450 million free people, rededicate ourselves and our nations to principles and purposes of North Atlantic Treaty. This treaty, which has been in

effect for nearly nine years, was founded to protect right of our peoples to live in peace and freedom under governments of their own choice. It has succeeded in protecting this precious right. Building on our experience and confident in success already obtained, we have agreed together upon means to give added strength to our Alliance.

2. At end of Second World War, arms of West were almost completely disbanded. USSR did not demobilize. Its policy of expansion impelled us to establish our treaty and to take steps to re-arm ourselves.

3. We are today an organization of fifteen free countries. We have learned to live and work together in the firm conviction that our close cooperation and our combined strength is essential to our security and to the peace of the world.

4. The meaning of our Alliance is clear. We have given a solemn guarantee, each to the other, to regard an attack upon one as an attack upon all. Staunchly faithful to Charter of UN we reaffirm that our Alliance will never be used for aggressive purposes. We are always ready to settle international problems by negotiation, taking into account the legitimate interests of all.

5. We continue firmly to stand for comprehensive and controlled disarmament which we believe can be reached by stages. In spite of disappointments we remain ready to discuss any reasonable proposal to reach this goal and to give a solid foundation for peace. Only thereby can we succeed in exorcising these natural fears which arise from the armaments race.

6. In our generation the free world is faced with an ever-increasing challenge, the challenge of Communist dogma backed by Soviet power. Only last month in Moscow the Communist rulers reaffirmed once again their determination to achieve world domination, if possible by subversion, if necessary by violence. In the principles of the North Atlantic Treaty there is no place for the concept of world domination. Firmly believing in peaceful change through democratic means, cherishing the character of our peoples and vigilant to safeguard their freedom, we will never yield to such a threat.

7. Established to defend the peace, our Alliance will also enable us to reach our objectives of economic prosperity and social progress. For this purpose we have agreed to cooperate closely to enable us to carry the necessary burden of defence without sacrificing individual liberties or the welfare of our peoples. We shall reach this goal only by recognizing our interdependence and by combining our efforts and skills in order to make better use of our resources. Such efforts will be applied particularly for peaceful use of atomic energy and for development and better organization of scientific cooperation.

8. We welcome the fact that so many peoples have gained their independence since end of Second World War. To these and to all other peoples who are dedicated to peace, as we are, we offer our cooperation on a basis of complete equality and in a spirit of fraternity.

9. Firmly convinced of value of our principles and of our way of life, with its intellectual and material wealth we have, without provocation but equally without fear, arrived at decisions which promote unity, strength and security, not only for our own nations, but also, we believe, for the whole world." Text Ends.

[L.D.] WILGROSS

251.

DEA/50102-S-40

*Note du sous-secrétaire d'État aux Affaires extérieures
pour le premier ministre*

*Memorandum from Under-Secretary of State for External Affairs
to Prime Minister*

SECRET

[Ottawa], December 7, 1957

NATO MINISTERIAL MEETING DECEMBER 16-18

The provisional agenda for the December Meeting contains five items:

- I Opening Ceremony (with press present)
- II The Principal Problems Facing the Alliance
- III Interdependence and the Better Utilization of NATO Resources
- IV Declaration by Heads of Government
- V Communiqué

Opening Ceremony

At the opening ceremony, which will take place at 12 o'clock Monday, December 16, Mr. Beck, the Honorary Chairman of the Council will make a speech of welcome to which Mr. Gaillard, representing the host country, will reply. It will be a short ceremony of approximately thirty minutes.

Principal Problems Facing the Alliance

The Secretary-General's Report on the Principal Problems Facing the Alliance will be the point of departure for discussion under this item, but Ministers will be free to raise any subjects they wish to discuss under this general umbrella. The report is divided into three sections:

- Political Cooperation
- Defence Problems
- Economic Cooperation

The section on Political Cooperation essentially comprises an exhortation to Member Governments to fulfill the recommendations of the Committee of Three Report.⁵² He ignores, however, the reservations which Mr. Dulles and others put on the acceptance of this report and accordingly his exhortation implies the desirability of a more rigid form of consultation than some member countries could agree to.

The section on Defence Problems draws attention to the "gap" between military requirements and availabilities. This gap has been papered over by the Annual Review Process which requires that the Military Commanders' recommendations be subject to modification in the light of politico-economic factors before firm force goals are set by Council. The Secretary-General proposes that this situation should be considered at a special Ministerial Conference in March. Such a conference would be prepared on the basis of MC-70, the Minimum Forces Study and would consider an overall Military Doctrine, the further integration of armed forces and the equitable sharing of the defence burden. Obligations of Member Governments, he thinks, should be specified and governments should bind

⁵² Voir le volume 22, les documents 520 à 543 et 571 à 584./See Volume 22, Documents 520-543, 571-584.

themselves more strictly than at present. This would only be a preliminary conference and decisions would be taken at the next regular Ministerial Meeting.

The Panel, when it considered this section of the Report, was concerned at the Secretary-General's resurrection of the concept of the gap and the implication that he has in mind some modification of the Annual Review procedure. We feel strongly that the Council should only fix firm force goals in the light of economic and political considerations. There was also a feeling in the Panel that the Ministerial Conference which the Secretary General proposed should be attended by other Ministers as well as Defence Ministers in view of its importance and the wide range of subjects with which it will have to deal.

In the section on Economic Cooperation, the Report deals primarily with the problem of meeting the Soviet politico-economic penetration of countries outside the Alliance. He suggests that NATO should define a doctrine to counter the Soviet moves and implies that orthodox commercial and financial practice should be discarded in the light of political necessities. He proposes the establishment of an Agency either within or outside the NATO framework capable of applying the agreed doctrine in cases of emergency.

The Panel, when it discussed this question, felt that these proposals indicated a misconception of the role of NATO in combating Soviet penetration. NATO-directed aid would be politically unacceptable in many parts of the world and would probably be inefficiently administered. It was felt that this was essentially the responsibility of the larger Powers. NATO's role should be limited to consultation on problems and action left to the larger Powers.

Apart from the Secretary-General's Report, the United States Delegation intends to make special reference under this item to the need for developing political consultation within the Alliance without suggesting any new procedures or "rigid bounds" for such consultation. They will also raise the question of disarmament and indicate that NATO should give high priority to seeking a safeguarded disarmament agreement.

The additional points which the U.S. will raise presumably under this item relate to The Peaceful Uses of Atomic Energy and the question of Economic Cooperation within NATO. The purpose of raising these two subjects is apparently to seek a reaffirmation in NATO of the broad principles of cooperation on Atomic Energy for peaceful uses and on economic matters. Such a reaffirmation would be intended to offset and balance the announcements which are expected to be made concerning the stockpiling of nuclear warheads and the deployment of IRBMs in Europe.

The Canadian Delegation should find it possible to agree to references in the communiqué incorporating the views of the United States, which largely reflect our own. A statement which the Prime Minister might wish to make under this item is under preparation.

Interdependence and Better Utilization of NATO Resources

A number of proposals have been put forward for discussion under this item. The principal ones are those of the United States Government which include:

1. The Establishment of Stockpiles of Nuclear Warheads in Europe.
2. The Provision of Intermediate Range Ballistic Missiles to European Countries.
3. Cooperation in Scientific Research, Education and Manpower
4. Coordinated Production of Advanced Weapons
5. Balanced Collective Forces.

The United Kingdom have also submitted two Proposals which relate to two of the United States Proposals. They are entitled:

1. Cooperation on Defence Research, Developments and Production of Military Equipment
2. Balanced Collective Forces.

The Netherlands Government has also submitted a far reaching set of Proposals involving increased cooperation in the military, financial and production fields. They envisage the need for additional common financing where this would eliminate duplication and waste. More specifically, they propose:

1. The Unification in Peace Time of the European Air defence Command
2. Greater Coordination and Unification of the European Logistics System
3. The Creation of a NATO Authority Capable of Expressing an Authoritative Military Opinion on the Qualitative Characteristics of Certain Types of Military Equipment
4. The Coordination of Research and Development.

The French Government has proposed the establishment of an Atlantic Community Foundation for Scientific Research.

Briefs on these various proposals have where possible been prepared. However, with the exception of the question of Scientific and Technical Cooperation, the proposals appear to be of much more direct concern to the United States and the European Countries than to Canada. The stockpiling of nuclear warheads and the provision of ICBMs to Europe are obviously questions of primary concern to Europe. The Panel considered that Canada should support these Proposals as they involve the strengthening of the shield and deterrent forces. The question of their acceptance, the form of control under which they would be placed, the public reaction in NATO countries, in the Satellites and in the uncommitted countries, all provide difficult problems, but they are problems on

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[La page 5 manque à l'original./Page 5 is missing from the original.]

...
The implications for Canada of these proposals are not yet clear. The immediate emphasis is on coordinating European Research and Production but there could be implications for us in terms of our ABC relationships with the United States and the United Kingdom. The Departments mainly concerned with these problems have not yet studied these questions in any detail. Their initial studies have not evolved any very coherent Canadian position. We could be expected to support the Proposals in general to the extent that the new initiatives are intended to make European production more effective. Agreement could only be reached at the December Meeting on the broad principles involved.

The discussion on Balanced Forces is, according to the United States and United Kingdom proposals, designed to reaffirm and give new impetus to the implementation of this fundamental NATO principle. The principle implies that each member country, in deciding the size and composition of its defence forces, should take into account not only its own national requirements but the need to provide, by the most economical means, total balanced forces to serve the requirements of NATO as a whole. If this principle can be reaffirmed, it is envisaged that some of the smaller navies and air forces (i.e. those of Belgium and the Netherlands) might be combined and that, in general, there would be a greater concentration of military roles than has heretofore been the case.

The Canadian defence effort since the inception of NATO has been formulated in accordance with the principle of balanced forces. We should, therefore, be able to give our full support for the principle and its application.

What emerges from the consideration of the main proposals of substance before the meeting — with the exception of those relating to Scientific and Technical Cooperation —

is the conclusion that the important decisions to be taken at the December Meeting are of less immediate and direct concern to Canada than to the European Countries and the United States. Our own defence effort is closely integrated with that of the United States on this continent, but this will not be discussed at the December Meeting where the emphasis will be on European Interdependence.

While we could be expected to express our general approval of most of the proposed initiatives, the countries which will have to take action on them are principally the European countries and the United States. We should not, therefore, enter too deeply into the discussion on this item of the Agenda.

Declaration by Heads of Government and Communiqué

Early in November, when it became apparent that Proposals concerning stockpiling of nuclear warheads and the provision of IRBMs to Europe would be before the December Meeting, we discussed with other Member Governments a proposal envisaging the preparation of a Declaration which could be issued by Heads of Government in addition to the normal Communiqué. Our idea was that the Communiqué should outline the decisions taken at the Meeting, while the Declaration could state the main principles of the Alliance and give some guidance on the line to be followed on major political issues such as disarmament and the easing of world tensions. The underlying thought was that some broad statement of principles would not only mark the importance of the Heads of Government Meeting, but would serve to offset the adverse political effects of the main military decisions to stockpile nuclear warheads and to station IRBMs in Europe.

Our proposal met with a very favorable response and we later submitted points on which such a Declaration could be based. These, together with suggestions made by other Governments, have been incorporated into a draft Declaration which will be submitted to the December Meeting. It is not yet agreed that the Declaration should be issued separately from the Communiqué. The United Kingdom and United States Delegations favor issuing it as a preamble to the Communiqué, but this question may be left for Ministers to decide.

A drafting group will probably be set up at the Ministerial Meeting to prepare the Declaration and Communiqué in final form.

J[ULES] L[ÉGER]

252.

DEA/50102-S-40

*Le représentant permanent auprès du Conseil de l'Atlantique Nord
au secrétaire d'État aux Affaires extérieures*

*Permanent Representative to North Atlantic Council
to Secretary of State for External Affairs*

TELEGRAM 2233

Paris, December 9, 1957

SECRET. PRIORITY.

Reference: Our Tel 2218 Dec 6.†

DECEMBER MINISTERIAL MEETING — PAPERS SUBMITTED BY DELEGATIONS

The Council had a lengthy discussion today on the USA paper concerning a "NATO Atomic Stockpile." In his introductory remarks, Burgess stated that this was an extremely important proposal formulated in the spirit of greater interdependence to strengthen the Alliance and, in this respect, it responded to Pineau's suggestion at Bonn. It meant that

USA NATO Allies would have the same weapons as the USA forces and all would be equals in this field. Secondly, the proposal met NATO military requirements as stated by SACEUR. Thirdly, agreement in principle to such a stockpile did not prejudice storage locations and did not compel any particular nation to have a stockpile on its own soil. Finally, the offer was made in the spirit of individual and collective obligation to the Treaty. The Standing Group representative referring to the political directive and to MC48/2 stated that, in the opinion of the Standing Group, the USA proposal was in principle a satisfactory method of providing the required nuclear capability to NATO shield and strike forces.

2. Both the Belgian and French representatives, while appreciating the USA offer, expressed the view that the conditions (USA custody in peace and authorization of the President for use in war) might cause difficulties of a political and psychological nature regarding acceptance. Burgess was careful not to reply directly to these points, believing that detailed attempts to establish a blueprint would really only benefit the enemy. Although there might be theoretical political difficulties, in practice there would probably be none as the delivery systems would be in the hands of European troops.

3. Spaak thought that it would be foolish to attempt to press the USA further and that the principle of USA custody in peace and use only on presidential approval in war would have to remain unchanged. For the Europeans, there were certain questions which needed early answers

(a) were all countries ready to accept the equipment;

(b) if some were and others were not, a military problem would be created;

(c) would they accept all types or would they make distinctions;

(d) if some countries would not permit their own forces to have weapons equipped with nuclear warheads, would they allow other forces so equipped on their own territory? He then asked for views round the table.

4. Although a number of delegations were without instructions, some initial reactions were obtained, in addition to those already given by Belgium and France concerning the difficulties of the conditions. The UK delegation indicated that they were prepared to accept the American proposal and that the conditions created no major problems. The Dutch, Germans, Greeks and Italians, although without firm instructions, indicated that the conditions would probably be acceptable. Both the Danes and the Norwegians stated clearly that they could not accept atomic stockpiles on their territories and did not want other forces so equipped located there. We used the instructions which you had given us, stating that, although no Cabinet decision had been taken, Canada would probably support the proposal and agree to arming Canadian Forces in Europe. We considered it best that the warheads should remain in USA custody in peace and, taking up a point previously made by the Norwegians, we believed that it would be unrealistic to envisage hostilities in which the USA did not take part. Therefore, there was no practical difficulty. From this discussion it emerged that there was no basic objection in principle to the proposal which, if adopted, would present the Russians with a united front and thus enhance the deterrent. This was of the greatest importance, all the Council would be doing would be to open the door to the principle, but its application would be more difficult and at this stage countries would have to establish their own individual positions. The representatives of Denmark and of Norway agreed that their present positions did not run counter to the principle.

5. At the outset of the meeting, it had been stressed by the USA that any decision contained in the communiqué would be of the greatest importance and it was advisable to prepare something on this point with a minimum of delay. The communiqué should indi-

cate the agreement in principle without enumerating the potential difficulties in application. It was accordingly decided that a drafting group consisting of representatives from Belgium, France, Germany, the UK and the USA should attempt without delay to frame that section of the communiqué which will deal with this matter. The drafting group is meeting this afternoon and will report back to the Council as soon as possible.

[L.D.] WILGRESS

253.

DEA/50102-S-40

*Le représentant permanent auprès du Conseil de l'Atlantique Nord
au secrétaire d'État aux Affaires extérieures*

*Permanent Representative to North Atlantic Council
to Secretary of State for External Affairs*

TELEGRAM 2263

Paris, December 11, 1957

SECRET. PRIORITY.

Reference: Our Tel 2234 Dec 9.†

DECEMBER MINISTERIAL MEETING — BRIEFING BY SACEUR ON IRBMS

General Norstad gave his briefing to the Council today. In his opening remarks he gave a definition of the IRBM, described its functions and made his own interpretation of the USA proposal.

2. SACEUR stated that the existing IRBM had a range of approximately 1500 miles, but it could be employed against targets at lesser ranges. In its present configuration it was rather a large weapon, requiring extensive logistic support, particularly in the form of fuel, although the basic infrastructure needed was not alarming. While the missile had a certain amount of mobility, it could not be moved rapidly or with ease and it was best to employ it at a hard or protected site.

3. With regard to the missile's role, it represented, from the military standpoint, an improved method of dealing with targets, the destruction of which was essential for SACEUR's mission. General Norstad believed that it should be used in the first instance against such targets, but it had, in addition, a strategic capability and therefore added to the over-all effectiveness of the deterrent of the Alliance. Its adoption was a natural and essential development, absolutely necessary for NATO.

4. General Norstad, in his interpretation of the USA proposal, understood that the USA would make equipment of this type available to NATO as a whole. NATO would accept the missiles and they would thereafter be turned over to the forces of NATO nations requiring them. He believed that acceptance by NATO in principle was an essential first step rather than the conclusion of bilateral agreements. Forces having the weapons should be under the control of the NATO military authorities in peace and war. Only acceptance by NATO as a whole would permit suitable organizational and control systems to be worked out. As a second point, it was his understanding that there was no proposal to equip USA forces in Europe with IRBMs and the latter were therefore not included in the present USA offer which was directed towards its European partners. Thirdly, it was not necessary for every European country to have IRBMs or for any particular country to do so. It would not be militarily advisable for all European countries to hold them, nor was it essential that they should be stationed in any particular place.

5. The Norwegian representative opened the question period by enquiring what the time factor was regarding the provision of these missiles. SACEUR estimated that the first equipment could be made available within one year and that they could arrive rapidly after that time. Equipments were probably not the limiting factor, but rather logistic preparation and training, the latter also taking about twelve months. The USA planned to open a training school in the USA for their own forces on March 1. General Norstad hoped that it would be possible to train key personnel from other nations at the outset. Training fell into three categories relating to airframes, propellants and guidance systems.

6. The Belgian representative asked whether IRBM sites were not in fact very vulnerable. SACEUR replied that they were vulnerable, like any equipment lacking a high degree of mobility, but this vulnerability could be reduced by hardening sites and by using natural protective features. In any event, the introduction of IRBMs would increase the over-all dispersal of the retaliatory force and the second generation of these missiles would have far greater mobility.

7. The Netherlands representative asked if the missiles were sufficiently accurate to fulfill a designated military task. SACEUR claimed that the accuracy was very high, being twice as great as expectations at the time of design. They could be used against specific targets rather than area ones. In reply to a further question from the Dutch concerning the strategic value of the missiles, SACEUR said that an IRBM located in the vicinity of Paris could easily attack a target in Moscow and beyond. The Dutch were also concerned with the question of costs. SACEUR used the comparison of a squadron of aircraft needed to perform the same tasks. While the initial costs of a squadron of missiles (fifteen missiles) and of their ground environment might be anywhere between 35-50 million dollars, over a period of years the total comparative costs, including maintenance, would not be very far different, although he admitted that his estimate did not include hardening of sites. At least he wanted to get the principle established that it would be desirable to trade one squadron of aircraft for one of missiles. This would greatly enhance existing NATO delivery capabilities in reply to a first Soviet attack. Commenting on an intervention by the Greek representative as to how this fitted into the proposal made by the USA regarding atomic stockpiles in Europe, SACEUR expressed the belief that this would be a special application of the principle. For the control of nuclear warheads, it would presumably be necessary to have small USA technical teams attached to the forces of NATO countries which were equipped with IRBMs. He did not foresee any difficulty in such a procedure.

8. The French representative pointed out that SACEUR's suggestion for having IRBM forces under NATO operational control in peace constituted a far-reaching departure. General Norstad was most emphatic in pointing out that this was absolutely essential for certain critical categories of weapons, including IRBMs, which would have to be used at the outset of war. It would be quite impossible at that time to go through a period of transition from national to allied control. He planned to make some very definite suggestions in this regard during the course of the coming year.

9. The Portuguese representative wanted further particulars regarding the use in the field of IRBMs and to know what was the tactical unit for their employment. SACEUR reiterated that a squadron or a battalion consisted of 15 missiles, one per launching site, dispersed over a wide area. This was the biggest unit thought to be feasible under any one command and the dispersal area was designed to achieve the greatest possible security. Its actual size would depend on practical considerations of terrain.

10. In his concluding remarks, General Norstad expressed the hope that NATO would give agreement in principle to the proposal in December and that certain countries might

even state that they were prepared to accept missiles. He was ready to give his own views on those countries which could most appropriately make a start. Unless these decisions were taken, it would be impossible to go ahead rapidly with the training programme which he had in mind.

[L.D.] WILGROSS

254.

DEA/50102-S-40

*Le représentant permanent auprès du Conseil de l'Atlantique Nord
au secrétaire d'État aux Affaires extérieures*

*Permanent Representative to North Atlantic Council
to Secretary of State for External Affairs*

TELEGRAM 2503

Paris, December 17, 1957

SECRET. OPIMMEDIATE.

Reference: My Tel 2502 Dec 16.†

Repeat Washington, London (OpImmediate), Permis New York, Paris, Bonn, Brussels, Rome, Hague (Information).

PRIME MINISTER'S STATEMENT TO MEETING OF NATO HEADS OF GOVERNMENTS,
DECEMBER 16

Following is definitive text of Prime Minister's statement, Begins:

Mr. Chairman, the primary purpose of our meeting here is to reinforce our Alliance, to assure its continuing unity and to reinvigorate its basic objectives. We are here to assure that the NATO defence structure first erected to meet the needs of 1949 is now adapted to meet the needs of 1957 and the years ahead. We must see now we can organize our collective resources to render impregnable the defensive capacity of the Atlantic community in the nuclear era. And all of us have hoped that there would have been a considerable degree of agreement reached with the Soviet Union on measures of disarmament. Indeed I ventured in September at the UN to express the hope that this present session of the Assembly would be the disarmament session. Those hopes have been frustrated. As a consequence of the failure of the disarmament proposals, we meet here today to strengthen our military position and to ensure that until the day that the negotiation of disarmament is possible, we shall have the strength necessary to preserve our security and maintain a strong position from which to negotiate at any and at all times.

We feel particularly frustrated by the lack of co-operation on behalf of the USSR in the field of disarmament because of the importance the Canadians as a whole attach, under adequate safeguards, to a cessation of nuclear tests. We recognize that public feeling is very strong on this issue and we would continue to give it high priority if and when negotiations can be resumed.

The recent Soviet advances in the field of military technology have given added urgency to reconsideration of our collective security arrangements. Proposals have been under consideration and have been mentioned here today for the strengthening of the military side of our Alliance. One already referred to is the proposal to form a NATO stockpile of atomic warheads. This follows logically from the decision taken in 1954 to organize our forces in Europe on the understanding that they would be able to use such weapons to repel

attacks.⁵³ The proposals to establish ballistic missile units in Europe go beyond those earlier decisions and involve questions which no doubt the NATO countries concerned will wish to consider very carefully, for it must be reconsidered that the stationing of these new weapons in Europe will bring many serious implications of a political and financial nature as well as of a military nature. We consider that these proposals, along with the other proposals of the Supreme Allied Commanders, included in their minimum force studies, should be carefully studied early next year. We support the suggestion of holding a ministerial meeting to deal with these problems as soon as the preparatory work on them has been completed.

The Canadian government is of the opinion that the best way for the Alliance to build up the collective military strength required by its defensive strategy is for each member country to make the type of contribution which is best suited to its resources and capabilities. This fundamental principle of balance in our collective forces which has long been accepted by NATO as a doctrine has guided the Canadian defence effort in fact. Viewing the Alliance as a whole, there is still a pressing need for even greater integration of our individual efforts, which demands a closer examination of this problem of securing balanced collective forces.

I mention as a striking example of effective integration, the arrangements recently made by the USA and Canada for an integrated air defence system in North America, which we designate as NORAD. As a result of this integration, we hope to achieve a more efficient and more economical defence for the retaliatory forces based in North America. I would emphasise that this integrated force is an integral part of our NATO military structure in the Canada/USA region and will report to the Standing Group and the NATO Council in a manner similar to that followed by the other NATO military commands.

NORAD is a formal expression of the close working arrangement we have been able to develop with the USA in providing for the protection of the (group corrupt) power, on which we all rely for our security. I want to say this in the presence of the President of the USA — we in Canada have found in this as in other fields that we have been able to work out with our powerful neighbour effective methods of co-operation, methods that respect the interests and the national integrity of both partners while achieving the substance of our common objectives. This is our testimony, Canada's testimony, and who is better qualified to give such testimony than the nearest neighbour of the USA.

We are now more than ever acutely aware of the need to pool our technical knowledge that was referred to at length today by Mr. Dulles. That is most important both from the point of view of security and for the economic welfare of the NATO community as a whole, to increase support for scientific research. We believe that the most promising avenue for NATO scientific co-operation lies in the field of applied research and technology where the objectives of programmes can be reasonably set out in advance. We believe that NATO, and through the Committee to which reference has been made if it is fitter, should be able to play an important role in promoting the co-ordination of national programmes in this regard. There is also an obvious need for active collaboration in the development of new arms and equipment extending to the sharing of work among us on major weapon systems. We find ourselves in this position, that Canadian scientists and engineers who have been engaged in the development of aircraft and other defence equipment are at present seriously under-employed owing to the stage reached in our own programmes. This

⁵³ Voir volume 20, la 5^e partie, chapitre III./See Volume 20, Chapter III, Part 5.

we believe provides an opportunity for fruitful work if we can work out methods of advanced weapons.

And now I want to make a reference in particular to the economic situation. No matter how we may develop this Alliance for military purposes, I believe that the time has come for a fuller implementation of the provisions of Article 2 of the Treaty. Under that article we pledged ourselves to eliminate conflict in our international economic policies and to encourage economic co-operation between our nations. We in Canada feel that NATO must at this meeting do something in regard to the undertaking of Article 2. At the present time we should have in mind in deciding upon our relations and in particular with the under-developed nations in need of our assistance. We must not, and this has been referred to several times this afternoon, and we dare not forget the needs of the less advanced areas of the world, the conscience of the free world will not accept a situation where half of mankind is well fed and the other half is starved. And such a situation invites Communist mischief. Standards of living have not been rising fast enough. Offers of aid from the Communist Bloc cannot fail to be attractive to people struggling desperately for economic advance.

Anyone will agree that the promise of parliamentary government or of democracy will not meet the needs of hungry peoples. I would like to see something coming out of this conference along the line of assistance to under-developed countries, the establishment of something in the nature of a food bank whereby there will be available under a NATO direction food available for distribution among those countries that today stand in danger of being over-run by the Soviet by economic means. The work that is already being done in NATO helps to keep its members informed of Soviet activities and guides them in their own plans and programmes of economic aid. In trade and economic matters, NATO members, we agree, must try to march in step so that jointly as well as individually they will promote the welfare of their peoples and the defensive power of this Alliance.

I dare to hope too, that in this conference we shall discuss measures to prevent depression and alleviate economic recession among any or all of our members, for it is in that that a major danger faces the free world today. We should try to follow national policies designed to promote economic growth and stability, constantly bearing in mind the interests of our allies lest in pursuing our own immediate interest, economically, we hurt our friends and so reduce our collective strength.

Mention has been made today on several occasions of the question of consultation. I want to say a word about that. The habit of co-operation, the neighbourly frame of mind, that is the leaven of the NATO association, and without it, this partnership would indeed be sterile. This leaven we carry with us into other international agencies. Since the war, members of the Atlantic community have been the architects and builders of a number of international institutions designed to maintain economic stability and to promote trade and development. Economic as well as military discussions and decisions must always be viewed in their international political context. We look upon early political consultation as imperative in promoting true co-operation within this Alliance. In accepting the principle of interdependence, each of us has had placed upon us increased responsibilities in the field of consultation. Consultation occurring as a matter of habit, with member governments refraining, if at all possible, from adopting firm policy stands or making major political announcements on questions that may affect the interests of their NATO partners until they have consulted them. No NATO country can be expected to give automatic support to policies outside the NATO orbit if agreement has not been reached through consultation in advance, and I put it in its briefest form when I simply say this, that outside the actual NATO area there can be no commitment without consultation. And I think that is generally

accepted. NATO cannot live in isolation, bearing in mind the vital, perhaps decisive importance, of enlisting the goodwill of uncommitted countries. I suggest once more that we give extra attention to the economic provisions of the agreement.

Now then, Sir, most of us before coming to this meeting, and it has been referred to on a number of occasions, have received messages from Marshal Bulganin putting forth his views upon the relations between members of NATO, the USSR and its satellites. When Khrushchev made a proposal early last month for a meeting of leaders of the major powers, speaking for my own country I said that no nation should shut the door on any proposal that might offer the prospect of a solution to major problems or that might lead to a decrease in international tension. However, I also pointed out that the sincerity of the Soviet proposal must be measured in the light of the earlier refusal of the USSR to participate further in the deliberations of the Disarmament Commission of the UN, that a meeting with the USSR would not necessarily lower international tension, but in fact might create a sense of false security.

There is much that can be done, however, to furthering understanding between Russia and the West in the spheres of human, scientific and cultural relations. We saw an example of that recently in the cultural agreement between France and the USSR. In Canada we have had increasing contacts with the Russians through exchange of visits. I believe that if enough progress can be made in this way, consideration should be given to the possibility of holding further negotiations on matters of substance at a later date with greater understanding and confidence but always underlining this — once the USSR gives evidence of a serious desire to reach agreement I would point out this, that public opinion in various countries — and I am speaking my own — is growing impatient of the argument that the West is not yet prepared for discussions in this regard.

We must continue to demonstrate a willingness to negotiate with the USSR — that is of the essence. This will require what has been referred to already today as a flexibility in our approach and a readiness on our part to meet a challenge on a front much wider than that covered by the NATO Alliance itself. It will be the duty of NATO, however, while maintaining its solidarity and strength, to re-assess the essential requirements of Western security, and by vision and an imaginative approach — and I have heard that approach today — many suggestions that have been made here, and in particular from the USA, have that imaginative approach, to seek through negotiation as well, a settlement of our differences.

Sir, we must carry a message back to our people — something more than a material advantage or material changes, or merely the expenditure of money. This is not time for defeatism or vain glory, but as I meet here with you I feel that we have an appointment with destiny, not only of the half billion human beings here represented but of free men everywhere in the world. The member nations of NATO are the heirs — as it has been said today — of the spiritual values of Western civilisation. We endeavour within our own society, as the President of the USA said this morning so eloquently, to ensure that through the practice of tolerance, liberty and freedom become meaningful. Again he spoke this morning of our concept that the state was made for man, and not man for the state, and in fact that was his thesis; that principle is the very rock of our defence; that principle we must maintain unimpaired. There will be difficulties — there are difficulties — that are apparent to you, but they must be dissolved. Before us is the great design — the ways and the means to achieve that destiny is in our custody. Ends.

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DEA/50102-S-40

*Le représentant permanent auprès du Conseil de l'Atlantique Nord
au secrétaire d'État aux Affaires extérieures*

*Permanent Representative to North Atlantic Council
to Secretary of State for External Affairs*

TELEGRAM 2513

Paris, December 18, 1957

SECRET. PRIORITY.

NATO MINISTERIAL MEETING — DISCUSSION BY FOREIGN AND DEFENCE MINISTERS
ON NATO STOCKS OF NUCLEAR WARHEADS AND THE PROVISION OF IRBMs

The discussion this morning took place on the basis of a draft communiqué regarding "NATO Defence" which had been prepared by the international staff, this including both the question of nuclear warheads and of IRBMs. We are not giving you this text at the present time, since a number of important amendments are to be made to it. In particular, the Norwegian delegation suggested several changes. These would imply that, although, in the light of the Soviet threat, the Council recognizes that IRBMs with a nuclear capability will have to be integrated into the NATO defence pattern, the NATO military authorities will first be asked to consider the problems and to submit recommendations. In fact, some delay in the provision of these missiles would be inevitable and the interval under the procedure proposed should be used for further earnest efforts by the West to negotiate a disarmament agreement with the USSR. Furthermore, the Council in permanent session would examine the various questions of an economic and political nature which acceptance of IRBMs and nuclear warheads would involve. Most delegations, including the USA, appeared ready to accept the Norwegian suggestions, provided there were no inference in the communiqué that NATO military necessities were being subordinated to Soviet political manoeuvres. The UK suggested that it would be preferable to refer to stocks of nuclear warheads rather than to depots.

2. The French were most insistent that the communiqué should contain a reference to the conclusion of bilateral agreements between the supplier and recipient countries on the stationing and use of IRBMs. Although it was recognized that bilateral discussions would certainly have to take fully into account the points raised by France, most delegations were of the opinion that these particular problems should not be unduly emphasized in the communiqué. It would suffice to state that the siting of the nuclear stocks and missiles would be decided in accordance with NATO defence plans and in agreement with the states directly concerned, and that their use would only be on NATO authority. It was important not to diminish the public impact of the communiqué by controversial questions and, in any event, it might in due course be a matter for multilateral negotiations rather than strictly bilateral ones.

3. The text of that part of the NATO defence section of the communiqué dealing with the foregoing matters will be amended to take account of agreement reached and will be submitted to the plenary session. At that time we will communicate it to you.

4. Although the discussion this morning was directed primarily towards general principles and to the communiqué, several countries intimated that they would, in due course, be prepared to accept IRBMs on their own territory. Both Greece and the Netherlands gave

such assurances and Italy intimated a probable acceptance provided it were made very clear that their use would only be effected on NATO authority.

[PAUL] BRIDLE

256.

DEA/50102-S-40

*Note de l'adjoint spécial du secrétaire d'État aux Affaires extérieures
pour le premier ministre*

*Memorandum from Special Assistant to Secretary of State for External Affairs
to Prime Minister*

SECRET

[Ottawa], January 9, 1958

NATO HEADS OF GOVERNMENT MEETING — DECEMBER 16-19

I am attaching a copy of a report which I have had prepared on the NATO Heads of Government Meeting. I would draw your attention particularly to the conclusion of the report which contains an appraisal of the developments at the meeting.

H.B. ROBINSON⁵⁴

[PIÈCE JOINTE/ENCLOSURE]

*Rapport de la délégation canadienne
à la réunion des chefs des gouvernements*

*Report by Canadian Delegation
to Heads of Government Meeting*

SECRET

[Ottawa], January 2, 1958

NATO HEADS OF GOVERNMENT MEETING — DECEMBER 16-19

This meeting of the Council at Heads of Government level had quite a different character from the normal Ministerial Councils held each year in December. Normally, the December meeting has before it an Annual Review of the military programmes of the Alliance — carefully prepared and agreed beforehand at official level. Other subjects for discussion are also normally carefully prepared at official level. This meeting, on the other hand, was called in haste, had no agreed papers before it, and yet had to deal with the most fundamental problems affecting the whole future of the Alliance, its relations with the Soviet Union and the countries on its flanks. In such circumstances, all that could be expected was a series of decisions of principle to guide the future work of the Alliance. The fact that carefully prepared specific decisions were not taken should not be regarded as a criticism of the meeting. The time was not ripe for such decisions. The meeting should be judged on the correctness of the decisions of principle taken and the Alliance can be judged next year on the manner in which they are implemented.

Background

The reason for calling a special meeting of Heads of Government was to give urgent attention to the implications of the Russian scientific successes (the launching of an ICBM

⁵⁴ Note marginale :/Marginal note:

Gave to the PM a copy [H.B. Robinson]

and satellites) of the previous months. These will fundamentally alter the strategic position of NATO. In the first place the East/West situation will become very shortly one of mutual deterrence or nuclear stalemate when both sides have the capability to destroy each other with nuclear missiles. This is an important change from a situation in which the West held the main deterrent forces but one which had been envisaged for some time. The second and more drastic factor was the indication that the Soviet Union was more advanced in its development of intercontinental missiles than the United States and the possibility that there will be a time gap in which the USSR will have an ICBM capability when the USA will not.

This situation gave rise to two related reactions in the U.S.: (1) a drive to catch up with the USSR on missile development and related scientific research; (2) a move toward closer cooperation with her allies. The principal strategic importance of closer cooperation with NATO was the need to station intermediate range missiles, which will be available in 18 months, in Europe where they can be as effective as intercontinental missiles, and so offset the anticipated Russian ICBM capacity. There was also a need, however, for a united political response to the new situation.

The Soviet scientific successes had been coupled with a renewed propaganda offensive directed toward establishing the Russian aims of peaceful co-existence and disarmament — albeit on their own terms. These had an unsettling effect in many parts of Europe — particularly in the opposition parties, where it was felt that some new approach to the Russians should be made. The meeting was thus faced with a delicate balancing operation in which the need for strengthening the Alliance, and arming its forces with modern weapons had to be offset by a careful consideration of the possibilities of making some further moves toward realistic disarmament negotiations.

The U.S. move toward closer collaboration within NATO, which was worked out with the U.K. in bilateral talks between Messrs. Eisenhower and Macmillan in Washington last October, envisaged renewed efforts to strengthen the collective defence of the Alliance in a spirit of trust and interdependence. Interdependence meant the rationalization of force contributions, defence production and cooperative scientific research. These bilateral talks, however, gave rise to suspicion in Europe, and particularly in France, that a tightly knit nuclear entente was being developed between those two powers and that the rest of the Alliance would remain in an outer circle. This underlying suspicion broke out into open dissension in France over the Tunisian arms episode.

The meeting was overshadowed by a long period of uncertainty while the U.S. developed proposals to be put before it. They were, in fact, received in capitals a little more than a week before the meeting began. In the meantime speculation based on leaks to the press in Washington stimulated a controversy in Europe over the political problems related to the stationing of nuclear weapons and particularly IRBMs (which have a strategic offensive role) in Europe.

The U.S. programme for the meeting consisted of nine proposals of which the first five were of substance and the rest intended as dressing.

1. Establishment of stockpiles of nuclear warheads in Europe.
2. Provision of intermediate range ballistic missiles to European countries.
3. Cooperation in scientific research, education and manpower.
4. Coordinated production of advanced weapons (including a U.S. offer to provide blueprints for IRBMs for production in Europe under a suitable authority).
5. Balanced collective forces
6. Disarmament

7. Political consultation
8. Atoms for peace
9. Economic cooperation in NATO.

These proposals were followed up by European proposals related to them but in some cases providing more detailed suggestions for what should be accomplished mainly in the fields of coordinated production, balanced forces, and scientific cooperation.

Prior to the meeting, the more hopeful had suggested that this might be known as the "Interdependence Council" where far-reaching decisions might be taken to rationalize force contributions and production — thus enabling an adequate defence effort to be provided less expensively. It soon became apparent, however, that interdependence was a long term objective and that the tenor of the meeting would be set by the more immediate problems related to the introduction of nuclear warheads and IRBMs in Europe and the problem of disarmament. On both of these questions there were divergent views. Another trend which appeared, more strongly than was suspected prior to the meeting, was a preoccupation with NATO's interest in the areas outside the Alliance where Soviet penetration might turn the southern flank of the Alliance in the Middle East and North Africa.

The Heads of Government Meeting

The agreed agenda for the meeting contained two main items: (1) Principal Problems Facing the Alliance; (2) Interdependence and the Better Utilization of NATO Resources. At the meeting, however, this breakdown of subjects and procedure was not followed. On the afternoon of the first day, opening statements made by each delegate for the most part mentioned all the main issues before the meeting (C-R(57)82 of Dec. 16). It became apparent, however, that several countries wished to establish political preconditions before taking military decisions. The second day was therefore taken up with the establishment of agreed texts for the communiqué on political issues and the third day was devoted to the military, scientific and interdependence paragraphs for which the way had been prepared by the previous day's discussion.

Accordingly, after the first afternoon the meeting primarily devoted its attention to the communiqué and, under the chairmanship of Mr. Spaak, neither Ministers nor Prime Ministers were allowed to stray far from the draft texts before them. The fact that Ministers and Prime Ministers devoted a major portion of the meeting to drafting instead of exchanging views on the wider aspects of problems facing the Alliance was most unfortunate but it was a reflection of the general lack of preparation for the meeting. On the other hand, it resulted in a comprehensive Declaration and Communiqué and focused attention on the public nature of the meetings.

There was indeed little that transpired at the three and one-half day meeting that did not find its way into the press. Delegations individually briefed the press on the opening statements of their Heads of Delegations and some statements were given to the press in toto. Since the remainder of the meeting was devoted to the Declaration and Communiqué there were no truly secret, formal discussions. The concentration of Heads of Government and Ministers in Paris did however provide a unique opportunity for informal private contacts which in part prepared the way for the main decisions on IRBMs and nuclear warheads. President Eisenhower discussed Cyprus with the Greek and Turkish Prime Ministers and Algeria with the French Prime Minister. We know little of what transpired in these private meetings but it may be assumed that they were of considerable importance in strengthening understanding between members of the Alliance and aligning positions to be taken at the Council meetings.

There was much common ground in the statements made by Heads of Governments. Firm support for the Alliance, the need for unity and further strengthening of its defence structure, the necessity for more effective political consultation, the desirability of economic cooperation and cooperation in the fields of science and technology were highlighted in most statements. Mr. Eisenhower's presence provided both a focal point as well as a catalyst for the emphasis on the unity and effectiveness of the Alliance and his and other opening statements provided firm groundwork for the Declaration and Communiqué.

Mr. Adenauer's statement struck the keynote of the later balance which was achieved in the Communiqué. While stressing the importance of NATO taking the initiative in countering Soviet political moves, he emphasized that the Alliance must be so organized as to be ready to meet aggression at any time and for this purpose the Alliance as a whole must be equipped with advanced weapons equal to those of the potential enemy. He went on to stress that NATO was not only a defensive alliance, but a Community whose main function was to create favourable conditions for the peaceful coexistence of all nations. Accordingly efforts should be continued to ease tensions between East and West and confidence should be created with respect to relations with the uncommitted world.

Mr. Eisenhower recalled that NATO had been conceived as a collective defence organization. It should always be made evident that its signatories would seek to end the need for great military establishments and to release large resources for the welfare of mankind. While reaffirming the position taken by the U.S. on the disarmament proposals of last summer, he suggested that a Technical Advisory Group should be established in NATO to keep disarmament problems under continuous study.

He stressed the importance of adequate preparations for self defence and of NATO's determination to use force if necessary. He solemnly assured the Council that the U.S. would come at once, with all appropriate force, to the assistance of any NATO nation subject to armed attack. Equally he believed that each member nation would similarly respond, should the U.S. or another member country be attacked.

The U.S. shared the view that political consultation should be developed and broadened in the Council. With regard to the Soviet policies of penetration, Mr. Eisenhower thought that the time had come for an enlarged individual and collective effort to advance the development, trade and well-being of the less developed countries of the world and to improve trade and financial conditions. He indicated that the U.S. Congress would be asked to increase the Development Loan Fund from its present figure of 300 million dollars by an additional 625 million dollars and to increase the lending authority of the Export-Import Bank by an additional 2 billion dollars. In addition the U.S. would participate in the expanded U.N. technical assistance programme and Congress would be asked to extend the Reciprocal Trade Agreement legislation for another five years.

Mr. Dulles then read into the record the main U.S. proposals which had been circulated to member governments prior to the meeting. The U.S. endorsed the idea of a NATO Missile Training Centre and would participate in a NATO atomic stockpile whereby nuclear warheads would be deployed under U.S. custody in accordance with NATO defensive planning and in agreement with the nations directly concerned.

The U.S. was prepared to make available IRBMs for deployment in accordance with the plans of SACEUR and with the agreement of the countries directly concerned. Mr. Dulles proposed that a coordinated program of research, development and production of a selected group of modern weapons including IRBMs might be initiated in Europe. The U.S. was prepared to assist this program and would support the weapons base in Europe by procurement for U.S. forces as well as for U.S. military assistance programs.

Mr. Dulles thought it would be useful if NATO established some closer ties with the other regional defence organizations. He suggested that a start might be made by an exchange of experience and appreciations of the world political situation. The Secretary General might explore this suggestion.

He stressed U.S. support for the establishment of a NATO Science Committee to take action to increase scientific manpower and facilities cooperation in research and exchange of military and civilian scientific personnel. Where possible he thought action should be carried out through the mechanism of existing institutions such as the OEEC. With regard to Atomic energy, the U.S. was planning to seek the necessary legislative authority to permit cooperation with NATO countries in the development of atomic submarines.

M. Gaillard's statement was motivated by the desire to bring France into a position of nuclear equality with the US and UK and by the wish to have NATO extend its concern to the problem of Soviet penetration of its Middle Eastern and African flanks. He welcomed the US proposals for stockpiles of Nuclear Warheads and the construction of IRBM sites in Europe and announced that France would make available technical and training centres. He thought however that only general decisions should be taken on these matters at the meeting — leaving the detailed issues to be worked out in bilateral negotiations.

In connection with the threat to the flanks of NATO, he stressed the need for common policies in areas outside NATO and said the French Government would not be opposed to creating a NATO fund for economic action to be used in the interests of defence in certain countries outside the NATO area.

Mr. Macmillan made a statement implying general support for the US proposals and picked up the US suggestion that there should be some practical linking of defence plans among the regional defence organizations (i.e. SEATO and Bagdad Pact).

Mr. Lange (Norway) and Mr. Hausen (Denmark) directed their attention to the US proposals on nuclear warheads and IRBMs. They stressed the need for further elaboration of the proposals and implied that decisions on the stationing of IRBMs in Europe might better be delayed pending further reactions from the Soviet Union on disarmament. Neither Norway nor Denmark planned to establish stocks of nuclear warheads or IRBM sites on their territories. Mr. Lange mentioned the Polish proposal for a nuclear free area in Eastern Europe as one which was receiving considerable public attention in Norway. He thought this idea should be carefully examined to see whether it contained elements which could be used in a constructive policy for peace.

At the other end of the scale, Mr. Menderes welcomed strongly the US proposals on nuclear warheads and IRBMs and left no doubt that the Turkish Government wished to have these weapons. The remainder of his statement revolved around the great danger of Soviet encirclement of NATO through the Middle East and North Africa, and the need for NATO to recognize that it faced "full scale" aggression in the Middle East. It was of the utmost importance to organize NATO to act before rather than after the event. Some permanent relationship should, he thought, be established between NATO and the Bagdad Pact and the Alliance should support those Middle Eastern countries which had shown their willingness to resist Communist aggression.

Mr. Karamanlis (Greece) also implied support for the US proposals on nuclear warheads and missiles but stressed that the sacrifices and obligations to be undertaken by member countries should be of a general and uniform character. The deployment of these weapons should be based on purely military considerations. With regard to economic cooperation, attention should be paid to the needs of underdeveloped countries all over the world and particularly in Europe. To this end a European Development Authority should

be established with collective resources to induce development in the weaker European countries.

Mr. Zoli (Italy) also agreed to the need for reinforcing the nuclear deterrent by equipping NATO forces with modern weapons, for closer integration of member forces, and for collaboration in scientific research and in the production of new weapons. While not mentioning the Pella Plan for a development fund for underdeveloped countries, he stressed the importance of common action in NATO to counter Soviet penetration. He also thought that closer relations should be developed between the Alliance and other countries which, like many of the South American states, exercises considerable influence on world opinion.

Mr. Diefenbaker said that the proposal to stockpile nuclear warheads followed logically from the 1954 decision that the shield forces should be organized on the assumption that nuclear weapons would be available. He stressed however that the implications of stationing IRBMs in Europe would require careful consideration and should be studied early in 1958. He agreed to the principle of integrated balanced forces and indicated NORAD was a striking example of this principle. He informed the Meeting that NORAD would report to the Standing Group and the NATO Council in a manner similar to the other military commands.

He stressed particularly the need to implement Article II of the Treaty and the necessity of raising standards of living in areas subject to Soviet Penetration. In this connection he proposed the establishment of a Food Bank which could make food available, under NATO direction to countries in danger of being subjected to Soviet economic pressure. Mr. Diefenbaker also referred to the question of disarmament and stressed the need to demonstrate a willingness to negotiate with the USSR, and the desirability of establishing contact with the Soviet Union in the spheres of human, scientific and cultural relations to establish an atmosphere of confidence which could pave the way for negotiations when the USSR gives evidence of a serious desire to reach agreement.

Apart from the specific national views outlined above, the general tenor of the first days discussion was one of unified resolve to strengthen the Alliance, to increase effective consultation and to further the principle of interdependence with regard to forces and production. There was a recognition of the shift of emphasis that would have to be made to counter the Soviet politico-economic offensive in the Middle East and other areas, though the NATO role in connection with action in this field, it was fairly widely agreed, should be limited to consultation — leaving the implementation of policies to individual countries. The main divergences of view were related to the stationing of IRBMs in Europe and the question of negotiation with the Soviet Union on disarmament. In this connection the Soviet peace campaign exemplified in the Bulgarian letters had its effect in reinforcing the hesitant attitude of some of the European members.

Declaration and Communiqué

The Declaration and Communiqué, which are annexed to this report,⁵⁵ contain a comprehensive restatement of the principles and objectives of the Alliance and a series of agreements in principle which will guide its work over the next year. The Declaration had been drawn up prior to the meeting on the initiative of the Canadian Delegation and was

⁵⁵ Voir Conseil de l'Atlantique Nord, *Textes des communiqués finals, 1949-1974*, Bruxelles: Service de l'information OTAN, s.d., pp. 113 à 122.

See North Atlantic Council, *Texts of Final Communiqués, 1949-1974*, Brussels: NATO Information Service, n.d., pp. 108-120.

agreed without any very substantial discussion after the insertion of a Canadian paragraph (para 7) relating to the growing desire for freedom in the Satellites.

The Communiqué is divided into six sections: International Situation, The Working of the Alliance, Disarmament, NATO Defence, Scientific and Technical Cooperation and Economic Cooperation. The main elements relate to the U.S. military proposals on nuclear warheads and IRBMs, disarmament, and the expression of the Alliance's concern with developments outside the NATO area.

International Situation

The discussion on this section of the Communiqué reflected the general concern which had been indicated by Heads of Government at the danger of Soviet penetration into areas outside the Alliance, particularly the Middle East and Africa. It found expression in the first paragraph of the Communiqué which states that "Our Alliance cannot therefore be concerned only with the North Atlantic Area or only with Military Defence. It must also organize its political and economic strength on the principle of interdependence, and must take account of developments outside its own area."

Middle East

The discussion on the Middle East was in two parts, the first related to the Communiqué and the second concerned with the relationship of NATO to the other regional Defence Organizations, of which the most important was the Bagdad Pact.

Mr. Zorlu (Turkey) in a lengthy statement reviewed the situation in the Middle East, stressing that Russia was now permanently established in Syria and had unlimited objectives aimed at the domination of the whole area, and indeed the whole southern flank of NATO from the Caspian Sea to the Atlantic. He thought NATO should realize the menace and the need for a wholly coordinated policy in the Middle East. He thought NATO's aim should be the maximum of economic cooperation with Middle Eastern Countries without openly revealing political motives. Every effort should be made to support and encourage the openly pro-Western states in the Middle East so that they could recognize the advantages of Western links and impress public opinion accordingly. Although it was not the Turkish intention to demand any extension of NATO responsibilities to the defence of Bagdad Pact countries, individual NATO countries could lend strength and support to them.

Mr. Selwyn Lloyd (UK) was in general agreement with this rather restrained statement of Turkish views. NATO should be impressed with the gravity of the situation and every support should be offered to pro-Western Middle East Governments. There should be greater coordination of economic help and more exchange of information, ideas and principles relating to Middle Eastern affairs.

With regard to the Communiqué, Mr. Lange (Norway), while agreeing with the need for a general awareness of the importance of the Middle Eastern situation, felt that in view of the sensitivity of the Arab world, the less said about it the better, but that everything should be done to ensure concerted action in the future. This view was supported by the United States, Denmark, Greece and ourselves. Mr. Hallstein (Germany) thought the Communiqué might allude to the fact that the Middle Eastern situation had been discussed by the Council and that peace in the Middle East could only be maintained and specific problems solved if their peoples remained internally and externally free and independent. The initiative of any countries which might lead to economic stability and well-being of their populations would find the Alliance ready to help such peoples to participate in economic

exchange and political life of the world as independent partners with equal rights. This general statement formed the basis of the reference to the Middle East in the Communiqué.

The Question of NATO establishing some informal links with other Defence Organizations (the Baghdad Pact, SEATO and the Organization of American States) which had been raised by the U.S. Delegation and supported strongly by the United Kingdom and Turkey, was discussed in relation to the Communiqué. It was, however, decided not to make public any mention of this suggestion. Mr. Spaak pointed out that there was no intention of establishing more than an informal relationship with these organizations with a view to exchanging information. The Norwegian, Danish and Canadian Ministers felt that the most practical and realistic way in which this informal relationship might be established would be for the member countries who belonged to these other regional organizations to keep their NATO partners informed of their activities. There was general agreement that it would be useful if the various defence organizations could gain a better understanding of the problems and situations faced by each of them. It was decided that the Secretary General should explore the possibility of developing such relations with the other defence organizations as would facilitate an exchange of information and opinion on a mutually agreeable basis, and to report back to the Council.

Africa

The paragraph on Africa in the Communiqué was inserted at the insistence of the French Delegation, which was seeking some indication of NATO support for French North African policies. Mr. Dulles thought that a mention of NATO's interest in North Africa might do more harm than good, although he recognized that NATO countries should consider what concrete measures they could take to halt communist penetration in Africa before it was too late. Mr. Macmillan also thought the emphasis should be on the help which all NATO countries could give to the economic development of Africa — including the United States and Canada. Mr. Gaillard insisted, however, on a reference to the special role of Europe in Africa. The paragraph which was agreed was in very general terms expressing NATO interest and willingness to cooperate in the development of conditions of stability and economic and political well-being in the African countries. It does, however, make reference to the historic economic and other friendly ties between European countries and Africa which would make such cooperation particularly desirable and effective.

The Communiqué also includes references to Berlin and the problem of German reunification on which there was no disagreement. There was also no formal disagreement to the inclusion, at the request of the Netherlands Minister, of a reference to NATO's concern over the situation in Indonesia, although the Secretary General pointed out that it might do more harm than good.

Working of the Alliance

This section which contains a reassertion of the unity and cohesion of the Alliance and a paragraph on political consultation gave rise to no differences of opinion. The paragraph on political consultation while reflecting the unanimous views of all member governments does not break any new ground. There was general agreement that there was adequate machinery for such consultation in NATO. What was needed was to develop the habit of consultation.

Disarmament

The most extensive discussion of any section of the Communiqué took place on disarmament. Three separate trends emerged. Firstly, the United States, strongly backed by

Turkey were prepared to have the Communiqué merely reiterate the willingness of NATO countries to negotiate with the USSR on the basis of the Western Proposals and in the new UN Commission. The United Kingdom, France, Belgium and Italy, felt strongly that, for psychological reasons, the NATO meeting should make a gesture to public opinion and express the Alliance's determination to do all in its power to promote the relaxation of international tension. The Norwegian, Danish and Canadian Delegations were seeking a realistic and flexible approach to the USSR. The balance was in favour of making a gesture to public opinion and the US found no real difficulty in agreeing.

The discussion took place within quite rigid limits. It was known that the US and UK would not agree to a summit meeting with the USSR at this stage; nor would any of the member countries take seriously the USSR proposal for a special 82 member UN meeting on Disarmament. It was equally well-known that the USSR, which had rejected the 5 power formula and the 24 member UN Commission because they were outnumbered in these bodies, would not be likely to accept new proposals along these lines emanating from NATO.

With this background in mind, Mr. Pineau proposed that NATO should charge the four ministers who were members of NATO and who had been members of the UN Subcommittee to invite the USSR to meet with them in order to discuss disarmament problems on the basis of the UN resolution. This proposal received Norwegian, United Kingdom and Belgium support, but Mr. Pella and Mr. Dulles thought care should be taken not to under-mine the UN Commission which was to begin its work on January 1. Mr. Dulles thought that NATO might meet the objection of the French by submitting to the Commission a proposal that, should the Commission consider it useful, NATO would be prepared to cooperate along the lines suggested by Mr. Pineau. Neither Mr. Pineau nor Mr. Lloyd thought that this would provide a sufficiently forceful political gesture on disarmament as an offset to the military decisions to strengthen the Alliance.

A text which incorporated the essence of the French proposal but which took account of the US concern was agreed. It states that: "Should the Soviet Government refuse to participate in the work of the new Disarmament Commission, we would welcome a meeting at Foreign Ministers' level to resolve the deadlock." Mr. Dulles' reiteration that such an offer in the Communiqué was "only a psychological exercise" was confirmed two days after the meeting when Mr. Khrushchev turned it down.

A US proposal that a Technical Group should be set up inside NATO to study the practical side of disarmament was approved without discussion although it was not clear precisely what the US had in mind.

NATO Defence

After the opening statements of the Norwegian and Danish Prime Ministers it was anticipated that some difficulty would arise in connection with the drafting of the section of the Communiqué relating to the stockpiling of Nuclear Warheads and the stationing of IRBMs in Europe. The main difficulty was, however, removed when Mr. Lange reversed the position his Prime Minister had taken. He said that while his government would have preferred that a decision on the siting of IRBMs in Europe be postponed until a renewed attempt had been made to reopen negotiations with the Soviet Union on disarmament, it was apparent that the general feeling of the Council was that a decision should be taken at the Meeting to initiate the introduction of these new weapons in NATO's common defence plan. The Norwegian Government therefore accepted the principle that IRBMs would have to be introduced if it were made clear in the Communiqué that the stockpiling of nuclear warheads and the introduction of IRBMs were placed in direct relation to the policies of

the USSR with regard to these new weapons; viz, that in the face of the declared Soviet policy to stockpile these weapons and the repeated threats to use them, the NATO countries had no choice but to introduce more modern weapons in their own defence plans. He hoped however, that the time necessary to work out the various political and economic problems related to the introduction of these weapons would be fully used to make a renewed and earnest effort to overcome the present deadlock on disarmament.

When the Danish Minister associated his government with Mr. Lange's statement, the way was cleared for the decision set out in paragraph 20 of the Communiqué.

The Meeting was able to consider only superficially and procedurally the proposals relating to interdependence and balanced collective forces. While these subjects are of the utmost importance it was recognized that they would have to be studied by the Permanent Council before any precise decisions could be taken. There was no disagreement in principle with these proposals but only a very general reference to them was made in the Communiqué indicating that they should be studied as a matter of urgency and that a military conference at Ministerial level should be held early in 1958 to examine them.

Scientific and Technical Co-operation

The Communiqué reflects complete agreement on the need for increased national and cooperative efforts in scientific and technical fields. There was no discussion of specific measures which might be implemented (i.e., those contained in the Task Force Report and the Report of The NATO Parliamentarians). It was agreed that a NATO Science Committee should be established forthwith and a Science Adviser appointed to the Secretariat. The intention is that the Science Committee should meet early in 1958 to formulate a program for implementation by NATO.

Economic Cooperation

This section of the Communiqué was based on a draft submitted by the U.S. Delegation. Mr. Dulles said that two ideas had been borne in mind in presenting it:

- (1) it was important in the interests of mutual economic cooperation to increase the strength of the Alliance in order to support military costs and the welfare of populations, and
- (2) it was important to make clear that the Alliance was greatly concerned with the economic plight of certain underdeveloped countries where the Cold War was now being waged with intensity.

There was no disagreement with these principles. However, a paragraph introduced at the request of the U.K. expressing support for the European Economic Community and the Free Trade Area gave rise to some controversy. The Greek Minister wished to include a special reference to the need for a European Development Agency as a prerequisite to their support for the Free Trade Area. A form of words, based on an OEEC text, indicating that full account would be taken of the interests of the less developed member countries proved sufficient to meet the Greek position. The United Kingdom would not agree to any mention of a European Development Agency.

Mr. Diefenbaker also made it quite clear that Canadian support for the Free Trade Area depended on the exclusion of food, drink and tobacco from the items included in it. Although we did not insist that a mention of our position be made in the Communiqué, it was recorded in the minutes of the final session.

Conclusions

In assessing NATO's response to the fast approaching strategic situation of mutual deterrence, which emanated from the Meeting, the most striking fact is the emphasis on the unity of the Alliance and on the need to strengthen its forces and introduce the modern weapons they require. The reversal of the Scandinavian opposition to the introduction of IRBM bases in Europe paved the way for the main military decisions of the Meeting and ensured that the West would enter any future negotiations with the Russians from a position of strength.

This emphasis on the strength of the Alliance was offset by a forthcoming attitude on disarmament and negotiation with the USSR. Mr. Macmillan summed up this attitude in the phrase "we arm to parley." It is significant, however, that the offer of a Foreign Minister's meeting with the USSR was intended as a gesture to NATO public opinion rather than a realistic endeavor to bring the Russians to the negotiating table. Apart from the Scandinavian and Canadian delegations who favoured a more flexible approach on disarmament, there was no inclination to depart from the Western Proposals which had been submitted to the UN Sub-Committee.

Apart from the balance drawn between strengthening the Alliance and disarmament, the most important new trend which developed was the recognition that NATO could not be concerned only with the Atlantic area. There was no attempt to extend the commitments of NATO but there was quite general agreement that member countries should coordinate their political and economic policies in the Middle East with a view to preventing further Soviet penetration. The decision to investigate the possibility of establishing informal links with other defense organizations including the Baghdad Pact is a confirmation of the trend toward increased NATO preoccupation with the threat to its southern flank.

While the Meeting did not come to grips with the important proposals relating to interdependence, it provided a point of departure for the urgent reconsideration of force contributions and more rational production and procurement of military equipment. The United States offer to provide IRBM blueprints to an appropriate European Missile Authority and the indication of their intention to purchase military equipment for their own forces in Europe will provide a stimulus to the implementation of the principle of interdependence. These are, however, long-term problems which will require extensive negotiation before it will be possible to foresee practical results.

The decision to set up a Science Committee will facilitate the implementation of the principle of interdependence. A draft NATO program for scientific and technical cooperation has already been drawn up by the Task Force and supplemented by the Report of NATO Parliamentarians. The Science Committee when it meets early in 1958 will have the elements of a program prepared for it and so should be able to submit proposals to Council without undue delay in view of the general agreement of member countries on the broad lines of scientific cooperation in the Alliance.

The Heads of Government meeting was successful in establishing agreement on a balance between military and political issues which faced them and in establishing principles to guide the future work of the organization. The balance may, however, be a precarious one. The bilateral negotiations on the stockpiling of nuclear warheads and the stationing of IRBMs in Europe will continue to be overshadowed by developments on disarmament between East and West and there can be little doubt that the Russians will exploit every opportunity to create division in the Alliance on this issue. The implementation of the principle of interdependence will provide the Alliance with great problems involving

conflicting national interests. It remains to be seen whether any substance can in fact be given to this principle.

5^e PARTIE/PART 5ISLANDE
ICELAND

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*Le secrétaire d'État aux Affaires extérieures
au premier ministre*⁵⁶

*Secretary of State for External Affairs
to Prime Minister*⁵⁶

SECRET

Ottawa, October 23, 1957

My dear Prime Minister:

Discussions have been taking place for some weeks in Paris among a group of NATO countries concerning emergency financial assistance to Iceland.

The present position of these discussions is summarized in the attached draft memorandum to the Cabinet, which, in its conclusion, recommends that Canada should participate, along with the United States and West Germany, in providing a loan to Iceland. The proposed Canadian contribution might be of the order of one and one half million dollars.

The security of Iceland is a matter of general NATO interest, but I think is of particular concern to Canada. As you will note from the attached memorandum, Canada is one of the three countries from which the Icelandic Government would prefer to receive assistance. In view of the large Icelandic community in Canada, it is perhaps natural that Iceland should look to Canada in this emergency.

If you agree, I should like to bring the matter before Cabinet at an early date, since the Icelandic Government's financial difficulties have reached so critical a stage that it must decide very soon whether to accept an offer of Soviet assistance. A Canadian decision is, therefore, urgently required.

A letter† along similar lines with the enclosure is being sent to the Minister of Finance and the Minister of National Defence.

Yours faithfully,
SIDNEY SMITH

⁵⁶ Note marginale :/Marginal note:
Seen by P[rime]M[inister] Oct 29 HB R[obinson]

[PIÈCE JOINTE/ENCLOSURE]

Note pour le Cabinet
Memorandum to Cabinet

SECRET

[Ottawa], October 23, 1957

ASSISTANCE FOR ICELAND

The Canadian Government has been approached by the Secretary General of NATO with a request to provide emergency economic assistance to Iceland in concert with some other NATO governments.

2. The Secretary General first became seized of this question in July when the Icelandic representative informed him that the Soviet Union had offered his government a long term loan of \$25m., repayable over 20 years at 2%, and a shorter-term credit of \$3m. According to word received from our NATO Delegation on October 22 the amount of the proposed long term loan offered by the Soviet Union has now been increased to \$32m. The supplementary \$3m. credit would be earmarked for the construction of twelve fishing vessels in East Germany, and would be repayable in Icelandic exports to the USSR. There have been several meetings between M. Spaak and representatives of a number of NATO countries, including Canada; in addition, two senior economists from the International Staff have visited Iceland to report on the situation first hand and to devise possible measures of immediate assistance. The OEEC is conducting a longer-range study of the situation with a view to recommending solutions to the fundamental economic problems.

3. From the investigation conducted under M. Spaak's direction, it has been clear that Iceland requires immediately a minimum of \$8m. to meet pressing obligations for the construction of a cement factory, rural hydro-electric schemes and loans to fishermen and farmers. An additional \$1m., required to purchase motors and gear for the fishing vessels being constructed in East Germany, can, it is believed, be provided in the form of commercial credits by Western European members of NATO.

4. There are strong arguments of a politico-military nature in favour of helping Iceland to overcome its immediate financial difficulties and avoid the acceptance of Soviet aid. The security of the island has great importance for Canada and for other members of the Atlantic Alliance: the country is a natural link in sea and air communications between North America and Europe and an essential linch-pin in the extension of radar lines between the two continents. Because of its geographical position Iceland is a key point for the defence of NATO countries against air attack, for the safe convoy of supplies by sea and for the movement of defensive fighter aircraft from North America to Europe. There is no doubt that the defence of member countries of NATO would be seriously threatened if these facilities were unavailable in time of war.

5. Quite apart from its current financial difficulties, Iceland's political position within NATO cannot be considered satisfactory. Over 30% of the country's foreign trade is with Iron Curtain countries, which places it in a position of vulnerability to Soviet pressure. Furthermore, the Communist Party polled 19% of the vote in the last election and in consequence has two Ministers in the present coalition government.

6. Iceland's current economic difficulties are not unique and are essentially the result of an overly ambitious programme of investment pursued since the war; according to information provided by the NATO International Staff, investment of various kinds has absorbed about 30% of postwar national product and has included an exceptionally large

proportion of housing in Reykjavik. Successive governments since the island's separation from Denmark have attempted to diversify the economy so as to reduce dependence on fish exports, through development of the very sparse natural resources (such as hydro-electric sites). In proportion to its population the country is large and like Canada must incur large expenditures on "overhead" in transport and communications, particularly when an attempt is being made to modernize them rapidly. All these developments have achieved encouraging results but since they were overly ambitious they have imposed a strain on the budget and the balance of payments and have caused acute wage-price inflation.

7. Five countries, the United States, Italy, Norway, Denmark and Germany have expressed willingness to participate in a multilateral NATO loan to Iceland, while France and the United Kingdom have indicated that they might be able to grant commercial credits. Italy and Norway, however, were contemplating loans of only approximately \$250,000 each while Denmark's possible participation, though not specified, would probably be on an even smaller scale. The Icelandic Government considered that the assistance to be provided by these countries would total so small a sum that it would not justify the adverse publicity (and its effect on the country's credit standing) that would result from discussion of the island's economic problems in the three parliaments concerned. They therefore indicated to M. Spaak that they wished to make bilateral arrangements with not more than three countries, i.e. United States, Germany, and Canada. The most recent word from Washington is that the United States would be prepared to match any assistance provided by other governments, i.e. provide \$4m. of the suggested total of \$8m. The German Government has indicated its willingness to make available D.M. 7 1/2m. or \$1.8m. and efforts are being made to have it increase this offer to perhaps \$3m. If Germany is in fact prepared to offer \$2 1/2m. Canada should consider making available \$1 1/2m. if the NATO objective of an \$8m. loan is to be met.

8. There are a number of forms which a programme of Canadian assistance to Iceland might take:

(a) Consideration might be given to assisting Iceland commercially, i.e. by trying to encourage the import of more Icelandic goods or by providing export credits. Although Canada has imported very small quantities of fish from Iceland, there is no possibility of providing assistance through an increase in such imports. There is also little possibility of assisting Iceland merely through export credits insurance coverage of commercial bank loans since there is little scope for providing Canadian goods or commodities. We understand in particular that there is no possibility of Iceland taking Canadian wheat or flour.

(b) An alternative might in principle be an outright grant of assistance as a special form of Mutual Aid. Action of this kind would require amendment to existing Mutual Aid legislation which only authorizes assistance for military purposes and Iceland has no armed forces. Furthermore, a grant under Mutual Aid would take the form of quasi-military items, whereas what Iceland needs is cash in the form of a loan.

(c) A long or medium term loan is the only satisfactory means by which Iceland's needs can be met. In discussing the matter with M. Spaak, the Icelandic representative has spoken of a loan at "normal" interest rates and has never suggested that NATO countries should attempt to match the terms of the Soviet offer. The precise terms would be the subject of negotiations between the Icelandic Government and the lending countries but it is to be expected that they would be comparable to those of loans by the International Bank, i.e. in the neighbourhood of 4%. There are at present no funds available for such a loan so that a new parliamentary vote would be required. This could be so worded as to

indicate that it is for a NATO country which is not eligible for Canadian Mutual Aid, in order to preclude other NATO countries seeking economic assistance on the same basis.

9. In conclusion it would appear that the possibilities of assistance to Iceland are really limited to a government loan. In view of the urgent need to help Iceland overcome its present difficulties without recourse to Soviet aid, it is recommended that approval be given in principle to the making of a loan of up to \$1.5m. on terms and conditions to be negotiated with Iceland and which would be approximately the same as those to be negotiated between Iceland and other participating NATO countries.

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PCO

Extrait des conclusions du Cabinet

Extract from Cabinet Conclusions

SECRET

[Ottawa], October 29, 1957

Present

The Prime Minister (Mr. Diefenbaker) in the Chair,
 The Minister of Public Works
 and Acting Minister of Defence Production (Mr. Green),
 The Minister of Finance (Mr. Fleming),
 The Minister of Transport (Mr. Hees),
 The Solicitor General (Mr. Balcer),
 The Minister of National Defence (Mr. Pearkes),
 The Minister of Justice
 and Acting Minister of Citizenship and Immigration (Mr. Fulton),
 The Minister of National Revenue (Mr. Nowlan),
 The Minister of Agriculture (Mr. Harkness),
 The Secretary of State (Mrs. Fairclough),
 The Minister of Fisheries (Mr. MacLean),
 The Minister of Labour (Mr. Starr),
 The Postmaster General (Mr. William Hamilton),
 The Minister without Portfolio
 and Acting Minister of Trade and Commerce (Mr. Macdonnell),
 The Minister of Mines and Technical Surveys (Mr. Comtois),
 The Minister of National Health and Welfare (Mr. Monteith),
 The Minister of Northern Affairs and National Resources (Mr. Alvin Hamilton),
 The Leader of the Government in the Senate (Senator Haig).
 The Secretary to the Cabinet (Mr. Bryce),
 The Assistant Secretaries to the Cabinet (Mr. Fournier), (Mr. Martin).

N.A.T.O. LOAN TO ICELAND; CANADIAN PARTICIPATION

6. *The Prime Minister* reported that the Secretary of State for External Affairs had informed him that the government had been approached by the Secretary General of N.A.T.O. with a request to provide emergency economic assistance to Iceland in concert with some other N.A.T.O. governments. In July, the Icelandic representative had informed the Secretary General that the Soviet Union had offered his government a long-term loan of \$25 million repayable over 20 years at 2 per cent. According to the latest word received the Soviet Union had now increased its proposed long-term loan to \$32 million.

From investigation conducted under Mr. Spaak's direction, it had been made clear that to complete current projects Iceland required immediately a minimum of \$8 million, of which Canada was asked to provide \$1.5 million. Mr. Spaak had been pressing the

Canadian N.A.T.O. delegation for an early answer. A telegram† had been received that morning stressing the urgent need for an early decision in N.A.T.O.

Five N.A.T.O. countries, the U.S., Italy, Norway, Denmark and Germany had expressed willingness to participate in a multilateral N.A.T.O. loan to Iceland, while France and the U.K. had indicated that they might be able to grant commercial credits. The Icelandic government, however, had indicated to Mr. Spaak that they would not wish to make bilateral arrangements with more than 3 countries, that is, the United States, Germany, and Canada. According to the latest telegram from the Canadian N.A.T.O. delegation, the United States would be willing to contribute \$5 million on condition that the balance of \$3 million was forthcoming.

The Icelandic government was not interested in commercial credits. They had shown no interest in taking wheat or flour.

7. *During the discussion* the following views were expressed:

(a) Nothing short of compelling necessity would justify Canadian financial assistance to Iceland at the present. This assistance would have to be authorized by Parliament. Assistance could not be provided under existing mutual aid legislation, which authorized aid for military purposes only. The history of Canadian government loans had not been a happy one. Several borrowing countries had defaulted their payments. This was always liable to create political problems.

(b) In the last election in Iceland, the Communist Party had polled 19 per cent of the vote and, in consequence, had two ministers in the present coalition government. The Icelanders appeared to be playing off the western countries against the U.S.S.R. In a sense, the request for assistance in the present terms was a form of blackmail.

(c) Since the war, the Icelanders had been living beyond their means and had brought their present indigence upon themselves as a result of an overly ambitious programme of investment pursued since the war. It was true, however, that the western countries bore some responsibility for the situation in Iceland in that they had not bought fish or imported other goods from Iceland on a sufficient scale.

(d) Canada's share of assistance was out of all proportion. For political reasons apparently, the Icelanders did not want to be obligated to the U.S.A. by asking or accepting too large an amount from them although the U.S.A. appeared disposed to provide the entire loan.

(e) It should be borne in mind that, if Iceland were allowed to fall under Soviet domination, the defence of member countries of N.A.T.O. would be seriously impeded.

(f) Canadian assistance could take the form of agricultural commodities now in surplus such as dry skim milk, cheese, wheat, or flour.

8. *The Cabinet* noted the Prime Minister's report and agreed that a loan of \$500,000 be offered to Iceland to purchase specified Canadian agricultural commodities, including wheat, flour, dry skim milk, and cheese.

...

259.

DEA/50376-40

*Le secrétaire d'État aux Affaires extérieures
à l'ambassadeur en Norvège*

*Secretary of State for External Affairs
to Ambassador in Norway*

TELEGRAM S-25

Ottawa, January 17, 1958

SECRET. OPIMMEDIATE.

Reference: Your Tel 1 Jan 15.†

Repeat NATO Paris, Washington, Permis New York, Bonn, London (Routine)
(Information).

NATO LOAN TO ICELAND

The Cabinet decided end of October that we would agree to offer one half million dollars for purchase of agricultural products in Canada, namely wheat, flour, cheese or dried skim milk. Your recollection, therefore, is correct. NATO Paris was so advised on October 30 and Wilgress informed orally the Acting Permanent Representative of Iceland.

2. On November 27 Andersen indicated informally to our NATO Paris delegation that Icelandic authorities were reflecting on the use they might make of our offer. He said that Iceland was not interested in the commodities listed because they are already receiving such commodities from USA under PL 480. He inquired whether the Canadian government would indicate what other commodities would be available.

3. On December 5 we asked our NATO mission to assure Anderson that we would be prepared to consider provision of other agricultural commodities and that the following products would be available; fowl, eggs, apples, tobacco, potatoes, animal foodstuffs. We would hope that dried skim milk could be included in any list of Icelandic purchases. We also asked NATO Paris to transmit suggestions from the Icelanders as to other agricultural products in which they might be interested.

4. We do not yet know whether our offer as it stands is acceptable. Consideration has not been given to the terms and conditions of the loan nor as to when parliamentary approval might be sought.

5. We are asking NATO Paris for Icelandic reactions to our proposal of December 5 and to keep you informed.

260.

DEA/50376-40

*Le représentant permanent auprès du Conseil de l'Atlantique Nord
au secrétaire d'État aux Affaires extérieures*

*Permanent Representative to North Atlantic Council
to Secretary of State for External Affairs*

TELEGRAM 527

Paris, February 27, 1958

SECRET

Reference: Our Tel 124 Jan 20.†

Repeat London, Washington, Permis New York, Bonn (Information).

By Bag Oslo from London.

LOAN TO ICELAND

Andersen, Permanent Representative of Iceland, passed through Paris last week-end on his way to the Geneva Conference on the Law of the Sea. He endeavoured to get in touch with me but was unsuccessful. He therefore asked his deputy to inform me that the Icelandic government would appreciate if we could keep our offer open for the time being.⁵⁷ They have no intention of making use of the offer in the near future but are still studying possibilities of future purchases of Canadian agricultural products under the terms of the Canadian government offer.

[L.D.] WILGRESS

261.

DEA/50376-40

*L'ambassadeur en Norvège
au secrétaire d'État aux Affaires extérieures
Ambassador in Norway
to Secretary of State for External Affairs*

TELEGRAM 30

Oslo, March 17, 1958

SECRET. PRIORITY.

Reference: NATO Tel 527 Feb 27.

Repeat London, NATO Paris from Hague, Washington, Permdel New York from Ottawa (Information).

By Bag Bonn from London.

LOAN TO ICELAND

1. In view of continued interest of Iceland in Canadian offer when in Iceland last week I thought it useful to make discreet enquiries of USA mission as to progress of their negotiations. I was informed by Olson, Counselor of Embassy, that USA offer of five (5) million had been taken up. Conditions attached are that loan should be spent mainly on completion of revenue producing projects such as cement plant. Olson said negotiations on German offer of two (2) million were going on but he knew nothing of proposed terms. I did not repeat not think it advisable to enquire from German Ambassador or Ministry of Finance.

2. In addition negotiations for USA surplus agricultural products are now in progress. I understand USA offer will virtually fill all Iceland's agricultural requirements including wheat, wheat flour and tobacco. Olson thought Iceland might be interested in taking apples and canned fruit under proposed advance from Canada since USA are unable to supply.

3. As you know Iceland produces all its own requirements in dairy products and meats. It is exporting some lamb and aiming to export cheese. Agricultural production is heavily subsidized and farmers are strong politically. These facts explain lack of enthusiasm for our offer of dairy products.

4. Exchange difficulties are certainly not lessening. Present official rate of 16.26 to USA dollar is badly out of line with reality and there appears to be considerable black marketing

⁵⁷ Note marginale :/Marginal note:

Yes, confirmed by Ed Gallant; tel in reply† has gone. R[odney] G[rey]

in exchange. I was told twenty-five (24) to thirty (30) to the dollar was easily obtainable. Exchange regulations are obviously not repeat not policed adequately perhaps largely due to shortage of experienced personnel. Rumours exist about prospective devaluation but Cabinet is seriously split on issue and labour unions strongly oppose devaluation. Devaluation alone would obviously not repeat not remedy situation. An OEEC party visited Iceland within past fortnight but I was unable to discover their conclusions if any.

[R.A.] MACKAY

262.

DEA/50376-40

*Le représentant permanent auprès du Conseil de l'Atlantique Nord
au secrétaire d'État aux Affaires extérieures*

*Permanent Representative to North Atlantic Council
to Secretary of State for External Affairs*

TELEGRAM 796

Paris, March 26, 1958

SECRET

Reference: Our Tel 1874 Nov 5/57† and Bonn's Tel 505 Nov 15.†
Repeat London, Washington, Bonn (Information).
By Bag Oslo from London.

NATO: ASSISTANCE FOR ICELAND

At end of yesterday's meeting of Committee of Economic Advisers, McCarthy, USA Representative, made some very critical observations about promised German loan to Iceland. He recalled that USA loan had been completed in December and it had been expected that German assistance on similar terms and conditions would also be made available about that time. It was now nearly the end of March and negotiations were still stalemated; Icelandic negotiator had been in Frankfurt for six weeks and had been able to make no progress. It was time Germans stopped trying to treat matter as a commercial transaction. There was no question of Icelanders being able to discriminate on terms and conditions between the two lenders and the Germans should stop trying to exact more favourable terms. If things went on as they were all the good would be drained out of the operation and the whole thing might boomerang so far as NATO was concerned.

2. Gregh intervened to add that Mr. Spaak was also very concerned about delay and had already sent a letter to German delegation on the subject. Schmidt was rather taken aback by these unexpected broadsides. He said he was not familiar with reasons for the delay, agreed that early action by Germany would be desirable and said he would bring the observations made to the attention of his authorities.

263.

DEA/50376-40

*Le représentant permanent auprès du Conseil de l'Atlantique Nord
au secrétaire d'État aux Affaires extérieures*

*Permanent Representative to North Atlantic Council
to Secretary of State for External Affairs*

TELEGRAM 1066

Paris, April 23, 1958

SECRET

Reference: Our Tel 796 Mar 26.

NATO: ASSISTANCE FOR ICELAND

On April 23 Acting Secretary General read prepared report to Council concerning success of restricted committee initiatives. Statement will be circulated as annex to NATO document CR(58)28, but in essence outlines Export-Import Bank loan of 5 million dollars and its accompanying terms, and also German loan of approximately 2 million dollars on roughly similar terms.

2. Icelandic representative thanked Council for its successful efforts stating that Iceland has always attached importance to economic cooperation within NATO and the help extended on this occasion within context of Article 2 is much appreciated by his country.

6^e PARTIE/PART 6

RÉDUCTION DES FORCES DU ROYAUME-UNI
UNITED KINGDOM FORCE REDUCTIONS

264.

DEA/50030-K-40

*Note du secrétaire d'État aux Affaires extérieures
pour le Comité sur les aspects économiques des questions de la défense*

*Memorandum from Secretary of State for External Affairs
to Panel on Economic Aspects of Defence Questions*

DOCUMENT ED7-58

[Ottawa], March 18, 1958

SECRET

REDUCTION OF U.K. FORCES IN GERMANY — SUPPORT COSTS

One of the black clouds which has during the past few months been edging over the NATO horizon is the problem of the German contribution to meet the local costs of U.K. forces stationed in the Federal Republic. Over the past few years, the German willingness to pay these costs has hardened considerably. Last year, it was only after protracted and difficult negotiations that the Germans agreed to pay support costs of £50 million at a time when U.K. forces were being reduced from 75,000 to 55,000 ground troops. The first tranche of the reduction (13,500 men) was carried out in 1957 and the WEU Council agreed last January that the second tranche (8,500 men) could be withdrawn in 1958. The U.K. Government has made it clear repeatedly in both NATO and WEU that the retention

of 55,000 men (7 brigades) on the continent, after April 1, 1958, depended on a satisfactory solution of the support costs problem.

Up to the present, no satisfactory solution has been found. After bilateral negotiations had failed, the U.K. last December invoked the July 26 Resolution (CM(57)112) in NATO, under which a country in balance of payments difficulties can have its situation reviewed by experts appointed by the Secretary-General. The U.K. also invoked the balance of payments escape clause of the revised Brussels Treaty. The report of the NATO experts (CM(57)152 of Jan. 6) confirmed that the U.K. was experiencing serious balance of payments difficulties and that the stationing of U.K. forces in the Federal Republic constituted a heavy additional burden on its balance of payments.

Following receipt of the experts' report a restricted NATO ad hoc committee was set up to examine the basis on which assistance might be given to the U.K. We accepted an invitation to participate in this Committee somewhat reluctantly after representations from the U.K. High Commissioner's Office in Ottawa and on Mr. Wilgress' advice. We were obliged to recognize that the implications of possible future U.K. withdrawals from Europe were of broader significance than what had been a financial dispute between the U.K. and Germany. We were not, however, willing to contemplate NATO solution based on multilateral contributions.

The first effort of the Ad Hoc Committee was to induce the U.K. and the Federal Republic to renew bilateral negotiations. The Federal Republic showed some flexibility in these negotiations by offering quite substantial concessions aimed at relieving the U.K. balance of payments difficulties (i.e. advance debt repayment, advance deposits in London earmarked for armament orders) and slight budgetary concessions by offering interest rate concessions. The U.K. turned down all these offers, however, on the grounds that they merely postponed the foreign exchange problem. The U.K. maintained its position that outright German payments to meet local costs were necessary. Such payments would, of course, also relieve pressure on the U.K. defence budget — a relief which the Federal Republic seems no longer prepared to provide.

The attached NATO telegram 654 of March 12[†] sets out this text of the latest UK proposals submitted to the Ad Hoc Committee last week. They comprise a three year solution under which the UK would:

(1) Maintain 7 brigades in Germany in 1958-59, if the Federal Republic agrees to: (a) advance repayment of £45 million post war debt, (b) maintain in London £67.5 million now on deposit in the Bank of England to meet future debt repayments and at a reduced interest rate, (c) deposit with Bank of England interest free at least £50 million for new armament orders.

(2) Reduce to 5 brigades (45,000 men) in Germany in 1959-60 and 1960-61. (2 RAF would also be reduced from 220 to 102 aircraft by end of 1960-61) on the understanding that the UK would provide only £20 to £25 million of the total local costs estimated at £36 million. The difference of £11 to £15 million, the UK would expect to be provided by her allies.

This UK proposal is apparently based on a firm cabinet decision not to accept a financial commitment for local stationing costs of more than £20 to £25 million and it has been intimated that if other NATO countries including Germany are not prepared to contribute in 1959-60 and 1960-61 to the stationing costs, UK forces might have to be reduced further — perhaps to the level of three brigades.

POSSIBLE CANADIAN ATTITUDE

Force Levels

The UK proposal to reduce their forces in Germany by two brigades for financial reasons comes at a most inopportune time. It involves a unilateral reduction at a time when there is at least a prospect of bargaining with the USSR for some thinning out of forces on either side of the East/West German border. SACEUR is opposed to any further UK withdrawals and has received with disfavour the UK proposal to reduce to 5 brigades. Finally, there is a danger that other countries will follow suit. In view of these considerations, it would appear desirable for the UK financial problems insofar as they involve NATO should be considered on the assumption that 7 brigades (55,000 men) would be maintained in Germany until 1960-61. This would involve local costs of £47 million of which an indicated minimum of £22 million might have to be contributed by other NATO countries.

Financing

The UK request for German balance of payments aid in 1958-59 is close to what the Germans have already offered and therefore it should not prove too difficult for them to agree to it unless the prospect of further UK reductions hardens their position.

The main problem centers on the prospect of a multilateral NATO contribution in 1959-60 and 1960-61. It would appear highly unlikely that the majority of NATO countries would contemplate a contribution to UK stationing costs. Apart from the lack of realism in thinking of a broad multilateral scheme for this purpose, it would set a most undesirable precedent.

Both the UK and Mr. Spaak consider that most of the £11 to £15 million, required from NATO if the UK were to reduce to 5 brigades, could be secured from the Federal Republic under the umbrella of a NATO scheme. There must, however, be some doubt about this. The remainder might have to be provided by the US and it is possible that we might be asked to contribute.

The Canadian position on the UK/German support costs question has consistently been that it is one for bilateral negotiation and settlement between these two countries. It is apparent, however, that it has now become a problem of much broader implications. The new UK proposals have faced NATO with a choice between

- (a) providing a substantial contribution to local stationing costs with a view to maintaining 7 UK brigades in Germany.
- (b) refusing to contribute to local costs and running the risk of having the UK forces reduced to 3 brigades.
- (c) providing £11 to £15 million in support costs and accepting a reduction of UK forces in Germany from 7 to 5 brigades.

Although the UK proposals have been presented as a package covering three years; it would appear that the proposal for 1958-59 could be separated from the proposal for the following two years. Procedurally, it might be possible to suggest that a settlement for 1958-59 might be concluded bilaterally with the Federal Republic on the basis of the UK proposal.

With regard to the years 1959-60 and 1960-61, it is apparent that no quick decision will be possible, but Council might decide on a procedure for considering the UK proposals for 1959-60 and 1960-61. The first requirement would seem to be a formal request for SACEUR's views on the UK reduction to 5 brigades. If SACEUR maintains his view that a further reduction should not be contemplated, the investigation of the problem might proceed on the assumption that 7 UK brigades would be retained in Germany.

It is difficult to envisage what form future negotiations might take. In order not to set a precedent, it might be preferable to restrict them to those countries most likely to participate in a settlement and to endeavour to arrange a settlement outside NATO. The countries likely to be involved would be the Federal Republic, the UK and the United States and possibly Canada.

While it is too soon to formulate a Canadian position on the financial implications of the UK proposals for 1959-60 and 1960-61, our Delegation will require guidance for the discussion of the UK memorandum. It is for consideration whether such guidance might contain the following points:

- (1) We are very disturbed by the force reductions which are contemplated in the UK proposal in the years 1959-60 and 1960-61.
- (2) In particular, we feel that the timing of such reductions would be highly unfortunate.
- (3) We would hope that multilateral financing could be avoided.
- (4) In any case, we have difficulty in seeing how the various measures outlined in the UK memorandum can successfully be considered together.

265.

DEA/50030-K-40

*Extrait du procès-verbal de la réunion du Comité
sur les aspects économiques des questions de la défense*

*Extract from Minutes of Meeting of Panel
on Economic Aspects of Defence Questions*

TOP SECRET

[Ottawa], March 24, 1958

Present

Mr. R.B. Bryce, (Secretary to the Cabinet).
 General Charles Foulkes, (Chairman, Chiefs of Staff).
 Mr. F.R. Miller, (Deputy Minister of National Defence).
 Mr. D.A. Golden, (Deputy Minister of Defence Production).
 Dr. A.H. Zimmerman, (Chairman, Defence Research Board).
 Mr. L. Rasminsky, (Deputy Governor of the Bank of Canada).
 Mr. D.V. LePan, (Assistant Under-Secretary of State for External Affairs).
 Mr. A.F.W. Plumptre, (Assistant Deputy Minister of Finance).
 Mr. W.R. Martin, Mr. D.B. Dewar, (Privy Council Office).

Also Present

Mr. F.G. Hooton, Mr. R. Grey, (Department of External Affairs).
 Mr. F.A. Milligan (Department of Defence Production).
 Mr. R.G. MacNeill, Mr. C.L. Read, Mr. E. Gallant, (Department of Finance).

...

II. REDUCTION OF U.K. FORCES IN GERMANY; SUPPORT COSTS
 (Documents ED 7-58 and ED 8-58† had been circulated.)

3. *General Foulkes* said that before the Panel went on to consider this question, members might want to know that, according to information available to the Delegation in Paris, the United Kingdom authorities were considering postponing the submission of their proposal to reduce their forces in Europe to five brigades, at least until after a Summit Conference.

4. *Mr. LePan* referred to the points one to four in the last paragraph of Document ED 7-58, and said that they were suggestions for a tentative position to be taken at present by the NATO Delegation, and were not intended to preclude the consideration of any

proposals which Canada might make later. There were a number of uncertainties which made it difficult for this country to take a stronger or more definite position at this time. We were not sure, for instance, what would be the results of the reconsideration of strategic thinking that seemed to be underway at the present time, and what the implications would be for the size and nature of our forces and for our defence expenditures.

5. As far as the proposed reductions in U.K. forces in Europe was concerned, we might take a position of clear-cut opposition, which would not be inconsistent with the stand we had taken in the past. On the other hand, it was possible that changes in strategic thinking had undermined the basis for such opposition, and furthermore we might wish to prepare the ground for similar withdrawals of Canadian forces in the future. If this was the case, we should perhaps condone or even welcome the proposed U.K. reductions.

6. It was difficult to assess the real reasons for the strain which had developed between the U.K. and Continental countries on the question of reductions. The Continental countries seemed to be disposed to think that the U.K. was trying to withdraw from military responsibilities in Europe, and the U.K. was in a mood to believe that she was being forced out of Europe. Difficulties over German import restrictions and in the negotiation of a Free Trade Area and, above all, the recent meeting between France, Germany and Italy on co-ordination of defence production might have contributed to this attitude in the U.K. There was a real danger that old suspicions among the European NATO countries were re-emerging, and Canada should pay some attention to the means of avoiding the development of an ugly situation there.

7. *Mr. Plumptre* suggested that for the purpose of briefing Ministers prior to the Defence Conference, Document ED 7-58 should be expanded along the lines of the statement *Mr. LePan* had given. It should be indicated to Ministers that, although the financial implications of the U.K. proposal were not great, the broad problems involved were very important. It should be recalled that Canada had relinquished its claims for support costs in Germany, and that if a similar action were taken by the United States, there would be plenty of money made available to meet the U.K. proposal. If, nevertheless, some financial assistance from Canada would help the problem, such assistance should be seriously considered. This would not mean that we would favour common financing as a means of assisting the U.K., for that would probably be an inappropriate method.

8. *General Foulkes* expressed concern about the position of some other member countries, for instance Greece and Turkey, who were in a worse financial position than the U.K., and for whose forces a given amount of financial assistance would go further.

9. *Mr. Miller* said that since the forces in Western Europe were not an effective shield now, the proposed U.K. reduction could not be objected to on military grounds as destroying the shield concept. Furthermore, the amount of money involved in the U.K. proposal was not large. It seemed, therefore, that a great storm was being created by a problem that was rather small in both military and financial terms.

10. *Mr. LePan* said the U.K. might have decided that because of their unfavourable currency reserves situation, they must draw a firm line on expenditures, and stick to it. They might regard their support costs proposal as representing their maximum possible contribution. However, it was hard to determine what weight should be assigned to the financial considerations entering into the U.K. decision on this matter.

11. *Mr. Rasminsky* doubted that the savings to the U.K. that their proposal would provide was the determining consideration. The U.K. had made considerable additions to their exchange reserves recently. Was it not possible that the U.K. were using their proposal as a

lever with which they hoped to obtain better terms in the European economic arrangements that were being negotiated?

12. *Mr. Plumtre* said that if the proposal were meant as a bargaining counter, it would have been much more effective to have asked for more support for seven brigades rather than less support for five. The U.K. government was probably concerned about meeting their obligation to end conscription.

13. *Mr. Bryce* said that the immediate problem was to provide the Delegation with guidance for the preliminary discussions of the U.K. proposal. No firm instructions could be provided without consulting Ministers, and it was not possible to propose a course of action to Ministers until we had a better appreciation of the German reaction to any Canadian offer to share in the provision of assistance. Was the immediate guidance suggested in the last paragraph of Document ED 7-58 satisfactory to the Panel?

14. *Mr. Plumtre* suggested that point 3 of the suggested guidance might be revised. We should indicate that we regarded a solution as important for the Alliance, and that at the official level we would not shy away from a solution involving financial implications. Multilateral financing would not, however, be an appropriate means of providing assistance, particularly because of the difficulties it would entail for Canada, after having waived support costs for our own forces.

15. *Mr. LePan* said that our Delegation had been asked by the U.K. not to say anything in the preliminary stages of discussion that would prejudice the possibility of a U.K.-German agreement on the U.K. proposal. Therefore, if the Panel agreed to the four points in Document ED 7-58, with the amendment to point 3 that had been suggested, this should be sufficient guidance for the Delegation at present.

16. *The Panel:*

(a) approved for the guidance of the NATO Delegation the four points in the last paragraph of Document ED 7-58, as amended during the discussion;

(b) agreed to give further consideration at a subsequent meeting to the Canadian position on the U.K. support costs proposal.⁵⁸

W.R. MARTIN
Secretary
D.B. DEWAR
Assistant Secretary

266.

DEA/50334-40

*Le représentant permanent auprès du Conseil de l'Atlantique Nord
au secrétaire d'État aux Affaires extérieures*

*Permanent Representative to North Atlantic Council
to Secretary of State for External Affairs*

TELEGRAM 1262

Paris, May 13, 1958

SECRET. PRIORITY.

Reference: Our Tel 1089 Apr 24.†

⁵⁸ Cette question a été réglée avant la rencontre du Comité, qui a suivi et s'est tenue le 27 juin 1958. This issue was resolved before the next meeting of the Panel occurred on June 27, 1958.

Repeat London, Washington, Bonn (Priority) (Information).

UK FORCES IN GERMANY

The Secretary General has circulated report of Ad Hoc Committee set up to deal with foreign exchange problems connected with the stationing of the UK armed forces in the Federal Republic of Germany. This report is to be considered by Council at the meeting on May 14. We shall be guided by your previous instructions. Following is the text of the report, Text Begins:

The Council on January 16, accepted the conclusion of the experts, Brofoss, Frère and Rueff, that the UK government were justified in requesting the assistance of their partners for a solution of the currency difficulties which would arise for them in 1958-59 as the result of stationing British forces in Germany; and it agreed to the establishment of an Ad Hoc Committee to consider the problem, consisting of the Permanent Representatives of Belgium, Canada, France, Germany, Italy, The Netherlands, the UK and the USA, under the chairmanship of the Secretary-General.

2. The Ad Hoc Committee held eleven meetings at which various suggested solutions of the problem, relating to the financial year 1958-59, were discussed. However, none of these was found to provide a possible basis for a settlement. The UK government then suggested that, instead of a solution relating to the year 1958-59 only, a settlement should be sought covering the three years 1958-59, 1959-60 and 1960-61, on the basis of which the UK could declare her intention to maintain certain levels of forces in Germany up to March 31, 1961. The Federal Government of Germany accepted the suggestion of a three year settlement.

3. At the last meeting of the Ad Hoc Committee the Federal Government and Her Majesty's Government expressed their willingness to accept, in the general framework of a NATO-wide solution of the problem, a three year settlement, comprising the following provisions:

(a) The Federal Government for their part would, as a measure of mutual aid according to Article 3 of the North Atlantic Treaty, in order to alleviate the foreign exchange problem connected with the stationing of British forces in the Federal Republic,

(i) make in 1958-59 and each of the two following years an annual payment to Her Majesty's Government of £12 million;

(ii) deposit with Her Majesty's Government interest-free a sum of £50 million from which Her Majesty's Government would pay the claims of British manufacturers in respect of armaments supplied to the Federal Government;

(iii) make in 1958-59, out of the balance of the £75 million deposited by the Bundesbank with the Bank of England in 1957, advance payment to Her Majesty's Government of the three annual instalments of the post-war economic debt which would have otherwise fallen due for payment on Aug1/62, 63 and 64 respectively, subject to their obtaining the waivers which would be required in accordance with the provisions of the London debt agreements of 1953;

(iv) intervene with the Bundesbank in order that at the request of the Bank of England an arrangement might be found for meeting the wishes of the latter bank regarding the payment of interest on the balance of the £75 million deposit referred to at (iii) above.

(b) Her Majesty's Government for their part would assume the commitment of finding from their own resources:

(i) in 1958-59 the balance, after taking into account the payment of £12 million received from the Federal Government, of the local DM costs involved in maintaining British forces in Germany (at the level of forces accepted by the Western European Union for this year these costs are estimated to total £47 million);

(ii) in 1959-60 and 1960-61 an amount for local DM costs of around £25 million in each of these years.

On the basis of these provisions Her Majesty's Government would be prepared to declare through NATO their intention to maintain in Germany in the years 1959-60 and 1960-61:

(a) a minimum of 45,000 men (5 brigade groups);

(b) 2 TAF (with a strength starting at 220 and ending at 102 aircraft).

The reduction in (a) above from the figure of 55,000 which has been accepted by the Western European Union as the revised strength of the British Army in Germany for 1958-59, would not begin until the first quarter of the calendar year 1959. There would be no reduction of 2 TAF below its present strength of 220 aircraft in 1958-59 and 1959-60 but the strength would be reduced towards the end of 1960-61 to 102 aircraft.

The local DM costs of maintaining the forces at these reduced levels in 1959-60 and 1960-61 are at present estimated at £37 million each year. Of the costs in each year, under (a) and (b) above £12 million would be covered by the payment received from the Federal Government and the balance, even if this should exceed £25 million, would be found by Her Majesty's Government from their own resources.

4. The Ad Hoc Committee has agreed that its work is now completed and that the proposed settlement should be referred to the full Council. Text Ends.

[L.D.] WILGRESS

267.

DEA/50334-40

*Le représentant permanent auprès du Conseil de l'Atlantique Nord
au secrétaire d'État aux Affaires extérieures*

*Permanent Representative to North Atlantic Council
to Secretary of State for External Affairs*

TELEGRAM 1278

Paris, May 14, 1958

SECRET. PRIORITY.

Reference: Our Tel 1262 May 13.

Repeat London, Washington, Bonn (Information).

UK FORCES IN GERMANY

Introducing CM(58)79 in Council this morning, Spaak explained that it outlines solution finally agreed in Ad Hoc Committee without going into various alternatives discussed or views exchanged. He drew a distinction between financial and military aspects of paper, suggesting that so far as the latter are concerned, no repeat no concrete problem would arise until such time as question is again raised in WEU. He recognized that, if the question of a further reduction should be raised there, and WEU country was at liberty to express views; the same applied, with respect to all NATO countries, in relation to Annual Review consideration of UK forces. He thought that financial aspect was one on which Council might agree now, and he hoped that it might prove possible to avoid again raising military aspect as a problem in WEU.

2. Blankenhorn said Germany recognized that UK proposals on force levels are dependent on proposed three year financial settlement. He said UK should do everything possible, if further reduction is made, to counterbalance by improvements in military efficiency. On this basis Germany would not repeat not object if UK found it necessary to raise question of a further reduction in WEU. On German undertaking to make advance payment of debt settlements, Federal Government would consult with the other interested countries before proceeding.

3. Roberts emphasized that proposed reduction to 45,000 in 1959-60 and 1960-61 was a minimum. There would be no repeat no reduction below 55,000 until first quarter of 1959, and there would be no repeat no air force reduction until 1960-61. UK would like to maintain an army of 55,000 in 1959-60 but scope of financial agreement it has proved possible to work out does not repeat not allow this. He reminded Council that UK and Germany are the only contributors.

4. Roberts said that if NATO could by some means find some additional arrangements to cover additional amount of the DM equivalent of 8 or 10 million pounds, needed to support the 10,000, the UK would be happy to try to maintain its forces at its present strength in succeeding years. At the same time, he warned that, since present plan will involve an additional expenditure in foreign exchange for UK of 35 million pounds this year and at least 24 million pounds in each of the following two years, UK would not repeat not be a potential contributor to any further arrangement. Moreover, they would consider that any negotiations to this end should not repeat not be a continuation of the negotiations now concluded, since UK could not repeat not countenance present arrangements being called in question in any way.

5. He noted with approval that Spaak had indicated that there need be no repeat no reference to WEU now because there would be no repeat no further reduction this year. UK government will try to defer a reference to WEU as long as possible, and hopes that it may never be necessary.

6. On counter-balancing any reduction, Roberts recalled that UK is already increasing the combat efficiency of the 55,000 and will shortly be providing them with more modern armaments. These forces will be the first, after USA forces, to receive such armaments.

7. Roberts recognized that arrangements for advance debt payment give UK preferential treatment over other creditor countries but hoped that they would nevertheless concur.

8. Belgian representative agreed with Spaak's opening remarks and was particularly gratified that we need not repeat not necessarily face a further reduction to 45,000. He was, however, concerned about effect in other NATO countries if possibility of such a reduction were included in official announcements of settlement. These countries might begin to think that the Annual Review can be side stepped and that countries may reduce forces unilaterally.

9. He questioned wisdom of an agreement covering three years rather than one. This, he said, carries us into the realm of financial and economic conjecture and provides a settlement not repeat not based on the views of experts and therefore outside the expressed terms of the established NATO procedure.

10. French representative welcomed Roberts' emphasis on minimum character of possible reduction but shared Belgian concern about publicity. Moreover, he said, French defence efforts and French interests in WEU are involved, and nothing should be done to limit French freedom of action in WEU forum. There is also the somewhat legal problem of the position of debtor countries. All these questions require careful consideration and French representative could not repeat not commit himself to support report today.

11. Netherlands representative supported Belgian intervention and emphasized danger of an announcement involving a possible further reduction of 45,000, both within NATO and with respect to any negotiations with the Russians.

12. I expressed satisfaction with conclusion of the agreement and welcomed extension of the period of proposed agreement to cover three years because it would avoid a recurrence of difficulty each year. I said that we nevertheless have to consider future and must clearly distinguish between WEU and NATO interests. I fully shared Netherlands concern about effect of publicity and hoped that it will not repeat not be necessary for official announcement to include any reference to possible further reductions of UK forces on continent. This should not repeat not be necessary until such time as matter is raised again in WEU.

13. Furthermore, in NATO, we should clarify our plans for handling this question in future. It should be approached dispassionately and without any preconception that further reductions will necessarily be made. At the moment, no repeat no additional source of funds is in sight but all possibilities should be investigated. On military side, we need an investigation to see what economics can be effected. Also, as German representative had suggested, the combat efficiency of UK forces on the continent might be increased and possibility of further economies for UK forces should not repeat not be overlooked. In this connection I referred to possibility of streamlining the HQ structure.

14. Procedurally, I said, problem will have to come within the orbit of 1958 Annual Review. Consideration will have to be given in this context to MC70 and broad objectives of NATO defence planning. The military authorities in preparing their guidance will no repeat no doubt take into account force breakdowns for UK in MC70 which mentions seven brigades. Annual Review will also afford an opportunity for consideration of financial aspects, in the normal way, and this should be the way in which NATO deals with financial problems of this kind in future.

15. USA representative praised UK and Germany for stretching themselves to reach agreement. He thought that statements made today by UK and German representatives are very important and that they should be part of the record in the same way as CM(56)79. He fully shared anxieties of others on publicity. UK have a problem vis-à-vis their parliament but so have others. Some formula avoiding the impression that NATO has approved a reduction to 45,000 should be worked out.

16. Roberts, commenting, agreed that 1958 Annual Review should be used to consider the forces aspect, while efforts at the same time were made to find the money to make a further reduction unnecessary. He disagreed with the view, expressed by several, that a NATO military opinion on the proposed reduction be sought now, since this would be premature. On publicity, UK would do its best to prevent possibility of a further reduction to 45,000 in the best possible light but could not repeat not avoid mentioning it to parliament, since there will be criticism and the government must tell the whole story. On possible further economies affecting UK forces he thought UK was already doing pretty well but friendly advice was always welcome.

17. Spaak proposed that Council take note of report but also note that certain delegations had reservations with respect to possible force reductions which they might raise either in WEU if question arises there again, or in the course of Annual Review. It is possible, he reflected, that a solution of the further problem may be found in the meantime.

18. On publicity Spaak recognized problem but thought it necessary to understand UK requirement. Both UK and Germany must be frank with their parliaments or risk trouble later on.

19. Blankenhorn wanted Council to "approve" rather than "take note" and felt approval should be of "proposals" rather than of agreement between UK and Germany. For Germany this is and must be a NATO, not repeat not a bilateral solution; this should be reflected presentationally. He also wanted a reference to mutual aid under Article 3 rather than to "stationing costs."

20. Belgian representative opposed German proposal that Council "approve." I thought it was acceptable if approval was on understanding that it did not repeat not affect position of WEU members in WEU, and did not repeat not limit freedom of action of NATO countries in Annual Review. UK, recognizing German political requirement, strongly supported German representative, although no repeat no one supported his further proposal that Council recommend implementation of the financial proposals. Roberts thought this would be unacceptable to his government.

21. Spaak tried hard to get agreement on a formula of the kind he had originally proposed which would be put back to governments as a draft decision. USA representative argued that this could not repeat not be done in Council and asked that staff draft a resolution and a document embodying UK and German statements at the meeting. When pressed by Spaak he said he would like these incorporated in some way in a document to be approved by Council.

22. It was agreed staff would circulate a paper for consideration May 21.

268.

DEA/50334-40

*Le représentant permanent auprès du Conseil de l'Atlantique Nord
au secrétaire d'État aux Affaires extérieures*

*Permanent Representative to North Atlantic Council
to Secretary of State for External Affairs*

TELEGRAM 1303

Paris, May 19, 1958

SECRET. OPIMMEDIATE.

Reference: Our Tel 1300 May 19.†

Repeat London, Washington, Bonn (Information).

UK FORCES IN GERMANY

At a meeting of the Ad Hoc Committee this morning the difficulties were resolved in connection with the preparation of a draft resolution. Roberts was able to assure the Committee that the UK statement in parliament will be of a kind satisfactory to NATO,⁵⁹ that is it will not imply that NATO have agreed in a further reduction of UK forces below the level accepted in WEU. In view of this it was agreed that the draft resolution need not be too precise regarding future reductions in forces since this involved a number of legal technicalities. Further, it was accepted that the resolution of the Council would be kept secret and need not be made the basis for a communiqué by NATO. It was felt that no

⁵⁹ Le Foreign Office du Royaume-Uni a distribué un énoncé officiel le 29 mai 1958 touchant les frais de soutien à l'Allemagne. Pour le texte de cet énoncé, voir United Kingdom, House of Commons, *Debates*, 1957-1958, pp. 11 à 13.

The United Kingdom Foreign Office released an official statement concerning German support costs on May 29, 1958. For the text of this statement, see United Kingdom, House of Commons, *Debates*, 1957-58, Volume 589, pp. 11-13.

communiqué need be issued and that the public would be informed through the statements made in the UK and German parliaments.

2. On this basis, rapid progress was made in the drafting of a satisfactory resolution and I am sending the text to you in my immediately following telegram.

[L.D.] WILGROSS

269.

DEA/50334-40

*Le représentant permanent auprès du Conseil de l'Atlantique Nord
au secrétaire d'État aux Affaires extérieures*

*Permanent Representative to North Atlantic Council
to Secretary of State for External Affairs*

TELEGRAM 1304

Paris, May 19, 1958

SECRET. OPIMMEDIATE.

Reference: Our Tel 1303 May 19.

Repeat London, Washington, Bonn (Information).

UK FORCES IN GERMANY

Following is text of draft resolution of the Council concerning UK forces in Germany, Begins:

The Council

(1) Took note of the proposals made to NATO jointly by the Federal Government of Germany and the UK Government with a view to the solution, through the application of the principles of Mutual Aid set out in Article 3 of the North Atlantic Treaty, of the foreign exchange problem connected with the stationing of British forces in the Federal Republic of Germany in accordance with NATO plans.

(2) Took note of the statements made at the meeting of the Council on May 14, 1958 (C-R(58)35), in particular those made by the representatives of the Federal Republic of Germany and of the UK and by the Chairman as regards the implementation of these proposals.

(3) Took note also of the statements of some delegations who expressly reserved the position of their governments, should the implementation of the above proposals eventually prove to involve a reduction of the British forces stationed in Germany from 1959 onwards.

(4) Recognizes in this connection that any possible change after 1958 from the levels already agreed in WEU would be the subject of prior consultations in NATO, according to the normal procedures, and of decisions in WEU.

(5) Recommended that the Federal Government of Germany and the UK Government should put the proposed financial provisions into effect, with the co-operation of other member countries concerned as necessary.

(6) Recommended that every effort be made in good time with a view to finding the means for maintaining the present level of the British forces stationed in Germany after 1958. Text Ends.⁶⁰

[L.D.] WILGRESS

7^e PARTIE/PART 7

CHYPRE
CYPRUS

270.

DEA/50141-40

Extrait du livre des instructions

Extract from Briefing Book

TOP SECRET

[Ottawa], April 18, 1958

CYPRUS

There have been two unsuccessful attempts at NATO mediation on the Cyprus question during 1957. An offer of good offices by Lord Ismay in March 1957⁶¹ failed due to Greece's rejection of his proposal to call a meeting of the parties involved. Mr. Spaak for his part was busy working behind the scenes from June 1957 on. Towards the end of the year, however, general elections in Turkey and the debate on Cyprus at the United Nations, caused him to postpone his initiatives indefinitely.

Little concrete progress has been achieved towards a solution of the Cyprus question in the last few months, although renewed efforts at negotiation with Greece and Turkey have been made by the United Kingdom. At the Twelfth Session of the General Assembly, Greece concentrated its efforts on obtaining a United Nations vote in favour of self-determination for Cyprus.⁶² The United Kingdom and Turkey, on the other hand, argued in favour of a fairly general resolution similar in character to that adopted at the Eleventh Session, which called for a resumption of negotiations. A late attempt to produce a compromise resolution omitting specific reference to self-determination, in which the Canadian delegation rather reluctantly took a part at United Kingdom urging, was unsuccessful. The debate remained inconclusive as the Greek resolution, recommending the application of the principle of self-determination failed to receive the required two-thirds majority in plenary session.

⁶⁰ Le Conseil de l'OTAN a approuvé cette résolution le 21 mai 1958. En octobre 1958, le Royaume-Uni a annoncé qu'il maintiendrait ses forces en Allemagne, à savoir 55 000 hommes, tout au long de 1959 et absorberait l'ensemble des coûts en devises pour y garder ses soldats après que les États-Unis lui ont attribué des fonds additionnels par l'intermédiaire du Programme mutuel de mise au point d'armements. Voir Roberts à Lloyd, 24 octobre 1958, MAE/50030-AB-5-40.

The NATO Council approved this resolution on May 21, 1958. In October 1958, the United Kingdom announced that it would maintain its forces in Germany at a level of 55,000 men throughout 1959 and absorb all foreign exchange costs to maintain these troops after the United States provided more funds to the British government through the Mutual Weapons Development Programme. See Roberts to Lloyd, October 24, 1958, DEA/50030-AB-5-40.

⁶¹ Voir/See Volume 22, Documents 615-620.

⁶² Voir ministère des Affaires extérieures, *Le Canada et les Nations Unies, 1957* (Ottawa, 1959), pp. 13 à 15.

See Department of External Affairs, *Canada and the United Nations, 1957* (Ottawa, 1959), pp. 11-13.

On the occasion of the Baghdad Pact Ministerial Council Meeting, held in Ankara January 25-31, 1958, Mr. Selwyn Lloyd conferred on Cyprus with members of the Turkish Government. The Turks maintained that the Island should be partitioned as Turkey could not allow the Turkish Cypriots to be ruled by the Greek majority. They were strongly opposed to the course of action which had been considered during Sir Hugh Foot's discussions with United Kingdom Government and which envisaged the deferment of the exercise of self-determination for a fixed period of years, the introduction of self-government during the interim period, and the early lifting of the emergency in Cyprus itself. They indicated, however, that an arrangement which would provide for a Turkish base in Cyprus and some form of self-government which would fully satisfy their concern for the Turkish Community might prove acceptable.

In Athens Mr. Lloyd emphasized the dangers of communal strife in Cyprus and the probability that any further violence, whether on the part of EOKA or the Cypriot Turks, would make partition inevitable. He endeavoured to find out from the Greeks whether there would be room for a compromise on the basis that Cyprus should advance towards self-determination as a unitary state within a fixed number of years, provided that Turkey's strategic requirements were met by the introduction of a Turkish enclave at an appropriate stage in the constitutional development of the Island.

The Greeks considered that Treaty obligations combined with United Kingdom bases should satisfy Turkish security requirements, and they were opposed to any suggestion that the Turks might be given bases before the future of the Island was finally decided. The Greek position was officially still unqualified self-determination but they indicated that they would be prepared to consider a solution on the following lines, providing that they did not have to put it forward themselves; the Island should remain as a unit; after a short period of self-government it should be given independence within the Commonwealth, binding itself not to seek to change its international status for a further period of years; it should submit to obligations regarding minorities and also with regard to foreign policy and armaments; the change in status might be subject to a vote in the United Nations and the new state should become a member of NATO.

On the question of the procedure under which an attempt to a solution might be made the United Kingdom offer of a Tripartite Conference in London to discuss the future of Cyprus generally was still open; alternatively there might be a Conference on strategic questions only. The Greeks rejected both suggestions as they preferred bilateral conversations conducted by the United Kingdom Government with the Greek and Turkish Governments separately.

Throughout the discussions in both Ankara and Athens, Mr. Lloyd made clear that whatever happened the United Kingdom bases under United Kingdom sovereignty would remain in the Island. This was accepted by both Turkish and Greek Ministers.

The United Kingdom Government subsequently considered the implications of the Foreign Secretary's talks and decided that the United Kingdom should:

- (1) initiate further discussions with the Turkish Government to ascertain whether they would accept a compromise solution (that Cyprus should advance towards self-determination as a unitary state within a fixed number of years, provided that Turkey's strategic requirements were met by the introduction of a Turkish enclave) and to clarify their conception of the scope of a Turkish base in Cyprus.

- (2) on the assumption that there were to be a Turkish base and possibly a Greek one, in addition to the United Kingdom bases, prepare studies of possible constitutional development for the remainder of the Island territory.

At present, it does not appear that the United Kingdom Ministers have the intention of pursuing the Greek ideas concerning the political future of the Island. They feel that the difficulties involved in such a conditional Commonwealth solution would be obviously too great.

The United Kingdom, for some time, has been genuinely anxious to find almost any solution which would prove acceptable to all parties. The attitudes of the Turkish and Greek Governments are still, publicly at least, hardly reconcilable. However, both Governments seem to be equally anxious for an agreed solution which would not involve too much loss of face. Undoubtedly, it will be difficult for them to renounce the public positions they have taken on this and which are basically that Turkey requests partition and that Greece insists on self-determination through a plebiscite.

The present terms of reference of the United Kingdom in regard to the future of Cyprus do go a long way to meet Turkish security requirements. It might prove very difficult, however, to persuade the Greeks to agree to them since it would defer self-determination for a fixed number of years (perhaps ten), and would give Turkey an immediate foothold on the Island. On the other hand, they represent an important concession on the part of the United Kingdom Government in that they now have come to commit themselves firmly in favour of introduction of self-determination after a fixed period of time. Also, the present plan avoids at least the immediate danger of partition, which the Greeks do not want, and would mean the early lifting of the emergency restrictions which the Cypriots do not like.

The Canadian Government is anxious that a peaceful, just and, if possible, lasting solution be found to the problem of the future of Cyprus. Although Canada has no immediate interest in the Cyprus dispute, we have, as a member of the United Nations, the Commonwealth and NATO, a deep concern that a settlement acceptable to all parties concerned be reached. The Canadian Government does not consider that it is in a position to put forward concrete proposals; this must be left to the interested parties.

271.

DEA/50141-40

*Note de l'adjoint spécial du secrétaire d'État aux Affaires extérieures
pour le sous-secrétaire d'État aux Affaires extérieures*

*Memorandum from Special Assistant to Secretary of State for External Affairs
to Under-Secretary of State for External Affairs*

TOP SECRET

[Ottawa], June 6, 1958

The attached letter from the United Kingdom High Commissioner was delivered to the Prime Minister today. Before it arrived, I was telephoned by the High Commissioner who said that he had sent the Prime Minister two copies of the letter and enclosure and indicated that he hoped that the second copy would be sent by the Prime Minister to Mr. Smith. I told the High Commissioner that I could not guarantee that the Prime Minister would in fact pass on the copy, but that I would keep an eye out for it. As it happened, the letter was delivered when I was with the Prime Minister. I pointed out that it would be necessary for the Department to prepare material for the discussion with Mr. Macmillan and subsequently for our representative to the North Atlantic Council. The Prime Minister readily agreed that a copy be shown to the Minister and to the Department.

H.B. R[OBINSON]

[PIÈCE JOINTE 1/ENCLOSURE 1]

*Le haut commissaire du Royaume-Uni
au premier ministre*

*High Commissioner of United Kingdom
to Prime Minister*

TOP SECRET

[Ottawa], June 6, 1958

Dear Prime Minister,

I have been asked by my Government to send you the text of a draft statement of policy about Cyprus which it is proposed to make to Parliament on the 17th June. The text of the statement is enclosed.

I have been asked to let you know that a full summary of the statement will be communicated to the Turkish and Greek Prime Ministers on the 10th or 11th June, together with a covering message from Mr. Macmillan. The message will be to the effect that the two Prime Ministers are being informed in advance of the announcement in the United Kingdom Parliament in order that they may have an opportunity to comment privately to the United Kingdom Government; that meanwhile they are asked to keep the communication secret; that even when the statement has been publicly announced it is hoped that they will abstain from public comment of a destructive character; and that after the debate in the United Kingdom Parliament Mr. Macmillan would be willing to meet the Greek and Turkish Prime Ministers, either separately or together, with a view to discussing and explaining the Plan and how it might best be put into operation.

The statement is also being shown to Mr. Dulles, who has been told that we greatly hope that he will give us his full support which we believe may make all the difference between success and failure of the Plan. Mr. Macmillan will be discussing the Plan with Mr. Dulles in Washington.

The United Kingdom Government intend to give a summary of the information contained in this letter and the Parliamentary statement to the Governments of certain N.A.T.O. countries on the afternoon of the 12th June. The United Kingdom Permanent Representative in Paris will no doubt discuss the matter thereafter with his colleagues as appropriate. The United Kingdom Government intend to instruct the United Kingdom Permanent Representative to the North Atlantic Council to explain our policy to the Council at its meeting on the 16th June. My Government hopes that when the Council meets they will feel able to express their Governments' support for our policy. Mr. Macmillan has asked me to let you know that he will wish to discuss the Plan with you during his visit to Ottawa. In these circumstances you may wish to withhold any instructions to Mr. Wilgress until you have had an opportunity for discussion with Mr. Macmillan.

Yours sincerely,

J.J.S. GARNER

[PIÈCE JOINTE 2/ENCLOSURE 2]

TOP SECRET

Ottawa, June 6, 1958

CYPRUS

DRAFT STATEMENT OF POLICY TO BE MADE TO UNITED KINGDOM PARLIAMENT
ON 17TH JUNE, 1958⁶³*Aims of Policy*

The policy of Her Majesty's Government in Cyprus has had four main purposes:

- (a) to serve the best interests of all the people of the Island
- (b) to achieve a permanent settlement acceptable to the two communities in the Island, and to the Greek and Turkish Governments
- (c) to safeguard the British bases and installations in the Island which are necessary to enable the United Kingdom to carry out her international obligations
- (d) to strengthen peace and security and co-operation between the United Kingdom and her allies in a vital area.

2. These are the aims which Her Majesty's Government have consistently pursued and which have guided their efforts in recent months to find common ground on which an agreed settlement might be reached. It is deeply regretted that all attempts in this direction have hitherto proved unsuccessful.

3. In view of the disagreement between the Greek and Turkish Governments and between the two communities in Cyprus, and of the disastrous consequences for all concerned if violence and conflict continue, an obligation rests with the United Kingdom Government, as the sovereign power responsible for the administration of the Island and the well-being of its inhabitants, to give a firm and clear lead out of the present deadlock. They accordingly declare a new policy which represents an adventure in partnership — partnership between the communities in the Island and also between the Governments of the United Kingdom, Greece and Turkey.

4. The following is an outline of the partnership plan:

The Plan

- (i) Cyprus should enjoy the advantages of association not only with the United Kingdom and therefore with the British Commonwealth but also with Greece and Turkey.
- (ii) Since the three Governments of the United Kingdom, Greece and Turkey all have an interest in Cyprus, Her Majesty's Government will welcome the co-operation and participation of the two other Governments in a joint effort to achieve the peace, progress and prosperity of the Island.
- (iii) The Greek and Turkish Governments will each be invited to appoint a representative to co-operate with the Governor in carrying out this policy.
- (iv) The Island will have a system of representative government with each community exercising autonomy in its own communal affairs.

⁶³ Le premier ministre, M. Macmillan, a communiqué cet énoncé officiel au parlement le 19 juin 1958. Voir United Kingdom, House of Commons, *Debates*, 1957-58, Volume 589, pp. 1315 à 1318.

Prime Minister Macmillan issued this official statement in Parliament on 19 June 1958. See United Kingdom, House of Commons, *Debates*, 1957-58, Volume 589, pp. 1315-1318.

(v) In order to satisfy the desire of the Greek and Turkish Cypriots to be recognized as Greeks and Turks, Her Majesty's Government will welcome an arrangement which gives them Greek or Turkish nationality while enabling them to retain British nationality.

(vi) To allow time for the new principle of partnership to be fully worked out and brought into operation in the necessary atmosphere of stability, the international status of the Island will remain unchanged for seven years.

(vii) A system of representative government and communal autonomy will be worked out by consultation with representatives of the two communities and with the representatives of the Greek and Turkish Governments.

(viii) The essential provisions of the new constitution will be

(a) there will be a separate House of Representatives for each of the two communities and these Houses will have final legislative authority in communal affairs

(b) authority for internal administration other than communal affairs and internal security will be undertaken by a council presided over by the Governor and including representatives of the Greek and Turkish Governments and six elected Ministers drawn from the Houses of Representatives, four being Greek Cypriots and two Turkish Cypriots

(c) the Governor acting after consultation with the representatives of the Greek and the Turkish Governments will have reserve powers to ensure that the interests of both communities are protected

(d) external affairs, defence and internal security will be matters specifically reserved to the Governor acting after consultation with the representatives of the Greek and Turkish Governments

(e) the representatives of the Greek and Turkish Governments will have the right to require any legislation which they consider to be discriminatory to be reserved for consideration by an impartial tribunal.

(ix) If the full benefits of this policy are to be realized it is evident that violence must cease. Subject to this Her Majesty's Government intend to take progressive steps to relax the emergency regulations and eventually to end the state of emergency. This process would include the return of those Cypriots at present excluded from the Island under the emergency regulations.

(x) A policy based on these principles and proposals will give the people of the Island a specially favoured and protected status. Through representative institutions they will exercise authority in the management of the Island's internal affairs, and each community will control its own communal affairs. While the people of the Island enjoy these advantages friendly relations and practical co-operation between the United Kingdom, Greece and Turkey will be maintained and strengthened as Cyprus becomes a symbol of co-operation instead of a cause of conflict between the three allied Governments.

The Future

5. Her Majesty's Government trust that this imaginative plan will be welcomed by all concerned in the spirit in which it is put forward and for their part they will bend all efforts to ensuring its success. Indeed if the Greek and Turkish Governments were willing to extend this experiment in partnership and co-operation, Her Majesty's Government would be prepared at the appropriate time to go further and, subject to the reservation to the United Kingdom of such bases and facilities as might be necessary for the discharge of her international obligations, to share the sovereignty of the Island with their Greek and Turkish allies as their contribution to a lasting settlement.

272.

DEA/50412-40

*Note sur les discussions entre le premier ministre
et le premier ministre du Royaume-Uni le 12 juin 1958⁶⁴*

*Note on Talks between Prime Minister
and Prime Minister of United Kingdom, June 12, 1958⁶⁴*

TOP SECRET. CANADIAN EYES ONLY.

CYPRUS

Mr. Diefenbaker asked *Mr. Macmillan* to explain the new United Kingdom proposal for Cyprus. *Mr. Macmillan* said that after much careful thought the United Kingdom Government had decided to try to persuade the Greek and Turkish Governments to accept the "principle of partnership" as the basis of a settlement of the Cyprus question. The United Kingdom plan was an attempt to combine the maximum degree of internal self-government for the Island as a whole with arrangements for Greek and Turkish management of their own communal affairs. It envisaged a seven-year period at the end of which the United Kingdom would share its sovereignty of Cyprus with Greece and Turkey. *Mr. Macmillan* referred to this as a "tri-dominion." He agreed that there were no precedents for the deliberate creation of such an entity, but said that the United Kingdom Government was determined to work towards this objective because it seemed preferable to the alternatives respectively favoured by Greece and Turkey. He indicated that the United Kingdom Government had given consideration to the possibility of pulling out of Cyprus altogether but that they had discarded this idea because their "Baghdad Pact bases" would be jeopardized if the Greeks and the Turks were left to settle the issue between themselves.

Mr. Macmillan said, after referring to his advisers, that the initial reaction of the Greeks to a summary of the United Kingdom proposal had been "angry." *Mr. Macmillan* did not expect that the Turks would be attracted to it either since it fell so far short of partition. He had fully expected that the initial reaction would be bad, but the United Kingdom Government did not intend to be discouraged by this. They intended to put all their weight behind it. *Mr. Macmillan* had himself offered to go to Athens and Ankara if the Greek and Turkish Prime Ministers wished. (He later said that he had not yet had replies to the personal messages he had sent to the Greek and Turkish Prime Ministers). *Mr. Macmillan* added that the United Kingdom proposed to place the onus for the success of the plan on Greece and Turkey; by keeping the dispute going they were "closing their eyes to the realities" of the East-West struggle.

Mr. Diefenbaker asked what the United Kingdom would do if the United Kingdom proposal proved definitely unacceptable. *Mr. Macmillan* said that it would be better if both the Greeks and Turks turned it down than if one accepted it and the other rejected it. In general, *Mr. Macmillan* left the impression that the United Kingdom Government was staking almost everything on the new proposal and that it had no clear alternative in mind at this stage.

Sir Norman Brook then referred to the new timetable for the discussion of the United Kingdom proposal in the North Atlantic Council. *Mr. Spaak* would be convening tonight

⁶⁴ Pour un résumé de tous les sujets discutés au cours de la visite du premier ministre Macmillan à Ottawa en juin 1958, voir le document 438.

For a summary of all topics discussed during Prime Minister Macmillan's visit to Ottawa in June 1958, see Document 438.

(June 12) an informal meeting of Council members less the United Kingdom, Greece and Turkey. There would be a full Council meeting tomorrow, June 13, and this would be followed on Monday by a "final" meeting of the Council, and on Tuesday, June 17, by a public statement by Mr. Macmillan.

In reply to a question about the outcome which they would hope for from the consultations in NATO, *Mr. Macmillan* said that they would "appeal to everyone" for support in making the new proposal work. At another stage, in the same context, he said that they hoped for "a NATO blessing."

Mr. Smith wondered if Canada might give its support to the United Kingdom proposal in the NATO Council. *Mr. Diefenbaker* called the United Kingdom proposal "a new development in the art of compromise." It was a very involved plan, a novel suggestion which perhaps one needed to be fully familiar with local conditions to understand.

Mr. Léger wondered whether from the United Kingdom point of view it would be satisfactory if the Canadian representative in NATO recommended that the three countries concerned should negotiate on the basis of the new United Kingdom proposal. This would, as *Mr. Macmillan* knew, be consistent with the traditional Canadian position on such matters.

Mr. Macmillan did not answer directly but said that from the United Kingdom point of view it would be helpful if the NATO Council were to go on record in support of the United Kingdom proposal "as a great idealistic effort."

In reply to a question as to the position likely to be adopted by other NATO countries, *Mr. Macmillan* indicated that apart from the Greeks and the Turks, only the United States and Canada had been informed. *Mr. Dulles* had agreed to give it full diplomatic support.

273.

DEA/50141-40

*Le secrétaire d'État aux Affaires extérieures
au représentant permanent auprès du Conseil de l'Atlantique Nord*

*Secretary of State for External Affairs
to Permanent Representative to North Atlantic Council*

TELEGRAM M-101

Ottawa, June 12, 1958

SECRET. OPIMMEDIATE.

Repeat Washington, Permis New York, London (Priority) (Information).

By Bag Ankara, Athens.

CYPRUS

Consideration of the Cyprus question in the NATO Council was among subjects discussed by ministers with *Mr. Macmillan* this morning. Your position in the Council tomorrow should be along the following lines.

2. We welcome the initiative taken by the United Kingdom government in providing a new basis for a settlement of the Cyprus issue. We consider that the UK has shown great ingenuity and very much hope that our two other NATO friends, i.e., Greece and Turkey, will be as forthcoming in response.

3. We realize that the solution of this question will require concessions by all parties directly concerned, but believe that it would be in the general interest of the Alliance that the UK proposal should not be rejected without the most serious consideration.

SIDNEY SMITH

274.

DEA/50141-40

*Le représentant permanent auprès du Conseil de l'Atlantique Nord
au secrétaire d'État aux Affaires extérieures*

*Permanent Representative to North Atlantic Council
to Secretary of State for External Affairs*

TELEGRAM 1556

Paris, June 13, 1958

SECRET. OPIMMEDIATE.

Reference: Your Tel M-101 Jun 12.

Repeat London (Priority), Washington (Information).

By Bag Ankara, Athens from London.

CYPRUS

At private meeting of Council June 13, UK representative outlined their new proposals which are known to you and which they intend making public Tuesday June 17. However, UK representative at end of Council meeting today indicated that if situation in Cyprus deteriorates seriously over weekend they may feel obliged to make their statement earlier than Tuesday.

2. UK representative emphasized to Council that UK continues to plan on basis of four policy objectives;

(1) Long standing UK responsibilities on island and their continuing attempts to meet legitimate interests of all its inhabitants and to plan for its future well being.

(2) Any solution would have to be acceptable to UK, Greek and Turkish Cypriot communities, and to governments of Greece and Turkey.

(3) Need to safeguard military bases on island in which NATO is directly interested.

(4) Need to strengthen co-operation with UK allies in vital Mediterranean area.

Roberts then referred briefly to previous proposed solutions, [n]one of which have known common ground among above mentioned five parties directly concerned (UK, Greek and Turkish Cypriots, and governments of Greece and Turkey), and therefore UK felt obliged as the responsible authority to give firm and clear lead in present situation. Key note of UK proposals is proposed partnership among 5 parties in putting an end to present crisis, and in negotiating towards future final settlement. In answer to Turkish permanent representative, Roberts stressed again that UK proposals if accepted and successful would be in force for 7 years and subject to extension. Moreover, UK, subject to necessary reservation concerning status of military bases, would be prepared to consider "sharing sovereignty over the island with the 5 parties most immediately concerned" (see above). In conclusion Roberts emphasized gravity of Cyprus problem for the Alliance, both as regards relations between its members and as regards NATO's interest in the Island itself and stressed his government's wish to have NATO Council consider the problem in that context.

3. In conclusion Roberts said he did not repeat not expect the plan to appeal to all concerned nor was UK asking Council (or Greece and Turkey) for immediate comment. On the other hand he was instructed to ask Council, including Greece and Turkey, to consider the problem with respect to its importance for the Alliance, and in the meantime to discourage any acts or statements which would prejudice calm and objective study of UK proposals.

4. According to Greek representative, new British proposals would not repeat not be enthusiastically received in Athens but in view of gravity of situation Greek government would want to examine them carefully. Melas also undertook to transmit UK request regarding avoidance of provocation and expressed hope that UK would do all possible to safeguard life and property "in view of events in the past few days."

5. Turkish representative then launched into a long statement which he admitted was based on his own assessment of the situation as he had not repeat not yet had instructions from Ankara. He turned at once to the question of partition, pointing out that UK proposals made no repeat no reference to that possibility. Sarper then gave his opinion that partition has in fact taken place spontaneously since both Greek and Turkish Cypriots are moving to areas and villages where they are respectively in the majority. Re the principle of partition, he reaffirmed his governments support and their readiness to discuss details. Sarper referred to India, Ireland and Trieste as examples of successful partition. Finally, Sarper rejected Turkish responsibility for past or present violence on the island.

6. Re UK proposals specifically, Sarper asked whether further details would be available, and more particularly on how the Joint Council would work (majority or otherwise) and secondly, what the situation would be after first 7 years of application of plan. In replying Roberts emphasized (1) that present plan envisages continuing UK sovereignty and there is therefore no repeat no question of self determination during that period ("if self determination should ultimately apply, UK statement of December 19, 1956⁶⁵ would apply to both communities"); (2) Roberts repeated that, subject to the reservation regarding bases, the future of the island after 7 years would be open to discussion including the possibility of UK sharing sovereignty among the 5 parties already mentioned; (3) he also emphasized that he had no repeat no more details than outlined in the plan as transmitted to both the Greek and Turkish governments (and, he thought, also to all NATO governments during latter part of this week), which really tended to emphasize UK readiness to negotiate if their proposals were accepted in principle.

7. We spoke along the lines of your telegram under reference and Belgium, France, USA, Germany and Netherlands followed suit. In particular France and USA emphasized importance of problem to the Alliance. Majority of delegations also quite pointedly described UK proposals as imaginative and disinterested and therefore meriting full and careful study. French delegation indicated that they may have further specific comment when Council meets again p.m. Monday, June 16 to continue discussion and a number of delegations, including USA and Germany, emphasized their willingness to assist in any way possible in finding what USA described as an urgent and imperative solution.

8. In summing up, Spaak made a useful statement stressing that UK had brought this problem before NATO, and member governments are therefore obliged to do more than keep a polite silence. As a guide to further discussion to be held Monday, June 16, Spaak suggested that delegations consider following questions: (1) Do governments agree that UK action in bringing their proposals before NATO conforms to NATO procedures? (2) If so, governments might consider drawing attention of the parties concerned to their obligations under the UN and under North Atlantic Treaty to settle their problems peacefully; (3) Governments might indicate a readiness to assist in any way possible towards a solution of a problem with such grave implications for NATO; (4) Governments might also consider how best to assist in establishing the necessary calm atmosphere during which UK and other proposals might be given serious study. Referring to the situation as no repeat no

⁶⁵ Voir/See Volume 22, Document 607.

longer amenable to reason and logic as far as the Cypriots are concerned, Spaak suggested that NATO might, for example, consider preparing a strong, positive statement asking governments concerned to exert themselves to re-establish peace and the cessation of violence since the latter will have no repeat no bearing on final solution. Spaak suggested that the statement might also include a reference to the necessity of compromise and perhaps also make a specific request that new UK proposals be studied carefully.

9. Spaak was careful to express appreciation to the UK for its presentation to Council and at the same time to express sympathy to Greece and Turkey. He requested the latter to take note of what appeared to be a fairly widely held opinion of impartial parties that UK plan is imaginative and disinterested. He also suggested that Greece and Turkey's acceptance of UK proposals as a basis for negotiation would be in fact a NATO position, and that the Secretary General and the North Atlantic Council would be ready to lend any assistance requested.

10. In conclusion Spaak emphasized again the need for NATO governments to formulate a positive position, for communication to the 3 governments, and delegations should therefore request instruction in time for Council meeting Monday afternoon June 16. In referring to his own tentative suggestions outlined above, Spaak also made an interesting observation to the effect that the internal affairs of member countries of this sort are of direct interest to NATO as a whole and should be considered by NATO countries in the light of their possible effect on the Alliance.

11. Action required: Please advise in time for Council meeting Monday June 16 (presently scheduled for 3 p.m. Paris time) any further comments you wish us to make, including your views on above proposals of Secretary General.

275.

DEA/50141-40

*Le représentant permanent auprès du Conseil de l'Atlantique Nord
au secrétaire d'État aux Affaires extérieures*

*Permanent Representative to North Atlantic Council
to Secretary of State for External Affairs*

TELEGRAM 1596

Paris, June 19, 1958

SECRET. OPIMMEDIATE.

Reference: Our Tel 1578 Jun 17.†

Repeat London (Priority), Washington, Paris (Information).

By Bag Athens, Ankara from London.

CYPRUS

This morning, in private meeting of Council that at times became heated, Turks in effect accepted Council's bid for a conference to discuss UK plan, but Greeks, for time being at least, rejected it. Best that could be done in circumstances was to agree (without committing parties concerned) that a conference should be convened as soon as preparations through diplomatic channels, perhaps including NATO representatives, indicated that it would be useful.

2. Sarper (Turkey) spoke first. He pointed out that only ultimate solution, as far as his government was concerned, was partition but he acknowledged that it was not repeat not incompatible with partnership. He went on to suggest that a conference of three Prime

Ministers (Turkey, Greece and UK) should be convened as soon as possible with prospect that representatives of both communities in Cyprus join the conference "once negotiations enter a promising course." He felt that such a conference could be held without damaging publicity and in any case it would be better than the suspicions to which bilateral negotiations would give rise. As for UK plan, he could accept it as a conference document but not repeat not "as a document de base." This would leave Turkish and Greek governments free to submit their own papers as conference documents. He hoped that if a conference was to be convened, UK would not repeat not for time being disclose their plan.

3. Melas (Greece) then read (with what seemed to us some disappointment) his government's instructions. They were "unable to adopt UK plan as a basis of negotiations" but were willing to "discuss matter with UK through diplomatic channels," as could also Turkish government. When pressed he conceded that if the Turkish government wishes to discuss matter bilaterally with Greek government, he thought his government would be willing. Bilateral talks could be "used as a truce" and would be more discreet than a conference.

4. As for UK plan, he elaborated that Greek government felt the communal approach was too weighted in direction of partition, results of which the Greeks knew only too well. He then made some references to Armenian and other massacres which led Sarper to accuse him hotly of trying to turn Council's sympathies away from its one Moslem.

5. After further discussion, Spaak summed up, as reported in our opening paragraph, and was supported by entire Council though the three parties concerned did not repeat not comment. As several representatives said, NATO's prestige was now engaged in the effort of finding a solution. Sooner or later, Spaak pointed out, the five parties (i.e. including representative of both communities) would have to come to the conference table and there they would have to discuss UK plan, whatever other papers were also tabled. Both he and Greek representative strongly urged that Mr. Macmillan's statement this afternoon should stress the provisional nature of their proposed solution in an effort to get away from arguments about the future or final solution which would not repeat not be prejudiced by the régime proposed by the UK for the next seven years. Roberts agreed with this advice, adding that his government could only say for the period after the next seven years that they hoped to avoid partition and preserve a partnership among the three co-sovereign governments while maintaining the unity of the island.

6. Sarper's only reaction to this advice was to resist any impression of NATO pressure upon Turkey and to urge the most rapid progress towards a conference.

7. It was agreed that Mr. Macmillan could say that the general opinion of the Council was in favour of diplomatic talks to prepare a conference, and that in the meantime all public statements should be restrained. As UK representative pointed out, main debate in parliament in London will take place next week although Mr. Macmillan will speak this afternoon taking this morning's Council discussion into account, and wording the statement so as to avoid, as far as possible, adverse public reactions by Greek and Turkish governments.

276.

DEA/50141-40

*Note du sous-secrétaire d'État aux Affaires extérieures
pour le premier ministre⁶⁶*

*Memorandum from Under-Secretary of State for External Affairs
to Prime Minister⁶⁶*

SECRET

[Ottawa], September 30, 1958

CYPRUS

The UK will begin the implementation of their plan for Cyprus on October 1. This will include the acceptance of a Turkish Government representative in the person of the Consul General in Nicosia.

The Greeks have declined to associate themselves with the implementation of the UK plan, claiming that neither the Greek Government nor the Turkish Government have any place in the administration of the island.

Led by the Secretary General, NATO has been attempting to postpone the application of the UK plan or at least minimise the reactions in Greece to its implementation. It is believed in some sources, including the Greek, that the Greek Government may be forced to resign or even to withdraw from NATO. The US take this possibility seriously, the UK discount it.

While we are in general sympathetic to the UK plan as a demonstration of their desire to reach a satisfactory compromise, and you have conveyed this view to Mr. Macmillan, we are not so convinced that they are doing the right thing in insisting on the immediate implementation of their plan in the face of Greek opposition. Its virtue was that it was a compromise which would attract both Greece and Turkey. Since it has failed to attract the Greeks, largely because of the conspicuous association of the Turkish Government in the island's administration, the UK are abandoning their efforts to reach agreement and appear to be making common cause with the Turks to force the Greek hand by facing them with a fait accompli. The Greeks for their part have not abandoned their determination in this situation to pursue the question in the United Nations.

A conference within NATO also remains a possibility.

J. L[ÉGER]

277.

DEA/50141-40

*Le secrétaire d'État aux Affaires extérieures
au chef de la délégation à l'Assemblée générale des Nations Unies*

*Secretary of State for External Affairs
to Chairman, Delegation to United Nations General Assembly*

TELEGRAM S-388

Ottawa, October 2, 1958

SECRET. EMERGENCY.

Repeat NATO Paris (Emergency), London, Washington, Paris (Priority) (Information).

⁶⁶ Note marginale :Marginal note:

Seen by PM Oct 1, 10 am HB R[obinson]

CYPRUS

Following for the Minister:

On urgent instructions from his government, the Turkish Ambassador called yesterday afternoon on Mr. Watkins in your absence to present the following request from the Turkish government:

(a) They urge that on the question of Cyprus the Canadian government should not give in to the "blackmail" of the Greek threat to leave NATO.

(b) They request the Canadian government to exert its influence on Greece to adopt a "better attitude" on the Cyprus question and in particular to make concessions at least comparable to those the Turks contend they have made.

(c) They would appreciate knowing before Friday's Council meeting what will be the position of the Canadian government on which instructions will be sent to Mr. Wilgress.

2. In making this request the Ambassador had been specifically authorized to explain in the most definite way that the Turkish government would not accept a new Conference of Three on any other basis than the discussion of the UK plan. They were not, repeat not, prepared to attend a conference which would discuss the Spaak plan.

3. The Turkish Ambassador reviewed the Cyprus case completely. In view of his evident agitation and his concern that his government's position had not been fully put before you, he was allowed to take what time he wanted. He took two hours. It is not necessary to review the traditional Turkish arguments, all of which he brought forward. He stressed throughout the Greek attempt to blackmail NATO by the threat of withdrawal from the Alliance and was not prepared to concede that this was a real possibility except as a most remote contingency. He made it abundantly clear by specific repetition that Turkey would insist on partition and he repeated that they would fight for partition, cost what it might. There is no room to doubt that in the Turkish judgement the implementation of the UK plan is the prelude to eventual partition. He spoke throughout of England and Turkey being on one side and Greece on the other. He made no reference to the Turkish abandonment of their rights to the island under the Treaty of Lausanne but based their claim for entitlement to participate in the island's administration on the UK offer and, more recently, on Roberts' statement in the NATO Council to the effect that they were entitled to participate. He speculated on the unlikelihood that in the UN Canada could adopt a position against the UK and Turkey in favour of Greece.

4. He developed the arguments in support of the Turkish claim that Cyprus is vital for their military security. He depended heavily on the assumption that Greece is on the brink of turning Communist and he took Greek hostility for granted. It was striking that throughout his long presentation he never acknowledged as a possibility Cypriot independence with suitable guarantees for the Turkish minority.

5. Perhaps the most disquieting thing about his presentation was the clear assumption that Turkey and the UK are now moving along the road which will lead to eventual partition and that the only role for the NATO Allies is to attempt to get Greece to accept this, for which Turkey is prepared to fight.

6. In this situation there is no reason to think that direct intervention by Canada on one side or the other would ease the way to agreement. I therefore suggest that Mr. Wilgress be instructed to continue to follow the line we have been taking: that the problem is essentially one for the Three Powers primarily concerned and that we should be prepared to co-operate, in company with our other NATO Allies, in assisting them in reaching agreement through consultations within the Alliance, to the extent that this would be helpful. Without approving in detail the Secretary General's recent initiative, I think we

should support the spirit of his intervention which is consistent with the recommendation of the Committee of Three. We might also say that a new conference which could consider modifications to the UK plan, such as those proposed by the Secretary General, would appear to be sufficiently flexible to merit acceptance.

7. This telegram is being sent to our NATO delegation and if you agree with the recommendations would you please send an emergency telegram to Mr. Wilgress telling him so. I will then inform the Turkish Ambassador.

[JULES] LÉGER

278.

DEA/50141-40

*Le chef de la délégation à l'Assemblée générale des Nations Unies
au représentant permanent auprès du Conseil de l'Atlantique Nord*

*Chairman, Delegation to United Nations General Assembly,
to Permanent Representative to North Atlantic Council*

TELEGRAM 1526

New York, October 2, 1958

SECRET. EMERGENCY.

Reference: Your Tel S-388 Oct 2.

Repeat External (Emergency), London, Washington, Paris (Priority) (Information).

CYPRUS

The Minister has seen your telegram S-388 and is in general agreement with substance of the line taken in paragraph 6. At the same time he wishes to emphasize the importance of doing nothing that would give the impression that we are taking sides.

279.

DEA/50141-40

*Le représentant permanent auprès du Conseil de l'Atlantique Nord
au secrétaire d'État aux Affaires extérieures*

*Permanent Representative to North Atlantic Council
to Secretary of State for External Affairs*

TELEGRAM 2457

Paris, October 14, 1958

SECRET. OPIMMEDIATE.

Reference: Our Tel 2401 Oct 7.†

Repeat London, Washington, Permis New York, Paris (Priority) (Information).

By Bag Ankara, Athens from London.

CYPRUS

We are reporting in greater detail in a separate telegram† on Council discussion on October 13. In meantime we repeat below text of a further draft Council record which Spaak submitted at end of Council meeting. This draft Council record will be further discussed p.m. October 15 in hope of reaching agreement.

2. In summary you will note that draft procès verbal discussed October 7 has now been dropped because of strong objections to certain parts of it by both Greece and Turkey with

which you are already familiar. On October 13, therefore, Spaak concentrated all his efforts on getting agreement to holding of conference by making its terms of reference as unobjectionable as possible, i.e. by including in draft Council record a short statement of each country's point of view regarding basis on which they would approach such a conference.

3. Unless we hear to contrary by October 15 we will be guided by your telegram S-400 of October 7.† However, you may wish to comment on last paragraph of new draft Council record. Suggestion is now that conference should take place on territory of a friendly and possibly allied 3rd party who might also supply a chairman for conference. Participation of other countries and particularly of an observer from NATO is in fact still open but trend is towards host country to the conference providing a chairman with possibility of a NATO observer.

4. Above report is necessarily brief and as mentioned we are reporting in a separate telegram regarding Council discussion October 13. A further point to be decided is whether or not repeat not new draft Council record should be made public, but you will note that it has been drafted with that in mind.

Text Begins: Council, in its examination of problem of Cyprus, heard statements from representatives of the countries directly interested. It took note: that governments of UK, Greece and Turkey accepted idea of calling a conference at an early date; and that these three governments looked with favour on presence at this conference of representatives of Greek and Turkish communities of the Island. It noted that, for purpose of this conference, UK government desired that its plan should be examined, and agreed that it could be defined or modified on any point on which agreement was reached at the conference: Greek government, for its part, desired that suggestions put forward by Secretary-General of NATO September 24 should be discussed. Finally, Turkish government asked that UK plan should be taken into consideration but agreed that any amendments could be put forward at conference, and moreover intends itself to present such amendments. The three governments are also in agreement that, apart from discussions proposed above (in regard to a temporary solution of the problem of Cyprus) the discussion of a final solution should also appear on agenda of the conference. Council notes that these points of view, though each containing its own particular elements, are neither contradictory nor irreconcilable. It therefore hopes that UK government will take initiative in calling a conference in the conditions indicated above, and suggests that this conference should take place on the territory of a friendly (and allied) third party which could lend assistance to the conduct of the conference (and with participation of an observer from NATO); and that it should be presided by a personality not repeat not a national of any of the countries directly interested and chosen by agreement between governments of those three countries. Text ends.

5. As indicated in above brief report phrases which have been left in brackets in text of course indicate questions which are to be further discussed.

280.

DEA/50141-40

*Le secrétaire d'État aux Affaires extérieures
au représentant permanent auprès du Conseil de l'Atlantique Nord*

*Secretary of State for External Affairs
to Permanent Representative to North Atlantic Council*

TELEGRAM S-416

Ottawa, October 14, 1958

SECRET. OPIMMEDIATE.

Reference: Your 2457 of Oct 14.

Repeat London, Washington, Permisis New York, Paris (Information).

By Bag from London to Athens, Ankara.

CYPRUS

We are gratified at the signs of progress in bringing the three points of view together so as to make it possible to arrange for another conference. Since we continue to take the view that decisions are for the Three, we have no specific additional instructions to offer. The following, however, is for your guidance in case the meeting develops in such a way that you consider a statement of our views would be pertinent and helpful.

2. The statements of the Turkish position, and to some extent of the Greeks', over the past weeks, have made it clear that while the UK plan was proposed without prejudice for the final settlement, each sought to move some way towards achieving a final solution consistent with their declared policy. In the face of this fact there might be something to be said for even a preliminary discussion of a final solution.

3. While there is no indication of what "friendly third party" might be in mind as the host country for the conference, we would prefer that Canada should not be considered.

4. We note that there is to be further discussion regarding the participation of an observer from NATO. This is something about which we do not feel strongly. If the parties concerned sought to have NATO associated in this way, we would see no objection. On the other hand, since NATO can be kept informed by the principals themselves, there would not appear to be any need to have a NATO observer — and indeed to press for one might suggest that NATO will otherwise not be kept informed.

281.

DEA/50141-40

*Le représentant permanent auprès du Conseil de l'Atlantique Nord
au secrétaire d'État aux Affaires extérieures*

*Permanent Representative to North Atlantic Council
to Secretary of State for External Affairs*

TELEGRAM 2536

Paris, October 22, 1958

SECRET. OPIMMEDIATE.

Reference: Our Tel 2508 Oct 18.†

Repeat London, Washington, Candel New York, Paris (Priority) (Information).

CYPRUS

Since Council last met October 17, Spaak has been having intensive negotiations with UK, Greek and Turkish permanent representatives. Crux of problem has been participation of other NATO representatives in a Cyprus Conference. UK and Turkey had accepted addition of Spaak and an American but Greeks had been holding out for one other NATO member. Roberts had told us yesterday evening that Melas had asked him informally whether Canada (among other countries) would be acceptable to UK as an additional member. In replying, Roberts had simply questioned whether Canadian government would wish to be represented. We have had no repeat no direct approach from Greek delegation and in view of today's developments, question of our participation is unlikely to arise.

2. This morning October 22 Spaak reported to Council on deadlock reached (without mentioning names of any of the possible additional countries).

3. Roberts then introduced a new UK proposal which he described as extreme limit of their concessions. It was that the parties should agree to a conference on basis of October 13 Secretariat statement as conveyed by Spaak explanatory letter of October 17.† UK proposed to convene a conference in Paris of UK, Greece, Turkey and the Cyprus communities, with attendance of Secretary General to whom at a given moment UK would yield chair. Since in these circumstances conference would be held in "moral presence of NATO Council," there would be no repeat no need for other NATO countries to attend as observers. "at any moment," Roberts continued, "Secretary General will be able at his discretion to report to Council on proceedings of the Conference, or to convene a Plenary Session of Council to consider position reached. It would be invidious to pick out any NATO government to sit in on the Conference as an observer; moreover some governments have declared themselves unwilling."

4. Another long discussion followed. Sarper (Turkey) came back to amendments which his government would like to make in the October 13 agreed statement while Melas (Greece) was very doubtful that his government would be able to accept a conference on basis now proposed by UK.

5. Spaak at least pretended to be quite ready to throw in sponge and he read to Council a draft communiqué announcing failure of NATO's efforts to reach agreement. However, he added in strongest terms that he thought whole situation had become ridiculous. After urging Turkish government to drop its amendments; he explained to Melas why he thought Greek government should in its own interests accept UK proposal as "most generous and best they have ever offered." He even claimed that UK was virtually proposing that NATO Council take over Conference and he warned that impartial opinion would not repeat not consider Greece justified in refusing. Though UK proposal could have far reaching implications, we think Spaak was partly exaggerating for effect.

6. Although Sarper asked whether all members of the Council were prepared to accept responsibility for NATO implied by the UK proposal, there was no repeat no indication from today's discussion that any NATO government was likely to stand in way of what now seems the best hope for convening a conference. UK proposal was specifically supported by Italian, Netherlands, French and Belgian representatives, though the French indicated they would prefer to see Greece accept attendance by USA and Spaak.

7. Spaak will be away from Paris on visits to Brussels, Bonn and London during next few days but will see Sarper, Roberts and Melas before he goes tomorrow morning October 24. In meantime Sarper and Melas will have a chance to talk to their foreign ministers who are here for OEEC meeting. If agreement is reached on UK proposal, delegations will be notified by Secretariat and an early announcement can be expected if Greek answer is in the

negative, Council will consider matter further October 29 when some announcement of failure might have to be made.

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*Le représentant permanent auprès du Conseil de l'Atlantique Nord
au secrétaire d'État aux Affaires extérieures*

*Permanent Representative to North Atlantic Council
to Secretary of State for External Affairs*

TELEGRAM 2551

Paris, October 23, 1958

SECRET. PRIORITY.

Reference: Our Tel 2546 Oct 23.†

Repeat London, Washington, Candel New York, Paris (Priority) (Information).

CYPRUS

At the request of the Turkish representative, Council met again this morning before Mr. Spaak left for Brussels. Although Sarper was able to report Turkish acceptance of the UK proposal of October 22 for a conference of the interested parties plus Spaak in Paris, the Greek representative said that he very much doubted whether his government, which would be meeting in Athens this afternoon, could accept this proposal to which both his Prime Minister and his Foreign Minister (who has returned to Athens this morning) are opposed.

2. With what Roberts obviously considered indecent haste, Spaak then came forward with an alternative compromise proposal in a further effort to meet the Greek position. As rephrased after Council discussion, this alternative to the UK proposal read as follows: "In addition the Council suggested that in order to lend their good offices to the participants in the Conference, a representative of the USA and the Secretary General assisted (as suggested in the Committee of Three Report) by one of the permanent representatives, should attend the Conference."

3. While he obviously could not repeat not say that his government would not repeat not accept this proposal, Roberts thought it would be very difficult for them to do so especially in view of the fact that Greece was rejecting the UK proposal before the Greek government had even met to consider it.

4. Whether by accident or design, the Greek representative put Mr. Spaak in the embarrassing position of having to admit he had given his "compromise" proposal to Mr. Averoff over the phone earlier today before the matter had been discussed in Council and in a form rather more favourable to the point of view of Greece. Roberts must now feel that Spaak has wilfully undercut the UK proposal for a more restricted conference, although it looks to us as if Spaak did so only after concluding from his talk with Mr. Averoff that the UK proposal would certainly not repeat not be accepted by Greece.

5. In an effort to make the "compromise" more acceptable to the UK, it was agreed this morning that the permanent representative who would be chosen by Mr. Spaak would at least nominally belong to the "NATO Delegation" rather than serving as the representative of his government (as Greece would prefer). In addition the compromise formula would apply to a conference in Brussels rather than Paris.

6. Roberts spoke of another alternative proposal which for the moment he is keeping up his sleeve until he has had the definite reply of the Greek government to the proposal he made yesterday.

7. The reference in the Spaak compromise proposal to the Committee of Three Report is to paragraph 7 which suggests that the Secretary General be empowered when exercising his good offices, to ask the assistance of no repeat no more than three permanent representatives chosen by him with the consent of the parties to the dispute.

8. Sarper said he would recommend the Spaak compromise to the Turkish government.

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*Le représentant permanent auprès du Conseil de l'Atlantique Nord
au secrétaire d'État aux Affaires extérieures*

*Permanent Representative to North Atlantic Council
to Secretary of State for External Affairs*

TELEGRAM 2604

Paris, October 29, 1958

SECRET. PRIORITY.

Reference: Our Tel 2551 Oct 23.

Repeat London, Washington, Candel New York, Paris (Information).

By Bag Athens, Ankara from London.

CYPRUS

This a.m.'s discussion of failure of NATO efforts to convene a Cyprus conference took several unexpected turns and led to disclosures regarding backstage negotiations with Mr. Spaak which probably none of three interested delegations had expected to emerge in light of Council. Putting together evidence available here, position would seem to be that Greek government has simply decided for its own internal as well as external reasons that it would prefer not repeat not to go to a conference in present circumstances. They will instead go ahead with their complaint in UN, where they think they can have more impact on public opinion than would be possible in a minority position at a NATO conference. As Melas told Spaak last Saturday, Greek government is convinced that a NATO conference would at present be bound to end in failure and that it would be better, both from their own point of view and from point of view of NATO interests in Greece, if they did not repeat not go ahead with such a conference.

2. Though this appears to be the actual position of Greek government, their public presentation of the matter will be rather different. Melas said in Council today that immediate reason for disagreement was enlargement of conference as proposed by Greece. UK and Turkey had refused this proposal. That was the end of the matter as far as Greece was concerned. They could not, repeat not, with dignity, go on bargaining forever.

3. UK and Turkish representatives in Council countered this argument by asserting that their governments had been prepared to meet Greece on question of composition. Roberts said that before they had known of Greek government's decision to break off negotiations for a conference, they had communicated to Mr. Spaak on Saturday a.m., UK acceptance of Mr. Spaak's alternative proposal of October 24, that in addition to the five parties concerned and Secretary General, there should be not repeat not only a USA observer but the Norwegian Permanent Representative Mr. Boyesen. This was specific proposal which

Spaak had discussed with Mr. Averoff before latter left for Athens last week. Melas indicated that if his government had been able to consider this proposal on Friday as a solution acceptable to UK and Turkey, a different decision might have been taken. As it was Greek government had felt compelled to bring matters to a head and it was now too late to go back on their public announcement. When asked point blank by Spaak whether Greek government would consent to a conference at which USA, French and Italian governments were represented, Melas said that this would of course be acceptable to his government since it was their original proposal.

4. UK and Turkish representatives indicated that it was still possible for their governments to reconsider this proposal but Melas repeated that it was now too late.

5. In point of fact the only public reason which any of the three governments could give to explain failure of NATO's efforts is that agreement on composition of conference could not repeat not be reached; and when it is realized publicly that the two sides were very close even on this question, there will be a good deal of bewilderment (perhaps even in Greece and Cyprus) as to the real reasons for the failure.

6. Faced with this situation and imminent parliamentary debates at home, both Roberts and Sarper pressed for immediate publication of principal NATO documents. This was not repeat not opposed by Melas although he plainly felt that such action would be unhelpful to his own government and indirectly to standing of NATO in Greek opinion.

7. Although Roberts and Spaak suggested that principal documents be issued by Secretary General, this procedure was not repeat not acceptable to most of the Council who felt it would only serve to put one of the parties (Greece) in a bad light and would thereby make it more difficult for a Cyprus conference to be held once UN debate was out of the way. For similar reasons most of us resisted a NATO communiqué. Majority on both points was led by USA and Norwegian representatives. Roberts however strongly resisted what was clearly the wish of majority and said that his foreign minister might very well have to use the full texts in Parliament tomorrow. Since there was no repeat no disagreement among parties concerned, he did not repeat not see how the rest of us could object.

8. The rest of us did however point out that efforts had broken down not repeat not over the texts which were agreed apart from composition but really because Greeks had decided that at the moment they did not repeat not want a conference.

9. Finally it was agreed in each of our parliaments an effort would be made to "accentuate the positive" in pointing out that NATO efforts had already brought the parties much closer together than they had been and that the door was open for a conference at a later time. At this point however Melas indicated that the Greek government would prefer bilateral talks following the UN debate. This was in effect rejected by Roberts for the UK.

10. Within the next few days and in any case before UN debate on Cyprus takes place, we may therefore expect the three interested governments to make public the following texts: (a) the Spaak proposals of September 24; (b) the Council's revised procès verbal as it stood on October 23 and (c) the covering letter from Spaak to the three governments. The public can then draw their own conclusions fortunately without benefit of any superfluous comment from NATO as such.

11. In view of the outcome the Council has perhaps been wasting its time for past month but this verdict should we suggest be withheld until we see whether a Cyprus Conference will after all take place early next year. Anything that could be done through the wording

of UN Assembly's resolution to facilitate this result would be worthwhile.⁶⁷ For in substance the three parties are now hard put to it to explain why they differ, at least on procedure for direct negotiations.

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*Le représentant permanent auprès du Conseil de l'Atlantique Nord
au secrétaire d'État aux Affaires extérieures*

*Permanent Representative to North Atlantic Council
to Secretary of State for External Affairs*

TELEGRAM 2772

Paris, November 24, 1958

SECRET. PRIORITY.

CYPRUS

I paid my first call on the Greek Permanent Representative on November 21. The discussion centred on Cyprus.

2. Mr. Melas believed that the Secretary General had played a useful role in trying to bring the parties more closely together and that on the whole discussions in Council had been helpful even if no real progress has been made. He had personally been in favour of a conference throughout and had so advised his government. He had come to the conclusion, however, that the Turks were opposed to any settlement at this stage and that the UK and the USA were unwilling to put the required amount of pressure on Ankara to bring them to a better understanding of the situation. He did not think that the discussions in the UN would be of any material assistance, although he agreed with me that possibly the best result of such discussions would be a resolution requesting the parties directly concerned to get together again. If this materialized and a conference was held, he thought that the chances of success were very slim. At present, in his view, the Turkish government is too weak internally to accept any reasonable compromise.

3. Mr. Melas agreed that London had shown some flexibility during the latter part of the negotiations, but added that the British could never regain in Greece the "immense prestige" that they had before the Cyprus issue became so acute. Unfortunately, he thought that of late the stock of the Western Powers in Greece had gone down, while the Communist bloc was gaining ground all the time. This did not lead him to the conclusion that the relations between Greece and NATO should be further weakened; on the contrary, in his view, they should be strengthened and in this respect he very much hoped that any solution to the Cyprus issue should have a NATO label.

4. In order to avoid some of the complications inherent in a situation partly based on the weakness of the Turkish government, Mr. Melas suggested that possibly, once the discussions in the UN were over secret negotiations might be held between the parties directly concerned; once enough progress had been made and a solution was in sight the matter could then be brought again before the Council so that at least part of the credit for a solution could be given to the Alliance.

⁶⁷ Voir les Documents 20 à 29 pour un compte rendu du débat sur Chypre à la Treizième Assemblée générale des Nations Unies.

See Documents 20-29 for an account of the Cyprus debate at the Thirteenth United Nations General Assembly.

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DEA/50141-40

*Le représentant permanent auprès du Conseil de l'Atlantique Nord
au secrétaire d'État aux Affaires extérieures*

*Permanent Representative to North Atlantic Council
to Secretary of State for External Affairs*

TELEGRAM 3012

Paris, December 22, 1958

SECRET. OPIMMEDIATE.

Repeat London, Washington, Paris (Priority) (Information).
By Bag Athens, Ankara from London.

CYPRUS

I met my colleague from Turkey and asked him whether anything new had developed on Cyprus front as a result of negotiations conducted by Foreign Ministers of UK, Greece and Turkey during Ministerial Meeting. Sarper replied that there was reason to be "cautiously optimistic." There seemed to be goodwill on part of all to find a way out of present impasse. Public opinion however was highly inflammable on this issue in Greece and Turkey and governments would have to be extremely cautious if new round of negotiations was to be fruitful.

2. I think we can infer from Sarper's remarks that Turks are gradually giving way on the idea of strict partition in geographical sense. He pointed out for example that it would be extremely difficult if not repeat not impossible to move people from one place to the other. What they now had in mind was what he called "intellectual partition." There would be no repeat no such thing as a "Turkish minority" in Cyprus but rather a "Turkish community" whose rights would be guaranteed like those of Greek community by the Three Powers and a treaty to be signed and registered with the UN. Sarper added that he could not repeat not go into much detail since these ideas were being discussed at this very moment in London, Ankara and Athens. When questioned as to role of NATO if any in such a solution he replied that if everything went well NATO need not repeat not concern itself with problem. In event of a new failure it was most likely that Council would be seized of the matter once more.

3. In conclusion Sarper said that in his own view "Le jeu de Chypre n'en vaut pas la chandelle" and that it was essential that some understanding be reached between his country and Greece on this issue in view of mounting tension created by the Soviet Bloc.

4. Sarper did not repeat not suggest that the 3 governments concerned were on verge of agreeing, even about procedure for negotiations, but his reference to NATO not repeat not needing to concern itself with problem is, I find, somewhat disturbing. There are certainly psychological advantages in giving any eventual solution a NATO label as Melas, Greek Permanent Representative, said to me November 21 (my telegram 2772 November 24).

[JULES] LÉGER

8^e PARTIE/PART 8LE GÉNÉRAL DE GAULLE ET LA RESTRUCTURATION DE L'OTAN
GENERAL DE GAULLE AND NATO RE-STRUCTURING

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*Note du sous-secrétaire d'État aux Affaires extérieures
pour le secrétaire d'État aux Affaires extérieures**Memorandum from Under-Secretary of State for External Affairs
to Secretary of State for External Affairs*

[Ottawa], June 4, 1958

LETTER FROM THE PRIME MINISTER TO GENERAL DE GAULLE

The accession of General de Gaulle to the premiership of the French Republic⁶⁸ has come at a time when our present Ambassador in Paris, Mr. Désy, is on sick leave prior to his retirement (on July 9)⁶⁹ and Mr. Dupuy, whose appointment to succeed Mr. Désy has been announced, is not due to reach Paris before September.

I feel, however, that the exceptional nature of the Gaullist régime, the uncertainties regarding its future policies and the rather special personal characteristics of the General himself warrant careful attention on our part to the possibilities for reinforcing our good relations with the French Government and with General de Gaulle.

In the past, and it must be recognized, when he had little expectancy of coming to power, General de Gaulle has expressed views on NATO and relations with the Soviet Union which, if they were to become French Government policy, would undermine the Alliance. Following an interview with de Gaulle on March 20 of this year, the British Ambassador, Sir Gladwyn Jebb, reported to the Foreign Office that "it seems obvious that if the General were ever in power he would adopt a policy of appeasement toward the Soviet Union and that this would be only too likely to result in the breakup of the present system of Alliances." The General expressed his view that a world war was "most improbable" and if the people of Western Europe were really convinced that this was so, they would, in the long run, simply refuse to make the enormous sacrifices which would be necessary to prepare for such a war. Hence, he thought NATO was doomed whatever the Russians did or said. He placed little importance on the introduction of IRBMs into Europe — feeling that these would be out of date in three years when ICBMs were introduced. He thought there would not be a war then since the Russians were becoming quite "embourgeoisés" and their offensive against the West would increasingly take the form of cold war and propaganda measures.

These views expressed in private conversation should not necessarily be taken as a philosophical foundation for a new French policy in NATO and vis-à-vis the Soviet Union, but they are of sufficient importance to warrant attention. General de Gaulle has explicitly indicated to Jebb — through General Billotte — that he would do everything to see that

⁶⁸ Pour un exposé sur la montée au pouvoir du général de Gaulle en 1958, voir chapitre IV, deuxième partie.

For an account of de Gaulle's rise to power in 1958, see Chapter IV, Part 2.

⁶⁹ Note marginale :/Marginal note:

Désy now back! [Sidney Smith]

NATO was used for the purpose of forming a common policy as between the USA, UK and France — notably as regards Afro-Asians and Africa. His cabinet includes such strong NATO supporters as Mollet, Pinay and de Murville who should serve as a modifying influence.

We would not envisage any immediate difficulties for NATO if only because other problems (North Africa, the Constitution) would have priority. Nor is it likely that France will question the fundamentals of the Alliance. What we may expect, however, is that difficulties may arise from de Gaulle's efforts to establish a more prominent place for France in the Alliance.

The situation is uncertain however and we therefore feel that special efforts should be made to establish intimate relations with General de Gaulle and his immediate advisors. Canada might have an important role to play in this connection in view of our special relationship with France as a result of our history and French speaking population.

With the foregoing in mind, I wonder whether you would consider suggesting to the Prime Minister that he send a letter of congratulation and good wishes to General de Gaulle. A draft letter† is attached. It includes an invitation to the General to visit Canada and places emphasis on the relationship of France to Canada and North America.

If you and the Prime Minister consider that such a letter should be sent, I would further suggest that you might wish to ask General Vanier, in the capacity of Ambassador Extraordinary, to deliver it. General Vanier, now in retirement, is a personal friend of General de Gaulle and has had close connections with him during and after the last war when he was accredited to the "Comité Français de la Libération Nationale" in London and later when he was Ambassador in Paris. While he was there, he won the respect and indeed affection of a large section of the French public.

For these reasons, I think General Vanier could be of considerable value to us in establishing close relations between the Canadian Government and the Gaullist régime. I have not, of course, got in touch with him, but I should think that he would agree to undertake a special mission. If so, it might have a profound effect both on de Gaulle and on the French public and provide a symbol for the special importance attached to the links between Canada and France. I am attaching an outline of instructions† which might be given to General Vanier.

The timing of this initiative is of some importance. There would be obvious advantages in delivering the letters as soon as possible. General Eisenhower has already sent a letter of congratulations. On the other hand, there might be some advantage in delaying an approach until General de Gaulle could reserve a reasonable amount of time for an interview with General Vanier. In any case, it would probably be inadvisable to delay too long. The precise timing would probably have to depend on the reaction we might have from General Vanier and on information which may be forthcoming regarding General de Gaulle.

I should be grateful for an indication of your wishes regarding these suggestions.⁷⁰

J. L[ÉGER]

⁷⁰ Le général Vanier n'a pas remis la lettre au général de Gaulle. Pour les textes de cette lettre et de la réponse du général de Gaulle au premier ministre John Diefenbaker, voir Canada, ministère des Affaires extérieures, *Affaires Extérieures*, vol 10, N° 7, juillet 1958, pp. 156, 160.

General Vanier did not deliver the letter to General de Gaulle. For the texts of this letter and of the Gaulle's reply to Prime Minister Diefenbaker, see Canada, Department of External Affairs, *External Affairs*, Vol. 10, No. 7, July 1958, pp. 156, 160.

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*L'ambassadeur aux États-Unis
au sous-secrétaire d'État aux Affaires extérieures
Ambassador in United States
to Under-Secretary of State for External Affairs*

TELEGRAM 2443

Washington, October 7, 1958

SECRET. CANADIAN EYES ONLY. PRIORITY.

GENERAL DE GAULLE'S MESSAGE TO THE PRESIDENT

Over the last few days, both Herter and Caccia had mentioned to me privately an approach which General de Gaulle had made in the form of a personal letter to the President⁷¹ and to Prime Minister Macmillan in the last week of September outlining his views on the role of France in Allied Council's dealing with political and military strategy.

2. Today in discussion with McBride, Head of the Western European Office of the State Department, we were given the following information on a private basis on the background of this matter. Apparently although the French President's note was dated September 17, it was not repeat not delivered to Mr. Dulles by Alphand here until September 24. We understand that the letter from de Gaulle to the President dealt primarily with France's support for USA policy in the Far East, and indeed McBride described it as "an encomium" of the American position. To the letter was attached a three-page memorandum which in essence raised two main points: (1) a strong statement of the French claim to participation along with the USA and the UK in a political Standing Group to guide and coordinate the overall policies of the NATO Alliance; and (2) a statement of the French desire to participate together with the USA and the UK in military and strategic planning on a global basis. Herter had mentioned a special emphasis on Africa. Since the communication was in the form of a letter to the President, McBride could not repeat not show us the text, but he added that the memo, in addition to making these two points, implied that the French President envisaged formal and institutional changes in the structure of NATO arising out of the 10-year review to which reference is made in Article 12 of the Charter to incorporate these suggestions concerning the special role of the Three Powers. A similar communication was sent to the Prime Minister of the UK. McBride said they understood that a copy had been brought to Mr. Spaak's attention, and in some way or other (he did not repeat not attempt to identify responsibility, but our strong impression was that the Americans feel the leak came from NATO in Paris) word of the French proposals reached both the Italians and the Germans.

3. In the case of the Italians, the State Department has been receiving at various levels strong counter-statements of the Italian views which are in substance highly critical of the French proposals. The Germans are also understood to be opposed to the French proposals. Further, Mr. Spaak himself had taken strong exception to them, and we were told expressed himself as saying that their implementation in the manner proposed might mean the end of NATO.

⁷¹ Voir ministère des Affaires étrangères, *Documents diplomatiques français*, Paris : Imprimerie nationale, 1993, pp. 383 à 384, 377.

See United States, Department of State, *Foreign Relations of the United States (FRUS), 1958-1960*, Volume VII, Part 2, Washington: Government Printing Office, 1993, pp. 81-83.

4. There has been no repeat no public reference in the press here to the de Gaulle proposals, but McBride told us that there had been a leak in the Italian Socialist Paper *Il Popolo*. The State Department, however, is anxious to keep any publicity about the proposals to the absolute minimum, and privately wish that the French had explored them with officials before outlining the proposals in a high level exchange between the two Presidents. So far as the Americans are concerned, McBride said that only an interim reply had been sent expressing appreciation for the views expressed relating to the Far East in the covering letter, and indicating that the proposals in the memorandum itself were far-reaching and would require very careful study. We received the impression that a fuller reply would not repeat not be forthcoming for some time, not repeat not only because the Secretary is just returning today from Duck Island, but also because the proposals are regarded as presenting very real difficulties. McBride said that essentially these proposals were not repeat not new. They had been made repeatedly during the era of M. Bidault. The new element was the strength with which they were advanced by the French President and the strong attitudes of resistance expressed on the part of other Europeans like the Germans and the Italians who had got wind of the proposals.

5. It was important, McBride thought, to avoid simply rejecting the proposal, although he agreed that it would be equally difficult to accept them. In view of our interest in the problem, he undertook to keep us in touch with State Department thinking on the reply as it develops.

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Note du haut-commissariat du Royaume-Uni

Memorandum by High Commission of the United Kingdom

SECRET

Ottawa, October 7, 1958

N.A.T.O.

General de Gaulle addressed to the Prime Minister on September 17th a letter and a memorandum, the texts of which are enclosed. A similar communication was addressed to President Eisenhower. General de Gaulle has given a copy to M. Spaak and its contents have become known to the German and Italian Governments.

2. Both the Prime Minister and President Eisenhower have sent an acknowledgment to General de Gaulle indicating that the memorandum raised such large issues that time would be required before a considered reply could be sent. The General's initiative will require most careful handling since the suggestion of a three power directorate, able to "take joint decisions on all political matters affecting world security," would be manifestly unacceptable to other members of N.A.T.O., and would be equally unacceptable to Commonwealth countries, the United Kingdom or the United States. On the other hand, the General has identified a very real problem.

3. The United Kingdom authorities are consulting with the Americans about the reply and had hoped that the question could have been dealt with in such a way as to impose the minimum strain on the North Atlantic Alliance. It now appears, however, that M. Spaak has been showing the memorandum to certain N.A.T.O. representatives in Paris, and that members of the Alliance as a whole are aware of the French initiative.

4. In general it seems to the United Kingdom Government to be in the interest of the N.A.T.O. Alliance that the matter should be handled with the greatest care. The United

Kingdom Government will wish to avoid giving the General a straight rebuff and while they have not yet worked out in consultation with the Americans their line of reply, it seems desirable that the United States and United Kingdom authorities should, so far as possible, deal with the French authorities to start with, rather than let the proposals become at once a cause of unco-ordinated N.A.T.O. controversy. Later on, however, the whole subject might well have to be thrashed out in N.A.T.O., and this may well prove in the end to be the best way of handling it. The present feeling of the United Kingdom Government is that it may be necessary to agree to tripartite talks with the French; in that event the United Kingdom would attempt to persuade the French that their objectives will be better served by improving the functioning of N.A.T.O. rather than by dismantling the organisation.

[PIÈCE JOINTE/ENCLOSURE]

Lettre

Letter

SECRET

Following is the text of the letter from General de Gaulle to the Prime Minister of September 17th and of the accompanying memorandum.

You will no doubt recall that at the time of our conversations in June, I underlined the importance attached by the French Government to some rearrangement of the general conditions governing the defence of the free world. I mentioned to you that we would be putting forward proposals on this subject.

Subsequent events have confirmed the French Government in their intention of setting out this problem in a manner appropriate to its scope. I have therefore instructed M. Chauvel to inform you of it personally on my behalf and to draw your attention more particularly to the attached memorandum which I am addressing also to President Eisenhower. I strongly hope that this document may form the subject of an early and thorough discussion between the three Governments.

I need hardly say how happy I would be to learn your personal views on a matter which so deeply affects the future of our two countries and of the whole free world.

Note

Memorandum

SECRET

Recent events in the Middle East and in the Straits of Formosa have gone to show that the present organisation of the Western Alliance no longer answers the essential security requirements of the free world as a whole. Risks are shared in common without there being any corresponding indispensable co-operation over decisions taken and responsibilities incurred. This prompts the French Government to draw certain conclusions and to make some proposals.

1. The Atlantic Alliance was conceived and functions in the context of a hypothetical area of operations which no longer corresponds to political and strategic realities. The world being what it is, an organisation such as N.A.T.O., limited in scope to the security of the North Atlantic, cannot be regarded as adequate to its objective in disregard of the immediate and direct interest to Europe of what is happening, for example in the Middle East or in Africa, and ignoring that indivisible French responsibilities extend to Africa, the

Indian Ocean and the Pacific, just as do those of Great Britain and the United States. Another consideration is that the radius of ships and aircraft and the range of missiles have rendered such a narrow system militarily obsolete. It is true that it was thought at the outset that atomic armaments obviously of capital importance would for long remain the monopoly of the United States and that this might have appeared to justify on a world-wide scale the effective delegation to the Government in Washington of decisions about defence. But here again it must be recognized that this attitude is based on an assumption that is no longer valid.

2. The French Government does not consider that the security of the free world, or indeed of France itself, can be guaranteed by N.A.T.O. in its present form. In its view, political and strategic questions of world, as opposed to regional, importance should be entrusted to a new body consisting of the United States of America, Great Britain and France. This body should have the responsibility of taking joint decisions on all political matters affecting world security and of drawing up and if necessary putting into action strategic plans especially those involving the use of nuclear weapons. It should also be responsible for the organisation of the defence, where appropriate, of individual operational regions such as the Arctic, the Atlantic, the Pacific and the Indian Ocean. These regions could in turn be sub-divided if necessary.

3. The French Government regards such an organisation for security as indispensable. Henceforth the whole development of their present participation in N.A.T.O. is predicated on this. They would propose invoking the procedure for the revision of the North Atlantic Treaty provided for under Article 12, if that were necessary to achieve the desired result.

4. The French Government suggests that the questions raised in this note should form the subject of the earliest possible consultations between the United States, Great Britain and France. They propose that these consultations should take place in Washington and at the outset through the channel of the Embassies and of the Standing Group.

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DEA/50115-1-40

*Note de l'adjoint spécial au secrétaire d'État aux Affaires extérieures
pour le secrétaire d'État aux Affaires extérieures*

*Memorandum from Special Assistant to Secretary of State for External Affairs
to Secretary of State for External Affairs*

TOP SECRET

[Ottawa], October 9, 1958

GENERAL DE GAULLE'S LETTER ON NATO

I took the attached papers⁷² to the Prime Minister on the evening of October 7. As Mr. Bryce may have mentioned to you, the Prime Minister reacted very strongly. He was, of course, concerned about the implications of General de Gaulle's letter and memorandum but what evidently worried him much more was that Mr. Macmillan had allowed almost three weeks to go by before informing him.

2. The Prime Minister said that he intended to call in the United Kingdom High Commissioner and express concern that in a matter of such importance to the United Kingdom and Canada alike, the United Kingdom had not taken the Canadian Government into its confidence until it was obvious that we should learn of it through NATO channels.

⁷² Voir le document précédent./See previous document.

3. The Prime Minister made few comments on the substance of the issue. He dismissed the French initiative as one which betrayed on the part of General de Gaulle a totally unrealistic assessment of France's power and influence in NATO affairs. He singled out for approval the first sentence of paragraph 2 of the French memorandum, ("The French Government does not consider that the security of the free world ... can be guaranteed by NATO in its present form."), but he went on to say that he disagreed entirely with the solution which the French proposed in the following sentences of the paragraph. The Prime Minister did not think, however, that the United States or the United Kingdom would need to be reminded of the impracticability of General de Gaulle's proposal, and the inference to be drawn from his comments was that we should rely on the United Kingdom and United States to deal with General de Gaulle rather than engage in loud protests ourselves about his proposal.

4. Referring to the probable reaction of the Federal German Republic, the Prime Minister said that General de Gaulle's proposal was certain to offend Chancellor Adenauer, more particularly since he and General de Gaulle had so recently had discussions which were described by both parties as being cordial and frank.

5. This morning the Prime Minister again referred to his irritation at being kept in the dark by Mr. Macmillan. He had not had time to call in Sir Saville Garner and wondered whether a more effective means of conveying his reaction might not be to send a message to Mr. Macmillan. At first he said that he would like the Department to prepare a draft of such a message, but later he modified this instruction somewhat and asked simply for our general views on the whole matter.

6. The Prime Minister will be returning to Ottawa at approximately lunch-time tomorrow, October 10, by which time I think he would like to have a memorandum containing departmental views. I suggest that this memorandum should not only deal with our views on substance, but should contain suggestions and, if necessary, a draft of what might be conveyed in a message from the Prime Minister to Mr. Macmillan, or orally to Sir Saville Garner.

7. I venture to suggest also that in formulating our recommendations on this subject we should have in mind the talks which the Prime Minister will be having in less than a month's time in London, Paris, and Bonn.

8. I should add a special word of warning to explain the security classification of this memorandum. The Prime Minister is most anxious that word of his reaction to this development, and of the consideration he is giving to sending a message to Mr. Macmillan, should on no account become public knowledge. His instructions to me on this point were most explicit and emphatic.

H.B. R[OBINSON]

290.

DEA/50115-1-40

*Note du sous-secrétaire d'État aux Affaires extérieures
pour le secrétaire d'État aux Affaires extérieures*

*Memorandum from Under-Secretary of State for External Affairs
to Secretary of State for External Affairs*

TOP SECRET

[Ottawa], October 16, 1958

GENERAL DE GAULLE'S LETTER RE NATO⁷³

The recent communication from General de Gaulle to Prime Minister Macmillan and President Eisenhower reflects his strong dissatisfaction with the North Atlantic Alliance in the context of modern developments and the global commitments of its larger members. In the process he may have diagnosed a weakness of NATO, but his remedy is surely lethal for the patient, and hardly new. The concept of a Three-Power directorate to take joint decisions on all political matters affecting world security and for drawing up and, if necessary, putting into action strategic plans, especially those involving the use of nuclear weapons, revives in a different form an old French idea which involved the establishment of a restricted combined Chiefs of Staff Committee with extensive authority. This idea and a similar German scheme for a political standing group in NATO were never seriously considered.

Views similar to those of the French leader were expressed recently by Field Marshal Montgomery. In a farewell address to the Council he stressed the need to revise the NATO structure to enable it to cope with the global problems; there was an urgent requirement for common policies between the group of nations with a parochial outlook and those with world-wide interests and for new strategic planning on a global basis. He stated that the NATO command structure was highly inefficient and not capable of directing a modern war.

The evidence suggests that prestige is a major factor motivating General de Gaulle's initiative, in the same way that prestige goes a long way towards explaining the French attitude respecting nuclear tests. This striving for recognition as a member of the "Big Power Club" undoubtedly reflects a distorted assessment of France's position and influence in world affairs but nevertheless it exists. The General seems obsessed with a desire to regain for France under the 5th Republic, the full glory of years long past. It is also probably his hope that "joint decisions on all political matters affecting world security" would in practice mean United States and United Kingdom support for French policies in North Africa and other areas where France has urgent problems.

From reports we have received from Washington it appears that General de Gaulle conveyed similar ideas orally to Mr. Dulles as long ago as last July. The Secretary of State is not prepared even to consider the French suggestion of a political standing group. While he is prepared to admit that there are many subjects on which close consultation between the three larger powers is desirable, any formal arrangement covering all subjects would

⁷³ Note marginale :/Marginal note:

Spoke to Garner 16/10/58 [Spoke to] PM 17/10/58 [Sidney Smith]

Il n'y a aucune trace des conversations entre Smith et Garner, mais Smith a amené Garner « along the lines » de cette note. Voir DL(1) à sous-secrétaire, 28 octobre 1958, DEA/50115-1-40.

No record of the conversations between Smith and Garner was kept but Smith engaged Garner "along the lines" of this memorandum. See DL(1) to Under-Secretary, October 28, 1958, DEA/50115-1-40.

obviously be unacceptable to most of the members of NATO. According to information reaching Mr. Wilgress through the German Permanent Representative, Chancellor Adenauer was "very put out" when he learned of de Gaulle's proposals and he has written to the French leader expressing his concern and indicating that the carrying out of such proposals would never be acceptable to German public opinion.

On the basis of the information supplied by Earncliffe, the United Kingdom view is that the control concept of a three-power directorate with wide powers "would be manifestly unacceptable to other members of NATO and would be equally unacceptable to Commonwealth countries, the United Kingdom or the United States." On the other hand, they recognize that the General "has identified a very real problem." Their objective is to avoid giving the General a straight rebuff and, at the same time, deal with the matter in a way which would minimize the strain on NATO.

To achieve this objective they are planning to consult with the United States with a view to preparing their replies and to lay the groundwork for later tripartite discussions. They propose to deal initially with the French authorities in an effort to avoid letting the matter become a centre of an uncoordinated controversy in NATO. However, they have indicated that the matter may well have to be thrashed out later in NATO and that, in the long run, this may be the best way of handling it. We have no reason to believe that the United States authorities are planning a different approach in this respect. Mr. Dulles has indicated that he is in no hurry to reply and that he is hopeful officials in the Quai d'Orsay can be instrumental in convincing the General of the inherent difficulties in the way of implementing his plan and thereby make it less necessary for other governments to comment critically.

During your discussion with Sir Saville Garner you may wish to take the following line.

The procedure which the United Kingdom authorities have in mind seems sensible, particularly since it is designed to avoid uncoordinated debate in NATO on a proposal which in its present form reflects primarily a disagreement between the three larger powers.

Since there appears to have been some delay in forwarding the proposal to the United States Secretary of State, it might be interesting to know approximately when the communication dated September 17th was received by the Foreign Office or Mr. Macmillan. (Earncliffe have not been able to enlighten us on this score but they undertook to find out; Sir Saville will probably have the answer.)

As a substantive proposal our preliminary reaction is that the French plan is unacceptable to Canada for the following reasons:

- (1) It suggests that the middle and smaller powers of the Western Alliance, which also have commitments and responsibilities, should have little or no say in the direction of the policies and plans of the Alliance;
- (2) If presented within NATO in its present form the resulting debate would be acrimonious, uncoordinated and disruptive;
- (3) It would have a particularly damaging effect upon the uncommitted countries which might interpret such a move as an impingement upon certain areas in which they claim a direct interest and would probably reinforce the misgivings they have often expressed about the militaristic tendencies of the Atlantic Alliance.

Clearly the General's initiative contains highly objectionable features. It is, in our view, the primary responsibility of the United States and the United Kingdom to dissuade him from pressing it and to attempt to extract any positive aspect from the proposal. We are wondering, in this connection, whether there might not be some advantage in recognizing

that, in part, the question of political consultation appears to be directly involved. More precisely it seems to relate to the problem of consultation on matters which lie primarily outside the NATO area. In the past two years many of these matters have been discussed in the NATO context and the range and frequency of such consultations have increased. However, in the light of the General's intense dissatisfaction, it is for consideration whether the time is not ripe for a re-examination within NATO of the whole concept of political consultation with a view to identifying weaknesses and, where appropriate, suggesting means of improvement. The Canadian authorities would be prepared to explore in NATO the various aspects of political consultation at an early date.

You will appreciate that the views expressed above represent the Department's thinking. Although the incoming telegrams have been referred to the Department of National Defence on a limited basis, we have not yet received their comments on the de Gaulle proposal. Our inclination is to prepare a combined political-military assessment if it is clear that the French intend to press the matter in its present form.

J. L[ÉGER]

291.

DEA/50115-1-40

*L'ambassadeur aux États-Unis
au secrétaire d'État aux Affaires extérieures
Ambassador in United States
to Secretary of State for External Affairs*

TELEGRAM 2574

Washington, October 21, 1958

SECRET. CANADIAN EYES ONLY. PRIORITY.

Reference: Our Tel 2474 Oct 9.†

Repeat Permis New York (For Minister), NATO Paris, Paris, London (Information).

GENERAL DE GAULLE'S MESSAGE TO THE PRESIDENT

This afternoon we were given some further information on this matter by Dale, the Acting Director of the Office of British Commonwealth and Northern European Affairs in the State Department.

2. As you will be aware, the initial reply⁷⁴ to Premier de Gaulle consisted of little more than a routine acknowledgment accompanied by an indication that the subject was a complex one requiring a considerable amount of study.

3. According to Dale, a further communication has now been sent⁷⁵ to de Gaulle and apparently was delivered to him yesterday or today. This communication was also of an interim character although it went a good deal further than the first reply.

4. In this new message, the USA authorities express their agreement with de Gaulle's view that the threat is a global one. They also agree that there should be adequate arrangements for dealing with this threat wherever it might arise.

⁷⁴ Voir/See *FRUS, 1958-1960, Volume VII, Part 2, p. 86.*

⁷⁵ Voir ministère des Affaires étrangères, *Documents diplomatiques français, 1958, Tome II, Paris: Imprimerie nationale, 1993, pp. 560 à 561.*

See *FRUS, 1958-1960, Volume VII, Part 2, pp. 108-109.*

5. On the question of political consultation in NATO, the USA reply notes the progress which has been made in this field over the past few years and particularly in recent months when useful discussions have been held on situations outside the NATO area such as those in the Mid East and in the Far East. The USA authorities have also found the consultations in NATO valuable in concerting policies with respect to the Soviet Union on a variety of matters. While improvements should undoubtedly be sought in the methods of consultation, the USA authorities are convinced that it would be unwise to resort to devices (such as the rather exclusive arrangement proposed by de Gaulle) which would "weaken the bonds which have been developed among all repeat all NATO members."

6. Regarding military arrangements, the USA authorities do not repeat not favour a change which would lessen the sense of participation by countries which considered their interests (and their forces) to be involved. (In this connection Dale remarked that there seemed to be no repeat no inclination on the USA side to regard the Standing Group as an appropriate or acceptable "Directorate" for even military "cooperation" on a world wide basis. He personally had the impression that during the recent past the Standing Group had declined in importance in relation to the Military Committee, even for activities confined to the NATO area.)

7. On de Gaulle's suggestion for an extension of the geographical area covered by the North Atlantic Treaty, the USA reply is rather negative. It points out that the extension of the area to encompass, for example, such regions as North Africa and the Mid East would create extremely serious difficulties for some of the present members of NATO (Dale mentioned particularly the Scandinavians).

8. Generally the USA reply notes that while certain kinds of changes in either the civil or military fields might be unsatisfactory and might be objectionable to many NATO countries the USA authorities agree that the NATO organization should be capable of "adapting itself to changing circumstances." The nature of the adaptations which might be required is a subject which the USA would be prepared to join in exploring "through appropriate channels."

9. After giving us this outline, Dale observed that, as we had no doubt noticed, Secretary Dulles was using the occasion of this exchange of correspondence with de Gaulle to revive ideas which the Secretary had aired at several times in the past about the need for some "reorganization of the Western world." The Secretary's thoughts on this matter had been discussed at some length during Prime Minister Macmillan's visit and had lain behind the proposals which had then been made for a meeting of the Heads of NATO Governments. These ideas had not repeat not been carried much further at or following the Heads of Government Meeting which subsequently took place last December. Dale thought Secretary Dulles was not repeat not displeased that the correspondence with de Gaulle should provide an opportunity for re-examining the possibilities in an appropriate (but unspecified) forum. The willingness of the USA authorities to explore such changes as might be desirable and practicable in Western organization made it possible for them in effect to turn down some of de Gaulle's more extreme views in a manner which they hoped would be regarded as constructive and not repeat not offensive. They were most anxious not repeat not to give offence to de Gaulle in the present situation.

10. Dale remarked that they had very much in mind the imminent visit of Prime Minister Diefenbaker to Paris and they would keep us informed on any further developments in their thinking which it might be useful for Mr. Diefenbaker to know about before his

conversations there, even though this particular subject might not repeat not come up specifically in those talks.

[A.E.] RITCHIE

292.

DEA/50115-1-40

*Le haut-commissaire du Royaume-Uni
au secrétaire d'État aux Affaires extérieures*
*High Commissioner of the United Kingdom
to Secretary of State for External Affairs*

SECRET

Ottawa, October 23, 1958

Dear Mr. Smith,

You will remember that we had a talk the other day about General de Gaulle's letter addressed to Mr. Macmillan about N.A.T.O. I passed on your comments to my Government who were most grateful for them.

I have now been asked to let you know that Mr. Macmillan has sent a reply to General de Gaulle's letter. This was handed to the General on the 21st October by the United Kingdom Ambassador in Paris and I enclose a copy herewith.

The United Kingdom Ambassador, acting on instructions, re-assured General de Gaulle that we were in favour of the proposed tripartite talks at Ambassadorial level, provided they were organised so as to cause the minimum embarrassment to our allies and were calculated to produce the best results.

The Ambassador also urged on General de Gaulle the wisdom of acting on a suggestion by Mr. Dulles that any tripartite conversations of the kind envisaged by the General should (to allay American anxieties over possible repercussions within N.A.T.O. of the General's original memorandum) be conducted on the basis of a fresh initiative in the form of letters to the United States Secretary of State and to the United Kingdom Foreign Secretary from the French Foreign Minister proposing talks on the subjects raised by General de Gaulle.

I have been asked to let you know that we are not letting M. Spaak or the German or Italian Governments see the text of Mr. Macmillan's letter though they will be told its general line.

Yours sincerely,

J.J.S. GARNER

[PIÈCE JOINTE/ENCLOSURE]

SECRET

TEXT OF REPLY FROM MR. MACMILLAN
TO GENERAL DE GAULLE'S LETTER OF SEPTEMBER 17TH

I was most grateful for the message you sent me just before my visit to Bonn, saying that you had no objection to the views which you had set out to President Eisenhower and myself about the organization of the defence of the free world being touched upon in the course of my conversation with Dr. Adenauer. I found that the Chancellor was already informed of your views in a general way and your message therefore made it possible for us to have a discussion about them. I pointed out to him that you had drawn our special

attention to one of the main problems which now faced the West as being that of co-ordinating resistance to Communism on a world wide scale. The Chancellor quite agreed with this but I should not conceal from you that he did not like the actual solutions you had in mind.

2. For my part I am sure that you are right in saying that as things are at present some of the individual members of the alliance can be exposed to risks resulting from decisions which they themselves have had no share in taking. I also think that you are right to draw attention to the fact that the responsibilities of some members of the alliance are not confined to the geographical area which happens to be described in the N.A.T.O. Treaty. They are in fact world wide. These are certainly matters which should be looked into. But I think it as well that in considering these problems we should recognize at the outset that because of the difference between French and British traditions of thought we are likely to approach them from rather different points of view. You feel that there should be institutional changes in the alliance. Of course this would have the advantage of order and consistency. But as you well remember we are apt to be empiricists by nature, perhaps too much so. We would be inclined to look for a solution which could be developed from what already exists and which could most easily be made to work in practice. I think we must try and reconcile these differences of approach.

3. Meanwhile I think that it might be useful if I were to indicate one or two of the points in your memorandum upon which we would like to have some clarification. You advocate the creation of a new body consisting of the United States, United Kingdom and France to which political and strategic questions of world importance would be entrusted, and which would have the responsibility of taking joint decisions, it is not clear to me whether or not it would be your intention that this body should operate by unanimity, in other words whether each member of it would have the right of veto over the decision of each other member on matters affecting world security. Secondly I am not clear whether it is your idea that it should replace some of the present functions of N.A.T.O., or whether N.A.T.O. would continue in a subordinate role alongside other regional organizations covering other parts of the world. You will, of course, be aware that the political discussion in the Council of N.A.T.O. do in fact already range far and wide beyond the confines of the N.A.T.O. area, and although I would not suggest that the procedure is entirely satisfactory the problems of the Middle East and of the Far East have all been brought up and debated in the Council within the last few months.

4. I am certainly indebted to you for calling attention to these problems which face the alliance. Without doubt they need resolving. I do not think that we can hope to do so in a great hurry, but I agree that we should consider ways and means of doing so.

293.

DEA/50115-1-40

*L'ambassadeur en France
au secrétaire d'État aux Affaires extérieures*

*Ambassador in France
to Secretary of State for External Affairs*

TELEGRAM 1166

Paris, October 23, 1958

SECRET. OPIMMEDIATE.

Reference: Letter of General de Gaulle to President Eisenhower and Premier Macmillan.

For Under-Secretary from Dupuy.

In course of recent conversation with Joxe (Secretary General) at Quai I referred to rumour from Italian source about a letter having been sent by General de Gaulle to Washington and London. He said he had intentions of talking to me about it and then read most of its text before making following comments.

2. [Group corrupt] of France is first of all European. General de Gaulle is convinced that France must go as far as possible in its cooperation with other European nations in the financial economic political and military fields. This includes production of common armaments with the only exception of nuclear weapons.

3. In military field General de Gaulle considers that NATO has fulfilled its main purpose in preventing a Soviet aggression against Western Europe but that it is no longer adapted to meet global menace now developing in other parts of the world. In other words he fears that the "Western Maginot Line" as he calls it might be by-passed through Soviet initiatives in Asia and Africa, and that unless a Western co-ordinated defence be organized to cope with this increasing pressure the Western world is bound to lose in the long run.

4. I interrupted to say that this analysis of the world situation coincided almost word for word with that of Marshal Montgomery who for many years had been concluding to the necessity of a master plan covering the whole planet. Joxe agreed that General de Gaulle's assessment was also essentially military but his recommendations were more fluid in the sense that he would be satisfied at least at this stage with a political Standing Group composed of USA, UK, and France, because of their world commitments, that would be entrusted with mission of studying conditions and developments outside NATO area, and report to their NATO partners. This larger scope of the big Three would involve a revision of NATO statute in order to adapt it to these new circumstances.

5. Before mentioning this question of revision, Joxe became hesitant as if he were himself unhappy about it or echoing the resistance of own department. He explained after, as if giving an excuse: "You know the General. He likes to provoke a 'choc'." As far as he was concerned Joxe did not repeat not seem to approve at all of this method. He said that in course of his conversation with Mr. Dulles and Mr. Macmillan, General de Gaulle had already referred to necessity of coordinated policy on a world scale. There must therefore have been less surprise in Washington and London. In any case Joxe did not repeat not expect an early reply.

6. I recalled that in the past USA had been rather reluctant to let other nations partake in world responsibilities less because they insisted on monopoly than because it was felt that except UK no repeat no other nation had the means of assuming larger commitments outside NATO zone. Joxe commented that this would be no repeat no longer true when France would be producing nuclear weapons. I found this remark of particular interest since it shows that the General is trying to cash in anticipation on credit his country will obtain if and when it is able to produce the A or H bomb. Therefore his initiative could be interpreted more as a preliminary sounding than a proposal requiring immediate and lasting decisions, since France is not repeat not strong enough to intervene on a big scale in Far or Mid East.

7. However, this does not repeat not mean that General de Gaulle's move does not repeat not require delicate diplomatic handling if complications are to be avoided at a later stage. The importance of consultations on a global scale is obvious enough and therefore the question of associating France more closely to such consultations is worth considering in order to give the General some sort of satisfaction. The danger lies less in consultations themselves that could take place on an informal basis through diplomatic channels or

otherwise than in new framework suggested by the General. If one remembers the hesitation and reluctance of certain NATO partners when it came to admitting Greece and particularly Turkey into the Alliance, one can easily imagine that setting up a special Standing Group covering world problems and a revision of North Atlantic Treaty might shake the organization to its very foundations.

8. Joxe said that Germany and Italy had managed to obtain a copy of memorandum through NATO and has since been bombarding the Quai with questions. To such an extent that M. Couve de Murville had called in German and Italian ambassadors in order to give them explanations that might quieten down their government but Joxe was unable to tell me whether his minister had been successful or not.

9. In course of our conversation Joxe repeated several times that information he was giving me was meant for my personal consumption, which led me to think that he was talking to me on his own responsibility without wishing his name mentioned in my reporting to you. May I therefore recommend that circulation of this telegram be limited as much as possible in order to avoid revealing my source.

[PIERRE] DUPUY

294.

DEA/50115-1-40

*Le secrétaire d'État aux Affaires extérieures
au haut-commissaire au Royaume-Uni*

*Secretary of State for External Affairs
to High Commissioner in United Kingdom*

TELEGRAM DL-867

Ottawa, October 29, 1958

SECRET. OPIMMEDIATE.

Repeat NATO Paris, Paris, Washington, Bonn (Information).

GENERAL DE GAULLE AND NATO

By way of supplementing the background notes in Mr. Robinson's possession we are outlining below a few additional comments on General de Gaulle's initiative which may be useful to the Prime Minister during his conversation with Mr. Macmillan.⁷⁶

2. Although the evidence suggests prestige may be a major factor motivating the General's proposal and his solution undoubtedly reflects an unreal assessment of his country's present position and influence in world affairs, we can perhaps welcome his initiative insofar as it concentrates attention on a problem which has plagued the Alliance since its inception and which will not be solved because it is shelved.

3. While we are prepared to admit the logic of the General's analysis of the difficulties facing the West in any attempt to co-ordinate resistance to Communism on a world-wide scale, we are inclined to the view that he is laying the blame on NATO for its inability to meet a situation with which it was never intended it should deal. In a sense his general thesis challenges the idea of NATO as a regional defensive grouping of more or less like-

⁷⁶ Pour un compte rendu de la rencontre du premier ministre Diefenbaker avec le premier ministre Macmillan, voir le document 390.

For an account of Prime Minister Diefenbaker's meeting with Prime Minister Macmillan, see Document 390.

minded countries trying to make themselves into something that could be called a community.

4. It should be recalled that when the North Atlantic Treaty was drafted care was taken to explain its special nature as a regional defensive Alliance under Article 51 of the United Nations Charter. An extension of NATO's scope into a global commitment would strain the compatibility of NATO and the United Nations Charter, leaving aside the question of the willingness of all members to remain in a broadened organization. In this respect we can perhaps derive some satisfaction from the reference in Mr. Macmillan's reply of October 21 to the traditional British preference for an empirical over an institutional solution.

5. It seems apparent the French leader either overlooked or minimized the extent to which his solution would be unacceptable to Canada and the other members of NATO. In the light of the evident dissatisfaction of many smaller NATO members with policies pursued by their larger partners in the Middle East and with the obvious lack of consultation it is indeed unrealistic to expect them not to react sharply to a suggestion that the big Three should exercise overriding authority with respect to the plans and policies of the Western Alliance.

6. If we agree that the major and urgent problem of the years ahead is to find a peaceful settlement with the Soviet Bloc on many issues, the type of omnipotent triumvirate envisaged by de Gaulle could well inspire greater suspicion of Western intentions on the part of the USSR and so make reasonable accommodations harder and not easier to reach.

7. In the eyes of many uncommitted countries, including important members of the Commonwealth, a reorganization of the Western Alliance as proposed by de Gaulle would probably be regarded as an attempt to impinge upon areas in which they have a direct interest. To this extent it would be particularly repugnant to Canada bearing in mind the role we like to play in the Commonwealth. In addition it might well serve to reinforce the misgivings of such countries about the militaristic tendencies of the Atlantic Alliance.

8. In the light of these and other objections which can be registered you may also wish to express your agreement with the careful manner in which Mr. Macmillan's reply rejects gently de Gaulle's solution while raising questions designed to spin out the exchange and to avoid having it raised in the NATO forum in its present form. At the same time the UK reply does not, in our view, reflect adequately the extent to which the General's solution is manifestly unacceptable to Canada and other members.

9. Now that his proposal has become public knowledge it may well be unrealistic to expect that it can be forgotten and a more acceptable proposal substituted, as the US and UK appear to have planned. Moreover, because of their evident interest in retaining a cordial relationship with the General (an interest which we share), the US and the UK may be reluctant to exert much pressure on him. In the circumstances you may wish to advise Mr. Macmillan that you intend to take up during your conversation with General de Gaulle some of the reasons why we can see serious objections to the solution he has in mind. You could underline as Mr. Spaak has done, the serious repercussions which would flow from a formal French attempt to press their proposal in the present form in the NATO context. At the same time you could indicate that the French initiative points to the need for a careful re-examination of the whole process of political consultation in the light of recent developments in order to examine its weaknesses and to recommend improvements. Canadian policy has consistently been designed to encourage regular and effective consultation in NATO as a means of giving substance to the concept of an Atlantic community. We have recognized however that such consultations are only possible and effective to the extent that those members of the Alliance with world-wide commitments or which are most

directly concerned with specific problems are prepared to strengthen political cooperation on them in the NATO context.

10. We have our doubts about Mr. Spaak's constant efforts to establish common NATO policies, or the enunciation of a NATO position on issues arising outside the NATO area. In addition we are disturbed that he considers he has a mandate to develop links with other regional alliances possibly leading to a coordination of the policies of regional alliances. It was of course not intended at the outset that NATO should be directly involved in commitments or responsibilities outside the area covered by the treaty. We must however recognize the extent to which all NATO nations are now exposed to risks as a result of actions taken by one or more of them. We all have an interest in the policies pursued by our NATO partners, in particular the more powerful. There is therefore, it seems to us, a clear obligation on the part of the major powers to keep their partners better informed as to their thinking on major issues. However, it is for consideration whether NATO consultation on problems outside the Atlantic community should not repeat not be primarily for the purpose of keeping all members of the Alliance fully apprised of the considerations which are being taken into account in the formulation of individual members' policies, and should not be regarded as necessarily leading to the formulation of a common NATO policy with respect to specific problems.

11. It would seem to us best to recognize that the sense of community within the Alliance has not repeat not developed to the point where the major powers are prepared to subject their plans and policies regarding issues outside the Alliance to their NATO partners for modification and approval, particularly when vital national interests are at stake. However, consultation within NATO in the early stages of *national* consideration of problems requiring a *national* policy would permit governments to take into account the views of their NATO partners and so shape their policies as to command the greatest possible degree of support in NATO.

12. The above represent a few additional thoughts which the Prime Minister may wish to keep in mind during his talks with Mr. Macmillan and possibly later with General de Gaulle. We might emphasize that the points we have made in connection with political consultation (paragraphs 10 and 11) are not intended as definitive formulas but rather as talking points on which an exchange of views might be useful.

295.

DEA/50115-1-40

L'ambassadeur en France
au secrétaire d'État aux Affaires extérieures
Ambassador in France
to Secretary of State for External Affairs

TELEGRAM 1209

Paris, October 30, 1958

SECRET. OPIMMEDIATE.

Reference: My immediately preceding Tel.†

Repeat Washington, NATO Paris, London (For Basil Robinson) (Information).

PRIME MINISTER'S TOUR: TALKS WITH GENERAL DE GAULLE

On the assumption that Joxe carries out his promise to give us the text of the de Gaulle memorandum to Eisenhower and Macmillan, and in the light of the obvious seriousness of possible developments, I believe it would be desirable if the Prime Minister raised the

question of the future of NATO and France's relationship to it with de Gaulle, even if the General does not repeat not do so. I am not repeat not making this suggestion merely because Joxe has in fact invited the Prime Minister to do so, in support of the opposition of the Quai d'Orsay to de Gaulle's proposals, but because this may be the only opportunity for some time for us to speak to de Gaulle on equal terms. De Gaulle's remarks to Jebb may have been made in a fit of temper, but be that as it may there is an obvious latent tendency for de Gaulle to play his own hand without the assistance of his allies. Adenauer has already been very forthright and to the point with Joxe and I believe there would be merit if the Prime Minister saw fit to be equally forthright during the forthcoming talks.

2. I have consulted with our NATO delegation and the following suggestions are put forward for your consideration as to the line the Prime Minister might take.

(a) In the first place de Gaulle and the Prime Minister would probably not repeat not be meeting at all had NATO not repeat not been brought into existence and functioned with such a relative measure of success, whatever the defects of an alliance of this size must be.

(b) We have recognized the imperfections of NATO and have always believed it right and proper that the UK, the US and France should consult privately on matters of mutual interest. These matters have quite naturally normally been of global scope. Such private arrangements have not repeat not, however, in our view, in any way relieved the Great Western Powers of their duty to consult with the members of the NATO Alliance in the NATO Council. Canada, however, could not repeat not accept decisions made by one, two or three of the Great Powers which affected NATO without prior consultation. In short we could not repeat not accept the notion of a political standing group which would have in effect the direction of the political strategy of the West without wider consultation. The NATO area was admittedly confined, but to widen the area of its responsibility would only lead to the withdrawal into neutrality of a number of the middle and smaller powers in the Alliance. These powers, no repeat no matter how small their military contribution, might be very essential to the maintenance of the status quo in Europe, and we for our part consider that any action which would lead to the withdrawal of any of these powers would be a retrograde step and would in fact be the first step leading to the collapse of the Alliance. If this occurred none of us could hope even with the closest cooperation between the French, British and Americans, for the continued liberty of what remained of the free world.

(c) The world in our view had changed as much with respect to its international problems since the days of the war as Canada had changed in its stature and responsibilities. We were ready and willing to encourage the Three Great Powers to consult on world problems, but we were quite unwilling to accept any position in NATO whereby the Council became a rubber stamp for any policy that the Great Powers chose to pursue.

(d) We had no repeat no quarrel with the General's contention that strategic problems are global, and accordingly it was proper and even essential that those powers which could dispose forces rapidly anywhere in the world should consult together. Strictly speaking, it was true to say today that only the Soviet Union and the US were in this category, but not repeat not even the US could dispose of its forces around the world where it wished without the cooperation of its allies. This was particularly true in Canada today where the most vulnerable approach to the US lay across Canadian territory. We for our part could not repeat not accept, for example, an American view of world strategy which did not repeat not coincide with our own with respect to the Northern hemisphere. If this were true of ourselves, it surely must be obvious that this was equally true in many other parts of the world, especially in Europe.

(e) While, therefore, we were ready and willing to welcome private consultations between the Three Great Powers, we are unwilling to be dictated to as to strategy or as to the most desirable political course to pursue. Inconvenient though it might be to the Great Powers, the facts of international life were now different to what they were in 1945 and we hoped and expected that de Gaulle would recognize this, and also recognize that however clumsy the NATO machinery might be, consultation between the Three Powers was no repeat no substitute for consultation amongst the members on the basis of equality if we are to preserve the position intact against the Soviet Union.

3. In other words, the delegation and ourselves hope that the Prime Minister may add Canada's weight to the views the General will now have had from most of the other principal members of the Alliance and in the strongest terms from Mr. Spaak. Here again, however, the Prime Minister might prefer to be positive in putting to the General the advantages of a flexible system of political consultation, beginning with three or four or five (depending on subject) always extending to fifteen at appropriate stage.⁷⁷

[PIERRE] DUPUY

296.

DEA/50115-1-40

*Le représentant permanent auprès du Conseil de l'Atlantique Nord
au secrétaire d'État aux Affaires extérieures*

*Permanent Representative to North Atlantic Council
to Secretary of State for External Affairs*

TELEGRAM 2793

Paris, [November 26], 1958

SECRET. OPIMMEDIATE.

Reference: Paris Tel 1245 Nov 6.†

Repeat Paris, London, Washington (Information).

GENERAL DE GAULLE'S PROPOSAL FOR POLITICAL DIRECTORATE

I paid my first call on de Courcel on November 19 and took this opportunity to raise with him the problem posed to the Alliance by General de Gaulle's recent initiative. De Courcel told me that he would be glad to follow up the Prime Minister's talk with General de Gaulle on November 5, particularly in view of the many misunderstandings about the initiative which had arisen since.

2. He first gave the background against which the General's initiative should be viewed. This has already been reported in paragraph 3 and 4 of Paris reference telegram, and need not repeat not be repeated here. In brief the General is less concerned with the state of NATO than with the state of the world. The situation in Europe is now fairly stable and will not repeat not be disturbed in the immediate future; but it has become essential for the Western Powers with world responsibilities to coordinate their policies. This, in de Courcel's view, was particularly true in the strategic field, but also in the economic and aid policies of the Western Powers. Throughout the discussion, however, de Courcel, while alluding to the global responsibilities of France in general terms, referred specifically to

⁷⁷ Pour un compte rendu de la rencontre du premier ministre Diefenbaker avec le Général de Gaulle, voir les documents 392 et 394.

For an account of Prime Minister Diefenbaker's meeting with General de Gaulle, see Documents 392 and 394.

French interests in Africa and the Mid East. He mentioned Madagascar and the African South Atlantic seaboard as regions which were of special and direct concern to France where complications might arise which, if not repeat not dealt with properly, could considerably weaken the West. France, he said, was willing to assume special responsibilities for such regions but they expected in return to be consulted by the USA and the UK on developments in the Mid East and for that matter even the Far East.

3. De Courcel confirmed what we already know, that General de Gaulle had not repeat not requested that a French General be appointed as Supreme Allied Commander. Nor repeat nor for that matter, was he interested in a reorganization of NATO with a view to giving special responsibilities to a so-called "Political Standing Group." In fact the French delegation would not repeat not raise the problem of political consultation in NATO, although it would be glad to join in discussion on this subject if the matter was raised by the Secretary General or any delegation at the forthcoming ministerial meeting. De Courcel said that France welcomed political consultation in the Council and would continue fully to cooperate in this field. At one point he said. "We don't intend to do anything behind your backs." De Courcel made it quite clear, however, that the French would continue to discuss the matter of closer coordination of world strategy with London and Washington outside the NATO framework.

4. During the conversation de Courcel made the point that NATO was not repeat not equipped to meet all the problems with which the West was faced. There were countries such as Denmark and Norway which would refuse to accept certain commitments outside the NATO area. Nor repeat nor was he sure of the attitude that a country like Canada might take were it asked to assume new commitments. It was, therefore, much more realistic to think in terms of a different set-up and not repeat not upset the present happy relationship existing between NATO members.

5. As an example of the importance that certain countries attach to establishing closer relations with one another outside the NATO framework, de Courcel referred to the intimate relationship in the field of defence which Canada had found it necessary to establish with the USA.

6. In reply I first referred to the Prime Minister's views as expressed to General de Gaulle and repeated that a political triumvirate within NATO would be totally unacceptable. Considerable progress had been made in a relatively short period in the field of political consultation in NATO and we wished that the trend be continued. The setting up of a political triumvirate would wreck this and prove unacceptable not repeat not only to Canada but to the great majority of our NATO partners. The question of consultation between the USA, UK and France outside the NATO framework was another matter: we could see no repeat no objection to it. On the other hand we had to bear in mind that political consultation within NATO covered a much wider area than that geographically defined by the Treaty. The few meetings I had already attended had partly been devoted to such problems as those of the Mid East, Africa and even Quemoy. There was, therefore, a danger of duplication and even misunderstanding if the same subjects were to be considered at the same time in the Council and on a tripartite basis.

7. As regards his interpretation of the attitude of such countries as Norway and Denmark over additional commitments, I said that I had no repeat no quarrel with the views he had expressed. As far as Canada was concerned the Prime Minister had made our position quite clear to General de Gaulle when he had said that "To extend the geographical area of responsibility of NATO would not repeat not be acceptable to the Canadian government or the Canadian people." Lastly, I pointed out that the reference to the special relationship in

the field of defence between the USA and Canada should not repeat not be cited as an example of extra-NATO consultation, since our Arctic frontier was as much of a NATO frontier as was that on the East German front.

8. The following thoughts have occurred to me as a result of this interview of the problem posed by General de Gaulle's initiative as interpreted by de Courcel:

(1) The French are likely to agree to any form of closer political cooperation in NATO and might even pay lip service to the concept. I doubt, however, that they would contribute much to the exercise, though they have been more active in the Political Advisers Committee lately. This is illustrated by a comment made by Couve de Murville to one of my colleagues recently to the effect that "France would do nothing to upset NATO nor repeat nor would it help it."

(2) De Gaulle will pursue his initiative outside the NATO framework. Washington and London will, therefore, have to face this very delicate issue and on the whole I believe it would be wiser for them to face it alone rather than have the Council seized of it, although it might be difficult for Messrs. Selwyn Lloyd and Dulles (to say nothing of Mr. Spaak) not repeat not to refer to it at the forthcoming ministerial meeting.

(3) Seen from this mission, the French initiative must be placed in the new relationship which de Gaulle is attempting to establish between metropolitan France and Africa. It is worth recalling that at the time of the signature of the North Atlantic Treaty the whole of North Africa was under French control and that the Sahara was still dormant. From the strategic point of view this was an ideal situation for the Alliance. The situation is now very different, not repeat not only in Tunisia, Morocco and Algeria, but the Sahara has acquired a new importance for the economic development of France. De Gaulle is merely expressing in more vigorous terms what his predecessor M. Gaillard, had outlined when he launched the idea of the possibility of a Mediterranean Pact. In brief, de Gaulle's initiative is but the most recent chapter in the long history of the relationship between Africa and Western Europe. It may be untimely, awkward and even unacceptable to NATO but the problem exists in a very acute form and some solution must be found if the West is not repeat not to suffer a major defeat which NATO can ill afford.

[JULES] LÉGER

297.

DEA/50115-1-40

*L'ambassadeur aux États-Unis
au secrétaire d'État aux Affaires extérieures*

*Ambassador in United States
to Secretary of State for External Affairs*

TELEGRAM 2932

Washington, December 2, 1958

CONFIDENTIAL. OPIMMEDIATE.

Reference: Our Tel 2756 Nov 10.†

Repeat London, NATO Paris, Paris (Information).

DE GAULLE PROPOSALS FOR REORGANIZATION OF NATO

McBride, Head of the Western European Office of the State Department, told us in confidence today that on Thursday, December 4, Robert Murphy of the State Department will be calling in the French Ambassador and the UK Ambassador (in Caccia's absence

Lord Hood will be present) by way of following up the request contained in General de Gaulle's original proposal for tripartite discussions.

2. As McBride explained it the main purpose of the meeting will be to point out some of the difficulties envisaged if the French proposals were to be acted upon, and to put to the French representative, USA and UK views on the importance of NATO consultations and on the need for avoiding any formal reorganization of NATO machinery. We understand that Mr. Spaak is being told in advance about this Thursday meeting and that the individual NATO permanent representatives will also be advised in Paris probably tomorrow. Since de Gaulle's proposals were not repeat not introduced in the Council, the French have taken the position that no repeat no formal notification to the Council is required. Locally here the Italians and Germans are being told as well as ourselves.

3. In advance of the meeting which is expected to take place on Thursday morning, the USA, UK and French have been working out the terms of a brief agreed public statement which would not repeat not be issued until later on Thursday afternoon. According to McBride this statement would refer to the receipt of the communication from General de Gaulle, and would indicate that the purpose of the tripartite meeting was to explore the matters raised in that communication, and in particular would refer to the request of the French for tripartite discussions. McBride added that it was possible that a further meeting might be necessary, but from his remarks we received the impression that the State Department will use this meeting to indicate to the French the difficulties that any formal and continuing arrangements for consultation on a tripartite basis outside the NATO framework would encounter.

298.

DEA/50115-1-40

*L'ambassadeur aux États-Unis
au secrétaire d'État aux Affaires extérieures*

*Ambassador in United States
to Secretary of State for External Affairs*

TELEGRAM 2978

Washington, December 6, 1958

SECRET. CANADIAN EYES ONLY. OPIMMEDIATE.

Repeat London, NATO Paris, Paris (OpImmediate) (Information).

DE GAULLE PROPOSALS FOR REORGANIZATION OF NATO — TRIPARTITE MEETING

The meeting December 4 consisted in the French developing General de Gaulle's memorandum on tripartite consultation and questions being put by the USA and UK representatives. The discussion was "diffused." A further meeting has been scheduled for December 10 at which the French will provide answers to the questions asked.

2. The gist of the French argument is as follows: the situation has changed since 1949 in two ways: (a) the NATO area no longer coincides with the area against which the Soviet threat is directed; (b) from a weapons point of view the NATO area is meaningless. What is the remedy? Consultation within NATO has its usefulness but does not meet the new problems. Creation of other pacts have their usefulness but they leave uncovered areas. France proposes the following solution:

(i) In the political and strategic field: to establish some form of tripartite organization to attempt to reach common decisions on matters of global importance. The reason for

confining the consultative organization to the USA, UK and France is that they are the three with global responsibilities and that they will be the only Western Atomic Powers. The consultative organization contemplated would not be a directorate but would be more an extension of the tripartite consultations which already take place on Germany and in certain aspects of the disarmament field. No one of the three would exercise a veto over the others and there would be no attempt to impose agreed policies on friendly states. What was being proposed was organized and regular consultation.

(ii) In the military field there would not be an extension of the NATO area, but rather tripartite military planning which would involve the interrelation and coordination of theaters of operations throughout the world (Brown (French Desk Officer) our informant, commented, "We don't know what this means").

3. The points made by the UK and USA against organized tripartite consultation are related to the following:

(a) The problem which would be raised, vis-à-vis Italy and Germany in particular and other countries.

(b) The problem which would be created in the Commonwealth for the UK.

(c) The UK dislike of institutionalized organization.

(d) The proven value of informal consultation e.g. the quadripartite consultations on Berlin.

4. The following questions were asked:

(i) What sort of organization is implied in the French proposal, for instance what sort of machinery would be necessary, e.g., would there be a Secretariat? (The French replied that they did not know.)

(ii) Did the French proposal involve revising the North Atlantic Treaty? (The French did not think so.)

(iii) How would the problem which would be created in the rest of the world by the establishment of organized tripartite consultation be faced up to?

5. Brown said that the Germans and Italians have been informed along the same lines as we. The meeting did not, however, settle how the three should inform their NATO allies on the proceedings. Brown thought it very likely that no decision would be made on this until the next meeting on December 10. He therefore hoped that we would keep this information to ourselves and certainly not repeat not discuss it with the French.

6. As you know, we have already informed the State Department of the sense of the Prime Minister's discussion with General de Gaulle and in particular the Prime Minister's statements that Canada could accept closer consultation between France and her allies but not repeat not a triumvirate which would take decisions without consulting other NATO partners, and that Canada could not accept an extension of the geographical responsibility of NATO since this could lead to a breakdown of NATO itself.

7. Brown said that the French themselves did not seem to be entirely clear on what they were proposing, but the position may be somewhat clarified by the next meeting December 10.

299.

DEA/50115-1-40

*L'ambassadeur aux États-Unis
au secrétaire d'État aux Affaires extérieures
Ambassador in United States
to Secretary of State for External Affairs*

TELEGRAM 3027

Washington, December 11, 1958

SECRET. PRIORITY.

Reference: Our Tel 2978 Dec 6.

Repeat London, NATO Paris, Paris (Priority) (Information).

DE GAULLE PROPOSAL FOR REORGANIZATION OF NATO TRIPARTITE MEETING

Dale (Commonwealth and European Affairs) called us today to report there was no significant development at yesterday's meeting with the UK and France. The discussion was very general. There were questions on both sides which he said amounted to no more than enquiries by each side as to what the other had in mind. No answers were given. The questions posed by the French added no substance to what was revealed at the first meeting. A further meeting is projected for the new year but no specific date has been set.

9^e PARTIE/PART 9RECHERCHE SCIENTIFIQUE
SCIENTIFIC RESEARCH

300.

PCO

*Note du secrétaire d'État par intérim aux Affaires extérieures
pour le Cabinet*

*Memorandum from Acting Secretary of State for External Affairs
to Cabinet*

CABINET DOCUMENT NO. 279-58

[Ottawa], October 2, 1958

CONFIDENTIAL

NATO SCIENCE FELLOWSHIP AND STUDIES INSTITUTES PROGRAMMES

At the meeting of Heads of NATO Governments in December, 1957 there was created a Science Committee responsible, in particular, for making specific recommendations to the Council for action on various proposals for increasing the potential of the North Atlantic Alliance in the field of science.

At the second meeting of the NATO Science Committee in July, 1958 three specific proposals were put forward involving financial contributions towards the support and development of scientific research in NATO countries. These proposals were:

- (a) a NATO Science Fellowship programme,
- (b) a NATO programme for Advanced Studies Institutes,
- (c) a NATO programme of grants in aid of Fundamental Research.

Of these projects only the first two commanded general support in the Science Committee. Further consideration of the third was put off to its next meeting scheduled for January, 1959.

NATO Council has now received and agreed in principle to the Science Committee's recommendations regarding the Fellowships and the Studies Institutes programmes. Consideration of the financial aspects of these programmes will take place in Council early in October.

The total cost of the programmes will be as follows:

Fellowships: \$1,000,000 in the first year increasing by this amount in each of the next three years.

Studies Institutes: \$150,000 in the first year increasing by \$50,000 per year until a figure of \$500,000 is reached.

Financial implications of these programmes for Canada are as follows:

| | First Year | | | Fourth Year | |
|--------------------|----------------------|--|---|----------------------|--|
| | <u>Contributions</u> | <u>Value of Fellowships Administered by Canada</u> | | <u>Contributions</u> | <u>Value of Fellowships Administered by Canada</u> |
| Fellowships | \$38,300 | \$48,300 | * | \$153,200 | \$193,200 |
| Studies Institutes | <u>5,760</u> | - | * | <u>19,200</u> | - |
| | <u>\$44,060</u> | <u>\$48,300</u> | | <u>\$172,400</u> | <u>\$193,200</u> |

* In subsequent years the United States contributions can be expected to decrease progressively from 50%, now pledged for the first four years, to a more normal NATO assessment and Canadian contributions will correspondingly rise.

These programmes are the first concrete steps towards the achievement of the goals set at the meeting of the NATO Council at which the Science Committee was established. They constitute (initially at least) a small but important increase in the support for scientific endeavour. They also represent a significant example of common NATO action.

I therefore recommend:⁷⁸

(a) that Canada participate in the NATO Science Fellowships programme and the NATO Advanced Studies Institutes programme;

(b) that Canada's contribution to these programmes be provided from a special appropriation to be contained in the budget of the National Research Council.

J.G. DIEFENBAKER

⁷⁸ Approuvé par le Cabinet le 8 octobre 1958./Approved by Cabinet on October 8, 1958.

10^e PARTIE/PART 10
CONSTITUTION DE RÉSERVES ALIMENTAIRES
FOOD STOCKPILING

301.

PCO

*Note du premier ministre
pour le Cabinet*

*Memorandum from Prime Minister
to Cabinet*

CABINET DOCUMENT NO. 277-58

[Ottawa], October 2, 1958

CONFIDENTIAL

RE: PROVISION OF FOOD STOCKPILES FOR EUROPEAN NATO COUNTRIES

1. The Prime Minister spoke on this subject originally at the Heads of Government's meeting in Paris in December, 1957.⁷⁹ It was raised again by Mr. Pearkes at the NATO Defence Ministers' Conference in April, 1958.⁸⁰ On May 28, 1958, the Canadian representative to the NATO Food and Agriculture Planning Committee developed the matter further. On July 19, 1958, when the Estimates of the Department of Trade and Commerce were under review in Parliament, the Prime Minister made a more extensive statement on the possibility of the Canadian Government making proposals to the NATO countries with respect to the creation of food stockpiles.

2. There have been a number of reactions from the NATO countries to the tentative suggestions that Canada has already made in this respect. Norway has declared itself to be "very interested;" Germany and France have been most cautious in their comments. All show that they would welcome more detail regarding the Canadian plan. It therefore seems desirable for a statement to be made at the Senior Civil Emergency Planning Committee meeting at the middle of October. This statement presumably should go farther in describing the Canadian proposal than others offered to date on this subject.

3. It is proposed that Canada should suggest a plan in NATO, embracing the following points:

(a) That the objective should be to establish useful wartime emergency stockpiles of food in individual NATO countries;

(b) That for the meantime the stockpiles consist of a single item, namely wheat flour;

(c) That Canada would provide an agreed amount of wheat flour, suitably packaged, to be laid down at a Canadian seaport, with all costs up to the acceptance of delivery by the recipient NATO country to be paid by Canada;

(d) That the receiving NATO country would take title to the flour at the Canadian port and would transport, store, maintain and ultimately dispose of the flour, with all costs from the point of delivery in Canada to be borne by the recipient country;

⁷⁹ Voir/See Document 254.

⁸⁰ Voir/See Document 194.

(e) That NATO itself would have no administrative or managerial duties regarding the stockpile in any individual NATO country. It would be wholly the responsibility of the recipient NATO country concerned to administer the stock and to control its use;

(f) That the recipient country would undertake that the stockpile would be reserved for wartime emergency purposes and that as its replacement became necessary, it would be disposed of in a manner that would interfere with normal commercial transactions in wheat and wheat flour as little as possible, and would not be used for human consumption;

(g) That Canada and the recipient country in question would agree on details such as: size of the stockpile, nature of packaging, anticipated storage life, conditions of storage, withdrawal from storage and ultimate disposal when it is no longer fit for its purpose.

4. It appears that wheat flour is the most useful food item that Canada could provide for a wartime reserve in NATO countries and that because of its universal use, its availability, its keeping qualities, as well as the simplicity of management of this single food item, it would be well to begin, at least, with wheat flour. In jute sacks with moisture barrier provided, wheat flour has a sound storage life of about 5 years. In 5-gallon tin cans this storage life is increased to about 8 years. The cost per pound, laid down at Montreal, is comparable for these two packs, estimated at \$0.648 in the sacks and at \$0.669 per pound in 5-gallon tins. The estimated cost in aluminum containers is several times higher. It is calculated that the cost of a bushel of wheat processed into flour and packed into 5-gallon tins, delivered at Montreal, runs to approximately \$2.85.

5. Norway is the one NATO country that to date has shown a fairly positive interest in the tentative Canadian proposal. On the basis of a provision of a supply to meet total flour requirements for human consumption in Norway for a month, the cost to Canada would be approximately \$2,200,000 in 5-gallon tin cans. If it could be anticipated that Belgium, Denmark, Netherlands and Norway, for example, should enter such a plan as recipient NATO countries, the total cost to Canada of providing a one-month supply for these four countries would total about \$19,000,000. It is not considered that a programme in excess of half this size is likely to be developed in 1959-60. The cost to Canada of a similar reserve for the United Kingdom would be \$37,000,000.

6. It is proposed that the cost of the NATO food stockpile programme along the lines suggested above should be regarded in budgeting for 1959-60 as in place of an equivalent amount of mutual aid under the National Defence vote. The nature of the appropriation to provide the funds should be considered at the time the main estimates are prepared. There would seem to be advantages in not including this as part of the mutual aid vote itself but as a separate appropriation specifically earmarked for this purpose.

7. *I recommend*⁸¹ that the Canadian representative to the NATO Senior Civil Emergency Planning Committee be authorized to give details of the Canadian proposal as outlined in paragraph 3 above, subject to a limit at this time of \$10,000,000 for the possible cost to Canada of such a programme in the fiscal year 1959-60.

J.G. DIEFENBAKER

⁸¹ Approuvé par le Cabinet le 3 octobre 1958. Cette proposition a été présentée au Haut comité pour l'étude des plans d'urgence dans le domaine civil le 15 octobre 1958. En 1960, le Royaume-Uni a acheté 30 000 tonnes de farine au Canada à des fins de réserves selon les conditions de l'offre canadienne.

Approved by Cabinet on October 3, 1958. This proposal was presented to the Senior Civil Emergency Planning Committee on October 15, 1958. In 1960, the United Kingdom acquired 30,000 tons of flour from Canada for stockpiling purposes under the terms of the Canadian offer.

11^e PARTIE/PART 11

BERLIN

302.

DEA/50341-40

*Note du sous-secrétaire d'État aux Affaires extérieures
pour le secrétaire d'État par intérim aux Affaires extérieures*
*Memorandum from Under-Secretary of State for External Affairs
to Acting Secretary of State for External Affairs*

SECRET

[Ottawa], November 24, 1958

SITUATION IN WEST BERLIN

Khrushchev announced on November 10⁸² that the Soviet Union would hand over to the German Democratic Republic (GDR) those functions relating to Berlin which are still exercised by the Soviet Union. He said the three Western powers henceforth must deal with the GDR on Berlin questions.

2. Khrushchev declared that the time had come to reject that part of the Potsdam Agreement which concerned Berlin. Actually, the four-power occupation of Berlin rests on somewhat informal agreements reached by the commanders-in-chief of the victorious forces after the capitulation of Germany in 1945. In recent years the Western powers have based their claims to access to West Berlin more on established practices than on the uncertain basis of the 1945 understandings. The cessation of the Blockade in 1949 confirmed these arrangements, but did not impart any precision to them.

3. Several motives may lie behind the Soviet action. The most important seems to be the desire to bolster the status and prestige of the East German puppet régime and indirectly to strengthen the solidarity of the Soviet Bloc. Other probable motives are to strengthen the Communist campaign against equipping the West German defence forces with nuclear weapons, to bring about four-power talks on a German Peace Treaty (without discussion on reunification), and to cause discord within the NATO alliance. Khrushchev may also have in mind the possibility of using this means to lead up to a Summit Meeting on Germany.

4. The Western powers have always made it clear through their pronouncements and actions that they would resist any attack or pressure on Berlin and that they fully intend to keep the Western garrisons in the city. In 1954 the NATO Council formally welcomed the declaration of the UK, USA and French Governments that "they will treat any attack against Berlin ... as an attack upon their forces and themselves." (Canada associated itself with this statement. The Canadian Government has often given public support to the maintenance of a free West Berlin, and partly to give evidence of this keeps a small mission in the city.) The Western powers are also prepared for pressure short of an attack, such as renewal of the Blockade imposed in 1948. They have built up food reserves in West Berlin adequate for about a year and if the need arose would have aircraft available to sustain an air lift to fulfil the needs of the 2,200,000 citizens of the Western half of the city.

5. The consensus is, however, that for the foreseeable future, the Soviet Union will not employ military force, or impose a full Blockade. The announcement last week of a trade

⁸² Voir/See United States, Senate Committee on Foreign Relations, *Documents on Germany, 1944-1961*, Washington: Government Printing Office, 1961, pp. 339-343.

agreement between the "two Germanies" tends to confirm this. There is also general agreement in Western capitals that the probable first step will be for the USSR to test Western reactions by the substitution of GDR officials for Russians at the military check points on the rail and road routes into Berlin and in the four-power air safety centre. The USA, UK, France and West Germany are seeking to co-ordinate their views, but there is still a sharp divergence of opinion on how best to meet this expected move. The possible courses of action for the Western powers are:

(1) To ignore the GDR guards and to use force if necessary to maintain Western rights on the autobahn and rails;

(2) To stop using road and rail and to institute an air lift to maintain the Western garrison of 10,000;

(3) To accept, under protest, the transfer of control functions to GDR officials, provided there is no increase in the degree of control exercised.

7. The UK is inclined to support the third course; in dealing with East German officials it would state that it regards them merely as agents of the USSR. This would still confer a degree of *de facto* recognition on the GDR. However, this might not be entirely disadvantageous since, as in Korea, it could be useful, should serious trouble develop, to be able to distinguish between the forces of the USSR and those of its satellites. In addition, practical Western counter-measures could thus be reserved to meet Soviet steps which constituted a more direct threat to the presence of the Western troops in Berlin.

8. According to telegrams received this morning, the three Western powers are discussing the advisability of sending a note to the Soviet Union for the purpose of reminding the Soviet leaders of their various legal commitments with respect to the city. This note which would express the expectation of the Western powers that the Soviet Union would live up to these obligations, would be presented without waiting for the formal communication from the Russians that is anticipated and thus would, to some extent, take the initiative from them.

9. Chancellor Adenauer and most United States officials apparently oppose the slightest concession and consider that the United Kingdom approach would mean embarking on the slippery slope towards abandonment of the Western position in Berlin. The State Department has told our Embassy that the United States is contemplating the possibility of sending a truck convoy through to Berlin under armed guard as a sign of firmness.⁸³

N.A. R[OBERTSON]

⁸³ Note marginale :/Marginal note:

Noted 26/11/58. E.D. F[ulton]

Your telegram S-523 of November 26 to Washington, Ldn, Bonn, Paris, NATO & Embassy, was approved by Mr. Fulton & authorized by the U/SSEA Nov 26/58. Sent. [auteur inconnu/author unknown]

303.

DEA/50341-40

*Le représentant permanent auprès du Conseil de l'Atlantique Nord
au secrétaire d'État aux Affaires extérieures*

*Permanent Representative to North Atlantic Council
to Secretary of State for External Affairs*

TELEGRAM 2809

Paris, November 26, 1958

SECRET. OPIMMEDIATE.

Repeat Washington, London, Paris, Bonn (OpImmediate) (Information).

BERLIN

After some initial reticence on the part of the USA, UK and French delegations, we had a good discussion of the Berlin problem in Council in private session this morning November 26 but failed to get any specific indications as to the nature of the "Allied plan" reported in the press this morning. From what USA representative said, it seems that there is no repeat no agreed Western plan for action on the Berlin question but rather a series of alternative courses of action designed to meet each foreseeable Soviet move. Our estimate is that this paper has not repeat not yet received the approval of the USA, UK, French and German governments and will not repeat not be tabled in NATO until it has.

2. Possibly the most worrying development (apart from what the Russians might do) is the disclosure by Burgess (USA) that they are still thinking of running an armed convoy to or from Berlin to establish their right to resist Soviet (or any other) inspection. You will recall from our telegram 2719 November 17† that on November 14 a small USA convoy resisted inspection when leaving West Berlin for East Germany and was sent back to West Berlin, having been held for eight hours by Soviet authorities. It is this challenge that has led the Americans to think in terms of a more forceful initiative to establish a precedent which might be useful if DDR Police took over from the Russians. Washington telegrams 2848† and 2865† November 21 refer.

3. The acting German representative told Council this morning that on November 20 Smirnov had told Adenauer that there was no repeat no need to negotiate on Berlin with the Three Powers. The USSR intend to turn over their occupation duties in East Berlin and it would be realistic if the West German government accepted the fact and took advantage of Soviet good offices to communicate with the DDR re any consequential problems which would be for negotiation. An official Soviet note would be forthcoming, he said.⁸⁴

4. Chancellor Adenauer said that [he] profoundly regretted the ambassador's declaration which represented a serious set back in German Soviet relations, would increase tension and would be badly received by the German people for whom Berlin parliament "is a kind of protection."

5. Burgess then speculated that the postponement of the official Soviet communication, due to have been made last Friday or Saturday, might be the first fruit of Allied firmness both on maintaining the rights of the Three Powers in West Berlin and on non-recognition of the DDR. The USA government nevertheless expect the USSR to follow through in some way and they had reason to suspect that Soviet action might now be limited to

⁸⁴ Voir/See United States, Department of State, *Bulletin*, Volume XL, No. 1021, January 19, 1959, pp. 81-89.

putting the squeeze on military traffic with Berlin, while leaving civil (i.e. German) traffic untouched. A resumption of the blockade, however, could not repeat not be excluded.

6. The French and UK representatives agreed with this assessment. The UK representative added that his government were studying the German memorandum on the statute of Berlin (our telegram 2777 November 24†).

7. After these rather thin pickings there was a silence which I broke by observing that although the Council is getting into very interesting discussions on subjects like Africa and the Mid East, it was on a question such as Berlin that all members of the Alliance were most intimately concerned. For that reason, I hoped that the powers who were consulting elsewhere would keep the Council as fully and as rapidly informed as they could about "Western plans" already in the headlines.

8. Mr. Spaak of course heartily agreed. He then offered some comments of his own on the German paper circulated November 23. He thought it would be a mistake to make too much of the juridical aspects of the Berlin problem. (If so?) the Russians would dispute our interpretation of our rights and there would be no repeat no way under international law of proving who was right. Public opinion would be more concerned with the political aspects of the matter. The Germans wanted to be firm: but how far could such a policy be carried? If the Russians now wanted to leave Berlin, could be put in the position of trying to stop them? If we wanted to avoid recognizing the DDR, to what lengths should we go to maintain our position?

9. The acting German representative replied (on a personal basis) that his understanding was that the Russians might simply denounce the Four-Power agreements re Berlin and say that from that time on Berlin would in their view cease to be governed by a Kommandature with four administrative sectors. The Russians could do this without withdrawing their troops from East Berlin. On the other hand, and if they also withdrew their forces, they would argue that the other Three Powers would have no repeat no right to retain their forces in their sectors.

10. At that point, Spaak suggested that the basis of the Allied presence in West Berlin must then be at the request of the German government. The A/German representative said that this was more complicated because the West Berlin area did not repeat not form part of the Federal Republic and it would therefore be difficult for the Bonn government to ask Allied troops to stay.

11. Spaak tended to dismiss the juridical difficulties and insisted that some way could surely be found for Allied troops to stay in West Berlin at the request of a German authority, whatever the Russians did. As the A/German representative commented, however, the next problem would be that of access. DDR police at border control points would be able to stop the coming and going of Western military personnel even if they could do nothing about their presence in West Berlin itself.

12. As for the reasons for the USSR postponing the delivery of their official note, Mr. Spaak wondered if they might not repeat not realize that the denunciation of the Berlin statute would lead to discussions with the Allies not repeat not only on Berlin but eventually on the whole German problem. This might be why the Russians were hesitating, since for months they had sought to avoid any such discussion.

13. Although other representatives did not repeat not comment in today's discussion, the Norwegian representative Boyesen no repeat no doubt spoke for many of us when he said that the powers concerned should not repeat not take our silence as a lack of interest. Rather it was uncertainty as to the right course to pursue. He hoped that there would be real

consultation in NATO before any action was decided (this may have been a reference to the possible USA armed convoy experiment referred to above).

14. Burgess undertook to do his best to keep the Council fully in the picture.

15. If there are questions you wish me to put at the next meeting I would be glad to come prepared. If there are further developments in the next few days, we may well have a special Council meeting on December 1. If not repeat not, there will be the regular Council a.m. December 3.

[JULES] LÉGER

304.

DEA/50342-40

*Note de la Direction européenne
pour le sous-secrétaire d'État aux Affaires extérieures*

*Memorandum from European Division
to Under-Secretary of State for External Affairs*

SECRET

[Ottawa], November 27, 1958

KRUSHCHEV'S PROPOSALS FOR BERLIN

In a long note to the USA, UK, and France (with copies to all UN members) Khrushchev on November 27th offered the Western Powers the opportunity of negotiating with the USSR on the establishment of West Berlin as a free city. He said that if such negotiations had not proved fruitful within six months, the Soviet Union would transfer to the German Democratic Republic its responsibilities relating to Berlin under the Four-Power agreements of the immediate post-war period. In the note Khrushchev said the USSR declared null and void the agreements adopted by the victorious powers in 1944 and 1945 under which a quadripartite status was adopted for Berlin.

2. The Khrushchev proposals are anything but conciliatory in tone, being preceded by many pages of denunciations of Western policies and allegations of aggressive intent. He specifically charged that the Western Powers were using West Berlin for purposes of subversion directed against the Soviet Bloc, and he implied that they had the intention of going beyond their campaign of "indirect aggression" to use the city as a base for plans of a still more dangerous kind.

3. The specific proposals made by Khrushchev in the note of November 27th may be summarized as follows:

(a) The best way to solve the Berlin question would be to have the Federal Republic withdraw from NATO and the German Democratic Republic withdraw from the Warsaw Treaty and for neither of the two German states to maintain armed forces beyond those necessary for internal order and frontier control. The Western part of Berlin should be reunited with the Eastern part and the whole city should become a single unit within the state on whose land it is situated;

(b) Since the unrealistic policies of the Western Powers make this solution unlikely, the Soviet government considers that upon the ending of foreign occupation, the population of West Berlin should be given the right to choose its way of life. Should they desire to continue their present pattern of life, based on private capitalist ownership, the USSR would respect their choice.

(c) The Soviet government thinks it possible for the question of West Berlin to be settled for the time being by making West Berlin an independent political entity — a free city —

without any state, including the proviso that neither of the existing German states interfere with its life;

(d) The free city could have its own government and could run its own economy and administrative affairs. It might be possible to agree on the territory of the free city being demilitarized;

(e) The four powers concerned and the two German states could undertake to respect the status of West Berlin as a free city as was done with Austrian neutrality;

(f) For its part, the Soviet government would have no objection to the United Nations also sharing in one way or another in observing the free city status of West Berlin;

(g) The question would arise of some kind of an arrangement with the German Democratic Republic concerning guarantees of unhindered communications between the free city and the outside world — both eastward and westward — with the object of free movement of passenger and freight traffic;

(h) In its turn, West Berlin would commit itself not to tolerate on its territory hostile and subversive activity directed against the GDR or any other state;

(i) The Soviet Union would do its utmost to promote the attainment of these aims, especially by placing orders for such an amount of manufactured goods as would ensure the prosperity of the economy of the free city. It would also provide regular supplies to West Berlin of necessary raw materials and food stuffs on a commercial basis;

(j) For these purposes the Soviet government would be willing to enter into official contact with the German Democratic Republic on behalf of the four powers concerned;

(k) The Soviet government is ready to open negotiations with the USA and other countries concerned on granting West Berlin the status of a demilitarized free city. If this proposal is not acceptable to the USA government, there is no topic left for talks on the Berlin question by the former occupying powers;

(l) The Soviet government proposes to make no changes in the present procedure for military traffic of the USA, UK, and France between West Berlin and the Federal Republic for half a year. If this period is not used for reaching an agreement, the Soviet Union will effect the planned measures by agreement with the GDR. It is envisaged that the GDR, like any other independent state, must fully control questions concerning its space, i.e. exercise its sovereignty on land, on water, and in the air. At the same time there will be an end to all contacts still maintained between representatives of the armed forces and other officials of the Soviet Union in Germany and corresponding representatives of the armed forces and other officials of the USA, UK, and France on questions pertaining to Berlin;

(m) Reckless threats of force in solving the Berlin issue can only aggravate the situation to the danger point. Any violation of the frontiers of the GDR, Poland or Czechoslovakia and any violations or aggressive actions against any member state of the Warsaw Treaty will be regarded by all its participants as an act of aggression against them all and will immediately call forth appropriate retaliation.

4. *Assessment*—In its present form the Soviet proposal is clearly unacceptable since it would leave West Berlin at the mercy of the Communist forces in the surrounding territory and subject to the Communist influence of East Berlin. The hostile attitude adopted by Khrushchev in his Note does not provide evidence of a spirit of conciliation or flexibility in which a new settlement might be developed. Initial press reports from Washington, London, Paris, Bonn, and Berlin indicate that government officials in those capitols are adopting a skeptical and indeed negative attitude toward the Soviet suggestion. The West Germans appear to be quite worried about this new development.

5. While they are undoubtedly right in rejecting the proposals in their present form, it is to be hoped that the Western powers do not refuse to take advantage of the opportunity of discussing the situation with the Soviet leaders. It would seem wise to make every effort to turn Khrushchev's proposals to Western advantage. For the sake of Western public opinion, if nothing else, it might be advisable for the Western powers to come up with counter-proposals in some form. Possibly some machinery similar to that of the UN Trusteeship system, but with the addition of troops, could be proposed, effective for the whole city. Such a system, with adequate guarantees, might be developed with the understanding that it would enter into force in stages over a period of years. Western troops in Berlin could be reduced only gradually and in accordance with evidence of the success of the Trusteeship plan. Any such possibility would require a significant number of troops operating under the UN banner; certainly something much more elaborate than a group of UN administrators would be necessary. Khrushchev's reference to participation by the United Nations is disappointingly off-hand. This is perhaps not surprising in view of his comment to Mr. Eric Johnston, the film producer, last month to the effect that the United Nations was just a puppet show manipulated by the United States, and that the Soviet Union thought so little of it that it might withdraw.

6. *Public Comment*—The press have enquired about Canadian reaction to the Khrushchev proposals. It is suggested that the Press Officer be authorized to make a statement along the following lines in dealing with enquiries:

"The formal text of Mr. Khrushchev's lengthy note on Berlin, dated November 27, 1958, is being studied with care. This note was addressed to the governments of the USA, UK, and France but copies are being made available to all UN members. It runs to some twenty-four pages.

"We regret to find that the majority of these pages carry a bitter denunciation of Western policies and are filled with name-calling and invective. Delivery of such a document certainly does not contribute to the relaxation of international tension toward which the Soviet Premier says the USSR is working.

"As to the proposals themselves, it is important to correct any first impressions the Canadian public may have received that Mr. Khrushchev is willing to have all of Berlin placed under a UN system of control. His proposals call simply for the withdrawal of troops and the establishment of West Berlin as a free city. There would be a four-power guarantee of the status of the free city but apparently without any barriers to efforts at political domination and subversion from the surrounding Communist territory. The participation of the UN is mentioned only in an off-hand manner as something to which the Soviet government would not object. The exact wording is as follows: 'For its part the Soviet government would have no objection to the United Nations also sharing, in one way or another, in observing the free status of Berlin.' This would hardly seem to provide scope for the UN to play a significant role.

"It is expected that Canadian representatives will participate with the powers directly concerned in an examination in the NATO council of the ideas that have been advanced and in determining the best policy to be adopted."

305.

DEA/50341-40

*L'ambassadeur en République fédérale d'Allemagne
au secrétaire d'État aux Affaires extérieures*

*Ambassador in Federal Republic of Germany
to Secretary of State for External Affairs*

TELEGRAM 608

Bonn, December 8, 1958

SECRET. OPIMMEDIATE.

Repeat Washington, London, NATO Paris, Paris, Permision New York, Rome, Hague, Brussels (Information).

By Bag Moscow, Belgrade, Warsaw, Prague, Berlin, Oslo, Copenhagen, Athens, Ankara from London.

BERLIN

I called on Foreign Minister von Brentano this morning and asked him if he could let me know how the German thinking was developing on the issues created by the Soviet notes on Berlin.

2. He began by saying that they had not repeat not, of course come to definite conclusions. Further consideration would be required and discussions with the Three Powers particularly concerned. The one thing which was clear was that the Soviet notes had created an extremely serious situation. The Soviet proposals did not repeat not constitute a basis of negotiation. They were a delayed ultimatum. They were part of a policy of blackmail. If the West did not repeat not remain firm in defence of Berlin the shock to confidence would be felt not repeat not only in Germany but in the Scandinavian countries, Benelux, Greece and Turkey. None would feel confident in the guarantees of their security.

3. His guess was that Khrushchev made the proposals at the time he did because of internal difficulties which confronted him in the Soviet Union and which might come to a head at the Party Congress next month. Khrushchev wanted to divert the attention of the Soviet people from internal problems to foreign affairs. One question which might cause Khrushchev difficulty at the Party Congress was his new educational proposals. An indication that Khrushchev realized he was in difficulties was his repeated attacks on the Bulganin-Molotov group.

4. The West should not repeat not permit the initiative to remain any longer with the Soviet Union. It should make the counter-proposal of a conference either of Heads of States or of Foreign Ministers.

5. I said that the usual explanation of the Soviet move had been that they wanted to strengthen Ulbricht, to force the West into giving increasing recognition to the DDR, and to impede the nuclear arming of West Germany. It had also been suggested that the Soviet Union wanted a summit conference.

6. Brentano said that he did not repeat not agree with the last suggestion. The Soviet could have had a summit conference any time in the last year if they had wanted one.

7. I said that if there was a summit conference I assumed we would propose a discussion of the usual trinity: the German question which would include reunification and a peace treaty; European security; and disarmament. He agreed saying that under the heading of the German question Berlin would be discussed.

8. I said that for the West to propose a discussion at a summit level or foreign ministers level of these three questions would only constitute the first step. Would it not repeat not then be necessary for the West to decide before such a conference were held whether it would rest on its past proposals in respect of these three questions or whether it was prepared to adopt some flexibility in negotiation?

9. He replied that it was disarmament which could provide us with some room for flexibility in negotiation. What we had, however, to keep in mind in making proposals on disarmament was that they must not repeat not change to our disadvantage the existing balance of military power. That was why the Rapacki proposals were impossible. It was essential that USA forces should not repeat not leave Europe.

10. He understood entirely why the Poles wanted the Rapacki plan. It was in their national interests to get Soviet forces out of Poland. For Germany there would be no repeat no advantage in having Soviet troops east of Poland if this meant that USA forces were on the other side of the Atlantic. There was a German saying that what was an owl to one person was a nightingale to the other.

11. At the end of the interview I asked if he could throw some light on the meaning of the Chancellor's remarks on December 2 about the eastern borders of Germany which I had noted had caused a good deal of discussion in Great Britain. He said he had heard the Chancellor make these remarks at the party caucus and he could assure me that the Chancellor did not repeat not mean what some British critics had interpreted him to mean. What he had meant was that it was only an all-German government formed following free elections in all Germany which would have the moral authority to make an agreement on the eastern borders. Brentano then went on to say that the German government had time and time again declared that it would never use force to obtain a change in the existing *de facto* border. It was also clear that Germany could not repeat not hope to get back these lands from which 12 to 14 million Germans had fled since Poland had to have compensation in the West for its loss of territories in the East.

[ESCOTT] REID

306.

DEA/50341-40

*Le représentant permanent auprès du Conseil de l'Atlantique Nord
au secrétaire d'État aux Affaires extérieures*

*Permanent Representative to North Atlantic Council
to Secretary of State for External Affairs*

TELEGRAM 2932

Paris, December 9, 1958

CONFIDENTIAL. OPIMMEDIATE.

Repeat Bonn, London, Washington, Paris (Priority) (Information).

BERLIN

Following is text of a note on the Berlin question (PO/58/1548) which Mr. Spaak has circulated to delegations today in preparation for Council meeting tomorrow morning December 10. Text Begins:

To facilitate discussion in the Council on the question of Berlin, I think it may be useful to circulate the present note containing some suggestions on the objectives which we should have in mind. These suggestions, of course, are neither complete nor definitive.

1. It is of the first importance that at the conclusion of the ministerial meeting of the NATO Council, there should be seen to be unity amongst the NATO countries on the subject of Berlin.

2. This does not repeat not necessarily mean that agreement must have been reached on a final position on all aspects of the Soviet note. It is clear that it will not repeat not be possible to reach a final position of this kind in the time available.

3. On the other hand, it is essential that the statement of position announced by the NATO countries at the conclusion of this meeting should be sufficiently firm and comprehensive to reassure German opinion and notably the people of Berlin as to the determination of the West to stand by them.

4. It is also necessary to avoid giving the impression to the Russians and to world opinion that the Western Powers are hesitant or dilatory.

5. The right solution, therefore, seems to be that we should aim to reach agreement on a provisional position and perhaps upon an interim reply to the Soviet Union.

6. If this were agreed the question could arise whether the interim reply should take the form of a communication by the Four Powers or whether it should form part of the communiqué of the NATO ministerial meeting. In the former case, some method of indicating the united agreement of NATO with the Four Power replies would have to be considered. A third alternative would be for the Council to issue a special declaration on the subject.

7. Without wishing to prejudge at this stage the nature of the interim reply which might be envisaged, I suggest that it might include the following elements:

(a) a simple rejection (without detail) of the incorrect historical references in the Soviet note;

(b) a restatement of the sources from which the Western Powers derive their rights in Berlin;

(c) a clear statement of what the West is not repeat not prepared to accept in regard to Berlin;

(d) an indication that this interim reply will be followed by further proposals worked out in the light of a study of the wider issues raised by the Soviet note. Text ends.

307.

DEA/50191-E-40

*Le représentant permanent auprès du Conseil de l'Atlantique Nord
au secrétaire d'État aux Affaires extérieures*

*Permanent Representative to North Atlantic Council
to Secretary of State for External Affairs*

TELEGRAM 2933

Paris, December 9, 1958

SECRET. OPIMMEDIATE.

Repeat London, Washington, Paris, Bonn (Priority) (Information).

BERLIN

I had a further discussion with Blankenhorn today over Berlin. In the first part of the conversation he gave no repeat no indication that any progress was being made in Bonn during the discussions held between the UK, USA and French ambassadors on the one hand, and the West German authorities on the other. He intimated that since no repeat no

new factor had arisen during those discussions the Western Powers should merely re-state their position at the forthcoming NATO ministerial meeting.

2. I pointed out that this might be acceptable since the NATO meeting was to be held in a few days but that some solution would have to be found before the six-months period was over. I then referred to the suggestion put forward by M. Spaak (my telegram No. 2932 December 9) and asked Blankenhorn whether he agreed that the interim reply to the Soviets be based on the four points listed in paragraph 7 of Spaak's paper. Blankenhorn replied that according to his information the West German government would find it easy to accept the first three points but, for the present at least could not repeat not agree to the fourth one, i.e. that the interim reply "be followed by further proposals worked out in the light of a study of the wider issues raised by the Soviet note."

3. I told Blankenhorn that we were concerned about the general position of the West were the initiative once more left in Soviet hands. He replied that speaking privately he agreed; he hoped that some imaginative and bold approach to the question of Berlin would be found. He had a few ideas of his own which, depending on future developments, he might put up to the Chancellor. He then outlined the following details of a plan:

(a) The West should call for the internationalization of Berlin as a whole and its communication links;

(b) The West should also call for elections to be supervised in the whole Berlin area;

(c) The status of the city should be guaranteed by the UN;

(d) The Western troops now in Berlin (and for that matter the Soviet troops in East Berlin) should continue to be stationed there but under a UN command and serve as UN troops. They would therefore have to be withdrawn from their national commands;

(e) Neither East nor West Germany could use Berlin as its capital.

4. The great merit of this scheme, according to Blankenhorn, was that it would appeal to the uncommitted countries.⁸⁵ It would also place Moscow in an impossible position. His own view is that the Soviets at this time cannot repeat not afford to let go the Eastern sector of Berlin; the great disadvantage (and this is the reason why he was so hesitant in putting forward this scheme to the Chancellor) was that in case of difficulty the moral pressure of the UN might not repeat not be sufficient to prevent the Soviet Union from occupying the whole of Berlin "even if this meant that they would have to withdraw from the UN."⁸⁶

5. I told Blankenhorn that I found his approach extremely interesting and that I hoped he would see his way clear to discussing it with his government. I added that while there were serious risks involved in such a course we should all bear in mind that there were also great risks in trying to maintain a status quo which the Soviets had it in their power to change overnight.

6. At the end of the conversation Blankenhorn repeated once more that these were his personal views and that they might not repeat not prove acceptable to Bonn. Blankenhorn

⁸⁵ Note marginale :/Marginal note:

& perhaps to the satellites — especially Pol[and] [auteur inconnu/author unknown]

⁸⁶ Note marginale :/Marginal note:

really this would mean war [auteur inconnu/author unknown]

is an old enough hand at this game not repeat not to have opened up so frankly without having some clue as to what the traffic could bear in Bonn.⁸⁷

[JULES] LÉGER

308.

DEA/50341-40

*Le haut-commissaire au Royaume-Uni
au secrétaire d'État aux Affaires extérieures*

*High Commissioner in United Kingdom
to Secretary of State for External Affairs*

TELEGRAM 4521

London, December 9, 1958

CONFIDENTIAL. PRIORITY.

Repeat Washington, Paris, NATO Paris, Permis New York, Bonn (Priority) (Information). By Bag Moscow, Belgrade, Warsaw, Prague, Berlin, Rome, Hague, Brussels, Oslo, Copenhagen, Athens, Ankara from London.

BERLIN

This morning we went to the Western Department of the Foreign Office where we saw Drinkall who has taken over from Rose as the German expert. Drinkall told us that he would be accompanying Sir Anthony Rumbold to Paris for meetings of experts on Saturday preparatory to the meetings of foreign ministers of USA, UK, France and West Germany. The latter meeting would take place on Sunday afternoon. A public announcement about this is more or less imminent, and you may already have read about it in the press by the time this telegram has reached you.

2. Drinkall confirmed what Killick had told us (see our telegram 4439 November 29+) about the UK not repeat not wanting to lead off in shaping the Western course of action. Drinkall said that the French and Americans would probably bring to the experts meetings their drafts of a Western reply which they were reportedly now working on. The UK for its part would approach the subject by putting a series of questions such as: Should the reply be a long or a short note?; What would be the best time to send off the reply?; Could the "free city" offer be turned to some propaganda advantage in a counter proposal? etc.

3. About the length of the note, Drinkall said that the Russians preferred long notes which they took as an indication of a serious approach, whereas a short note was better from the Western point of view because it helped to focus public opinion on the main issues. About the timing, Drinkall said that it might be a good thing to send the reply just before the forthcoming Communist Party Congress in order to put arguments at the disposal of such waverers as might exist in Moscow who could disagree with Khrushchev on the Berlin question. About the possible propaganda exploitation of Khrushchev's offer, Drinkall said he and his colleagues in the Western Department were toying with the idea of capitalizing on Khrushchev's profession of respect for the wishes of West Berliners. A counter proposal could, for instance, be made to hold a plebiscite not repeat not only in West Berlin but also in East Berlin. The object there would be, of course, to shake East Berlin loose from Communist control in which the Russians might see some advantage in

⁸⁷ Note marginale :/Marginal note:

Fishing for Canadian initiative [auteur inconnu/author unknown]

that they could better seal off the whole city from East Germany and therefore stop the flow of refugees. As a quid pro quo, the whole city could be demilitarized and the Western troops could be removed from it, but then such a counter proposal would also have to stipulate untrammelled relations with West Germany (e.g. by agreement on a defined corridor) in order to prevent the economic strangulation which is implicit in the present Soviet offer. Drinkall said that Moscow could always save its face by saying that it was always ready to respect the wishes of the Berliners and that in the plebiscite it was the West Berlin majority that had swallowed up the East Berlin minority. Drinkall said that this was so far pure speculation and only gave that to us as an indication of the sort of question that the UK would raise with the Americans, French and West Germans.

4. At this point, Hancock (Head of the Western Department) broke in to have a word with Drinkall about the possibility of Adenauer coming to London on Friday. A message happened to come through from the German Embassy just at that time saying that Adenauer would not repeat not be able to come on account of a bad cold he had. Hancock and Drinkall very much regretted this because the Foreign Office would have liked to have an exchange of views in advance of the ministers' meeting. As you will have seen from the press, Adenauer has been developing an extremely uncompromising attitude over Berlin, going apparently as far as to refuse to treat Berlin as part of the German question. This is, of course, quite different from the UK line, as stated by Mr. Lloyd in the House of Commons debate last Thursday (see our telegram 4496 December 2†). Hancock said that such a separation of the Berlin question from the whole of the German question was "absolutely impossible" for the UK. The government, he added, could not repeat not sell that to the opposition nor to British public opinion generally. The Foreign Office hoped that they could agree with the West Germans to maintain an absolutely firm position on Berlin and make the Western resolve perfectly clear to the Russians in this respect, but at the same time to get 4-power agreement to an offer to talk over the German question with the Russians. It was made fairly clear to us that, in the Foreign Office's view, whatever counter proposals are worked out by the experts on Saturday and the Foreign Minister on Sunday, they would be wrapped up in an offer of talks with the Russians.

5. We were assured that the four Foreign Ministers would communicate to their NATO colleagues the results of their Sunday meeting. Meanwhile Drinkall confirmed that the Foreign Office had prepared no repeat no other paper such as they had drafted before receipt of the Soviet note and that the general UK line was so far exactly as Mr. Lloyd had stated it last Thursday in the House of Commons. In conclusion, Drinkall said he would try to give us a last minute briefing on developments (if any) in UK thinking either Thursday afternoon or Friday morning before his departure for Paris.

309.

DEA/50341-40

*Le secrétaire d'État aux Affaires extérieures
au représentant permanent auprès du Conseil de l'Atlantique Nord*

*Secretary of State for External Affairs
to Permanent Representative to North Atlantic Council*

TELEGRAM S-555

Ottawa, December 10, 1958

SECRET. OPIMMEDIATE.

Reference: Your Tels. 2932, 2933, December 9 and London Tel 4521, December 9.
Repeat London, Washington, Bonn, Paris (Information).

By Bag Berlin, Moscow, Prague, Warsaw, Belgrade, Oslo, Copenhagen, Rome, Athens, Ankara.

BERLIN

We agree with Spaak that it is important that a show of unity on Berlin result from the NATO ministerial meeting and are disturbed that the UK and the Federal Republic have taken such different positions concerning negotiations with the USSR on Berlin, the German problem and European security. We are in general agreement with the United Kingdom approach. However, we may well be in the minority and fear that the ministers may be stamped into a sterile reaffirmation of the Western position on Germany; this, as you have suggested, would leave the initiative on Berlin to the Soviets.

2. We have been struck, however, by the possible elements of a hopeful compromise contained in the three telegrams under reference. In particular, we like Spaak's suggestion that there should be a provisional position and an interim reply; the Foreign Office's suggestion that the free city offer should be turned to propaganda advantage by making counter-proposals; and most of all, Blankenhorn's free city plan. Blankenhorn's views are not too different from ideas which have been discussed here and in London but it is very interesting that they have come from a German who is so close to Adenauer. At the same time we realize that Blankenhorn inclines to be more adventuresome in his thinking than the chancellor and, although his views on Berlin may be widely shared in the German Foreign Office, it seems unlikely that they are those of Adenauer and Brentano. Do you think he expressed his ideas to you in the hope that Canada might take the initiative in presenting them in NATO? We also wonder if the United Kingdom Foreign Office, by stressing to us their reluctance to press their views on the USA, France and Germany, are hinting that they would welcome a Canadian initiative.

3. You will be in a better position to judge if Canadian action would be appropriate. However, we would hope that the ministers will agree to an interim reply along the lines suggested by Mr. Spaak with the addition of proposals for the sort of free city status which the West could accept. This would offer a show of unity and deflate the Soviet propaganda campaign. The Western Powers could then take more time for a thorough examination of their position on Berlin and Germany before making more specific proposals to the USSR. We would hope that powers in addition to the United States, United Kingdom, France and West Germany would take part in this examination, especially since present prospects that these Four can agree on an imaginative approach are remote in view of Adenauer's uncompromising attitude, de Gaulle's promise of full support to him, the State Department's apparent uncertainty, and the reluctance of the United Kingdom to take a lead in pressing their more flexible view.

4. If you agree that there is a possibility for a useful compromise you might consider modifying the minister's opening speech accordingly. It might also be useful to give our views to the UK, USA, French and German experts meeting in Paris on Saturday and Sunday to discuss Berlin; this may help persuade the Four Powers not to confront the NATO meeting with a firm, agreed position which we might not like but which would be difficult to change.

5. If it is agreed to send an interim reply to the Soviet Berlin proposals, this could perhaps be most usefully treated as a propaganda exercise. For this purpose, the counter-proposals need not be too detailed. However, they could specify that any free city should embrace both the Eastern and Western sectors of Berlin, that its establishment should be subject to a plebiscite of the Berliners, and that, if the city and access to it are to be under UN control, this should be really effective.

310.

DEA/50341-40

*L'ambassadeur en République fédérale d'Allemagne
au secrétaire d'État aux Affaires extérieures*

*Ambassador in Federal Republic of Germany
to Secretary of State for External Affairs*

TELEGRAM 618

Bonn, December 11, 1958

SECRET. OPIMMEDIATE.

Reference: Your Tel S-555 Dec 10 to NATO Paris.

Repeat NATO Paris, London, Paris, Washington (Information).

By Bag Berlin, Moscow, Warsaw, Prague from London.

BERLIN

In paragraph 2 of your telegram under reference you express doubt that Blankenhorn's views on Berlin are those of Adenauer and Brentano even if they are widely shared in the German Foreign Office. This is certainly true if your reference is to Blankenhorn's imaginative ideas reported in paragraph 3 of NATO Paris telegram 2933 December 9, as it is most improbable that either the Chancellor or the Foreign Minister are casting this far ahead at present; it is unlikely that either is thinking for the moment of specific alternatives to the maintenance of the Western position in Berlin. Nor is the German Foreign Office doing so as it is much more urgently concerned with the immediate attitudes to be taken on December 14 and 16.

2. It does not repeat not seem equally sure that Blankenhorn and Brentano are so far apart on the need to present counter-proposals of some kind. Paragraphs 4 and 7 of our telegram 608 December 8 report Brentano's express opinion that the West must seize the initiative from the USSR and that a high-level conference should be held.

3. In a talk today with Baudissin we mentioned what appeared to be a discrepancy between Brentano's views and those expressed publicly by Chancellor Adenauer in the last few days. Baudissin said the Foreign Office was only too aware of the way the press had seized on the Chancellor's remarks as signifying that he was not repeat not prepared to discuss the Berlin question, the German question or to make counter-proposals to the USSR. The Foreign Office had tried to obtain a precision from Dr. Adenauer, with only modest success. The Chancellor is now understood to mean simply that the West must not repeat not be panicked into negotiation by force of the Soviet timetable on Berlin. He does not repeat not think that Western counter-proposals should be offered until the West is certain and unified as to what it should propose and what stand it would adopt at a high-level conference. As interpreted, Adenauer would not repeat not necessarily oppose a Western initiative or even negotiations before the expiry next June of the Soviet ultimatum but he does not repeat not think this date should govern the timing of Western consultation and action.

4. Baudissin said that instructions for the German delegation to the Four Power Meeting on December 14 and to the NATO Ministerial Meeting were not repeat not yet final but from the tone in the Special Committee of the Foreign Office set up to draft instructions the line would not repeat not be strictly negative.

5. Baudissin said that the Foreign Office was having difficulty in deciding what recommendations to make about the composition of a communiqué following the meeting of the

Four Foreign Ministers on December 14. They were convinced that some statement had to be made as silence would be construed by the press as indicative of serious disunity. However, not repeat not too much could be included in the communiqué as the NATO Council communiqué would have to say something on the same subject; the communiqué of the 15 ministers could scarcely confine itself to expressing agreement with the decisions of the 4 ministers. He thought it might be best if the Four Power communiqué said only that the Four Foreign Ministers were in complete agreement on maintaining the freedom of Berlin, on rejecting the right of the USSR unilaterally to denounce binding international armaments [sic] and that consultations on further action would be undertaken within two days with the other members of NATO. Baudissin said, however, that there were "other parties" who would like to emphasize the "particular interests and responsibilities" of the Four Powers by further revelation of the views shared by the USA, UK, French and German Ministers. We were content to agree that it would be more satisfactory for the other 11 Foreign Ministers if the scope of the Four-Power communiqué were limited to the minimum required for public reaffirmation of a unified approach by the Four.

[L.A.D.] STEPHENS

311.

DEA/50341-40

*Le représentant permanent auprès du Conseil de l'Atlantique Nord
au secrétaire d'État aux Affaires extérieures*

*Permanent Representative to North Atlantic Council
to Secretary of State for External Affairs*

TELEGRAM 2956

Paris, December 11, 1958

SECRET. PRIORITY.

Reference: Our Tel 2948 Dec 10.†

Repeat London, Washington, Permisis New York, Paris, Bonn (Priority), Rome, Brussels, Hague (Information).

By Bag Oslo, Belgrade, Warsaw, Prague, Berlin, Copenhagen, Athens, Ankara from London.

BERLIN

Late yesterday December 10, Council discussed in private session the Berlin question in relation to the meeting of Four Foreign Ministers in Paris on December 14 and the NATO Ministerial Meetings here next week.

2. Although the UK, French, USA and German delegations took only a limited part in the discussion, since they felt under an obligation to await the results of Four-Power consultations in Paris over the weekend, the consensus of the rest of the Council was clearly in favour of aiming at a statement which could be issued by the NATO Ministerial Meeting next week expressing a firm position with as positive an accent as might be possible to achieve during the intervening consultations among the Four and among the 15. The Four delegations, however, did their best to prevent any of the rest of us from expecting too much from the December 14 Four-Power meeting and indicated that their governments were disinclined to try to push through an interim reply to the Soviet note of November 27, considering that it would be better tactics not to take a position until they are able to give a considered final reply. This Four-Power position will of course mean that nothing in the nature of counter proposals can be expected for next week, although a statement of princi-

ple (largely in terms of what the Western Powers cannot repeat not accept) will be prepared.

3. Since the UK, French, USA and German delegations had indicated that in the circumstances they would prefer to do more listening than speaking, Mr. Spaak invited the rest of us to put forward our views before the position of the Four had become fixed.

4. The Italian representative then stressed the grave consequences of Soviet pressure on Berlin. He was worried, he said, by the mood of Italian public opinion and strongly urged that the Four should, when explaining their refusal of the Soviet proposals, make alternative propositions. He realized that there might not be time to develop counterproposals within the next week but stressed that the position to be adopted by the Western Powers must be the subject of private consultations in NATO before it is made public and indeed before it is finally determined by the Four. Even a counterproposal which we knew the Russians would turn down would be helpful in terms of public opinion.

5. Turning to the paper circulated by the Secretary General the previous day (our telegram 2932 of December 9) Grazzi said he could accept it but hoped ministers would be able to go even further.

6. The Belgian representative agreed. To add weight to the argument that we need positive counterproposals on Berlin, both he and later Mr. Spaak asked the Four what they would do in six months time if the Russians went ahead as they had announced they would. No amount of "firmness" would be able to prevent them. We would then be confronted with an even more difficult problem than that which we faced now in developing alternatives to the Soviet proposals. Therefore, it would be better to negotiate from the present position than from the position that would arise in six months. As Mr. Spaak put it, the West could hardly go to war to stop the Russians from leaving East Berlin.

7. The Belgians representative then asked whether it was not to our advantage to try to enlarge the area of negotiations. The Russians had proposed negotiations on West Berlin. Should we propose negotiations on all of Berlin, or on all of Germany, or on an even wider field? The choice would determine the kind of counterproposals that might be developed on the Western side. For instance, we might consider proposing free elections for the whole of Berlin as a free city linked to the West by a corridor.

8. There was complete agreement with the Greek representative when he said that there could be no question of the West abandoning 2 and a half million Berliners. The Danish and Canadian representatives, while recognizing the difficult timetable, also urged that "a not too negative reply" be made to the Soviet proposals.

9. We were assured by the German representative that the Western reply would not be merely negative, although he could not at present say more. He went on to say that Chancellor Adenauer had been misunderstood in his recent remarks about confining negotiations to the question of Berlin. The Chancellor was as convinced as anybody else that no final solution of the Berlin question was possible without bringing in the question of German reunification. However, he was also convinced that German reunification could not be negotiated within six months and therefore thought that Berlin negotiations must have priority.

10. The French representative also confirmed that the references to Berlin in the NATO ministerial communiqué should constitute neither a rejection nor a counterproposal.

11. The difficulty of being positive was underlined by Roberts (UK) who said that the Foreign Office thought any response to the Russians should meet the following tests:

(a) that it would not put the West at a military disadvantage;

- (b) that it would be acceptable to the Germans;
- (c) and to public opinion generally;
- (d) that the Russians would not be able to turn it down at once;
- (e) that it would have some element of novelty.

12. He added that so far it had been difficult to find anything which would meet these criteria apart from "the outline plan" already agreed among the experts in Bonn to meet a wide range of contingencies.

13. As regards Spaak's paper, the UK reaction was favourable on the first four points but (like the French) dubious of the fifth. In general, they considered an interim reply might create more difficulties than making no reply until a final position had been worked out, since Khrushchev could be expected to reply to any interim proposals and thus limit the Four Powers in formulating their final position.

14. Burgess (USA) elaborated somewhat on the statement of principles which he thought might emerge from the ministerial meetings. It should be sufficiently comprehensive to reassure the Germans and the Berliners that the West would stand by them. It should not, however, be entirely negative. Roberts then indicated that the Four Powers might prepare such a statement and ask the other eleven to support it. I said at once that I thought there should be no public statement by the Three or Four before the NATO Ministerial Meeting. The Danish representative indicated his preference for any Three or Four Power statement to be cleared first with the NATO Ministerial Meeting but issued as a Three or Four Power statement rather than as part of the NATO communiqué.

15. In summing up, Spaak pointed out that a series of principles for the NATO communiqué could be firm without being negative. To declare that we would not abandon the people of Berlin was a positive position. We might also be able to declare our readiness to discuss with the Russians not only Berlin but German reunification and a German peace treaty, since it was difficult to see how Allied withdrawal from Berlin would be anything but an abandonment of the city so long as Germany was a divided country without a peace treaty.

312.

DEA/50341-40

*Le représentant permanent auprès du Conseil de l'Atlantique Nord
au secrétaire d'État aux Affaires extérieures*

*Permanent Representative to North Atlantic Council
to Secretary of State for External Affairs*

TELEGRAM 10

Paris, December 15, 1958

SECRET. OPIMMEDIATE.

Repeat London, Washington, Bonn, Paris (OpImmediate) (Information).

FOUR-POWER MEETING ON BERLIN

In spite of our best efforts to avoid a situation in which the NATO Ministerial Meeting would simply be asked to endorse decisions taken beforehand by the Four Powers, that seems to be precisely what the Four will now ask the fifteen to do. The remaining question is whether the eleven will succeed during the next two days in adding anything in the

NATO communiqué to what the Four have already said in their communiqué issued here yesterday evening December 14.⁸⁸

2. From talks we have had with the UK and USA experts (Drinkall and Wolfe) it seems apparent that British efforts to avoid a substantive communiqué by the Four and to work for public agreement to negotiate with the Russians, were overborne at the Ministerial Meeting yesterday by the Germans, the Americans and the French. All the British were able to achieve was to modify the wording of the German draft of the communiqué so that the Four would be speaking only for themselves and would not repeat not appear to anticipate a Western or NATO position.

3. The Four-Power meeting of experts began on Saturday December 13 with a list of French and German questions aimed at defining the position of the Four Powers on procedure and substance. A question and answer paper was drafted on this basis during Saturday, with some of the answers in the form of alternatives, where agreement among experts was incomplete. There was some discussion on Saturday of a communiqué and the Germans circulated a draft stressing that they needed a firm statement chiefly to reassure opinion in Berlin where there were signs of disquiet in the form of some cancellation of business orders and bank withdrawals. Among the experts and in the ministerial meetings which followed, the Germans took the position that any offer to negotiate on Berlin or the larger question would be premature and taken by the Berliners as an indication of Western weakness especially if Western counter-proposals could not repeat not yet be given any precision publicly.

4. The UK argued that each of the governments concerned had already made public statements rejecting the Soviet proposal of November 27 and there was no repeat no need now for a collective rejection; at any rate it should not repeat not be in categorical terms. At the same time the British recognized the force of the German argument that if no repeat no communiqué was issued by the Four, there might be some press speculation as to Western disagreements being referred to the fifteen. It seems to have been largely for this reason, and because they found themselves in the minority, that the British did not repeat not feel they could persist in opposing a Four-Power communiqué although they knew the feelings of the Council (including Canada) and though Mr. Spaak had on Saturday asked both the British and the Americans to avoid a Four-Power communiqué in specific terms that would anticipate the NATO ministerial discussion.

5. Apart from German arguments based on not repeat not disturbing public opinion in Berlin, the Four finally agreed that if the NATO communiqué disclosed Western readiness for negotiations there would be little left to say in the replies which the Four Powers will subsequently send to the Soviet Notes of November 27.

6. Although the German statements and the communiqué took up most of the time of the ministerial meeting yesterday, there was also some discussion of the replies to be made to Soviet Notes of November 27. The French already have a draft which they circulated. It is brief and to the point, answering Soviet propaganda charges in an annex. The British reply (which will be circulated among the Four today) will be a long note, although not repeat not very different in substance. The German draft reply will be here before the end of the week and it is expected that another session of the experts of the Four will be held in Paris following the NATO Ministerial Meeting, i.e. Friday or Saturday. However the British do

⁸⁸ Voir ministère des Affaires étrangères, *Documents diplomatiques français*, 1958, Tome II, Paris: Imprimerie nationale, 1993, p. 874.

See United States, Senate Committee on Foreign Relations, *Documents on Germany*, 1944-1961, Washington: Government Printing Office, 1961, p. 364.

not repeat not expect the Four to have cleared their replies with NATO and be ready to send them until mid-January. The French are hoping for a much more rapid timetable and think it should be possible to send the Western replies before Christmas. They evidently said in the ministerial meeting yesterday that two days should be sufficient for clearing their replies in the NATO Permanent Council. The British regard this timetable as quite inadequate for purposes of NATO consultation.

7. As far as the German position is concerned, the British told us that the statements made by Mr. Brentano and Mr. Brandt at the ministerial meeting yesterday were exactly the same as what they had been saying in public during the past two weeks. The British raised the possibility of a counter-proposal being made in the replies of the Four Powers in terms of West Berlin becoming part of the Federal Republic, with a linking corridor. However, neither Mr. Brentano nor Mr. Brandt would bite on any change of status for Berlin unless linked with re-unification. The Brentano formula was "no repeat no counter-proposals on Berlin itself." Mr. Brandt agreed.

8. When we specifically asked the Americans what if anything of a positive nature could emerge from the NATO communiqué later this week, Wolfe replied that they had been thinking of some reference to the USA note of the end of September on German re-unification to which the Soviet government have not repeat not yet replied. Such a reference might be understood, he said, not repeat not only to indicate that the ball was in the Russian court but as a hint that subsequent talks on Berlin could be envisaged within the framework of negotiations on re-unification. However he gave us the impression that the Americans were in no repeat more disposed than either the British or the French to sit out the next few months without really getting into negotiations. As he put it, the USA government saw no repeat no reason to give in to a Soviet ultimatum. They would negotiate when the ultimatum was in one way or another withdrawn. He recognized, however, that his government might not repeat not be able to stick on this position but it indicates that the toughness of the Four-Power communiqué did not repeat not come only from the Germans.

9. Mr. Spaak will be working with a Four-Power Drafting Group of permanent representatives and experts meeting this morning. We know that he will be trying to take the Four at least a small step forward, but it seems unlikely that the Four will have much to add to the position already taken in their communiqué. They hope to work out with Mr. Spaak during the day a formula whereby NATO as a whole might endorse the Four-Power position, possibly with some re-affirmation of the October 23, 1954, Council statement on Berlin. That statement might also be taken as the precedent for a similar Council statement on this occasion, associating the fifteen with the position of the Four.

10. The Council programme for tomorrow morning December 16 has been changed and Mr. Couve de Murville will present the report of the Four on Berlin immediately after the opening public session (for photographers) and the presidential address of Mr. Luns. In other words, the item on political consultation will be taken later and Berlin will come first. Although there will be a good deal of unhappiness within a number of delegations (including our own and the Italian) with the way in which "political consultation" has been applied in the last few days, it is not repeat not yet clear how much of this will be expressed in the ministerial meeting where there will undoubtedly be risks of leaks to the press and great pressure on all to take a united position on the question of Berlin.

11. Please add to the distribution of this message as you see fit.

313.

DEA/50341-40

*Le représentant permanent auprès du Conseil de l'Atlantique Nord
au secrétaire d'État aux Affaires extérieures*

*Permanent Representative to North Atlantic Council
to Secretary of State for External Affairs*

TELEGRAM 28

Paris, December 17, 1958

SECRET. OPIIMMEDIATE.

Reference: Our Tel 22 Dec. 16.†

Repeat London, Washington, Paris, Bonn (OpImmediate), Hague, Brussels, Rome (Information).

By Bag Berlin, Moscow, Oslo, Copenhagen, Athens, Ankara, Lisbon from London.

NATO'S BERLIN COMMUNIQUÉ

As you know from our telegram 10 December 15, we were none too happy with the procedure of issuing a Four Power communiqué on Berlin on the eve of NATO Ministerial Meeting. We also thought the Four might have struck a somewhat more positive note and were disturbed by the briefings which we had over the weekend indicating that the Four hoped to secure little more than an endorsement of their communiqué by NATO Ministerial Meeting, reserving for their own replies to Soviet Notes of November 27 the indication that they would be prepared for talks with Russians though not repeat not on Khrushchev's terms.

2. When we were faced yesterday a.m. December 16 in Council with the proposal of the Four that NATO meeting should issue a special communiqué on Berlin the same day, we were glad to be appointed to the drafting group which consisted of the Four plus Italy and ourselves. This group of officials went to work after lunch on a draft Mr. Spaak had discussed with the Four privately on December 15. In its revised form it was put to ministers at the end of yesterday afternoon meeting December 16 and approved for release yesterday evening after further substantial revisions.⁸⁹ We sent you the text late yesterday (our reference telegram).

3. Even as issued the communiqué reflects a good deal of the Secretary General's thinking which we supported in the drafting group and in Council. The main addition we were able to secure was the final sentence: "They are still ready to discuss all these problems." Our proposal in drafting group was to say more specifically that they were "still ready to meet to discuss all these problems" but when the draft was put to ministers, Mr. Dulles wanted language which would not repeat not yet commit him publicly to a meeting. He indicated that USA would interpret the language of the final communiqué as meaning that the Western Powers concerned were ready to discuss through diplomatic channels or by correspondence with the USSR the German problem as well as European security and disarmament.

4. The Germans worked hard (and in the end successfully) to add "disarmament" to the traditional formulation of "the German problem and European security." Both in drafting

⁸⁹ Voir Conseil de l'Atlantique Nord, *Textes des communiqués finals, 1949-1974*, Bruxelles : Service de l'information OTAN, s.d., pp. 128-129.

See North Atlantic Council, *Texts of Final Communiqués, 1949-1974*, Brussels: NATO Information Service, n.d., pp. 123-124.

group and in Ministerial Meeting, this was resisted by USA and UK who apparently wanted to keep disarmament as a separate issue not repeat not only because of UN and Geneva negotiations unrelated to Germany but (as we were told earlier by the Americans in private) because they anticipated a German bid to take part in the NATO inner circle when disarmament questions are being prepared at the expert level. For this reason also USA delegation are not repeat not enthusiastic about another reference in general NATO communiqué (to be issued tomorrow) to expert studies on disarmament for the Council. They were quite content with such references in the last two NATO communiqués when there were four members on the team but there are now five and they do not repeat not want a sixth.

5. Although Germans got most of their points into the communiqué in one form or another we cannot concur in the verdict of the German press officer here who is reported this a.m. Friday as saying that the Council "completely approved" the German viewpoint in its entirety. As this a.m.'s papers observe quite rightly, the tone of the NATO communiqué on Berlin is less tough and the thought is (we think) expressed in more sophisticated language. We have also avoided the kind of simple-minded endorsement of the fifteen with the Four-Power statement of December 14. The Council did "fully associate itself" with the views of December 14 statement but we resisted successfully a Four Power (chiefly USA and German) effort to have NATO communiqué consist of nothing more than an "amen" to the Four Power statement. The Four argued for this solution on basis of October 1954 precedent. Mr. Spaak however told the Four quite firmly that this would now be quite inadequate a response from the fifteen who must say what they have to say in their own words and (referring to discussions with Russians) with a more positive accent.

6. It is clearly not repeat not the kind of NATO communiqué we would have drafted ourselves nor is it exactly what the Four wanted. It seems to us however to represent a reasonable compromise position on which NATO should at least in public be strongly united.

7. The final communiqué of the Ministerial Meeting is to include a paragraph saying that the Four Powers will be consulting in the Permanent Council regarding their replies to Soviet Notes of November 27.

314.

DEA/10935-B-40

*Le représentant permanent auprès du Conseil de l'Atlantique Nord
au secrétaire d'État aux Affaires extérieures*

*Permanent Representative to North Atlantic Council
to Secretary of State for External Affairs*

TELEGRAM 2994

Paris, December 19, 1958

SECRET. PRIORITY.

Repeat London, Washington, Paris, Bonn (Priority), Hague, Brussels, Rome (Information).
By Bag Berlin, Moscow, Oslo, Copenhagen, Athens, Ankara, Lisbon from London.

CONVERSATION WITH VON BRENTANO

Following from Reid:

The Minister had breakfast on December 18 with Foreign Minister von Brentano. Etzdorf and I were present.

2. After thanking Brentano for the invitation to visit Bonn with the Prime Minister and saying how much the Prime Minister had enjoyed his visit to Germany, the Minister asked whether in the German view disarmament and unification were indissolubly linked. Brentano said that the link was not repeat not indissoluble but the issues were closely related. Discussion on disarmament would create an atmosphere where unification could be more easily discussed.

3. The Minister asked about the possibility of the Russians agreeing to free elections in East Germany. Brentano said there were three reasons why the Russians would not repeat not agree. The Russians have never given up an area that they have occupied. Giving up East Germany would have a dangerous effect on the satellites. East Germany was of economic value to the Russians.

4. The Minister raised the issue of disengagement. Brentano said that the term disengagement was subject to many interpretations. Germany wanted disengagement if it (group corrupt) a relaxation of tension but it must not repeat not result in a shift in the balance of forces. Such a shift would take place if United States troops were to leave Germany. If they left Germany they would leave Europe. The USA had told him this repeatedly and only recently. Once USA troops left Europe that would mean the end of Europe. If the Americans go the Russians come in the day after tomorrow.

5. The Minister emphasized the necessity in negotiating with Khrushchev to provide him with the possibility of compromising without losing face. Brentano agreed entirely. He said you must not repeat not treat Khrushchev like a bad dog and drive him into a corner. If so he will bite. That is why Germany in its reply to the Soviet note will offer to negotiate but not repeat not on the basis of Khrushchev's proposal. The German view is that, in the negotiations, each side should be able to bring forward its special worries.

6. I asked how far it is an oversimplification of the issues to say that the Russians will not repeat not agree to the reunification of Germany if a reunified Germany can stay in NATO while, on the other hand, if Germany leaves NATO the USA forces leave Europe.

7. This question was too direct and Brentano sidestepped it. He said that the Russians had never demanded that Germany leave NATO, that they had not repeat not done so at the Geneva Conference nor when Mikoyan visited Bonn this year. Germany is prepared to agree that the East boundary of NATO would not repeat not be advanced as the result of reunification. He indicated that the position was not repeat not hopeless. He went on to say that once the vital European problems are solved, the world would look different and then it might be possible to agree on a new European security system. The main aim of NATO is defence against dangers. One could think of a new state of affairs in which, as the result of an evolution in the Soviet Union and the satellite countries, these dangers are lessened. One should not repeat not then stick stubbornly to forms which have lost their content. One might come to some kind of *modus vivendi* with the Russians in a European security system.

8. The Minister raised the question of access to Berlin when the Soviet ultimatum expired. Brentano said that if convoys to Berlin are blocked the only answer would be to use force against force. Otherwise you lose the first battle and by this you lose the whole war. Confidence in the determination of the West to remain firm against the Soviet Union would be shaken all over the world and everybody would rush to make their peace with Moscow. (The term he used was a *Volkerwanderung* to Moscow). We have our own bitter experiences in Germany of the effect of concessions which the West made to Hitler for the best of motives. There was the occupation of the Rhineland in 1935. If in 1938 the West

had stood up to Hitler, one hundred thousand lives would have been lost instead of forty million.

9. The Minister raised the question of the possibility of an international status for Berlin, mentioning specifically a suggestion which had been made that West German troops might take the place of British, American and French troops. Brentano rejected *in toto* the concept of an international status for Berlin. The presence of West German troops in Berlin would be provocative to the Russians. The Russians would say that the West German troops had no repeat no rights to be in Berlin since West Berlin does not repeat not belong to West Germany. Once the USA troops had left Berlin they would never come back. Moreover, Berlin cut off from the West could not repeat not exist economically. It would lose its Western subsidies and be at the mercy of the Pankow government. As for a UN guarantee, we have had bad experiences. Look at Hungary. (Since we were already pressed for time, it was not repeat not possible to take him up on this suggestion that there had been a UN guarantee to Hungary.)

10. The Minister raised the question of the possible recognition of the East German government. Brentano gave a firm "no" repeat "no." The seventeen million Germans of East Germany would say "this is our death sentence." They would be left without hope. The Pankow government is not repeat not composed of German politicians but of Russian policemen. There is no repeat no use in speaking to the DDR. The DDR are only agents of Moscow, not repeat not a government in the proper sense. Pankow has no repeat no influence on its own affairs. Moreover, if we recognize Pankow, we accept the Russian argument that a unilateral occupation by the Russians results in the formation of a government. This we must not repeat not do. The question of the recognition of Pankow is for the West German government not repeat not a question of prestige.

11. Later in the morning I had a further conversation with Brentano at which Etzdorf was present. I said the Minister had been worried by Brentano's reference to the necessity of using force against force to ensure access to Berlin. At what point did he contemplate the necessity of using force? Brentano said that the decisive point would be a demand by the DDR to inspect the military trucks. It would be possible to accept the stamping of documents by the DDR. If, however, the DDR insisted on inspecting the military truck, the truck would return to the Western side and come back under military escort which would force its way through. I said that opinion in many Western countries would find it difficult to understand why the West would risk hostilities with the Soviet Union on this issue when there was a simple alternative of a small military air lift of a couple of planes a day. This is all that would be necessary to carry the military traffic.

12. Brentano said that the worrying possibility was not repeat not the stopping of military traffic but the stopping of supplies for the civil population of Berlin. In his view, the Soviet government would probably tell the DDR not repeat not to interfere with military traffic but to interfere with the civilian traffic. The aim of this would be to starve Berlin out. This had to be prevented otherwise Berlin would be lost. Moreover, if the Western side showed weakness the Berliners, thinking they were about to be given up, might start rioting as in June 1953, as an act of despair. If you are about to be strangled you will resist. An airlift for civilian traffic to Berlin is now impossible. The Berlin of 1948 was, like the rest of Germany at that time, on a "barracks" economy. This is no repeat no longer true. Therefore if the DDR stops the civilian traffic to Berlin, the civilian trucks will have to return with a military escort and force their way through.

13. He went on to say that there was a sound legal basis for such action. The Soviet government had guaranteed free access for civilian traffic to Berlin. The three Western Powers are under an obligation to ensure that civilian supplies reach West Berlin.

14. I said I was not repeat not aware that the Soviet Notes contained a threat to stop civilian traffic to Berlin. Brentano said that there was a definite threat in the Soviet Note.

15. I said that this suggestion that the Western Powers should, if necessary, use military force to get civilian supplies through to Berlin raised such important issues that they surely should be discussed in the North Atlantic Council soon. Brentano replied forcefully that in his opinion, in the next few weeks the North Atlantic Council must discuss what is to be done when the Soviet ultimatum expires.

16. (Etzdorf commented to me afterwards that Brentano had in this conversation given an exposition of the German view which was new to the German Foreign Office.)

315.

DEA/50030-V-4-40

*Le représentant permanent auprès du Conseil de l'Atlantique Nord
au secrétaire d'État aux Affaires extérieures*

*Permanent Representative to North Atlantic Council
to Secretary of State for External Affairs*

TELEGRAM 3011

Paris, December 22, 1958

SECRET. OPIMMEDIATE.

Repeat Washington, London, Paris, Bonn (OpImmediate) (Information).

BERLIN: USA REPLY TO SOVIET NOTES OF NOVEMBER 27

Although draft replies of 4 Powers to Soviet notes of November 27 will not repeat not be ready for NATO circulation until December 23-24, we were shown today text of USA delegation draft and State Department comments on it. Delegation draft had been cleared with 4 Power expert group here but State Department comments have not repeat not yet been cleared with other three.

2. Note is different in form but identical in substance with French, UK and German draft replies, though these delegations (like USA) have yet to clear with their colleagues comments from their foreign offices.

3. Note begins by using Soviet Foreign Office quotations of 1939 to show that it is Soviet government rather than USA which can be accused of pursuing policies of "Hitlerism."

4. Situation in Berlin is "result of very nature of German problem as it has existed since 1945," when more than one third of present Soviet zone was exchanged for Western sector of Berlin as "agreed quid pro quo." On assumption that Soviet Union would not repeat not be willing to turn back to Western Powers those positions of "GDR", USA is not repeat not prepared to relinquish "rights acquired by victory." Agreements of September 12/44 and May 1/45, are therefore binding until replaced in free negotiations. Though Potsdam Agreement is not repeat not relevant to Berlin, it is USSR which has been responsible for fact that agreement could not repeat not be implemented. "Common responsibility for settlement of German question" (including Berlin) was recognized by Heads of Government at Geneva July 23/55.

5. Though USA cannot repeat not prevent USSR government from terminating its authority in East Berlin, it "will not repeat not and does not repeat not in any way accept a unilateral denunciation" of 1944 and 1945 agreements nor is it willing "to relieve USSR of obligations assumed in 1949" (June 6 agreement). Therefore USA will "continue to hold Soviet government directly responsible under existing agreements." This includes Soviet obligations re freedom of access in this respect. The USA will not repeat not recognize substitution of DDR for Soviet authority. The Three Powers have responsibility for the freedom and security of more than two million West Berliners. They cannot repeat not accept arrangements which would jeopardise communications by surface and air between the city and Federal Republic. Therefore proposal for creation of "the so-called free city of West Berlin, as put forward by Soviet Union, is unacceptable." (State Department comment on the point that Western Powers are not repeat not merely trying to retain what Soviet propaganda calls their "privileges" but seek to maintain arrangements essential for freedom and security of West Berlin.)

6. The note then goes on to deny that 10,000 Western troops in Berlin can constitute a threat to 350,000 Russians and over 200,000 East Germans under arms in Soviet zone. "Inhabitants of West Berlin recently reaffirmed in a free vote their overwhelming approval and support for existing status of that city."

7. Finally, USA draft agreed with Soviet government that occupation of Berlin is not repeat not normal and deplors it, but blames USSR for delay in negotiating a peace treaty. After reunification Berlin would take its rightful position as capital of Germany. "Berlin is only one aspect, and not repeat not essential one, of German problem in its entirety," including reunification and European security as well as a peace treaty. "USA has always been and continues today to be ready to discuss it." This was made clear in their September 30 Note offering to discuss in any appropriate forum Western proposals "or any other proposals genuinely designed to ensure reunification of Germany in freedom." "Public repudiation of engagements ... coupled with an ultimatum threatening unilateral action unless it be acquiesced in within 6 months, would afford no repeat no reasonable basis for negotiation between sovereign states." USA could not repeat not embark on discussions with Soviet Union under "menace or ultimatum." Indeed, if that were intended, USA would be obliged to raise a protest in strongest terms. Hence, it is assumed that this is not repeat not purpose of November 27 proposal and that Soviet government, like itself, is ready to enter into discussions in an atmosphere devoid of coercion or threats. USA would be interested to learn whether Soviet government is ready to enter into discussions upon this basis by the Four Powers concerned. It would be object of USA to discuss question of Berlin in general framework of negotiations for a solution of German problem as a whole. USA would welcome views of Soviet government at an early date.

316.

DEA/50341-40

*Le représentant permanent auprès du Conseil de l'Atlantique Nord
au secrétaire d'État aux Affaires extérieures*

*Permanent Representative to North Atlantic Council
to Secretary of State for External Affairs*

TELEGRAM 3029

Paris, December 23, 1958

SECRET. OPIMMEDIATE.

Reference: Our Tel 3011 Dec 22.

Repeat Washington, Bonn, London, Paris (OpImmediate), Hague, Brussels, Rome (Information).

By Bag Moscow, Berlin, Oslo, Copenhagen, Athens, Ankara, Lisbon from London.

BERLIN

Yesterday evening December 22 the Four Power Expert Group, which has been meeting in Paris, announced that they had reached agreement on the replies to be sent to the Soviet Notes of November 27. As soon as the four governments have approved the final drafts of the experts, the four draft notes will be circulated in NATO, probably by tomorrow December 24. On this basis, Council would consider the drafts on December 29 and they would be sent the following day for release December 31.

2. This timetable means in effect that the Four Powers concerned are assuming that the rest of us in Council will agree substantially with their drafts and have only minor changes to suggest in Council. If any really substantive points are raised, the Four Powers realize that it might be necessary to have a further Council meeting to consider them. Although there is nothing absolute about the present timetable, the Four Powers (and particularly the French and the USA) see advantages in keeping to it if possible. One reason, as de Courcel (French Permanent Representative) told me recently is that the Soviet government should have a chance to consider the replies before Mikoyan leaves for the USA (I am reporting separately on this conversation). Another reason as we have heard from the UK delegation, is that delays for further Council meetings will multiply press leaks and rumours of allied disagreements.

3. Assuming that the other replies which we have not repeat not yet seen will be substantially the same as the USA reply (our reference telegram) our guess is that there will be little disposition in Council on December 29 to press for a more flexible wording of the replies and still less for including at this stage any specific hints of Western counterproposals. From our talks with other delegations here, we think that there will be general support for the Four Powers thesis that these replies are not repeat not and should not repeat not be more than a counter statement of the Western position, coupled with a readiness to negotiate on the entire German problem including Berlin, but not repeat not on Soviet terms, as the NATO ministers declared last week. The only point that may cause some worries is the implication which can be drawn from the USA reply that until the USSR officially withdraw their ultimatum, there will be no repeat no negotiations. If this is in fact the meaning of the USA note, some governments may question this point, although it seems to us that it is (and should be) open to a less rigid interpretation.

4. If, as we expect, the December 29 meeting generally accepts the Four Power replies as drafted, it seems to us desirable that the Secretary General or some delegation should ask when the Council will be in a position to discuss the more delicate (and more important) aspects of the Berlin problem. Indeed in Council we have yet to begin the process of allied consultations in preparation both for negotiations and for contingencies likely to arise in the event of a Soviet withdrawal from East Berlin and transfer to the DDR of control of access to West Berlin. While we must make allowances for the security problem, there has already been enough informed speculation in the press to justify some Council consultations on problems which undoubtedly could affect the security not repeat not only of Berlin but of every member in the Alliance. It is encouraging that the Germans also think (our telegram 2994 December 19 from Mr. Reid) that the Council should discuss in the next few weeks what is to be done when the Soviet ultimatum expires. Perhaps some of the rest of us would also like to discuss what is to be done before the deadline expires, since, as

Spaak has repeatedly pointed out, the Western negotiating position may thereafter deteriorate and will certainly not repeat not improve.

5. As soon as we get the other three draft replies, we shall send you the main extracts by telegram. When you have had a chance to study them, request instructions.

[JULES] LÉGER

317.

DEA/50030-V-4-40

*Le représentant permanent auprès du Conseil de l'Atlantique Nord
au secrétaire d'État aux Affaires extérieures*

*Permanent Representative to North Atlantic Council
to Secretary of State for External Affairs*

TELEGRAM 3036

Paris, December 24, 1958

SECRET, OPIMMEDIATE.

Reference: Our Tel 3029 Dec 23 and our Tel 3011 Dec 22.

Repeat Washington, London, Paris, Bonn (Priority) (Information).

BERLIN: DRAFT USA REPLY TO SOVIET NOTE OF NOVEMBER 27

Following is full text of USA draft reply which was circulated to all delegations today.
Text Begins:

1. Government of USA acknowledges Note which was addressed to it by government of USSR under date of November 27.

2. Note contains a long elaboration on events which preceded and followed the last war. It attempts to portray Western Powers — France, UK and USA — as supporters of Hitlerism as against USSR. This portrayal is in sharp contrast with actual facts. In this connection we refer to contemporaneous statement made by Soviet Minister of Foreign Affairs to Supreme Soviet of USSR on October 31, 1939. In that statement he refers among other things to "conclusion of Soviet-German Non-Aggression Pact of August 23" and points out "We now had a rapprochement and establishment of friendly relations between USSR and Germany." Statements goes on to assail UK and French governments for their opposition to Hitlerism in following language: "The ruling circles of Britain and France have been lately attempting to depict themselves as champions of democratic rights of nations against Hitlerism and UK government has announced that its aim in the war with Germany is nothing more nor less than the 'destruction of Hitlerism' ... Everybody will understand that an ideology cannot be destroyed by force, that it cannot be eliminated by war. It is therefore not repeat not only senseless but criminal to wage such a war — a war for the 'destruction of Hitlerism,' camouflaged as a fight for 'democracy'."

3. The situation of Berlin of which USSR complains and which it considers abnormal is a result of the very nature of German problem such as it has existed since 1945. When empire of Hitler collapsed the Western allies were in military possession of more than one-third of what is now Soviet zone of Germany. USSR was in possession of Berlin. As a result of the agreements of September 12, 1944 and May 1, 1945 the Western allies withdrew and permitted a Soviet occupation of large parts of Mecklenburg, Saxony, Thuringia and Anhalt. In return USSR granted the Three Western Powers sectors in West Berlin, then an area of rubble.

4. USSR has directly and through its puppet régime — the so-called GDR — consolidated its hold over the large areas which Western allies relinquished to it. It now demands that Western allies should relinquish the positions in Berlin which in effect were the agreed “quid pro quo.”

5. The Three Western Powers are there as occupying powers and they are not repeat not prepared to relinquish the rights which they acquired through victory just as they assume USSR is not repeat not willing now to restore to the occupancy of Western Powers the position which they had won in Mecklenburg, Saxony, Thuringia and Anhalt and which under agreements of 1944 and 1945 they turned over to the disposition of USSR.

6. The agreements made by the Four Powers cannot be considered obsolete because USSR has already obtained full advantage therefrom and now wishes to deprive the other parties of their compensating advantages. These agreements are binding upon all of the signatories so long as they have not repeat not been replaced by others following free negotiation.

7. Insofar as Potsdam Agreement is concerned status of Berlin does not repeat not depend upon that agreement. Moreover it is USSR that bears responsibility for the fact that Potsdam Agreement could not repeat not be implemented.

8. Soviet memorandum purports formally to repudiate agreements of September 12, 1944 and May 1, 1945. This repudiation in fact involves other and more recent engagements. We refer in this connection to the Four Power Agreement of June 21, 1949 whereby among other things USSR assumed “an obligation” to assure normal functioning of transport and communication between Berlin and the Western zones of Germany. This “obligation” USSR now purports to shed. USA also refers to “Summit” Agreement of July 23, 1955 whereby Four Powers recognized “their common responsibility for settlement of the German question,” a phrase which necessarily includes the problem of Berlin. Apparently USSR now attempts to free itself from these agreed responsibilities and obligations.

9. USA government cannot prevent USSR from announcing termination of its own authority in the quadripartite régime in the sector which it occupies in the city of Berlin. On other hand government of USA will not repeat not and does not repeat not in any way accept a unilateral denunciation of the accords of 1944 and 1945; nor is it prepared to relieve USSR from obligations which it assumed in June 1949. Such action on part of USSR would have no repeat no legal basis since the agreements can only be terminated by mutual consent. Government of USA will continue to hold USSR directly responsible under existing agreements. As USSR knows the French, UK and USA governments have the right to maintain garrisons in their sectors of Berlin and to have free access thereto. Certain administrative procedures have been agreed with Soviet authorities accordingly and are in operation at present time. Government of USA will not repeat not accept a unilateral repudiation on part of USSR of its obligations in respect of that freedom of access. Nor will it accept substitution of German authorities in Soviet zone for USSR in this respect.

10. In view of government of USA there can be no repeat no “threat” to USSR or German régime in Soviet zone from presence of French, UK and USA garrisons in Berlin. Nor can there be any military threat from Berlin to USSR and the régime in Soviet zone. Forces of the three Western Powers in Berlin number about ten thousand men. USSR on the other hand is said to maintain some three hundred and fifty thousand troops in Eastern zone of Germany while the régime of Soviet occupied zone is understood also to maintain over two hundred thousand men under arms. In these circumstances the fear that Western troops in Berlin may “inflict harm” appears to be wholly unfounded. If Berlin has become

a focus of international tension it is because USSR has deliberately threatened to disturb the existing arrangements at present in force there, arrangements to which USSR is itself a party. The inhabitants of West Berlin have recently reaffirmed in a free vote their overwhelming approval and support for existing status of that city. The continued protection of freedom of more than two million people of West Berlin is a right and responsibility solemnly accepted by the Three Western Powers. Thus USA cannot consider any proposal which would have effect of jeopardizing freedom and security of these people. The rights of the Three Powers to remain in Berlin with unhindered communications by surface and air between that city and the Federal Republic of Germany are under existing conditions essential to discharge of that right and responsibility. Hence the proposal for a so-called "free city" for West Berlin, as put forward by USSR, is unacceptable.

11. As is stated in USSR's Note of November 27, it is certainly not repeat not normal that thirteen years after end of the war there should still remain in a part of German territory a system of occupancy instituted in 1945. USA deplors this fact and the fact that Germany has not repeat not yet been reunified so that Berlin might resume its rightful position as capital of a united Germany. If the treaty of peace, which alone can bring an end to this situation, has not repeat not been concluded with a reunited Germany, the responsibility in no way rests with the Three Western Powers which have not repeat not spared any effort to bring the Four Powers out of the impasse where they have so long found themselves. Pending the conclusion of a peace treaty, the present situation continues.

12. In reality the form of government in Berlin, the validity of which USSR attempts to contest today, is only one aspect, and not repeat not the essential one, of the German problem in its entirety. This problem which has often been defined involves the well known questions of reunification, European security, as well as a peace treaty. It has in the past been discussed without success in the course of numerous international meetings with Soviets. Government of USA has always been and continues today to be ready to discuss it. USA made clear this readiness in its Note to USSR of September 30, 1958 in which it was stated:

'Government of USA is ready at any time to enter into discussions with USSR on basis of these proposals (i.e. Western proposals for free all-German elections and free decisions for an all-German government) or of any other proposals genuinely designed to insure reunification of Germany in freedom in any appropriate forum. It regards the solution of the German problem as essential if a lasting settlement in Europe is to be achieved.'

USSR has not repeat not yet seen fit to reply to this Note.

13. Public repudiation of solemn engagements, formally entered into and repeatedly reaffirmed, coupled with an ultimatum threatening unilateral action to implement that repudiation unless it be acquiesced in within six months, would afford no repeat no reasonable basis for negotiation between sovereign states. Government of USA could not repeat not embark on discussions with USSR upon these questions under menace or ultimatum; indeed if that were intended USA would be obliged immediately to raise a protest in the strongest terms. Hence it is assumed that this is not repeat not the purpose of Soviet Note of November 27 and that USSR like itself is ready to enter into discussions in an atmosphere devoid of coercion or threats.

14. USA government would be interested to learn whether USSR is ready to enter into discussions upon this basis by the Four Powers concerned. It would be the object of government of USA to discuss question of Berlin in the general framework of negotiations for

a solution of the German problem as a whole. USA would welcome the views of USSR at an early date. Text Ends.

318.

DEA/50341-40

*Le secrétaire d'État aux Affaires extérieures
au représentant permanent auprès du Conseil de l'Atlantique Nord*

*Secretary of State for External Affairs
to Permanent Representative to North Atlantic Council*

TELEGRAM S-586

Ottawa, December 24, 1958

SECRET. OPIMMEDIATE.

Reference: Your Tel 3029 of Dec 23/58.

Repeat Washington, Permis New York, Bonn, London, Paris, Hague, Brussels, Rome (Information).

By Bag from London: Moscow, Berlin, Oslo, Copenhagen, Athens, Ankara, Lisbon.

BERLIN SITUATION

We have examined the proposed replies to the Soviet notes of November 27 as provided in your telegrams 3035,† 3036, and 3040† of December 24 and we have no objection to the general line that is being followed. We do not see that from the Canadian standpoint any basic alterations need be suggested in the Council meeting on December 29.

2. We would think it well to obtain confirmation in the December 29 meeting of your assumption (paragraph 3 telegram 3029) that the USA stand on negotiations is open to the less rigid interpretation you suggest. We think it should be made as simple as possible for the Russians to alter their so-called "ultimatum." (It was, after all, only an "ultimatum" in so far as withdrawal of Russian guards from check points is concerned and not an ultimatum on withdrawal of Western troops.) We would be unhappy if the USA were to require a formal "retraction."

3. If you consider that brief comments on the future outlook are appropriate you could say that we hope that full examination will be given by the Council early in the near year to the possible lines of approach that the Western Powers might conceivably adopt. We agree with your paragraph 4 on this point and think you should make this point if you intervene in Council. We share Spaak's view that the Western negotiating position may well deteriorate if time is allowed to run out.

4. It would comfort us if we obtained evidence that the major powers were, in fact, trying to tackle this problem with vigour and imagination. As we have mentioned before, we hope that the Western position can be firm but not inflexible. The private thinking and exploration of possibilities on the part of the major powers concerned and, indeed, of all NATO members, should not be confined to the public positions we have adopted.

[N.A.] ROBERTSON

319.

DEA/50030-V-4-40

*Le représentant permanent auprès du Conseil de l'Atlantique Nord
au secrétaire d'État aux Affaires extérieures*

*Permanent Representative to North Atlantic Council
to Secretary of State for External Affairs*

TELEGRAM 3052

Paris, December 29, 1958

SECRET. OPIMMEDIATE.

Reference: Your Tel S-586 Dec 24.

Repeat Washington, London, Paris, Bonn (Priority), Hague, Brussels, Rome (Information).
By Bag Moscow, Berlin, Oslo, Copenhagen, Athens, Ankara, Lisbon from London.

BERLIN

In Council December 29 there was little discussion of draft USA, UK, French and German replies. Delegations seemed to accept the general line proposed. USA and French delegations have circulated minor amendments to their texts which we will transmit by separate telegram. Intention now is that replies will be delivered on December 31.

2. Belgian delegation and ourselves were only countries to comment specifically on draft replies. Main Belgian suggestion was that paragraph 13 of USA draft (their corresponding paragraphs of the other draft replies) should be amended so as not repeat not to infer that USSR has already repudiated the "solemn engagements" referred to. Referring to amendments circulated on December 29 by USA and French delegations, Belgian representative welcomes the reference in final paragraph of both notes to readiness on part of these governments "to discuss question of Berlin in wider framework of negotiations for a solution of German problem as well as that of European security" (USA text). We presume same reference to European security will be included in UK reply although this was not repeat not specifically mentioned in Council.

3. With regard to paragraph 13 of USA draft reply, we spoke along lines of paragraph 2 your reference telegram pointing out that reports of Gromyko's December 25 statement to Supreme Soviet suggest a denial by Gromyko's that Soviet proposals on Berlin constitute an ultimatum. Burgess stated that the four Western countries had given this point serious consideration during drafting processes and have attempted to make allowance for it in last sentence of paragraph 13 of USA text (and similar sentences in other draft replies). However both USA and UK permanent representatives pointed to apparent softening of Soviet statements since Khrushchev's original declaration in early November and also to difficulty of sorting any positive element out of Gromyko's generally negative statement on December 25.

4. USA permanent representative then informed Council that the four Western countries have received during Christmas weekend almost identical Soviet notes concerning terminology generally used by Western countries in referring to East German régime. Emphasizing again that USSR has normal diplomatic relations with East Germany as an independent state, these new Soviet notes apparently warned that future Western notes addressed to USSR will be rejected if they disregard this relationship through the use of such terms as "Soviet zone of Germany," "Eastern zone etc." The four Western governments are apparently still consulting on best way of meeting this problem in their current replies. However on balance both these countries and others considered it desirable to avoid rejection of these replies to Soviet Note of November 27, provided a suitable formula could be found

for referring to East German régime without jeopardizing the Western position on recognition.

5. Although precise wording has yet to be decided, USA, UK, France and Germany are apparently agreed that the new Soviet note does not repeat not reject any particular terminology except "Soviet occupied zone." They also expressed interest in Spaak's suggestion (which also seemed to find general support in Council) that replies could be phrased so as to establish distinction between actual territory in East Germany and the East German authorities and in such a way as to be purely factual. e.g. Western representatives could simply describe actual territory of East Germany as "zone assigned to you (i.e. USSR)" East German authorities could also be referred to as "authorities recognized by you (i.e. USSR)." Spaak also suggested that these new notes provide further evidence that one of Soviet objections in participating Berlin crisis is still recognition by the West of East Germany.

6. In summary draft replies as previously transmitted to you will probably be held December 31 along with minor amendments which we will report by separate telegram. Final text of replies will also be circulated as NATO documents.⁹⁰ Incidentally USA permanent representative raised question as to whether Soviet notes re NATO transmitted to all member governments on December 13 should be mentioned in current replies of the four Western countries. It was agreed that this would be confusing and that Council might give further consideration to this particular Soviet initiative early in the year.

320.

DEA/50341-40

*Le représentant permanent auprès du Conseil de l'Atlantique Nord
au secrétaire d'État aux Affaires extérieures*

*Permanent Representative to North Atlantic Council
to Secretary of State for External Affairs*

TELEGRAM 3065

Paris, December 31, 1958

PERSONAL AND SECRET. OPIMMEDIATE.

Reference: Your S-586 Dec 24.

Repeat Dupuy only (Information).

LAST THOUGHTS (1958) ON BERLIN

Following for Under-Secretary. In your reference telegram you said that you would be comforted "If we (the department) obtained evidence that major powers were in fact trying to tackle this (Berlin) problem with vigour and imagination." The special Council meeting on Berlin December 29 has been uninspiring and depressing. As a new chapter in cold war the Four Powers Notes in reply to Soviet Note are flat; on substance of the matter they add nothing new. There are no repeat no indications here that the question of Berlin is being pursued with vigour and imagination by the countries directly concerned; it is of such importance however that something must be done about it. Unfortunately I have come to the conclusion that Council will not repeat not be of much assistance in this respect during next few weeks. Smaller powers seem to be paralyzed when confronted with decisions arrived at by the Four Powers. Other avenues should therefore be explored.

⁹⁰ Pour les textes définitifs des répliques, voir/For the final texts of the replies, see Wolfgang Heidelberg and Guenter Hindrichs, eds., *Documents on Berlin, 1943-1963* (Munich, 1963), pp. 212-233.

2. When looking at timetable immediately ahead of us I am wondering if consideration should not repeat not be given immediately following Mikoyan's visit to USA to having a meeting of Four Heads of Government of countries more directly concerned prior to April Ministerial Meeting in Washington. This would still be within the six months limit and would fall at a time when politically — and for a variety of different domestic reasons — Messrs. Macmillan Adenauer and de Gaulle might be willing if not eager to meet with President Eisenhower. There is some urgency in this matter since according to unconfirmed reports, plans may be made in near future for General de Gaulle to go to Washington. (Dupuy to whom I am referring copy of this telegram may wish to comment on this.)

3. Naturally there are many serious complications ahead if this idea is to be pursued but I cannot think of any other way to get the West out of the rut. In any event such an initiative would it seems to me flow normally from discussions in NATO Council since agreement was reached on desirability for West of discussing with USSR such issues as reunification of Germany and European security. Such a meeting with Soviets requires long preparations and a complete harmony of views between leaders of the West. This could better be done at highest possible level. Happy New Year.

[JULES] LÉGER

12^e PARTIE/PART 12

RÉUNION MINISTÉRIELLE DU CONSEIL DE L'ATLANTIQUE NORD,
PARIS, 16-18 DÉCEMBRE 1958
MINISTERIAL MEETING OF THE NORTH ATLANTIC COUNCIL,
PARIS, 16-18 DECEMBER, 1958

321.

DEA/50102-V-40

Extrait du livre d'information

Extract from Briefing Book

CONFIDENTIAL

[Ottawa, n.d.]

NATO MINISTERIAL MEETING — DECEMBER 1958

INTRODUCTION

This year's December meeting convenes during a period when the Alliance is being subjected to a number of strains. In part they have their origin in the political and financial difficulties involved in implementing the decisions in principle arrived at during the Heads of Government meeting last December. In large measure they stem from concern over certain aspects of United States policy particularly in the Far East, a growing French independence under General de Gaulle's leadership, and divergent Western views on such fundamental issues as the role of Alliance in respect of global problems, disengagement and the situation in Berlin. The Cyprus issue, the U.K.-Iceland dispute and the breakdown of negotiations between the Free Trade Area and Common Market groups have accentuated internal disharmony within the Alliance. It is a time when the Soviet Union is showing a new cocksureness, when the United Nations is experiencing increasing frustrations in its attempts at agreements, when disarmament negotiations are making little headway and when the forces of neutralism are increasing their influence in many areas of the world.

The situation demands a realistic reappraisal of basic positions. Perseverance and patience will be required if we are to preserve the unity and strength of the Alliance.

Military Problems

2. Traditionally, the December meeting has as its main task consideration of the Annual Review of the military programmes of the Alliance, carefully prepared and agreed beforehand at the official level. The Annual Review, however, was considerably different this year. Largely at our suggestion, it was used not merely as in the past to draw up a balance sheet of the military situation in the Alliance but also as an exercise to find out and study the reactions of countries to the financial, economic and military implications of MC 70 — the recommended minimum force requirements for the period 1958-63, when the costly and complicated weapons of the nuclear age will be introduced into NATO forces.

3. To date, the Annual Review has revealed a large gap between requirements and national capacities and willingness to make the necessary sacrifices. Moreover, the time period covered has varied in different countries' replies, making it doubly difficult to assess the situation. While the tactic of countries putting in 'low bids' is obviously present, SACEUR is of the opinion that a real multilateral discussion will be necessary at the meeting if MC 70 is to be implemented adequately.

4. Because of unresolved defence problems in North America, it was not possible for the Canadian Delegation to be as forthcoming as in previous years. Moreover, the termination of the NATO air training programmes, the virtual conclusion of production of defence equipment for new and reconditioned military equipment prevented us from suggesting that we could maintain the level of mutual aid at even its present level. These proved to be the objects of some criticism from the International Staff especially since the procedure this year was (at our request), intended to project over the next 5 years. Although our defence effort compares favourably with that of other countries, it would seem appropriate for Canadian Ministers in Paris to say a few words about our position in respect to the Annual Review by way of explaining the reasons for our reticence and the immensity of our North American defence responsibilities which form an essential part of the NATO deterrent. On mutual aid, some indication of its level during 1959-60 might be given at the meeting, probably along with some explanation of the reasons for any reduction.

5. Disagreement on the Annual Review, however, will probably be of minor consequence compared to two other developments which may face the meeting. The first relates to recent French and U.K. unwillingness to go along with the NATO military recommendations concerning the integration of European air defence. If one or both of these states persist in their attitude it could well mean the end of one of the most practical ways of ensuring interdependence in the European context.

6. Similarly there are signs that France is refusing to accept the installation of IRBM's and nuclear stock piles on French territory on the terms offered by the United States. While the arguments to date have largely revolved around the financing of the common infrastructure of fixed missile emplacements, etc., there are indications that basically the French are holding out for custody and control over the use of weapons delivery systems and nuclear warheads situated on their territory. In this case the French are obviously creating a delicate situation for SACEUR. To get what they want would require special Congressional legislation to release some of the material. But not only that, it could well create an unfortunate precedent which might be taken up by other countries and thereby weaken NATO control over these weapons of mass destruction.

Political Problems

7. As Mr. Léger has pointed out, the present Agenda for the meeting on the political side bears little relation to the real problems facing the Alliance. These might be summarized as follows:

Berlin and the German Problem

8. The latest Soviet ultimatum on Berlin advocating the establishment of a "free city" for the Western part of the former German capital is clearly unacceptable. More important, however, is the dilemma facing the Western Powers in the face of the announced Soviet intention of turning over their responsibilities for the Eastern sector and communications with West Germany to the G.D.R. authorities in the event of non-acceptance. To date, the main Western Powers have displayed a divergence of views regarding a future course of action. The West German Government favours standing firm. In reply to questions at a Press conference on November 26⁹¹ (before receipt of Mr. Khrushchev's note to President Eisenhower on Berlin), Mr. Dulles indicated that there was a possibility of dealing with G.D.R. functionaries on minor administrative matters as agents of the USSR without accepting the substitution of the G.D.R. for the USSR in the discharge of the latter's obligations towards the three Western Powers. The United Kingdom is currently advocating a solution of the Berlin problem in the context of a modified version of the traditional Western plan for reunification involving an element of partial regional disarmament.

9. While we have indicated publicly our rejection of the Soviet proposals we have not as yet clarified our thinking with respect to possible counter proposals. However, the following principles could serve as guidance in formulating our position at the NATO meeting.

(i) The situation in Berlin is of direct concern to NATO as a whole by virtue of the association of the Alliance with the Tripartite Declaration of 1954;⁹² in the circumstances we should encourage substantive discussions in the NATO Council;

(ii) Western deliberations should go beyond tactics to encompass longer run solutions;

(iii) A realistic rather than a formalistic approach to the problems of Berlin and a German settlement would seem to be required;

(iv) Too much importance should not be attached to the question of routine low level contacts with G.D.R. officials;

(v) We should advocate the avoidance or threat of the use of force in the event the USSR transfers authority to the G.D.R.

(A memorandum outlining in more detail the Soviet proposals on Berlin and the Western reaction thereto is contained in the briefing notes for the delegation.)

Disarmament

10. Arrangements have been made to keep the NATO Council informed of the talks in Geneva on nuclear tests and surprise attack, but there has been no discussion to date in the Council. It appears likely that the Secretariat will have prepared in advance of the meeting a summary of the results at the time of the opening of the Ministerial meeting. Little progress has been made on nuclear tests and the surprise attack discussions are expected to fold up shortly. Some substantive discussion will undoubtedly result in NATO although there is no specific agenda item on disarmament.

⁹¹ Voir/See United States, Department of State, *Bulletin*, Volume XXXIX, No. 1016, December 15, 1958, pp. 947-953.

⁹² Voir le volume 20, les documents 272 à 274, 280./See Volume 20, Documents 272-274, 280.

11. Briefing notes summarizing the Geneva talks on nuclear tests and surprise attack have been prepared for the Delegation. The section dealing with surprise attack contains an outline of a possible Canadian initiative at Paris. This would encompass the thesis that national, continental and NATO defence and security are not likely to be greatly increased by a system of safeguards based only on inspection, observation and reporting, *without* additional disarmament measures which would place restrictions on the size of armament or deployment of forces.

12. There is also a section on the recent discussions in the United Nations of outer space. The suggestion is made that there would appear to be a pressing need for giving consideration to the disarmament aspects of outer space.

Disengagement

13. It is not expected that the subject will be discussed at the meeting but the concept will undoubtedly loom in the background. A memorandum† summarizing the Rapacki proposals has been included in the briefing notes along with annexes which describe briefly other plans for disengagement which have been advanced from time to time. The memorandum outlines some of the main objections to the revised Rapacki proposals and suggests that we should not take the initiative in raising the subject at the meeting. In addition, it would seem desirable to avoid appearing to over-emphasize its importance by referring to the subject at press conferences or in any press communiqué.

Political Consultation

14. General de Gaulle's proposals to President Eisenhower and Mr. Macmillan stimulated the Secretary General to prepare a paper on political co-operation which expounds *inter alia* the following themes:

- (i) Consultation should aim at common lines of policy and action;
- (ii) Because the Soviet threat is global NATO must strive towards a common policy on global issues;
- (iii) Consultation on global issues involves a degree of responsibility on the part of all NATO members.

15. In our commentary on the Secretary General's paper we have reached the following conclusions as a possible basis for a Canadian position at the meeting:

- (i) We agree with the necessity of intensifying and expanding the scope of political consultations, but we cannot accept that a basic objective is the formation of a common policy on matters outside the Treaty area;
- (ii) Although consultation should be regarded as a duty between Allies we would propose in the interests of encouraging discussion that a general understanding be reached to the effect that consultations in whatever context do not imply consent or commitments beyond the military political commitments deriving from the Treaty;
- (iii) When member governments discuss matters of concern to the Alliance outside the NATO framework they should submit the outcome of their deliberation to further consultations within the Council.

15. In addition to the commentary on the Secretary General's report a separate briefing note has been prepared on General de Gaulle's proposals summarizing the reaction in NATO capitals and the Canadian position as explained by Mr. Diefenbaker during his conversation with the French leader.

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DEA/50102-V-40

*Le haut-commissaire au Royaume-Uni
au secrétaire d'État aux Affaires extérieures*

*High Commissioner in United Kingdom
to Secretary of State for External Affairs*

TELEGRAM 4652

London, December 21, 1958

SECRET. OPIMMEDIATE.

Repeat Washington, Paris, Bonn, Hague, Brussels, Rome (OpImmediate) (Information).
By Bag Berlin, Moscow, Oslo, Copenhagen, Athens, Ankara, Lisbon from London.

NATO MINISTERIAL MEETING — FINAL COMMUNIQUÉ

1. Following telegram 2933 December 19 from NATO Paris has been approved by Under-Secretary. Text Begins:

"Although we did not repeat not have an opportunity to compare notes with Minister in any detail before his departure for London, our general impression was that discussion of communiqué yesterday p.m. December 18 became chaotic and, particularly on point of military doctrine, suffered from intrusion of Spaak's own views. By end of meeting yesterday p.m., Spaak from chair had become a strong partisan of German thesis (supported by most of the continental Europeans) that Council's communiqué reference to readiness to use nuclear retaliatory forces should be unmistakable. Due to these pressures, after a long debate, communiqué paragraph on this subject went considerably beyond NATO doctrine, implying as it does that we are ready to use such forces to repel any aggression. For the Europeans and particularly for Germans, more orthodox language supported by Boty, McElroy and Sandys was regarded as inadequate in context of Council's current preoccupation with Berlin. To say, as Sandys at one point proposed, that such forces would be ready "should need arise in order to repel aggression" seemed to many of Europeans to imply in this context that NATO might not repeat not use nuclear weapons for defence of Berlin.

2. Minister tried hard to avoid in communiqué any reference to nuclear retaliatory forces, arguing that to repeat familiar doctrine at each Council meeting was unnecessary, and in present context undesirable. He was supported by Norwegian and Danish delegations. However, Sandys, in view of his own proposal previous day when defence matters had been under discussion, felt that it was essential for the Council to take a position mentioning NATO readiness to use retaliatory forces. He had several formulations of his thought in which he strove to combine ideas that retaliatory forces would be used only in event of aggression, and that in this case their use would be dictated by the need. However, so determined were Germans that the Council must nail down (so far as they could in a communiqué) Strategic Air Command and UK Bomber Commands as standing behind Western position in Berlin, that at one critical point in discussion van Scherpremborn (Head of Foreign Office Bonn) got General Norstad to whisper in Spaak's ear. Mr. Spaak's next intervention was to explain that while UK and USA proposals were quite correct as a statement of NATO doctrine for internal use, it was politically undesirable to be ambiguous in present circumstances in what we said publicly.

3. Intervention of UK, Scandinavian and Canadian delegations might be summarized by saying that for them credibility of deterrent would be reduced rather than increased by such an extreme statement of what everybody knows to be true NATO position. As finally

agreed, there are words intended to meet our position, but our point of view was not repeated given much satisfaction.

4. In other respects communiqué is, we think, sensible if unexciting. Main differences which arose in drafting were over following points:

(a) Disarmament. Flat statement that Council had heard reports on Geneva discussions was factual. We would have liked to have added a note of hope for success of negotiations but French were clearly opposed to this as far as Conference on Tests was concerned and there was some doubt in other minds as to whether it was realistic to express too much hope for the Surprise Attack Conference which adjourned in deadlock during the day.

(b) In view of the clash in OEEC on December 15 between the UK and French ministers, some reference to the FTA negotiations was perhaps inevitable though many (including ourselves and the Americans) had hoped it could be avoided. Finally, language was found on which the six and the eleven were in agreement. The Minister tried to add to that language the thought that a solution of this matter must be "generally acceptable" (i.e. to the USA and Canada as well) but withdrew when the Germans suggested that Canada was unnecessarily suspicious. We accepted the wording subject to the reservation expressed by the Prime Minister at the 1957 meeting.

(c) Negotiations. Although there was some corridor talk among delegations of perhaps issuing a more direct appeal for top negotiations than had been evident in the Council's communiqué on Berlin on December 16, ministers finally agreed to take more or less the same position that NATO governments would continue to seek a just solution of the German question, European security and controlled disarmament.

(d) East-West. Mr. Dulles made a valuable point by securing the deletion of references to "East" and "West" as open to misunderstanding in Asia and the Mid East, though the replacement phrases ("the free world" and "the Communist world") are not ideal. Later we were assured by Roberts that the Yugoslavs would not object to our reference to "the Communist Bloc," since they consider themselves outside it.

5. A significant omission from the communiqué is the intended paragraph on integration of defence efforts where unfortunately those chiefly concerned could not agree on anything more than the usual clichés which did not seem worth repeating. Some of the smaller European countries had hoped to secure agreement on a more specific reference to the need to economize on defence budgets by rationalization of production of new weapons and integration of European forces and air defence. Well known French difficulties were among the chief obstacles.

6. As Mr. Spaak and the Germans intended, the paragraph about readiness to use nuclear retaliatory forces has caught the headlines. From a few talks we have had with other delegations and with General Parker, representative of the Standing Group, since the meeting, it seems to be generally understood that there is no change in NATO doctrine as a result of this communiqué.⁹³ It is understood, as Mr. Spaak interpreted it in Council yesterday, as an expedient public formulation in the context of Berlin. The actual position remains that limited incursions in the NATO area would be met by limited means. It must, however, be remembered that tactical weapons are part of the shield forces and might be used, if necessary, without taking the decision to use retaliatory forces. The most satisfactory formula is

⁹³ Voir Conseil de l'Atlantique Nord, *Textes des communiqués finals, 1949-1974*, Bruxelles: Service de l'information OTAN, s.d., pp. 129 à 131.

See North Atlantic Council, *Texts of Final Communiqués, 1949-1974*, Brussels: NATO Information Service, n.d., pp. 121-123.

probably that of President Eisenhower, speaking to the NATO Heads of Government meeting last December when he said that the USA would intervene "with all appropriate force." This statement was repeated by Mr. McElroy during the course of the present ministerial meeting.

[JULES] LÉGER

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PCO

Extrait des conclusions du Cabinet

Extract from Cabinet Conclusions

SECRET

[Ottawa], December 22, 1958

Present

The Prime Minister (Mr. Diefenbaker) in the Chair,
 The Minister of Finance (Mr. Fleming),
 The Minister of Transport (Mr. Hees),
 The Solicitor General (Mr. Balcer),
 The Minister of National Defence (Mr. Pearkes),
 The Minister of Trade and Commerce (Mr. Churchill),
 The Minister of Justice (Mr. Fulton),
 The Minister of Agriculture (Mr. Harkness),
 The Minister of Citizenship and Immigration (Mrs. Fairclough),
 The Minister of Fisheries (Mr. MacLean),
 The Minister of Labour (Mr. Starr),
 The Postmaster General (Mr. William Hamilton),
 The Minister without Portfolio (Mr. Macdonnell),
 The Minister without Portfolio (Mr. Browne),
 The Minister of Mines and Technical Surveys (Mr. Comtois),
 The Minister of National Health and Welfare (Mr. Monteith),
 The Minister of Northern Affairs and National Resources (Mr. Alvin Hamilton),
 The Secretary of State for External Affairs (Mr. Smith),
 The Minister of Defence Production (Mr. O'Hurley),
 The Secretary of State (Mr. Courtemanche),
 The Secretary to the Cabinet (Mr. Bryce),
 The Assistant Secretaries to the Cabinet (Mr. Fournier), (Mr. Martin).

REPORT ON NORTH ATLANTIC TREATY ORGANIZATION

MINISTERIAL COUNCIL MEETING; PARIS (PREVIOUS REFERENCE DEC. 9)

51. *The Secretary of State for External Affairs*, referring to the recent meeting of the N.A.T.O. Ministerial Council in Paris, said that a formal report was being prepared.⁹⁴ The Berlin situation had overhung the whole meeting. The Germans had adopted a tough attitude and wanted to get N.A.T.O. tied down to a statement that the Khrushchev proposals were unacceptable. The U.K. Secretary of State for Foreign Affairs, Selwyn Lloyd, had not been enthusiastic about the four-power statement. With all the talk about political consultation within N.A.T.O. it seemed that de Gaulle had got his way and the Big Four had settled it. None of the other members of the N.A.T.O. powers had raised any objections to the statement of which they had only become aware when it was published in the papers. The

⁹⁴ Aucun rapport officiel ne semble avoir été écrit. Pour un compte rendu informel de la rencontre, voir le document suivant.

No official report appears to have been written. For an informal account of the meeting, see next document.

Canadian delegation had been inclined to bring up this matter at a meeting but the British delegation had said that this might only strike a jarring note in the discussions. The communiqué amounted to a flat no, and a statement that the terms of the Soviet statement were entirely unacceptable. The French Foreign Minister had reported to the N.A.T.O. Council in the name of the Big Four.

The Minister said that he had been the first to speak after the German delegate and had said that, while Canada was also rejecting Khrushchev's proposals of November 27th, it was believed that to accept the proposals would not mean that Berlin would become a non-militarized zone but a satellite. There was unanimity on this. He had pleaded in favour of a settlement in terms of reunification of Germany. Norway and Denmark had struck the same note. It was to be noted that, in the second communiqué issued on December 18th, Canada could take credit for the positive note contained in paragraph one, which stated that the Berlin question would continue to be given close attention. It was possible that the Russians might wish to talk about reunification of Germany provided the western countries would agree that Germany would not be rearmed.

52. *Mr. Smith* was somewhat concerned by the German attitude and the policy of "brinkmanship." The U.S. Secretary of State was satisfied that the Russians had been kept out of the Middle East and that they had been out-bluffed in the Taiwan Straits.

53. *Mr. Fleming* said Mr. Dulles was remarkable in talking about Berlin. Speaking deliberately, with no notes, he had said that, if the Russians attacked Berlin, it might mean the destruction of Western Europe with nuclear weapons but the moment the Russians attacked, the United States would release its retaliation forces and could and would destroy all of Russia. He thought the Russians knew that. Mr. Spaak had said that since the war there was no greater threat to peace than the Berlin question. The German ground forces would soon be the largest in N.A.T.O.

54. *Mr. Smith* said that there had been no reference during the meetings to the de Gaulle proposal that a political triumvirate be set up within N.A.T.O. There had been no discussion on Cyprus. The representative of Iceland had expressed some concern over the fishing issue. The season would open in January and any serious incidents might cause Iceland to leave N.A.T.O. The Canadian delegation had expressed regrets that the Conference on the Law of the Sea had been postponed to 1960.

55. *The Prime Minister* recalled that Adenauer had told him Dulles was the one statesman in the world to-day, and respected him enormously.

56. *Mr. Fleming* gave a brief account of the stormy ministerial meeting of the Organization for European Economic Co-operation in Paris on the Monday preceding the N.A.T.O. meeting.⁹⁵ The British and French had disagreed so strongly that there had been open threats. No solution had been reached and the meeting adjourned until January. The Chancellor of the Exchequer had asked if the Canadian government would use its influence with the French to persuade them to be more accommodating.

57. *The Cabinet* noted the report of the Secretary of State for External Affairs on the recent N.A.T.O. Ministerial Council meetings in Paris and the brief report of the Minister of Finance on the O.E.E.C. meeting that preceded the N.A.T.O. meetings.

⁹⁵ Voir les documents 490 et 491./See Documents 490 and 491.

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DEA/50102-W-40

*Rapport informel de la délégation
à la réunion ministérielle de l'OTAN—le 24 décembre 1958*

*Informal Report by Delegation
to NATO Ministerial Meeting—December 24, 1958*

SECRET

[Ottawa], January 9, 1959

Officials Present:

Mr. D.V. LePan,
Mr. R. Campbell,
Mr. J.J. McCardle,
Mr. R.P. Cameron,
Mr. A. deW. Mathewson,
Mr. L. Houzer,
Mr. N.R.J. Gwyn.

COMMENTS BY MR. D.V. LEPAN

*Canada-United States Joint Ministerial Committee on Defence*⁹⁶

The meeting, although not an eloquent one, was satisfactory from the Canadian point of view. The main item on the agenda was the draft statement, prepared in Ottawa, on the acquisition of nuclear weapons by Canada. There were some revisions and minor changes suggested by the United States. However, Mr. Dulles expressed no dissent in principle with the Canadian draft. It was agreed that the statement would be redrafted by Canada and there was every indication that when final agreement is sought from the United States, it would be very rapidly forthcoming.

NATO Ministerial Meeting: Berlin

2. NATO discussion of the Berlin situation was anticipated by the meeting of the United States, United Kingdom, French and West German Foreign Ministers on Sunday, December 14. Mr. Spaak and the International Staff lobbied energetically but unsuccessfully to dissuade the four Ministers from issuing a public statement on their agreed position, arguing that this would be treating with contempt the political consultation process in NATO. This seemed an extreme view at the time, although there may have been some substance to it.

3. At the December 14 meeting the United Kingdom argued in favour of including in the statement some suggestion of a willingness to discuss European security and German reunification with the USSR. The United Kingdom urged their point, but not too strongly and without success. Subsequently they asked us to take up the theme in Council. Their desire to have Canada pursue the point probably arose from recognition of their tenuous position within the Alliance at the time as a result of their recent stand on such matters as the FTA, Integrated Air Defence and the stationing of United Kingdom forces in Germany.

4. The Minister, in his statement to Council on Tuesday, urged the need to reaffirm in the NATO Communiqué on Berlin the willingness of NATO to discuss the wider issues with the USSR. Support for this view was received from the Norwegians and others.

5. Although on questions of European Security, Norwegian and Canadian views usually coincide, the Norwegians took a somewhat firmer line on Berlin than we did. There

⁹⁶ Voir le volume 25, (à paraître), chapitre premier.
See Volume 25, (forthcoming), Chapter I.

seemed to be several reasons for this. First, Mr. Lange is an old friend of Willie Brandt and seemed to have been influenced by the latter who was, of course, in Paris at the time advocating that an absolutely firm line be taken by the West. Second, they seemed to be influenced by the consideration that a show of weakness on Berlin could lead to an erosion of purpose in Western Europe, leading ultimately to the exposure of Norway's northern frontier to pressure by the Soviet Union.

6. There seemed to be two contradictory currents of opinion underlying European views on nuclear strategy as evidenced by the formal and informal discussions on the subject at the meeting. (1) The conventional and still predominate view — that Soviet threats must be met with fortitude if the Western position is not to unravel. This position was more strongly held than had been anticipated by Mr. LePan. Partly this seemed due to Mr. Spaak's influence, and partly because of a fear generally held by Europeans that once the West's position in Europe began to unravel in the slightest, the United States would be reluctant to use nuclear weapons in the defence of Europe. (2) A view beginning to gather steam — that took the form of questioning the conventional view, by asking "are there any circumstances or occasions which would justify risking nuclear extinction?"

7. In the case of Berlin a resolution of views was quickly reached and it was clear that most of the NATO member countries favoured taking a more robust attitude towards the Soviet Union than we would have been happy with.

NATO Defence Matters

8. The Ministerial discussions on defence matters generally and on the implementation of MC-70 specifically were generally unsatisfactory. The briefings were long, but did not lead to consideration and resolution by Ministers of the problems at hand. The United Kingdom had indicated it would make every effort to implement MC-70, but not to the extent of overstraining the United Kingdom economy. In this connection the United Kingdom Minister suggested a new procedure for dealing with NATO's military planning and programming. He proposed that the Secretary-General and his office should function in a way similar to that of the Minister of Defence in a national government, and screen military recommendations to bring them into line with practical reality, and particularly with the financial resources available to implement them. Mr. LePan stated that he had not heretofore realized the degree to which Mr. Spaak had become engrossed in political matters and was both uninterested and inexpert in defence and economic matters. This assessment of Mr. Spaak was strongly held by Mr. Léger and Mr. LePan himself was somewhat disturbed by Mr. Spaak's view of his own role as Secretary-General.

9. The review of NATO and Soviet forces in being and their relative strength in Europe provided in the military briefings was both discouraging and chilling.

The Communiqué

10. Perhaps the most disturbing occurrence during the meeting was the long wrangle which took place over one paragraph in the final communiqué. The day before, General Norstad had expounded the traditional NATO doctrine to the effect that the purpose of the shield, in the event of aggression, would be to act as a brake on any aggressive action sufficient to provide an opportunity for second thoughts on the part of the aggressor before the full weight of strategic forces would be brought into play. When it was suggested that the statement on Berlin in the final communiqué should be worded accordingly, and not imply that the full strategic deterrent would be the inevitable riposte to any "aggressive" Soviet move on Berlin, Mr. Spaak argued that this would constitute a show of weakness on the part of NATO. In his view safety lay in an arbitrary statement of manifest will to use the deterrent in the event of aggression if necessary. Despite the concern of the United

Kingdom, Norway, Denmark and ourselves, Mr. Spaak carried the day. However, below the surface of many of the statements made in Council on the subject, there was ample evidence of doubt as to the circumstances justifying the use of the deterrent.

11. In summing up, Mr. LePan identified three strands of thinking on the implementation of NATO nuclear strategy, (a) the official NATO doctrine as expounded by SACEUR which leaves room for choice and consideration in the event of aggression, as between a limited or a full scale nuclear response. (b) the view, as exemplified by Mr. Spaak's attitude, that for presentation and propaganda purposes, no loophole should be left to indicate other than absolute determination to employ the full weight of the deterrent in response to any aggression in Europe. (c) the current of opinion beginning to establish itself throughout Europe, which is based on questioning the justification of risking nuclear extinction in all or any circumstances.

The OEEC Meeting

12. Mr. LePan reviewed the events at the OEEC Meeting on the Monday before the NATO Council Meeting. He noted that subsequently the United Kingdom Chancellor of the Exchequer had held talks with the French Minister. Their meeting held out some prospect that the impasse reached at the OEEC Meeting would be overcome and he suspected that there were important and positive economic developments in the wind as a result.

MR. MCCARDLE

United States-Canada Committee

13. The item of major interest on the agenda of the Canada-United States Defence Committee Meeting, apart from the acquisition by Canada of nuclear weapons, was the discussion on integration of North American defence production. Our Ministers emphasized to their United States colleagues how necessary it was for Canada to participate in the production of the modern weapons which are to be put in use by Canada for the joint defence of North America. Mr. McElroy seemed to be forthcoming in acknowledging the logic of the Canadian position, but committed himself to little more than agreement in principle with our views. He did suggest that United States legislative impediments to free competition for North American defence contracts between the United States and Canadian manufacturers might be removed. However, we were not successful in establishing the idea that Canadian producers should be given some form of preference in order that they might be guaranteed a proportionate share of continental defence production.

14. Mr. McCardle also noted that our NATO Delegation did not have as complete a grasp of the problems for Canada in the North American defence context as might be desired. Since these problems bear so heavily in turn on our disposition towards NATO problems, Mr. McCardle considered it important to ensure that our NATO Delegation be kept fully informed on all aspects of Canadian participation in North American defence.

MR. ROSS CAMPBELL

Ministerial Meeting Debate on Political Consultation

15. The immediate dilemma we faced at the Ministerial Meeting was whether to attempt to make NATO political consultation a reality by digging in on Berlin. The holding of the Four Power Meeting on Berlin the previous Sunday in Paris had reflected rather negatively on NATO's role as a forum for political consultation — in effect, NATO was being asked merely to endorse the position on Berlin arrived at by the Four Powers. However, there

were no other member countries inclined to take issue with the way in which the Berlin problem had been presented to the Ministerial Meeting and we decided against doing so ourselves.

16. The manner in which the Berlin problem had been dealt with lent an air of unreality to the general discussion on NATO political consultation. In addition, by pre-arrangement, the de Gaulle proposals for a political directorate were not mentioned; NATO's relationship with other regional alliances was not discussed; and Ministers considered only relatively minor issues. There was some attempt made to define the scope of the area which should be subject to consultation but, amongst the smaller powers, there was no agreed policy on the degree to which NATO should consult on problems affecting non-NATO areas. Mr. Lange, the Norwegian Foreign Minister, perhaps expressed the view of a number of the smaller powers in stating that the consultation process in NATO on events outside the area should be limited to the passing of information, on the grounds that anything beyond this would involve corresponding responsibilities which many member countries would be unwilling and unable to take on.

17. In general, the discussion on Spaak's proposal for the greater use of committees and experts in the political consultation process was inconclusive. However, the discussion was summarized by the International Staff in the Summary Record and inserted in the final communiqué in a way to suggest that Mr. Spaak's report had been formally endorsed by Ministers and that long term studies on various problems as background for political consultation had been agreed. In fact they were not. In this respect the relationship between the discussions by Ministers and the "agreed conclusions" which emerged was little more than ephemeral.

18. There had been a general reluctance to lead off the debate on political consultation, but finally Mr. Dulles began with a frank exposition of the United States view. He likened the relationship between the great powers and NATO Council to that of the relationship between the United States Executive and Congress. He noted that foreign policies were submitted to Congress by the Executive as broad general propositions and, out of the ensuing debate, the Executive emerged with a mandate to execute certain policies. There was no further debate and, in times of crisis, it was not expected that the Executive would consult in detail with Congress on the means employed to implement policy. Mr. Dulles made it clear that similarly, if the NATO powers wished to exert an influence on the policy of NATO or of the several major NATO powers, this should be done at the formulation stage or during a period of relative calm when broad policies could be reviewed and reshaped. The smaller powers could not expect to be allowed a veto over the execution of accepted policies in the face of an immediate crisis.

MR. CAMERON

19. Mr. Cameron noted that the results of the discussion on political consultation had not been unwelcome from the Canadian point of view. There had been, in fact, no agreement to work towards Spaak's declared policy of broadening the area of NATO consultation and responsibility, and there had been no agreement to revise NATO's machinery for political consultation.

20. Mr. Cameron indicated he had received two disconcerting impressions in Paris. The first was the degree to which German views had coloured the discussion at the meeting. There seemed to be many indications that the Germans were coming rapidly to a position of dominance within the Alliance. The second was the extent and manner of Spaak's personal influence over the deliberations at the meetings. This would seem to have been carried much beyond the point becoming to a civil servant.

MR. LEPAN

21. In agreeing with Mr. Cameron on the emerging German influence in the Councils of NATO, Mr. LePan noted that this flowed understandably from the fact that West Germany was already the strongest economic power and would soon be the strongest military power in NATO Europe. The time was soon approaching when little could be decided in NATO against the wishes of the Germans.

The Situation of the Canadian Brigade in Europe

22. In reply to a question by Mr. McCardle, Mr. LePan stated that Mr. Pearkes had returned from a visit to the Canadian Brigade in Germany with great misgivings over what appeared to be its exposed tactical position. Apparently, the Brigade is flanked on either side by under-strength formations whose effectives consist of young untrained conscripts. Under present NATO strategy, the defensive forces in Germany, including the Canadian Brigade, would be required in the event of hostilities, to move rapidly to take up forward defensive positions. It was the considered view of the Brigade Headquarters that, while the Canadian Brigade might be capable of executing the move to its forward position, the divisions on either side of the Brigade would be incapable of doing so. In the event of hostilities, therefore, because of the Brigade's ability to perform successfully the role it has been assigned, it would find itself completely exposed to flanking attacks and without a fighting chance of survival.

23. Mr. LePan understood that Mr. Pearkes was considering advising SACEUR that, because the Brigades tactical position was so exposed, Canada would be considering the possibility of providing armoured support for the Brigade from Canada "at the expense of the Canadian Air Division in Europe."

CHAPITRE III/CHAPTER III
RELATIONS AVEC LE COMMONWEALTH
COMMONWEALTH RELATIONS

PREMIÈRE PARTIE/PART 1

RÉUNION DES PREMIERS MINISTRES DU COMMONWEALTH,
26 JUIN-3 JUILLET 1957
MEETING OF COMMONWEALTH PRIME MINISTERS,
JUNE 26-JULY 3, 1957

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PCO

Extrait des conclusions du Cabinet
Extract from Cabinet Conclusions

SECRET

[Ottawa], June 22, 1957

Present

The Prime Minister
and Secretary of State for External Affairs (Mr. Diefenbaker) in the Chair,
The Minister of Public Works
and Acting Minister of Defence Production (Mr. Green),
The Minister of Finance and Receiver General (Mr. Fleming),
The Minister of Veterans Affairs
and Acting Minister of National Health and Welfare (Mr. Brooks),
The Minister of Transport (Mr. Hees),
The Solicitor General
and Acting Minister of Mines and Technical Surveys (Mr. Balcer),
The Minister of National Defence (Mr. Pearkes),
The Minister of Trade and Commerce (Mr. Churchill),
The Minister of Justice and Attorney General
and Acting Minister of Citizenship and Immigration (Mr. Fulton),
The Minister of National Revenue (Mr. Nowlan),
The Minister of Northern Affairs and National Resources
and Acting Minister of Agriculture (Mr. Harkness),
The Secretary of State (Mrs. Fairclough),
The Minister of Fisheries (Mr. MacLean),
The Minister of Labour (Mr. Starr),
The Postmaster General (Mr. Hamilton),
The Minister without Portfolio (Mr. Macdonnell),
The Minister without Portfolio (Mr. Browne).
The Secretary to the Cabinet (Mr. Bryce),
The Assistant Secretary to the Cabinet (Mr. Pelletier),
The Assistant Secretary to the Cabinet (Mr. Martin).

COMMONWEALTH PRIME MINISTERS' CONFERENCE

17. *The Prime Minister* referred to the forthcoming Commonwealth Prime Ministers' Conference which would open in London the following Wednesday, June 26th.

There were those amongst Commonwealth Prime Ministers who supported the idea of establishing a permanent Commonwealth secretariat. He did not feel that this was a truly practical idea.

At the moment, he was not envisaging making any very precise suggestions or recommendations at the meeting. He was, however, convinced that it was in the best interests of the Commonwealth of reasonable advancement and equal opportunities. Prime Minister Nehru of India and Mr. St. Laurent had achieved a high degree of understanding and there was no reason to believe that this close relationship would not continue after the change of administration in Canada.

He had been asked to make a Dominion Day speech on July 1st in London. In that speech he proposed to stress that the present Canadian government staunchly supported the concept of the Commonwealth and felt that its economic and trade ties should be strengthened considerably. He might take the opportunity, at that time, to extend an invitation to the Commonwealth countries to attend a Commonwealth economic and trade conference in Ottawa. He did not, however, plan to make any direct reference to the economic and trade relationship between Canada and the United States, nor was it his intention to mention the recent Suez Canal difficulties.

18. *In the course of discussion* it was suggested that it might be inadvisable to attempt to superimpose a Commonwealth Trade Conference over the current negotiations for the establishment of a European free trade market. On the other hand, there were those who felt that, on the contrary, it might be useful to review the whole Commonwealth trade situation before establishment of the European free trade area had progressed too far.

It was also suggested that the volume of trade between Canada and the United States had perhaps gone too far at the expense of Canadian trade relations with other Commonwealth countries and that serious study should be given to this whole problem without delay.

19. *The Cabinet* noted the report by the Prime Minister, and the comments made during the ensuing discussion, on the coming Commonwealth Prime Ministers' meeting to be held in London beginning June 26th, and also with regard to the speech the Prime Minister would make in London on July 1st and to the desirability of convening in Ottawa, at an early date, a Commonwealth Economic and Trade Conference, and agreed that Ministers who had specific suggestions to make either on the Commonwealth Prime Ministers' meeting or on the contents of the Dominion Day speech to be made by Mr. Diefenbaker in London on July 1st, should forward such suggestions to him in writing before his departure for London the following Sunday.¹

...

¹ Le premier ministre Diefenbaker était accompagné à Londres par le ministre de la Défense nationale, M. George Pearkes, M. R.B. Bryce, et M. Jules Léger.
Prime Minister Diefenbaker was accompanied to London by Minister of National Defence George Pearkes, R.B. Bryce, and Jules Léger.

326.

D.M.F.

*Le secrétaire adjoint du Cabinet
au ministre des Finances*

*Assistant Secretary to Cabinet
to Minister of Finance*

SECRET

[Ottawa], June 24, 1957

Dear Mr. Fleming:

I enclose herewith a record of the meeting held on Saturday morning, after the Cabinet meeting, on trade and economic matters and the possibility of holding a Commonwealth meeting to deal with these subjects.

I am also sending you a memorandum prepared in the Department of Trade and Commerce in connection with the present Prime Ministers' meeting. You may have received a copy of this latter document but, for certainty, I am sending you one at this point.

Yours sincerely,

W.R. MARTIN

[PIÈCE JOINTE I/ENCLOSURE I]

*Compte rendu**Minutes*

SECRET

[Ottawa], June 24, 1957

A meeting of the Ministers of Finance and Trade and Commerce with officials to consider trade and economic matters which might be discussed at the Commonwealth Prime Ministers' meeting was held in the Privy Council Chamber on Saturday, June 22nd, 1957, at 11:30 a.m.

Present

The Minister of Finance, (Mr. Fleming),
The Minister of Trade and Commerce, (Mr. Churchill),
The Secretary to the Cabinet (Mr. Bryce),
The Under-Secretary of State for External Affairs (Mr. Léger),
The Deputy Minister of Finance (Mr. Taylor),
The Assistant Deputy Minister of Finance (Mr. Plumptre),
The Deputy Minister of Trade and Commerce (Mr. Sharp),
The Assistant Deputy Minister of Trade and Commerce (Mr. Isbister),
The Head, Economic Division, Department of External Affairs (Mr. Couillard),
The Assistant Secretary to the Cabinet (Mr. Martin).

Also Present

The Canadian Ambassador to the United States (Mr. Robertson).

1. *The Minister of Finance* said it was desirable to review trade and economic matters which might be discussed at the Prime Ministers' meeting, so that Mr. Diefenbaker would have present thinking on these subjects readily available for the discussions in London. He suggested that consideration might first be given to the agenda to see whether any item might be added to or subtracted from it.

2. *The Minister of Trade and Commerce* reported that he had given the Prime Minister a memorandum which had been prepared by his officials and which might serve this purpose.

3. *The Deputy Minister of Trade and Commerce* said that the memorandum which had been prepared would probably be adequate as far as the agenda for the Commonwealth meetings was concerned.

The paper referred to some matters which should be considered in connection with the question of a possible Commonwealth Trade Conference and noted the implications of such a proposal. The United Kingdom would be disturbed lest the calling of such a meeting might undermine its efforts to promote the Industrial Free Trade Area for which the U.K. wanted Canadian support. Calling a conference of this nature might not be inconsistent with furthering the free trade area. On the other hand, it might be so interpreted in Europe. The Department of Trade and Commerce was not recommending against Canada supporting the Industrial Free Trade Area, even though these arrangements will reduce opportunities for export of some Canadian products.

As regards the matters which might be raised at a Commonwealth Trade and economic conference, *Mr. Sharp* made the following points. If extension of preferences were advocated, this attitude would be unlikely to be acceptable in other parts of the Commonwealth. At the moment, on tariff items, at any rate, Canada pretty well enjoyed free entry into the U.K. Australia and New Zealand had recently completed trade negotiations with the U.K., and Australia had obtained its freedom to reduce preference margins along similar lines to what Canada did some years ago. New Zealand was inclined to think that the idea of preferences was dwindling. As far as Canada was concerned, there were complaints here now against low tariffs on some Commonwealth imports, textiles for example from the U.K., textiles from India, and rubber footwear from Hong Kong. It should be noted, too, that Canada had recently applied an import prohibition on cheese, in addition to such a prohibition on butter, commodities which were important to Australia and vital to New Zealand. While these comments appeared to be somewhat negative, it did not mean that a review of Commonwealth trade and economic matters could not be useful. Indeed, there is a good deal to be said for a joint review of Commonwealth trade and for giving consideration to the possibilities of trade promotion within it.

4. *Mr. Fleming* said that a meeting should not be confined to preferences alone. It might be possible to arrange for the U.K. to take more Canadian agricultural products. He wondered if any material had been prepared on which discussions in this regard might be based.

5. *Mr. Sharp* said that recently his department had completed a fairly broad study on Canada-U.K. trade. The total physical volume of trade was now much larger than before the war, and of that volume agricultural products, in particular wheat, had assumed a much larger share. The quantities of flour exported to the U.K. were about the same as before 1939. Prior to that time, the quantities of wheat sent to the U.K. were about 50 or 60 million bushels annually; now we thought in terms of 100 million bushels. Sales of raw products and partially processed materials had increased but there had been a curtailment of finished goods. This country had pressed the U.K. with respect to the quotas they applied to many finished goods. Some success had been achieved in this direction and there were prospects of further relaxations. In fact, the U.K. had indicated recently that there would be a further liberalization, but for reasons that were unknown here there had been some delay.

6. *The Deputy Minister of Finance* indicated his agreement in general with *Mr. Sharp's* points and went on to refer to the existence of the Canada-U.K. Continuing Committee.

He said that it afforded regular opportunities for exchange of views with U.K. officials. The U.K. had made substantive progress in relaxing some of its restrictions. The recent dollar allocation for travel was another example.

7. *The Under-Secretary of State for External Affairs* said he had three points which might be considered in relation to the meeting now convening in London. Firstly, while the agenda was flexible, it would be hard to alter its formal terms at this stage. There would be an innovation this year in that it had been decided that all Prime Ministers would not make extensive opening remarks. Instead, Mr. Macmillan would make a brief opening statement and would be thanked by the Prime Minister of Ghana.

8. *The Canadian Ambassador to the United States* said that in the past, through informal arrangements, it had always been possible to raise new items. If Mr. Diefenbaker wished to raise the subject of a Commonwealth trade and economic conference, it would perhaps be desirable for him to discuss this first with Mr. Macmillan and then make some soundings as to when the matter might be most easily and conveniently discussed.

9. *Mr. Léger* added that if the proposal were suggested at the table it would probably be passed on to officials for their immediate consideration.

10. *Mr. Léger* went on to say that, as regards his second point, his department had had in mind to suggest that the Canadian Prime Minister invite all his colleagues to hold their next meeting in Ottawa, possibly when the Queen was here to open the Seaway. At such a conference emphasis might be placed on trade.

11. *Mr. Fleming* observed that this might be twenty-one months away and that it might also be awkward to combine a meeting of that nature with the opening of the Seaway when Her Majesty was present.

12. *Mr. Léger* added that physical arrangements for a meeting could be completed in six months. To set a date convenient to all Commonwealth representatives would be difficult.

13. *Mr. Léger's* third point was that if it was considered desirable to hold discussions in the trade field relatively soon, the Commonwealth Finance Ministers who would be attending meetings of the International Monetary Fund and the International Bank in Washington the third week in September, might be asked to come to Ottawa either before or afterwards to consider trade and economic matters.

14. *During the discussion* that ensued on the question of a Commonwealth Trade and Economic Conference, the following further points emerged:

(a) If there were a special Commonwealth Prime Ministers' conference focussed on trade, and no concrete results emerged fairly soon, it would be unfortunate. On the other hand, a general Prime Ministers' meeting with the emphasis on trade, and of an exploratory nature from which no immediate action might be expected, might be more advantageous. Any meeting of Prime Ministers would take a long time to arrange.

(b) Other Commonwealth countries, such as Australia, appear to be in a different relationship to Commonwealth trade than Canada is. Whereas we would be happy to increase our trade with Commonwealth countries, most others have in fact been trying to increase their trade with the U.S.

(c) No useful analogy could be developed between the Ottawa Conference of 1932 and a contemporary meeting here at this stage. The whole exchange and tariff position had changed so radically since the Ottawa meetings were held. The big problems at the moment for Canada were her relations with the U.S. and relations with the whole new trade and commercial complex emerging in Western Europe. A Commonwealth trade and

economic conference might not be of much assistance under these conditions. On the other hand, a review of the existing situation might be helpful.

(d) In a Commonwealth Trade and Economic Conference the question of economic development would loom large. This subject would appear to be one on which useful informal discussions might be held with the U.K. The British were concerned about capital investment for the underdeveloped areas of the Commonwealth and the fact that they did not have enough capital to satisfy the needs of various emerging commonwealth and empire countries who were restless and looking for assistance. Ghana, for example, appeared to want to develop the Volta River project, whose cost was enormous in relation to Ghana's resources and total population. The British West Indies felt they were not getting their proper share of available capital and wanted aid. Nigeria would soon be asking for assistance too. All of these and others would have their eye on Canada for help.

(e) A good deal of useful work could and had been done in the field of technical assistance. Two channels had been used for this purpose, namely, the U.N. and the Colombo Plan, for both of which Canada had made useful contributions. There might be something to be said for broadening technical assistance machinery, possibly on the Colombo Plan side. No precise value could be put on returns from technical assistance.

(f) On the question of what a conference could be expected to do to help our wheat position, it was recognized that quantities could certainly be disposed of in the Commonwealth if given away. The question arose whether the Commonwealth might not increase Canadian purchases of wheat as an offset to U.S. giveaways. However, it was doubtful if this point would have much effect on India and Pakistan. The U.K. could hardly be asked to do more in this connection because even in the face of U.S. transactions, she had been very careful to avoid damage to Canada's position. Furthermore, Australia is also a large exporter to the U.K.

(g) The wheat problem was undoubtedly the most pressing and severe. One approach might be to find out from the U.S. what measure of cooperation in disposals might be possible. This would require a fresh study of the surplus, both in Canada and the U.S., in relation to the regular commercial demand as well as the non-commercial claims for assistance. The case for giveaways to the hungry people of the world would need to be recognized. Canada might, for instance, say it would share in giving to non-commercial needs in India and Pakistan and offer wheat on the same terms as the U.S. The commercial markets would be treated separately in a manner to be jointly agreed. However, this problem could only be solved in concert with the U.S. and not through the Commonwealth meeting. This kind of proposal, however, required further thought and study.

(h) At the moment, in connection with wheat, it could be said it would be difficult to expect much from a Commonwealth meeting, though the idea of one to help solve this problem should not perhaps be completely ruled out.

(i) It would be helpful to pursue the suggestion to have a Commonwealth Finance Ministers meeting here in Ottawa, either before or after the Bank and Fund meetings. The preference would be for after, otherwise the other Bank and Fund members might feel that the Commonwealth was "ganging up" on them.

W.R. MARTIN

[PIÈCE JOINTE 2/ENCLOSURE 2]

Note pour le ministre du Commerce

Memorandum for Minister of Trade and Commerce

COMMONWEALTH PRIME MINISTERS' CONFERENCE

I. OUR TRADING OBJECTIVES WITH RESPECT TO THE INDUSTRIAL FREE TRADE AREA AND CUSTOMS UNION

A. *The Customs Union of France, Germany, Italy, Belgium, Netherlands and Luxembourg*

1. To assure efficient and cordial trading relations with these countries, as a basis of expanding trade, we should be constructive and friendly towards their customs union which, regardless of our attitude, they will probably put into force. We should not let a situation develop where they can blame us for any failure.

2. We want their common tariff to be low enough to permit us to develop our export trade in grains, raw materials, processed materials and manufactured goods. We want their tariff administration to be equally reasonable.

3. We want them to make as little use as possible of quantitative restrictions against our exports, although they will require some considerable use of restrictions because of currency difficulties.

4. We must insure a continuing market for grain in Western Europe despite their growing desire to protect their agriculture. Out of approximately \$400 million of Canadian exports to Europe, about 24 per cent is composed of grains.

5. We must try to keep GATT alive and influential because this is the agreement under which the European countries have made commitments to us in connection with the above points.

B. *The Industrial Free Trade Area of the United Kingdom, Scandinavian countries, Ireland, Denmark, Switzerland, Portugal, Greece and Austria.*

1. Some objectives as in A above with following changes:

2. Since tariffs against the outside world are unaffected by free trade proposals, we need not be concerned about the levels of their tariffs against us. We must be sure, however, that the administration of tariffs (origin requirements in particular) is not to our disadvantage.

3. The United Kingdom has assured us that they intend to exclude agriculture and food from the industrial free trade area, but we must insure that they do not participate in special side deals which might frustrate the value of these assurances.

4. The United Kingdom Government will undoubtedly seek public support from the Prime Ministers for the industrial free trade area on the grounds that such an area will significantly broaden the scope of the European Common Market and facilitate the achievement of greater productivity and prosperity. Our continuing support for the free trade area should, of course, be subject to a careful study of the detailed agreements now under discussion and of the manner in which they are to be applied so as to achieve, as far as possible, the trading objectives outlined above. It is reasonable to expect that the United Kingdom, with world wide trading interests like our own, will in large measure share these objectives and work with us to achieve them.

II. COMMONWEALTH TRADE CONFERENCE

1. The proposal for a Commonwealth Trade Conference, much as it may be welcomed in London, is bound to be scrutinized carefully by the United Kingdom Government. They will be perturbed lest this proposal should be interpreted in Europe as undermining the Industrial Free Trade Area which the United Kingdom is sponsoring so strongly and for which they are soliciting the support of Canada and other Commonwealth countries.

2. Aside from this possible conflict between proposals for a Commonwealth Trade Conference and the United Kingdom proposal for a European Industrial Free Trade Area, the following observations might be made about the content of a Commonwealth Trade Conference: There is very little if any scope for increased tariff preferences amongst Commonwealth countries. We get free entry or nearly free entry into the U.K. for most of our important products. The only way the U.K. could give us substantially enlarged preferences, therefore, would be to increase its most-favoured-nation tariffs against other countries, a most improbable course for them to adopt. It is significant that Australia has just concluded comprehensive trade and tariff negotiations with the U.K., the result of which was not to strengthen or intensify preferences but to provide Australia with some freedom to withdraw preferences, along lines similar to what we did ten years ago. A New Zealand Delegation recently returned home from extensive trade negotiations in London. The New Zealand Minister, Mr. Holyake, went so far as to say that the negative results of their negotiations "portended a weakening in the Empire preference system." The New Zealand Government have indicated, however, that they wish to attempt further negotiations on preferences next year. On our side, Canadian manufacturers are already restive about the low tariffs accorded India and rubber footwear from Hong Kong. Furthermore, we now prohibit imports of butter and cheese, which are vital for New Zealand and important to Australia.

3. Notwithstanding the foregoing observations about the limitations and difficulties that would surround a formal Commonwealth Trade Conference there might be value in having a conference (possibly at a meeting in Ottawa of Commonwealth Prime Ministers) to review the present position of Commonwealth trade and the possibilities of promoting it.

III. DISMANTLING OF TRADE RESTRICTIONS

1. Import restrictions imposed for balance of payments reasons are the greatest impediment to our exports to the Commonwealth. The U.K. has itself sought to deal with its external financial difficulties within a multilateral framework (GATT, IMF, Convertibility Proposals, Free Trade Area) rather than on the basis of bilateral arrangements with us and other non-sterling countries. We should agree in general with this approach.

2. It would be appropriate for the Prime Minister to press in London for steady progress in the removal of trade restrictions which discriminate against our trade, particularly in manufactured goods. We have already negotiated with the United Kingdom for further relaxations in their import restrictions against our goods, including a fair number of manufactured items and we have every reason to hope that they will respond favourably to representations along these lines from our Prime Minister.

Note: re present Canadian exports to the United Kingdom

Canada now exports to the United Kingdom, in physical terms, somewhat more than pre-World War II and our share of the United Kingdom market is about the same as it was pre-war. However, the composition of our exports has undergone a striking change. By and large, Canada now has a larger share of the United Kingdom market for wheat and flour than at any time except during World War II (in recent years, about 50 to 60 percent). We also have achieved substantial increases in sales of certain raw and processed materials.

These increases in sales of agricultural and raw and processed materials have been offset by a sharp curtailment in our sales of finished manufactured goods which, as noted above, are still subject to strict import controls in the United Kingdom.

327.

DEA/50085-G-40

*Le haut-commissaire au Royaume-Uni
au secrétaire d'État aux Affaires extérieures*

*High Commissioner in United Kingdom
to Secretary of State for External Affairs*

TELEGRAM 1568

London, June 26, 1957

SECRET. OPIMMEDIATE.

PRIME MINISTERS' CONFERENCE—FIRST SESSION²

Mr. Macmillan specifically welcomed Mr. Diefenbaker, Suhrawardy, Sir Roy Welensky, and Dr. Nkrumah. Nkrumah replied briefly and appropriately.

2. *Publicity*: A first day communiqué on the general pattern of the proceedings and a final communiqué will be issued and related press conferences held. Lord Home will provide general guidance to the press throughout. There may be an interim communiqué at the end of this week.

3. *Agenda*: The agenda and timetable prepared by the CRO were accepted.

4. *Opening Remarks*: Mr. Macmillan said the Conference needed to be held to consider the changes which had occurred since the last conference, notably the Hungarian revolt, the Arab-Israeli troubles, the USSR's intervention in the Mideast and the UK's and France's action at Suez which aroused strong differences of opinion in the Commonwealth. He summarized briefly the Bermuda talks³ as friendly and cordial and as revealing that the USA was fully alive to the need for playing an increasing role in world affairs.

5. *Disarmament*: Departing from the agenda, Mr. Selwyn Lloyd gave an account of the disarmament negotiations as background for the discussion scheduled for July 1.⁴

6. He outlined the development of the negotiations from a search for a comprehensive plan to the search for a partial agreement, and concluded that the differences appeared not beyond bridging on most of the ingredients of a settlement, i.e. force levels, conventional armaments, and measures against surprise attack, but that the crux was the question of nuclear tests and whether they should be linked with the cessation of future production of fissile materials. He saw the present role of the UK as facilitating agreement between the USA and the USSR, and Mr. Macmillan spoke in similar terms.

7. *Relations with the Soviet Union*. Mr. Selwyn Lloyd contrasted the conditions in the USSR this year and last. The trend was still toward relaxation in the economic and social

² Les télégrammes concernant la Conférence des premiers ministres en 1957 sont imprimés ici, selon l'ordre des réunions.

Telegrams relating to the 1957 Prime Ministers' Conference are printed here according to the order of the meetings.

³ Pour un compte rendu des discussions du mois de mars 1957 aux Bermudes, consulter le Volume 22, documents 734 à 736.

For an account of the March 1957 discussions at Bermuda, see Volume 22, Documents 734-736.

⁴ Voir le Chapitre premier, première partie, section F./See Chapter I, Part 1, Section F.

sectors. It had slowed up in the cultural sector but even here the repressions of the Stalin era had not returned. Khrushchev appeared stronger than ever.

8. In foreign affairs, however, there had been a complete reversal caused by Hungary. The USSR had reasserted their absolute determination to maintain their military grip on the satellites. In the Mid East their objective was to exploit Arab nationalism against the West. They had gained ground in 1956 but had slowed up in 1957. They had not moved into Africa but were studying it, well aware of its importance. In Asia their economic drive was still under way, and they were continuing to work for the complete disintegration of colonialism.

9. He concluded that the USSR wants war even less than they did last year. For one thing, the events in Hungary had frightened them. For another, they do not need a war to achieve their aims. He ended by approving the statement of the President of Southern Vietnam that since communism was not neutral, we could not afford to be: we must defend ourselves against Communist infiltration by increasing our economic strength with a framework of military strength.

[S.D.] PIERCE

328.

DEA/50085-G-40

*Le haut-commissaire au Royaume-Uni
au secrétaire d'État aux Affaires extérieures*

*High Commissioner in United Kingdom
to Secretary of State for External Affairs*

TELEGRAM 1584

London, June 27, 1957

SECRET. OPIMMEDIATE.

Reference: 1568 Jun 26.

PRIME MINISTERS' CONFERENCE — FIRST SESSION, AFTERNOON MEETING

At the afternoon meeting the discussion of relations with the Soviet Union was resumed by Mr. Nehru. He in turn was followed by Messrs. Menzies, Suhrawardy, Louw and Nkrumah.

Mr. Nehru

2. Mr. Nehru's main and now familiar theme was that the Soviets were gradually toning down from a high pitch of revolution and that this development should be welcomed. This process, however, was occurring at the same time as, and was influenced by, revolutions in the fields of technology and the emergence of new nationalisms. We should therefore bear in mind that while still communistic in outlook, the Soviets were participating in the technical revolution and were using for their own purposes as a great power the emergence of new nationalisms. This has changed the Soviet people and while they did not give the impression that they had any quarrel with the régime under which they lived, they were, nevertheless, developing a strong desire for more individual freedom and the good things of life.

3. Mr. Nehru thought that the tragedy of Hungary might have checked certain liberal tendencies within the government, but did not believe that it had stopped the process of liberalization altogether. In his view the only obstacle in the way of liberalization was the

fear of war. This was also true in the satellites. The less the tension, therefore, the more the process of liberalization would operate.

4. On colonialism, Mr. Nehru said that all seemed to be agreed that colonialism should disappear. This, he believed, included the UK because of the progress made towards independence in dependent territories. He then advanced the view that communism in Asia had only been successful when it had become nationalistic such as in China. In countries where it had been imposed it had not succeeded.

5. If this interpretation was correct he thought that what was now needed was economic assistance to underdeveloped countries but not tied with military assistance. This would gradually put an end to the cold war, which he thought was senseless unless it be followed by a shooting war which nobody wanted anyway. The programme for the future, therefore, should be (a) a serious attempt at disarmament, accompanied by (b) a non-military approach to international affairs leading to the relaxation of tension.

Mr. Menzies

6. Mr. Menzies took exception with some of the points raised by Mr. Nehru. He agreed that it looked as if the Soviet Union were not intent on a general war, but believed that they saw no objection to localized wars such as in Hungary and the Mideast. Their record since 1945 had been such that they had forced the free world into setting up very extensive and expensive military establishments for the defence of countries bordering the Soviet Union.

7. Mr. Menzies then made some rather vague variations on the theme of neutralism, which he attempted to define as either a refusal to accept military commitments or an indifference about moral, social and military issues. He thought that all countries had a right not to enter into military alliances but they also had an obligation to take sides when freedom itself was in jeopardy.

Mr. Suhrawardy

8. Mr. Suhrawardy agreed with Mr. Nehru on the general theme that the Russians did not wish to launch a global war; he thought, however, that they would take all means at their disposal, short of general war, to push their own national boundaries, and those of their satellites, as far as possible.

9. He thought that economic assistance coupled with military aid was quite acceptable. He saw advantages in the fact that military assistance was granted for defence purposes only, whereas non-committed countries could expand their armaments for aggressive purposes if they so felt.

10. The Prime Minister of Pakistan said that his country had no use for neutralism. They were fully committed to the West and he thought it was in their self interest so to be.

Mr. Diefenbaker

11. Mr. Diefenbaker said he was in general agreement with the views expressed by the UK during the morning session. In his view, the Commonwealth represented a large portion of mankind and should attempt to give some leadership in this period of crisis in world history. He was not thinking so much of agreed sets of principles as some declaration on dedication to freedom. A serious endeavour should be made for all parts of the Commonwealth to cooperate not so much in an attempt to creating a unified policy but rather to make of the Commonwealth an instrument of dynamic freedom.

12. On the West's relations with the Soviets, he said he would like to believe that the USSR had had a change of heart, but there was little evidence to come to this conclusion since the days of the San Francisco Conference. They had not made any change in destina-

tion but may have made a detour at the moment to serve their own purposes. This detour was probably due to the fear of expansion of the atomic capabilities of powers other than the USA and the UK. The Soviet position therefore might be somewhat changed in the field of disarmament and it was hoped that some progress might be made. Generally, however, realism seemed to demand that we continue our efforts with forbearance and not let down our defences.

13. Mr. Diefenbaker concluded by saying that if the Soviet Union were in a more cooperative frame of mind it would be easy for them to demonstrate such cooperation by agreeing to certain amendments to the Charter of the UN.

Mr. Louw

14. Mr. Louw's main theme was that he had serious doubts that there had ever been any change of heart in Moscow. He agreed that there was a change in tactics which meant that we should be more than ever on our guard.

15. In his view the Soviets had their eyes turned towards Africa because (a) the continent was underdeveloped and therefore more susceptible to propaganda; (b) the immense natural resources of the continent were still untapped; and (c) the continent was in a strategic position between East and West.

Mr. Nkrumah

16. The Prime Minister of Ghana raised the intriguing question as to what the Conference would do if Poland applied for membership in the Commonwealth. In his view communism had a right to live if it were not imposed by force. The only abominable crime was the use of force. If the spread of communism was to be avoided in Africa the sources of grievance must be removed; otherwise it could become a fertile ground for communism.

[JULES] LÉGER

329.

DEA/50085-G-40

*Le haut-commissaire au Royaume-Uni
au secrétaire d'État aux Affaires extérieures*

*High Commissioner in United Kingdom
to Secretary of State for External Affairs*

TELEGRAM 1597

London, June 28, 1957

SECRET. OPIMMEDIATE.

Reference: Tel 1584 Jun 27.

PRIME MINISTERS' CONFERENCE — THIRD AND FOURTH MEETINGS

The discussions on the relationship of the Western World with the Soviet Union were resumed on Thursday by the Honorable M.W.H. de Silva of Ceylon who was followed by Honorable T.L. Macdonald of New Zealand and Sir Roy Welensky of Rhodesia and Nyasaland.

Ceylon

2. Mr. de Silva said that in his view there was a desire for peace in the USSR and that it was the duty of the West to promote this with the hope that there would in due course be a real change of heart among Soviet leaders and people. The best way of doing this at this

stage in our relationship with Moscow was to strengthen our trade and develop our cultural relations with them. In his view suspicion merely breeds suspicion.

3. So far as Ceylon was concerned it was the policy of his government to have friendly relations with all countries and to receive assistance not only from the West but also from the Soviet Union. He agreed that an act of faith might be required to reduce tension and that failing this the prospects were indeed very dark. Communism could not be stopped by force; it could only be stopped by a superior ideal. Such an ideal could be found in democracy. One had to bear in mind that where people were poor and miserable they could be attracted by communism instead of democracy. It was therefore the duty of the West to be as helpful as possible.

New Zealand

4. Generally, Mr. Macdonald supported the attitude adopted by the Prime Minister of Australia. He said that in view of its geographical isolation, NZ could easily adopt an isolationist policy. They knew, however, that this would not be in their interest and were therefore cooperating fully and completely with the West.

5. Mr. Macdonald said that we should welcome any liberalization in the USSR but the events in Hungary had indicated that there was no real change of heart in Moscow. The West must therefore continue to work for peace behind the shield it has been forced to build.

Rhodesia and Nyasaland

6. In his short intervention Sir Roy Welensky referred to the fact that expansion of communism in the Mideast would have a profound influence in Africa. The main problem there was that of poverty and if this problem were not solved the West would be in an extremely weak position.

Conclusions

7. In summing up, Mr. Macmillan said that after the death of Stalin there was a change in methods in Moscow but events in Hungary have demonstrated that they can swing back again whenever any of their vital interests are involved. There may, however, in due course be a change in opinions. More and more people in the Soviet Union were asking themselves fundamental questions about their own relationship to the State, to one another, and to God.

8. Mr. Macmillan thought that in the present atmosphere we should continue to maintain some contact with them and try to make inroads in their monolithic system. Meantime we must maintain our way of life, respect for the individual and for law. He summed it up as a policy of watchfulness, hope and faith.

[JULES] LÉGER

330.

DEA/50085-G-40

*Le haut-commissaire au Royaume-Uni
au secrétaire d'État aux Affaires extérieures*

*High Commissioner in United Kingdom
to Secretary of State for External Affairs*

TELEGRAM 1636

London, July 2, 1957

SECRET. OPIMMEDIATE.

Repeat NATO Paris, Paris, Washington, Permis New York, Bonn, Brussels, Hague, Geneva, Rome (Information).

By Bag Pretoria, Canberra, Wellington, Delhi, Karachi, Colombo from London.

PRIME MINISTERS' CONFERENCE — THIRD AND FOURTH MEETINGS,
JUNE 27, 1957: PROBLEMS OF THE MIDEAST

1. Mr. Macmillan suggested this general area be approached under four heads — the state of the Arab world; the problem of Arab-Israel relations; the Suez Canal régime and the problem of economic development. He hoped there would be an exchange of opinions and then called on Mr. Suhrawardy to open the first subject.

2. Mr. Suhrawardy commenced by describing Arab nationalism as a product of sentiment brought about by antagonism toward Israel. Consequently those who favoured and used it did not want to see any settlement of the Arab-Israel problems, including the refugee question. Egypt in particular had hoped it could do better for itself if it spoke for the Arab world as a whole. It resented the Baghdad Pact and did not need it because Egypt was in no danger of attack. It felt it could afford to attack it and to exploit the situation to gain its own ends. Consequently it turned to subversion in collaboration with Russia and created sentiments against the Pact as well as against Israel and the West. As a result there was suspicion and tension throughout the area.

3. He went on to say that the situation had now changed due to Egypt overreaching itself. There had been the new realignment of Saudi-Arabia and Jordan with Iraq. Russia was taking advantage of every opportunity to intervene in and encroach upon Mideast nations. It was moonshine to talk of Russia wanting peaceful co-existence. On the other hand the USA had acted helpfully and positively in the situation, giving a definite guarantee against encroachment from without, although it had been able to provide no protection against subversion from within.

4. He felt that with USA help the Mideast could now look forward to a period of peace and stability. There was still danger of subversion but Lebanon was a good example showing how this could be resisted in the case of Egyptian intrigues. The ability of countries like Lebanon to resist internal subversion will be a key point in determining whether or not the Communists can encroach further upon the area. Given the developments that have now taken place, he hoped that the Arab nations could get together to solve the Israel issues.

5. He went on to emphasize the defensive nature of the Baghdad Pact, noting that the Mideast countries in it could have no hope of benefitting from aggression. He felt that the changes of global war were lessening and the UN had more influence and authority. The Arab nations should get together on more subjects now, including such things as communications, and should get rid of the causes of trouble by settling the Suez situation and the

Arab-Israel questions. In particular, there must be some solution found to the refugee problem despite the fact that many of the refugees themselves did not want a solution.

6. A brief discussion about the refugees then ensued, Mr. Macdonald of NZ mentioning a recent discussion with Labouisse of UNWRA as indicating more hope of settlement if funds could be found to continue their work. Mr. Suhrawardy agreed that some possibility of relatively quiet progress on this refugee issue now existed.

7. In answer to questions from Mr. Menzies and Mr. Louw, Mr. Suhrawardy went on to say that if the Palestine refugee issue were settled the appeal of communism would not be great even among the younger generation in the Arab countries. If this focus of discontent were removed, the Moslem world, for good or ill, were inclined toward being a cross-section of the world as a whole and its loyalties would be based on the interest of the various countries, rather than on religious or other groupings. He spoke of the extravagant Egyptian propaganda by radio in particular as influencing the youth but noted that Russia was spreading its own influence with a quiet but clever unobtrusiveness as exemplified notably in Afghanistan.

8. Mr. Suhrawardy paid great tribute to the help the USA had given the countries in the Mideast, both economically and in its guarantee under the Eisenhower doctrine. He concluded by saying there was a need to bring together the countries of the Mideast in an economic endeavour.

9. At this point Mr. Macmillan then called on Mr. Lloyd to open the discussion on the Arab-Israel dispute. The latter first emphasized the central role of the Russians in the area, particularly in supplying arms on a massive scale to Egypt in 1955.⁵ He noted that the West by contrast had been supplying arms to Egypt and other Arab countries on a reasonable scale and to Israel only to a small extent. He referred to a recent delivery of submarines to Egypt as a wanton act of irresponsibility that could cause greatly increased tensions now in the Mideast.

10. Mr. Lloyd noted that there would be strongly differing views around the table about the events of last October. The UK feels the situation now is much improved from what it was a year ago. Then Nasser was in full cry against the UK and was backed by many others. Iraq was isolated and Israel in a high state of excitement. Some sort of war was bound to have occurred. Now the situation is much better and there is no feeling of imminent catastrophe. The more relaxed situation cannot continue unless something further is done. He turned then to ask what things could be done. He referred first to the UNEF and said he hoped it would be kept in existence.

11. At this point Mr. Diefenbaker intervened and it is probably worth quoting the following from the minutes *in extenso*: "Mr. Diefenbaker asked how long the UN Emergency Force would need to be kept in being, and whether the presence of the Force in the Gaza strip had contributed to reducing armed incursions into Israel. Mr. Selwyn Lloyd replied that it was impossible to foresee how long the Force would continue to be needed; but he hoped that it would be retained until some *modus vivendi* had been formally established. Armed incursions into Israel were now relatively rare. The arbitrary character of the frontier made some infiltration inevitable; but organized raids were probably on a lower scale than ever before. It would be preferable, if possible, that an international force should be established along the whole frontier of Israel, except perhaps in respect of the Lebanon. In practice, small forces would probably suffice on the Syrian frontier, and it would be a physical impossibility to police the whole of the frontier with Jordan. But there would be

⁵ Voir/See Volume 21, Document 551.

considerably advantage in posting international forces in key areas such as Jerusalem. How far it might be desirable or practicable to increase the size of the UN Emergency Force must be left to the judgment of General Burns. The policy of Israel in refusing to permit UN forces to enter upon her territory was very short-sighted." (It might be noted that Lloyd explained the Israeli policy as being based upon the necessity to ensure her ability in reprisal which she regards as her main defence against the Arabs.)

12. Mr. Lloyd went on to say that there were two main elements in the continued tension: first the ban on Israeli shipping in Suez and Aqaba and secondly the refugee question. He felt that the wisest course in regard to Suez and Aqaba was to take the political heat out of the questions by having the Suez issue approached as a problem of interpretation of the Constantinople conventions and by having the Aqaba issue steered toward the International Court. There was some discussion about the territorial waters questions in relation to the Gulf of Aqaba which can be seen in the minutes in due course. It ended in a strong protest by Menzies against Egypt getting the better of the bedlam on all counts.

13. In regard to the Arab refugees, Mr. Lloyd felt it would be repugnant to do nothing about this despatching task and very difficult to get agreement between Arabs and Israel. It seemed necessary to impose to some degree some sort of agreement on them which they might be prepared to accept. A return to their own properties in Israel would not be a solution in any case, since some 5 percent of the refugees owned 95 percent of the property. It would help if Israel would accept in principle a return of some of the refugees, but unfortunately Israel was willing to take only a very small number indeed. The best hope seemed to be in resettlement in Arab countries once Israel had made some gesture. Only then was there any real opportunity to make any settlement of the Arab-Israel frontiers.

14. Mr. Nehru entered late into the discussion and embarked on the fundamentals of the Middle East situation. He started by tracing the general history of the area from the break-up of the Ottoman empire and concluded that the dominant feeling in the area now was the desire for political independence and nationalism and fear of losing that independence through outside intervention. He stressed that these were backward countries, economically, politically and socially, and they suffered from a shortage of leaders. There was a strong desire now for economic and social progress which in countries such as these depends upon agrarian reform. The land system is essentially feudal. Nehru spoke feelingly of the exceedingly great poverty in many of the rural areas. There were still landlords holding huge tracts of land and there was hardly a place left in the world where society was more distant from communism in its nature. He felt that communism was apt to come into these countries with liberal ideas of land reforms and parties formed to pursue this purpose. He clearly saw danger in seeking solutions to Mideast problems without recognizing this need for land reform.

15. Nehru went on to sketch the central political problem confronting Asiatic countries as being the necessity of dealing at the same time with the consequences of nationalist political revolutions and the insistent demands for economic reform. In Europe the economic change had come first. Turning back to the Mideast, he said that an Agrarian revolution is always simmering there and there was a great breach between the people and the rulers who were not meeting these demands. When other countries have dealt with these Mideast countries, they have dealt of course with their governments and the aid they have given has not trickled down very much to the people. Nehru said that he had put this point to "Ike" who had acknowledged it and said "but what am I to do." Any lasting solution of Mideast problems would not depend upon getting kings and presidents together but dealing with this explosive economic situation.

16. Turning specifically to Egypt, Nehru emphasized that it had undergone great changes since the rotten régime of Farouk had been pushed out by a military group of no great experience, but which for the first time had provided Egypt with honest government by men of integrity. These Egyptians had great ambitions, but they had provided their own country with a suitable and non corrupt administration and had given it a feeling that it had gone through a revolution and tackled the problem of agrarian reform which none of the other countries in the Mideast had done. Consequently there is a feeling in the area that Egypt is more advanced socially as well as culturally than other Mideastern countries and this gives it some status.

17. In regard to the immediate problems, Nehru felt that passions were still so high regarding Israel that it was hard to see settlements being arrived at immediately. He felt that the Gulf of Aqaba does not offer any major difficulty despite the attitude of Ibn Saud. Israeli use of the Suez Canal is a more difficult problem but he felt, like Mr. Menzies, that an answer might be sought through an interpretation of the Constantinople Conventions. The problem with Egypt was one of prestige and if an independent authority could determine a solution as a matter of law, it would be easier for them to accept it.

18. It was true that the attitudes of the Arab states differed substantially in regard to various problems relating to Israel but none of them will take the lead in moving toward a settlement even in such a matter as the refugees. Passions in Israel were also strong. He thought steps should be taken to develop solutions to these Arab-Israeli problems but the approach must be most tactful and aimed at bringing the parties together somehow.

19. In regard to the Baghdad Pact, Nehru said he was unable to agree with Mr. Suhrawardy's interpretation of it. No doubt it was created for defence reasons but what counts is the reaction of it on others, and others have thought it was a new weapon that could be used for aggression. He noted that the Soviet sale of arms to Egypt had followed it.

20. More generally he noted that Russia and the UK had competed for a long period in the Mideast, long before there was communism and that a great power such as Russia would be bound to take a detailed interest in its border states in such an area. Russia may well misbehave in the Mideast and even intervene but it has to be brought into any settlement if stability is to be achieved.

21. Mr. Macmillan opened the afternoon session by calling on Mr. Menzies to speak about the economic situation in the Mideast. Mr. Menzies said that he had been impressed by Nehru's analysis but felt that it was necessary to settle the Arab-Israeli issues before one could tackle the more fundamental problems. It was urgently necessary to have the boundaries of Israel determined with the authority of the UN and guaranteed both ways. Then the refugee problem should be ended by re-settlement.

22. Mr. Lloyd asked how these things were to be done, noting that almost every form of effort had been used to bring about the settlement of this Arab-Israeli dispute. Mr. Menzies suggested the Security Council might be used.

23. Mr. Diefenbaker entered the discussion at this point and the following is the text of the minutes on what he said:

"Mr. Diefenbaker suggested that, alternatively, the General Assembly should empower the Secretary General to seek to negotiate a settlement between the parties to the dispute. In general, he agreed that, although the only long-term solution of the problems of the Mideast lay in an improvement of the social and economic conditions of the peoples concerned, the immediate problem was the reduction of tension between Israel and the Arab states. Recent events had made public opinion in Canada more conscious of the impor-

tance of the Mideast, and Canada, who was already contributing to the UN Emergency Force, would continue to cooperate in attempts to solve the problems of the area. The UN force had been condemned in some quarters as ineffectual. He did not share this view, and Canada would contribute to the force as long as was desirable. During recent weeks there had been a resumption of border incidents, and there was some feeling that the Egyptian authorities were no longer in full control of the situation."

24. Further discussion then ensued about the settlement of the Arab-Israeli issues, Menzies arguing that it was urgent that the UN should tackle them afresh, Suhrawardy agreeing that settlement could only be based on Arab acceptance of the existence of Israel and Macdonald of NZ emphasizing that any settlement of the refugee problem would be very costly and encounter strong local opposition.

25. Attention then turned to the Suez Canal and Mr. Macdonald of NZ recounted some of the efforts that had been made in the past year to establish a stable régime for the Canal under some kind of international arrangements acceptable to the main users. He said the present situation was unsatisfactory and a binding international agreement was required. He discussed various means by which this might be sought and then suggested it might be best to wait a little longer before taking any fresh initiative.

26. Mr. Lloyd spoke of Egypt's declaration in regard to the Canal and said it comprised a good deal of substance of the six principles of the Security Council. However it was not sufficiently precise in regard to arbitration, development of cooperation with users and its great defect was its unilateral status. However, he noted there was a considerable community of interest between Egypt and the users and it was clearly to Egypt's advantage to gain their confidence if she was to be able to finance future development of the Canal. Given time and good will, a permanent agreement should not be impossible.

27. Mr. Menzies then spoke at some length and seemed to reflect the frustration of his own mission of 1956. He felt a great objection to the declaration or the absence of any effective insulation from the politics of any one nation.

28. Mr. Menzies expressed the thought that the Anglo-French intervention of last October had produced some useful results in focussing the attention of the world, and particularly of the USA, on the problems of the Mideast. Nasser, however, had been left with control of the Canal. Menzies felt that it was necessary to press on to secure non-political control of that waterway. He felt that it would be possible to exert economic pressure short of sanctions and to mobilize world opinion on the matter. Mr. Suhrawardy expressed some skepticism.

29. Nehru emphasized the registration of the Egyptian declaration with the UN as giving it a higher status than a mere unilateral statement and said the real point at issue was the confidence that countries were ready to place in the Egyptian government.

30. Mr. Macmillan summed up his impressions of the discussion on Mideast affairs and expressed the view that the strength of the Commonwealth association was shown in the way in which the various members had been able to take part in a reasoned and objective discussions of the important issues at stake in the Mideast on which such divergent views had been taken in the past year. He welcomed the direct interest now being taken by the USA in the Mideast. He felt that Arab feelings and attitudes were such that it would be necessary to make a slow and cautious approach to the solution of the tensions between them. He hoped that the regrouping of forces in the Mideast area would enable increasing attention to be devoted to the solution of the great social problems which Mr. Nehru had described.

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DEA/50085-G-40

*Le haut-commissaire au Royaume-Uni
au secrétaire d'État aux Affaires extérieures*

*High Commissioner in United Kingdom
to Secretary of State for External Affairs*

TELEGRAM 1633

London, [July] 2, 1957

SECRET. PRIORITY.

Repeat NATO Paris, Paris, Washington, Permex New York, Bonn, Brussels, Hague, Geneva, Rome (Information).

By Bag Pretoria, Canberra, Wellington, Delhi, Karachi, Colombo from London.

PRIME MINISTERS' CONFERENCE — FOURTH MEETING, THURSDAY AFTERNOON JUNE 27

On Thursday afternoon, June 27, discussion was resumed on the Mideast. Discussion was opened by Mr. Menzies, and there were also interventions by Messrs. Selwyn Lloyd, Diefenbaker, Macdonald, Nehru, Suhrawardy and Macmillan.

2. Mr. Menzies said that he had been impressed by Mr. Nehru's emphasis on the importance of economic factors, and agreed that in the long term these were fundamental. But the political question of Arab-Israeli tension was also vital, particularly in the short run. Indeed, until this tension is relieved, the minds of men are unduly disturbed by it, and therefore precluded from adequately tackling the region's economic problems. Mr. Menzies suggested that if it were true that any Arab leader seriously entertained the idea of turning the Jews out, all Commonwealth members should try to remove such a notion. On the other hand, it was also necessary to remove the Arabs' genuine fears that Israel will go on expanding its boundaries as it increases its population through immigration. Mr. Menzies considered that efforts should be made to settle the boundaries with minor adjustments where necessary, and to guarantee them both ways. He suggested that the Prime Ministers' meeting should indicate publicly its views on this question, and also on the region's economic problems. Later he reverted to this suggestion that the meeting should call public attention to both problems, arguing that world opinion was in danger of thinking that the cessation of hostilities in the Mideast meant that the real problems of the area were settled, which is far from the case.

3. Mr. Selwyn Lloyd wondered just how one should go about trying to settle or guarantee the boundary question. He cited a number of attempts, by the UK unilaterally, by the UK and the USA, by the UN, and otherwise. All such attempts, he said, had failed. He wondered whether it was now time that another attempt be made through the UN, and if so whether by action in the Assembly or the Security Council.

4. Mr. Diefenbaker said that one possibility might be for the Assembly to adopt a resolution authorizing the Secretary-General to consult with governments concerned with a view to working out an agreement. Mr. Diefenbaker agreed that attention must be paid, both to the long term problems emphasized by Mr. Nehru and the short-term political problems. Mr. Diefenbaker then spoke of UNEF, and said that Canada hoped that reports that Scandinavian countries might withdraw their forces this autumn were unfounded. He told the Prime Ministers that Canada intends to continue its participation and contributions so long as the force is reasonably needed. He considered that the force should be maintained at least for a further period of six to nine months, and that the whole question could then be re-examined.

5. Mr. Suhrawardy said that any settlement of the Arab-Israeli dispute could only be based on Arab recognition and acceptance of the existence of Israel.

6. Mr. Macdonald of NZ then opened discussion about the Suez Canal. He felt the present situation was not satisfactory, as some system of international control acceptable to the main users was needed. The London Conference last summer had proposed such a system. Subsequent discussions in the Security Council had produced a looser alternative. The present *de facto* situation was even less binding. Mr. Macdonald recognized that prospects for a binding agreement were not promising, but he mentioned several alternative ways in which the problem might be approached, including direct negotiations with Egypt by the user governments, or through the Canal Users' Association, or under UN aegis, or alternatively leaving negotiations to the shipping interests. Or perhaps the wisest course would be to wait a little longer for passions to subside. Mr. Macdonald said he had discussed the question with Mr. Hammarskjöld recently in New York, and the latter thought the situation was more stable than at any time in the past two years. The Egyptians were ignoring Israeli use of the Straits of Tiran, and the Israelis were showing similar restraint in not seeking to send their ships through the Canal. It seemed unlikely, in these circumstances, that Egypt would obstruct the transit of cargoes for Israel in non-Israeli ships.

7. Mr. Selwyn Lloyd made a statement which gave the impression that he thought the present situation was not too bad. The substance of the Egyptian declaration was relatively satisfactory and an improvement on anything which Fawzi had offered to Lloyd in the autumn of 1956. Mr. Lloyd thought that the unsatisfactory status did not arise because Egypt really wanted to avoid an agreement, or intended something which could be unilaterally withdrawn, but merely because she wanted to avoid any instrument to which Israel could adhere. Mr. Lloyd seemed relatively optimistic that a settlement could be brought about in due course, in view of the strong bond of common interest between the users and Egypt, and because without such a settlement Egypt was unlikely to get the capital she needed to finance Canal development.

8. Mr. Menzies objected that Mr. Lloyd's analysis ignored the most important part of the six principles, which was the insulation of the Canal from the politics of one nation. He said that Nasser had made no secret to him during his mission to Cairo last summer that his object was to subject the Canal to his political control. Mr. Menzies said that his own mission to Cairo had failed and the Suez Canal Users' Association had been ineffective. The Anglo-French intervention had been severely criticized by some countries, but Mr. Menzies emphasized that it had not been criticized by Australia. He thought it had produced some useful results, particularly by focussing world attention on the region and leading to vigorous USA participation. Nevertheless, the problem of insulating the Canal from politics was as unsettled as it had been twelve months ago. This must be a matter of concern to many countries whose trade passed through the Canal, quite apart from the great ship-owning nations. The problem remained as serious as ever.

9. Mr. Suhrawardy asked what Mr. Menzies proposed. Mr. Menzies replied that people claimed that the UN was useful because it could mobilize the moral force of the world. "I say let it do so," he commented. Mr. Suhrawardy said that the result might simply be to drive Egypt further into Russia's arms.

10. Mr. Menzies' emphasis on how unsatisfactory the Canal situation was seemed to embarrass the UK representatives slightly. But Mr. Nehru stepped in and asked whether Mr. Lloyd did not feel that apart from its unilateral status the content of the Egyptian declaration, as it is working out in practice, is satisfactory. Mr. Lloyd said that he would like to see more precision in the declaration, regarding arbitration and provision for coop-

eration with the users. There should also be some real guarantee of the development fund, which at present did not exist. Mr. Nehru replied that the essential problem seemed to be one of confidence that Egypt would in fact act up to her declaration. On this matter, Mr. Nehru said that the Egyptian document was an international declaration, and should not be considered merely unilateral. Egypt could, of course, repudiate it, but if she did so this would be much more serious than merely revising a statement of her own, and a number of consequences would follow from such a reputation. Mr. Nehru implied, therefore, that the situation was not, in fact, bad.

11. Mr. Macmillan, summing up as Chairman, said that the past year, since the Prime Ministers had last met, had been one of very considerable strain on all of them. He therefore found it rather heartening that such a fair and objective discussion could take place between individual members, despite the divergences of views which they had taken up during the past year. Mr. Macmillan said that there were not many organizations in the world in which such a discussion could take place.

12. Mr. Macmillan said he had been greatly interested in Mr. Suhrawardy's description of recent political changes in the Mideast and the new groupings of the Arab States. On the question of making further progress toward a political settlement, Mr. Macmillan emphasized the difficulty that though no serious Arab statesmen really believe that two million Israelis can be thrown into the sea, nevertheless none of them dare admit that they accept the existence of Israel. They all accept Israel *de facto*, but none dare do so *de jure*. The changes in the alignment of the Arab states might make progress on this particularly difficult, since moderates lay themselves open to the danger of being accused by extremists of betraying their brothers. There was a danger that initiatives to seek a formal settlement, whether through the Security Council or otherwise, would make the situation worse by weakening the moderates and strengthening the extremists. He therefore thought that a slow and cautious process of reconciliation would be necessary, and that a long period of armistice must be accepted as virtually inevitable.

13. Mr. Macmillan appreciated the force of Mr. Nehru's emphasis on long-term economic factors. One of the world's problems, Mr. Macmillan suggested, is that everyone nowadays everywhere wishes to push forward rapidly with economic development, at a rate which would require capital much in excess of the rate at which mankind is willing to accumulate it by savings. But in the Mideast, because of oil, great sums are available for development. In Iraq the revenue is actually being used for social and economic advances. But in most parts of the region, how to bring about such a constructive use of the revenue is, as yet, unsolved.

14. Mr. Macmillan, commenting on Soviet aims, said that the Russians were not trying to spread communism as such, but to spread their imperialist control. Communism is merely one of the instruments which the Russians use for that purpose.

15. The practical conclusions that Mr. Macmillan drew were threefold: firstly, regarding the Canal, efforts should be continued to improve the situation, and Mr. Macmillan was not unhopeful on this score; secondly, regarding the political question of Arab-Israeli tension, the efforts to reduce it must be patient and prudent, and the Prime Ministers should be content to make progress gradually; thirdly, there was a long-term problem of the economic and social development of the region. He hoped that the discussion of all these problems would prove valuable in helping members to formulate their policies on all these lines.

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DEA/50085-G-40

*Le haut-commissaire au Royaume-Uni
au secrétaire d'État aux Affaires extérieures*

*High Commissioner in United Kingdom
to Secretary of State for External Affairs*

TELEGRAM 1618

London, June 30, 1957

SECRET. OPIMMEDIATE.

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Repeat Paris, Washington, New York, Bonn, Brussels, Hague, Geneva, Rome (Information).

By Bag Pretoria, Canberra, Wellington, Delhi, Karachi, Colombo from London.

PRIME MINISTERS' CONFERENCE: FIFTH MEETING

Discussions on the Far East and South East Asia were held at the morning meeting on June 28.

*China: Admission to the UN**Mr. Nehru*

2. Mr. Nehru opened the discussion by reminding his colleagues that the dominant factor in the Far East was the existence of the People's Government of China, and that to attempt to ignore this was to render impossible a solution of the many problems of the area. He thought that if recognition were not accorded to this government, the result would be less harmful to China than to the UN and the rest of the world. He gave as an example the case of disarmament where no effective agreement can be reached without taking China into account, although China cannot be taken into account since she is not a member of the UN.

3. He welcomed the recent action of the UK in relaxing controls on trade with China.

4. Later during the discussions, Mr. Nehru said that although China's admission would probably be interpreted as a certain set-back to the anti-Communist interests in the area, the reaction of the countries of South East Asia to China was determined basically by their recognition of the fact of her size and power.

Selwyn Lloyd

5. Mr. Lloyd agreed at the outset that the question of Chinese representation was extremely difficult. Logically the Peking Government should represent China. On the other hand, the USA had made it clear that she would almost certainly withdraw from the UN if China were admitted. There was also the complicating factor of Formosa.

6. Mr. Lloyd agreed with Mr. Nehru that the Peking Government would in due course have to be admitted to the UN but he did not think the time had come to force the issue with Washington.

Mr. Menzies

7. Mr. Menzies took the line that SEATO was the foundation of the whole of South East Asia. In his opinion if China were admitted to the UN, this could only be regarded as a victory for Communism and SEATO would suffer a serious set-back.

Mr. de Silva

8. Speaking on behalf of Ceylon, Mr. de Silva said that it was generally agreed throughout Asia that the exclusion of the Peking Government from the UN was an act of injustice.

Mr. Suhrawardy

9. The Prime Minister of Pakistan made an extremely interesting contribution to this discussion following his own personal contact with Chinese Communist leaders. His main impression was that China was very rapidly emerging as a very great nation and that the free world would be confronted in the Far East with problems fairly similar to those they had to face in Europe. During his visit he had found that the Chinese leaders were obsessed by the problems of Formosa and their relationship with the USA. He thought, however, that notwithstanding the effect on China's neighbours her admission to the UN might very well be disastrous since the whole of South East Asia may probably be lost to the free world. In his view it might already be too late to stop the process in any event.

10. Mr. Suhrawardy agreed with Mr. Menzies that SEATO was the only possible obstacle to the expansion of Chinese Communism throughout South East Asia.

Korea

11. Mr. Nehru showed considerable anxiety when referring to the recent statements to the effect that forces in South Korea would be re-equipped with modern arms. He was concerned lest such armaments would be given to South Korean troops.

12. Mr. Selwyn Lloyd made it quite clear that according to his information the North Korean forces had been steadily re-armed with up-to-date weapons and that the corresponding action taken in South Korea was justified. He also pointed out that according to his information there was no question of the USA providing atomic material and warheads to the South Korean army.

Indochina

13. In view of our special interest in this matter, the full report of the discussion on Indochina as given in the minutes is being sent in my immediately following telegram.

General

14. In conclusion Mr. Nehru said that all problems of that region had to be related to the more important problem as to whether or not there was to be peace or war in South East Asia. The answer could only be given by China who was becoming a great industrial power with a rapidly increasing population. The present government was strong enough to remain firmly in power and other countries must therefore adopt either a policy of containment leading to destruction, or endeavour to develop closer relations thereby encouraging the Chinese to pursue a more progressive policy. He could not agree that SEATO represented a bulwark of defence for the democratic countries in the region; in his view the fact was the opposite.

Mr. Macmillan

15. In summing up the debate Mr. Macmillan said that in the light of the discussions in the last two days, the meeting would recognize that the emergence of the Soviet Union and Communist China not only as the exponents of communism but also as great national and expansionist states faced the free world with grave problems. He believed that the democracies had no wish to destroy the Soviet Union or China, nor any wish to be destroyed by

them. In his view NATO, SEATO and the Baghdad Pact were necessary mechanisms of defence.

[JULES] LÉGER

333.

DEA/50085-G-40

*Le haut-commissaire au Royaume-Uni
au secrétaire d'État aux Affaires extérieures*

*High Commissioner in United Kingdom
to Secretary of State for External Affairs*

TELEGRAM 1619

London, June 30, 1957

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Repeat Paris, Washington, New York, Bonn, Brussels, Hague, Geneva, Rome (Information).

By Bag Pretoria, Canberra, Wellington, Delhi, Karachi, Colombo from London.

PRIME MINISTERS' CONFERENCE: FIFTH MEETING

Following is the full report of the discussion on Indochina as given in the minutes of the Fifth Meeting. Text begins:

Indochina

Mr. Nehru recalled that the Geneva Armistice Agreement had constituted three commissions to supervise its implementation in the countries concerned.⁶ The task had proved least difficult in Cambodia. In Laos, however, after the Commission had succeeded in securing an agreement between the Prime Minister of the Laotian Government and the Leader of the Pathet Lao providing that two members of the Pathet Lao should be made members of the Cabinet and that the Northern provinces should be reintegrated in the Laotian State, the USA had exerted economic pressure on the Laotian Government to abstain from ratifying this agreement. In December 1956, he had personally emphasized, both in Washington and in Ottawa, the danger of this course and the risk that Laos would be forced to look to China for assistance.⁷ Both the USA and Canada appeared to have accepted this advice. Last April, however, the UK had sent a note to the Laotian Government condemning the Pathet Lao, and had published this note at the very moment when agreement between the Government and the Pathet Lao seemed to have been reached. As a result, the Laotian Prime Minister, who had negotiated the agreement, had been compelled to resign, and the efforts of two years were in danger of being frustrated within sight of their goal.

In Vietnam, the Government of South Vietnam had refused to implement the Geneva Agreement or to hold the discussions with North Vietnam which the Agreement had prescribed for June 1956. How could the Supervisory Commission function if one of the parties involved did not even recognize the Geneva Convention which was the basis of the Commission's existence? The Government of North Vietnam had now asked the two co-chairman of the Geneva Conference, the foreign ministers of the UK and the Soviet Union,

⁶ Voir/See Volume 20, Document 728.

⁷ Voir/See Volume 22, Document 692.

to persuade South Vietnam to begin the discussions envisaged by the Agreement. The UK could claim a larger share of credit for the Geneva Agreement than any other country: and it should now act promptly to save the Agreement from collapse and to forestall a fresh outbreak of hostilities in which South Vietnam would almost certainly be defeated.

In such circumstances, it would not be unreasonable to regard the task of the commissions as hopeless. Nevertheless he did not believe that they should be withdrawn from Indochina any more than from Korea. They exercised a restraining influence which it would be dangerous to dispense with.

Mr. Selwyn Lloyd said that, as regards Laos, the purpose of the Geneva Agreement had been to unite the whole country under the Laotian Government. But the Pathet Lao was sympathetic to communism; and when the Laotian Government had asked for our opinion on the projected agreement with the Pathet Lao, we had been obliged to advise them against accepting the latter's terms, which would have involved the admission of Pathet Lao ministers to the Cabinet and the conclusion of certain undesirable arrangements with China. Laos was a politically inexperienced country, and the risks of infiltration and subversion to which she was exposed fully justified the advice which we had given in an endeavour to save the government from falling under the domination of people whom they were created to control. The situation resembled that in Germany, where the Federal Government rightly refused to contemplate a re-unification of Germany on terms which would entail the inclusion in the government of ministers with Communist sympathies.

In Vietnam, both India and Canada had made a valuable contribution to the preservation of peace by the work of their representatives on the three Commissions. It was true that the Geneva Agreement had envisaged the Governments of North and South Vietnam as meeting in 1956 to consider arrangements for the holding of free elections. Although South Vietnam had refused to attend any such discussion, on the ground that it would in fact prove impossible to hold free elections in the northern part of the country, the UK had continued to press them to recognize that the principle of free elections should in due course be put into operation as a prelude to the ultimate reunification of Vietnam. Tension in the country as a whole appeared to be slowly decreasing and, provided that we did not try to proceed too hastily, there were grounds for cautious optimism about a steady improvement in relations in the longer term. South Vietnam, had in any case, now become an independent country, and it was questionable whether other countries would be justified in exerting pressure on her. Mr. de Silva said that, in Vietnam as in Korea, only time would solve the problem. Circumstances were not yet propitious for reunification, and it would be unwise to attempt to force this issue.

Mr. Menzies said that President Diem had been more successful in establishing a stable and progressive régime than had originally appeared probable. Here again was evidence of the psychological value of SEATO which had helped South Vietnam, as it could help other countries in Southeast Asia, to resist the encroachment of Communism.

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DF/8261-01/57

*Le haut-commissaire au Royaume-Uni
au secrétaire d'État aux Affaires extérieures*

*High Commissioner in United Kingdom
to Secretary of State for External Affairs*

TELEGRAM 1638

London, July 2, 1957

SECRET. OPIMMEDIATE.

Repeat NATO Paris, Paris, Washington, Permis New York, Bonn, Brussels, Hague, Geneva, Rome (Information).

By Bag Pretoria, Canberra, Wellington, Delhi, Karachi, Colombo from London.

PRIME MINISTERS MEETING: DISARMAMENT

1. At yesterday's meeting, disarmament was discussed. Mr. Selwyn Lloyd spoke first and gave a brief review of the position of the four Western delegations on the sub-committee. Mr. Lloyd mentioned the considerations which led the UK to decide to become a nuclear power. Nuclear weapons tend to equate smaller states with larger states. The USSR has a preponderance in men and conventional armaments which the West cannot match. It is the nuclear deterrent which preserves the peace. Mr. Lloyd then went on to say that the Western Powers could not accept an agreement for the suspension of tests even coupled with inspection as proposed by the USSR independently of a first stage disarmament agreement. The UK was, he said, prepared to take certain risks and agree to the suspension of tests if it was linked to other measures of a first stage disarmament agreement. He mentioned specifically adequate inspection, reduction of armed forces and conventional weapons, and a cut-off date for the manufacture of nuclear weapons.

2. Mr. Diefenbaker intervened briefly to say that he was in general agreement with Mr. Lloyd's exposition. Mr. Diefenbaker then referred to three matters in which Canada had shown a special interest, namely advance registration of tests, cessation of tests and aerial inspection. The text of Mr. Diefenbaker's remarks on these points has been given in my telegram 1627 July 2.

3. The Prime Minister or representative of each country then spoke. Apart from Mr. Nehru and, to a lesser extent, Mr. de Silva, there appeared to be general agreement with the point of view put forward by Mr. Lloyd and Mr. Diefenbaker. Mr. Nehru's main objection was, as noted below, the Western position on nuclear tests. Mr. Nehru obviously has very strong personal views on the use of nuclear weapons. However, he spoke moderately and though advocating the immediate suspension of tests he did not call for an elimination of nuclear weapons from stockpiles.

4. The following were the main points which emerged in the general discussion:

(a) *Cessation of Tests*. Mr. Nehru, while he agreed that it would be preferable for a cessation of tests to be part of a disarmament agreement argued that sometimes it is difficult to proceed along several fronts at once. He saw no reason why nuclear powers should not agree to an immediate suspension of tests while negotiations were still proceeding. Agreement on this one subject would facilitate agreement on other elements of a disarmament agreement. Mr. Nehru referred to the harmful effects of tests, and argued that well-developed countries like the USA would suffer less than poor countries such as India. Mr. de Silva also thought that tests should be suspended immediately but he acknowledged that

suspension of tests by itself was not enough and that there should also be cessation of production and reduction of stockpiles.

(b) *Linking of Nuclear Disarmament with Conventional Disarmament.* Several speakers, and in particular Mr. Menzies and Mr. Suhrawardy, argued that nuclear disarmament and conventional disarmament were one problem and not separable. The West should not agree to nuclear disarmament unless there was parallel conventional disarmament. If there was nuclear disarmament without conventional disarmament it would facilitate aggression by powers which had large armies and large conventional armaments.

(c) *Fourth Power.* There was general agreement about the importance on preventing, if possible, additional powers from becoming nuclear powers. Though immediate suspension of tests would achieve this purpose if accepted by all powers, it was pointed out by Mr. Lloyd that some other powers would probably not agree to forego tests and the manufacture of nuclear weapons, if the present nuclear powers, though prohibited from making tests, were free to go on indefinitely increasing their stockpiles. Other powers might, however, forego the manufacture and testing of nuclear weapons if there was an undertaking of the present nuclear powers not only to stop testing but also to stop the manufacture of nuclear weapons.

(d) *China.* There was a general agreement that it was unrealistic to envisage a disarmament agreement without China as a signatory. Mr. Menzies, Mr. Nehru and Mr. Suhrawardy were all agreed on this point; Mr. Lloyd said that his government had always anticipated that China would be a signatory. This, however, caused political difficulties for the US and Mr. Lloyd did not know how they would be resolved.

5. Mr. Macmillan summed up the discussion in an emotional but effective statement. He stressed the heavy responsibility resting upon his government in making decisions on nuclear questions. He did not expect his Commonwealth colleagues to share his responsibilities but he hoped for a measure of their sympathy. Mr. Macmillan recalled the horrors of World War I when conventional weapons alone were used. It was not enough to abolish nuclear weapons and make no provision to prevent wars with conventional weapons. The nuclear deterrent was, he said, the best guarantee of peace. No country would wish to start a war with the threat of a nuclear war hanging over it.

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DF/8261-01/57

*Le haut-commissaire au Royaume-Uni
au secrétaire d'État aux Affaires extérieures*

*High Commissioner in United Kingdom
to Secretary of State for External Affairs*

TELEGRAM 1627

London, July 2, 1957

SECRET. OPIMMEDIATE.

Reference: Our previous tels.

Repeat Paris, Washington, New York, Bonn, Brussels, Hague, Geneva, Rome (Information).

By Bag Pretoria, Canberra, Wellington, Delhi, Karachi, Colombo from London.

PRIME MINISTERS' CONFERENCE: SIXTH MEETING JULY 1
DISARMAMENT

Following is the text of Mr. Diefenbaker's remarks at the meeting under reference. Text Begins:

Mr. Diefenbaker said that Canada was substantially in agreement with the views outlined by Mr. Selwyn Lloyd. Canada had earlier been associated with Japan and Norway in sponsoring a resolution in the UN calling for the advance registration of nuclear tests.⁸ The Canadian Government had believed that while there appeared to be no possibility of reaching a wider agreement this proposal might at least be conducive to an atmosphere of co-operation. While the UK, France and the USA had indicated their acceptance in principle the USSR had refused to consider it. Canada had not, therefore, pursued it further. He believed that any agreement on the suspension of nuclear tests should be accompanied by some measure of conventional disarmament and by an effective system of inspection. If the USSR would accept the principle of comprehensive aerial inspection Canada would agree to similar inspection of her own territory. If however agreement on comprehensive inspection could not be reached the inspection of specified areas might be a useful first step. Canada was a near neighbour of both the USA and the USSR and was vitally concerned in any war which might break out in the Polar regions. A limited zone of inspection covering the Canadian Arctic area and the boundary between Alaska and the Yukon would therefore be very desirable.

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DEA/50085-G-40

*Le haut-commissaire au Royaume-Uni
au secrétaire d'État aux Affaires extérieures*

*High Commissioner in United Kingdom
to Secretary of State for External Affairs*

TELEGRAM 1658

London, July 3, 1957

TOP SECRET. OPIMMEDIATE.

PRIME MINISTERS' CONFERENCE — SESSION ON DEFENCE JULY 2/57

1. This session included all delegations except, as usual, those of India and Ceylon. It consisted primarily of an exposition of what was in the UK White Paper on Defence⁹ and an opportunity for some discussion of the implications of these for Commonwealth countries other than Canada. There was almost nothing of it new in the exposition of UK policy.

2. One might note that Sandys contemplated that there might be some places where limited war would occur, but he added what was perhaps a truism that if the great powers came into conflict in such local areas on vital issues, all weapons would be used and it would become a major war. He said that the alliances with which Britain and the other Commonwealth countries are involved are intended to prevent these limited wars which might lead to major wars.

⁸ Voir volume 22, les documents 397, 401 à 402, 404, 406 à 407, 409, 412 à 414 et 416.
See Volume 22, Documents 397, 401-402, 404, 406-407, 409, 412-414, and 416.

⁹ Voir/See United Kingdom, Parliamentary Papers, Cmnd 124, *Defence: Outline of Future Policy*, London: Her Majesty's Stationery Office, 1957.

3. In regard to Britain's policy on nuclear weapons, he said they had no intention of competing with the USA in a nuclear armament race. However, they did not wish to be completely dependent on the USA in regard to the nuclear deterrent, particularly as there seemed a possibility that when the intercontinental ballistic missiles were developed, the USA might be led to keep its troops at home and develop a more continental approach, in which case the UK would wish to have sufficient power to deter an attack on Western Europe or herself.

4. General Pearkes spoke briefly in response to a suggestion. He was recorded in the minutes as follows:

"Major General Pearkes said that, until a comprehensive disarmament agreement was achieved, Canada's defence policy would be based on close association with the North Atlantic Treaty Organization. Canada was supporting this alliance in two respects. First she was maintaining her contribution to the warning system and other defence of the nuclear retaliatory forces of the North American Continent. The warning system which stretched across Northern Canada was part of the general defence system of NATO, inasmuch as it should be able to provide some warning to Western Europe as well as to alert the American Strategic Command and the civilian population of North America.

Second, Canada was maintaining substantial forces in Northwest Europe. The Canadian Brigade Group, which he had recently inspected, was in a very satisfactory state of efficiency. He had also inspected the First Canadian Air Division, and had been greatly impressed by the high standard of combat readiness which it maintained and by the efficiency of its watch service. It might become necessary to reconsider both its role and its equipment in the light of the new weapons which were being developed. In the meantime, each wing of the Air Division consisted of three squadrons — two of Sabre Jets and one of the Canadian manufactured CF-100 which was a very effective long-distance all-weather fighter.

In addition to her contribution to NATO, Canada was also making a small contribution to the UN Emergency Force in the Mideast."

5. During a discussion, Mr. Diefenbaker asked whether the reduction in the UK contribution to NATO had been based on a re-assessment of the NATO requirement of manpower or on considerations of financial economy in the UK. Mr. Sandys replied that it had been determined primarily by considerations of economy.

6. The UK Ministers revealed that they had run into serious opposition within NATO to their proposed reduction of forces but they made a spirited defence of their new policy.¹⁰ They went on to say that the UK would continue to need some conventional weapons of the most modern type in order to discharge her world wide commitment in respect of limited war and in addition would need nuclear equipment for a major war.

7. Mr. Suhrawardy made a plea for greater attention to Mideastern defence on the part of the UK.

8. Mr. Louw and Mr. Menzies expressed some concern lest the reduction in overseas garrisons should weaken the situation in their areas. Mr. Sandys emphasized the possibilities of reinforcement through central reserves moved by air transport.

9. Further details, especially regarding matters not of immediate Canadian interest, are available in the minutes which will be available on a Top Secret basis.

¹⁰ Voir chapitre II, 6^e partie./See Chapter II, Part 6.

337.

DEA/50085-G-40

*Le haut-commissaire au Royaume-Uni
au secrétaire d'État aux Affaires extérieures*

*High Commissioner in United Kingdom
to Secretary of State for External Affairs*

TELEGRAM 1659

London, July 3, 1957

SECRET

Repeat Paris, NATO Paris, Washington, Permis New York (Information).
By Bag Pretoria, Canberra, Wellington, Delhi, Karachi, Colombo, Bonn, Brussels, Hague,
Geneva, Rome from London.

PRIME MINISTERS' CONFERENCE — SEVENTH MEETING

Discussions on the United Nations were held at the morning meeting on Tuesday, July 2.

Australia

2. Mr. Macmillan asked Mr. Menzies to introduce the subject. Mr. Menzies said that both the performance and the future of the UN were matters of controversy in which people tended to express extremist views for or against. But he himself, though he had been highly critical of the UN in the past, had on reflection become convinced that the UN offers the only hope of establishing world order based on justice. The right course, therefore, was to adhere to it strongly, improving it if we may.

3. The basic problem of the UN was to reconcile small nations' right to free expression with the fundamental fact that the main responsibility for peace rests with Great Powers. Were it not for the veto there would have been no Security Council and no UN. But its excessive use had led to the increased power of the General Assembly through the uniting-for-peace procedure, which had been exercised "to the discomfort of some of us."

4. Mr. Menzies mentioned that Mr. Macmillan in correspondence prior to the meeting, had suggested that he say something about the role of the principal organs. Mr. Menzies did not object to the Trusteeship Council, which he thought saw things in some proportion. But he thought much of the Assembly's exhortation and harassing of countries with colonial responsibilities was unrealistic and irresponsible.

5. The Assembly, though called the Parliament of the World, was not really very democratic. It represented governments, some of which were democratic and some not; some big and some small; but all with one vote. The development of voting blocks, to gain or frustrate the two-thirds majority, was a cause for concern. So was the tendency to take decisions speedily, which did not allow governments time to give detailed guidance to their delegations. Mr. Menzies illustrated this tendency, which he characterized as undemocratic, by reference to decisions last autumn on Suez and Hungary. Though in theory the Assembly could only make recommendations, in fact its resolutions have great force, and therefore its procedures should be scrutinized and considered very carefully.

6. Mr. Menzies also referred to the Secretary General's "newly-achieved quasi-executive powers." But he thought the most serious problem was the system of voting in the Assembly, to which further thought should be given. As the UN membership increases, a situation is developing in which the Great Powers, with their major responsibilities, were liable to be outvoted by the smaller nations which have little responsibility. Unless the

position could be improved, Mr. Menzies said, there was risk that a Great Power might feel obliged to withdraw completely from the UN. If the present tendency went on uncorrected, he would not give much for the long-term viability of the UN. He thought it important to restore the power of the Security Council.

7. However, Mr. Menzies said that despite certain earlier views which he had expressed, he believed that the only solution, for those who feel critical of the UN, lies not, repeat not, in weakening participation in it, or in withdrawal, but the contrary. If the UK and France, smarting with natural resentment, should withdraw from the UN, that would be a serious loss. Mr. Menzies suggested that the true solution was that all of us must pay more attention to the UN in the future than we have done in the past. The UN must be mended, not ended. Its future would not depend on the members' capacity to organize their votes, but on the objectivity, determination and wisdom which each nation brings to its participation.

Canada

8. Mr. Diefenbaker agreed that there was need of a constructive approach to this problem. Though the UN had made mistakes, mankind demanded its continuance. Withdrawal was no remedy. The right course was to seek means of increasing the authority and effectiveness of the organization. The General Assembly had achieved its present position of authority because of the excessive use of the veto in the Security Council. It was, however, difficult to defend a position in which 6 percent of the world's population could control a two-thirds majority in the Assembly. The authority of the Assembly would be undermined unless the tendency towards *bloc* voting could be checked. It was the duty of every government to come to its own decision on what was best in the interests of the world and to regulate its voting on this basis and not by reference to the selfish interests of a voting *bloc*. On a realistic view the veto was inevitable. It was also inevitable that procedural reforms should depend on the attitude of the Great Powers. The Charter itself provided for revision after a period of ten years, but revision could not be attempted so long as the USSR remained opposed to it. It was unreasonable to accuse the General Assembly of having adopted a "double standard" in respect of the Mideast and Hungary. It was the Soviet Government, not the Assembly, which was guilty of adopting a "double standard." The cause of world peace would not have been advanced if the Assembly had forced the USSR to withdraw from the UN on account of their refusal to accept the Assembly's resolution on Hungary. The UN was not a supra-national authority. It could never be a substitute for national policy or for international negotiation or diplomacy. It was unfortunate that the USA Government had tended on some recent occasions to rely on the UN to solve international problems which called for policy and leadership by the Great Powers. Despite its defects, the UN still reflected the desire of mankind for some form of world organization. It was the duty of all governments to seek means of increasing its effectiveness, whatever the difficulties; for the alternative to some form of world organization was international anarchy.

Ceylon

9. Mr. de Silva said that the Assembly which he considered a democratic body was the refuge of all the smaller nations of the world and of the first importance to them. Without it small countries would be on their own but in it they can develop consultation and co-operation. It was not surprising that the General Assembly had developed some of the characteristics of other democratic assemblies including the tendency for those with common views and interests to co-operate in groups in order to make their influence felt. Mr. de Silva doubted whether it would be wise to try to revise the Charter at present. The

veto despite occasional misuse would have to be maintained since it was a safeguard for the Great Powers and thus for the very existence of the UN itself.

India

10. Mr. Nehru said that a world organization had become essential. It was always easy to criticize its weaknesses but credit should also be given for its achievements though press publicity usually emphasized political conflicts. A balanced view should also recognize the importance of the UN's economic and social activities including those of its specialized agencies.

11. Mr. Nehru said that the UN must reflect the actual state of affairs in the world. We could not hope to make the UN much better than the world in which it operates. The most important improvement in the work of the UN will come through improving our own behaviour in the world and thus reducing conflicts and tensions between nations. Mr. Nehru thought that the recent decision to postpone the question of Charter revision had been wise since any attempt to revise it now would inevitably run into the conflict and tensions which affect the world today. The veto was a realistic recognition of fact.

12. Since the UN was formed new countries had come into existence and many of them were now represented in the UN. Not all however. The absence of China brings an element of unreality into the picture. Mr. Nehru said that the various groupings in the UN were not rigid blocs. The Afro-Asian group, for example, agreed on some matters but disagreed on others. They met together to express and discuss their views. Mr. Nehru agreed with Mr. Menzies that irresponsible voting was undesirable and that there might be some tendency for nations who do not have to carry much responsibility for the consequences to cast votes in large number on various issues without thorough consideration. On the other hand unless the UN sometimes reflected the major urges of mankind as well as material facts it would divorce itself from reality. The movements taking place in Africa and Asia should be recognized and constructively handled so that the aspirations of emergent peoples could be satisfied without creating crises.

13. Mr. Nehru went on to say that Asia and Africa were under represented in the UN as compared with Europe and the Americas. Any Charter revision should face this basic fact. In the Secretariat of the UN as well as in the Council, this proportion existed.

14. Speaking of the Security Council Mr. Nehru said that the conventions governing seat allocation needed reviewing. For example, India, though relatively large and important, could qualify for the Commonwealth seat at intervals of 16 to 20 years and if counted as an Asian country could qualify at intervals of about 28 years. As Commonwealth membership increased the first of these periods would grow longer. Mr. Nehru thought that this was not a very propitious time for changes but the fact remains that the organization does not adequately reflect the real conditions in the world and the developing nationalist movements in Asia and Africa might become disrupted if means were not found to enable their voice to be heard. The inevitability of delays must be accepted but there must not be too much delay.

15. Finally Mr. Nehru said he agreed with Mr. Menzies and Mr. Diefenbaker that there must be no withdrawal from the UN. Any withdrawal of support by Great Powers in particular would be most unfortunate. However much we might regret the failures to achieve the original hopes of the Charter we should recognize that the failures are more those of ourselves, men and governments, than of the UN as such.

Ghana

16. Dr. Nkrumah expressed his country's gratitude for the support from members of the Commonwealth in her application for admission to the UN. Commenting on Mr. Menzies remarks about blocs he recognized that new members of the UN should hesitate before aligning themselves with any particular groups of countries. Ghana was entering the UN with an open mind and wished to explore the world situation and international affairs before committing herself with any group. She was however very conscious of the problems of Africa. Dr. Nkrumah thought the UN valuable in helping to reduce international tensions and hoped that it would help other peoples to obtain independence.

New Zealand

17. Mr. Macdonald said that reliance on the UN was no substitute for national leadership or national policies. Our governments must not only take problems to the UN but ideas for a solution of problems. NZ realized the imperfections of the UN but continued to have faith in it. Support for the UN was the corner-stone of NZ's foreign policy. NZ was a small country but in the UN had had an opportunity to play a role in international affairs and it was often said that her influence there had been more than proportionate to her size. He agreed that everyone should work for the improvement of the UN but this could only be done effectively from the inside. There could be no advantage in withdrawing. Mr. Macdonald told a parable of a man in a local government in NZ who whenever dissatisfied with decisions got up and walked out in resentment. Inevitably his influence declined more and more. Mr. Macdonald emphasized the value of the UN not only through its formal discussions and machinery but the opportunities for informal discussions and contacts between diplomats and statesmen. The understanding thus created was greater than generally realized. Finally Mr. Macdonald said that the Commonwealth as a non-regional multi-racial group had a great part to play inside the UN.

The United Kingdom

18. Mr. Selwyn Lloyd said that the UK Government's attitude to the UN is "adherence and improvement." Mr. Lloyd denied that UK withdrawal from the UN was contemplated.

19. Mr. Lloyd said that the UN had four main roles:

- (1) The work of the specialized agencies which had achieved a lot;
- (2) As a forum for debate which was as such a valuable safety-valve. It was useful for people to be able to blow off steam;
- (3) The UN had a mediatory role and had achieved some measure of success in this;
- (4) The UN had the duty of enforcing the Charter not only by keeping the peace but by enforcing respect for international obligations.

In this regard it had fallen very short.

20. Mr. Lloyd said that last autumn there had certainly been a double standard in the passion with which the UK was assailed as compared with the attitude of many countries toward the USSR in regard to its policy in Hungary. However, Mr. Lloyd hoped that this would be a passing phase.

21. Mr. Lloyd said that the veto must be accepted as a necessary cement. But voting by groups was to be deprecated and would ultimately have a very bad effect. There were Commonwealth meetings for consultation but the Commonwealth was not a voting bloc. The UK was resisting pressure to turn the European group into a voting bloc.

22. Mr. Lloyd felt that there was room for procedural improvements in the UN and efforts should be made to achieve this. But he said "We have got to adhere and make it

work." Mr. Lloyd said in conclusion that what worried him was the problem for ensuring respect for international obligations.

South Africa

23. Mr. Louw said that there was no love lost between South Africa and the UN and there were very good reasons for this state of affairs. However, he would discuss the UN in an objective and impartial manner. He spoke as one who had considerable experience having led his country's delegation to four sessions of the Assembly.

24. Many members had referred to the undesirability of withdrawal from the UN. South Africa's reduction of her delegation to the level of token representation had, however, been taken only after eleven years. No government could remain indifferent when its public opinion was aroused by repeated injustices.

25. Mr. Louw said there was a general feeling that all was not well with the UN. In 1946 every country had placed great hopes in the organization. Field Marshal Smuts had played a great part in its formation and had drafted the preamble to the Charter. But after eleven years there was widespread disillusion. Delegations paid lip service to the ideals of the Charter but pursued only national interest. Voting blocs were not a temptation but a fact. It was shocking that caucus meetings actually did take place. There was also horse trading and package deals, facts which knocked the bottom out of the ideals of the Charter. The UN applied a double standard, one to great nations, another to smaller ones. Moreover, important decisions often had to be taken by delegations, without time for instructions from the governments.

26. As regards Suez, Mr. Louw suggested that the failure of the Security Council years earlier to take action when its ruling about free passage for Israeli ships had been defied by Egypt was a contributory cause to the trouble last summer and autumn.

27. Mr. Louw said that the "uniting for peace" procedure, which was adopted in 1950 to circumvent the USSR use of the veto in the Security Council, might have been a useful move in the circumstances then existing, but its effect had been to put power into the hands of a large number of small nations with little sense of responsibility. The damaging effects of this situation in which the Assembly usurped the functions of the Security Council were increased by the growing tendency of the part of certain countries to regard the UN as an instrument of foreign policy. Mr. Louw did not see how the UN in its present form could long endure. Indeed the existence of the UN might itself constitute a danger to peace, and those who blindly relied on it to solve international disputes were deluding themselves. Mr. Louw wondered if peace might better be preserved through cooperation and collective agreements between like-minded nations. South Africa would regard the UK and the USA as like-minded nations. Mr. Louw referred favourably to NATO and SEATO.

28. Mr. Louw concluded that Commonwealth governments must address themselves seriously to the future of the UN and should consider what could be done to obtain the support of other countries for ensuring that the Charter principles were fully observed.

Pakistan

29. Mr. Suhrawardy agreed with Ceylon rather than with South Africa and assessed the UN as the greatest hope for assuring world peace and securing the rights of smaller nations when confronted with the expansionist tendencies of larger countries. He thought that despite a few failures here and there the UN had already achieved a substantial measure of success. The object must be to support and strengthen it.

30. Mr. Suhrawardy thought that blocs might, as Mr. Nehru had suggested, derive in part from widely felt sentiments regarding principles of international order. But such senti-

ments were not necessarily related to geographical regions. He doubted whether there was any real community of sentiment between Asian or African countries as a whole, or whether there was any such thing as an Asian urge or a Latin American urge. There was of course a general urge for independence, which found an important measure of expression in the UK's policy of granting self government. At the same time, he thought that in certain cases independence, though a natural human desire, might be sought prematurely by countries unable to stand on their own feet, and which might therefore gain independence from one country only to become still more dependent on another.

31. Mr. Suhrawardy did not consider the fact that small countries had a vote equal to that of a larger country necessarily objectionable. As within a national democracy, the weak and small should set their vote to support those leaders in the soundness of whose policies they could have confidence. It was precisely such confidence which explained why many small nations supported what is sometimes called the UK/USA axis (repeat UK/USA axis).

32. The real problem confronting the UN was how to enforce its decisions. There is a danger that its resolutions could be defied by certain countries. The Soviet bloc could defy the UN because the only effective sanction seemed to be total war. But the dilemma was not limited to the Soviet bloc. Sometimes a third country could defy the UN by letting it be understood that if sanctions were imposed it would swing over to the Soviet bloc. The international court might be a valuable method of solving the problem, but it was limited because access to it depended on the agreement of both parties to a dispute. There was also the possibility of economic sanctions, which might be effective in certain cases, or of moral sanctions. Mr. Suhrawardy thought that in time world progress might mean that no nation could long continue to defy world opinion. But some countries were more sensitive to world opinion than others. Within a society the sanction of opinion was backed up by the sanction of a police force, and in international life similarly the UN had already on occasion formed its own police force, as in Korea and more recently with UNEF in the Mideast. Pakistan supported the idea of a permanent UN force to be judiciously used in cases where there was a nearly unanimous UN decision, and such a force seemed likely to be able to keep the peace and lend weight to the UN resolution in question. But Mr. Suhrawardy urged that governments should all give serious thought to the problem of how to enforce UN decisions.

The Federation of Rhodesia and Nyasaland.

33. Mr. Welensky said that there was in fact a double standard in the UN, one for the democracies and one for the dictatorships. Unless this could be corrected it meant that the UN contained within itself the seeds of its own destruction.

34. In discussion Mr. Menzies agreed that there was a double standard as evidenced in the treatment last autumn of the crises in the Mideast and Hungary. He urged that a special meeting of the Assembly should be called this summer to debate the UN Committee's report on Hungary and thus to marshal world opinion.

35. Mr. Suhrawardy said that it was not the UN itself which applied a double standard, but rather the countries called on to implement resolutions. It was not only the totalitarian dictatorships which defied the UN. There had also been instances of a democracy defying UN resolutions. It was the moral standard of the other country itself, Mr. Suhrawardy suggested, that determines whether or not it will choose to defy world opinion. The real question was whether in this case other governments were prepared to act with determination and to give effect to the sanction of opinion by appropriate modification in their day to day relations with the offending country. If this were done, and economic pressures also applied where necessary, even the USSR itself might eventually be brought to comply with

UN principles. The real question is how far we ourselves are prepared to act to back our votes at the UN.

36. Mr. Macmillan summed up by saying that the main purposes of the UN were two-fold, first to maintain peace and second to see that disputes were settled in accordance with the principles of justice. In view of the development of nuclear and other weapons, war became increasingly terrible. This had the effect of maintaining peace but also the effect of making governments reluctant to use force to ensure compliance with UN resolutions.

37. Mr. Macmillan went on to say that since 1945 there had been a great change in the organization as originally conceived. The veto had originally been regarded as essential to the cooperation of Great Powers and thus a necessary cement for the UN, but its frequent use by the USSR had in fact caused the cement to crumble. The consequent growth in the responsibilities of the General Assembly had not been envisaged by the founders. It had been intended that the Security Council would be the managing committee and the governing body. Now that the Assembly had increased its powers, its rules and methods of procedure must be improved.

38. Mr. Macmillan said that the relative movements of the earth and the sun caused serious problems for governments in the UK and other parts of the world with time differences of several hours from New York, since in critical times it was virtually impossible to keep control of the situation and still get a chance to sleep.

39. In conclusion Mr. Macmillan thought that the UN could not be considered a solution to all of mankind's problems, but he agreed that it would be wrong, and indeed defeatist, to abandon the attempt to improve it. He thought that the biggest question was whether the Security Council could recover some of its authority. In this respect much, he suggested, might depend on how far a reduction of political tensions could be secured, for example through disarmament.

338.

DEA/50085-G-40

*Le haut-commissaire au Royaume-Uni
au secrétaire d'État aux Affaires extérieures*

*High Commissioner in United Kingdom
to Secretary of State for External Affairs*

TELEGRAM 1681

London, July 4, 1957

SECRET. OPIMMEDIATE.

Repeat Paris, NATO Paris, Washington, Permis New York, Bonn, Brussels, Hague, Geneva, Rome (Information).

By Bag Pretoria, Canberra, Wellington, Delhi, Karachi, Colombo from London.

PRIME MINISTERS' CONFERENCE: EIGHTH MEETING — JULY 3: ECONOMIC POSITION
OF STERLING AREA AND COMMONWEALTH ECONOMIC DEVELOPMENT

1. The morning and afternoon meetings yesterday were devoted to economic matters. This telegram summarized the highlights from the Canadian point of view. The text of the minutes on Mr. Diefenbaker's remarks are being sent in separate telegrams.

2. In outlining the UK and sterling area external position, Mr. Thorneycroft, Chancellor of the Exchequer, emphasized the varied and heavy demands on the UK economy. He listed the "politically unpopular" internal measures which the UK Government had

taken to meet the situation. He clearly implied the need for other sterling area members to do the same.

3. Mr. Thorneycroft stressed the need to welcome foreign capital investment into the Commonwealth.

4. Questions were asked about tied loans, the call on reserves arising from the servicing of foreign debts, and the economic penetration which foreign investment could represent. The UK view was that foreign capital should be welcome with only necessary safeguards applied by the capital importing countries. At the suggestion of Mr. Menzies, Mr. Diefenbaker made some comments on investment in Canada (see separate telegram referred to above).

5. Mr. Suhrawardy, Prime Minister of Pakistan, spoke of the "crisis" in which the sterling area found itself. (Mr. Menzies at a later point also spoke of the current weak position of the sterling area.) In a thinly veiled attack on India, the Prime Minister of Pakistan decried the recent high rate of drawings by India on its sterling balance: unless all the members of the sterling area showed equal restraint and "played the game," the area's financial resources would be dissipated and the central bank's already insufficient fluidity would disappear. If this fear was not well founded, should not Pakistan be allowed to meet its equally urgent needs and draw down its sterling balance at the same rate? Mr. Nehru replied in equally sharp terms. Mr. Thorneycroft made a finely balanced reply to Mr. Suhrawardy's question.

6. On the subject of Commonwealth development, the UK side listed their contributions and spoke of the strict limits under which they were forced to operate. Mr. Lennox-Boyd, Secretary of State for the Colonies, spoke of the desirability of "getting dominion capital muddled up in colonial territories." He stated that the Messina countries¹¹ had "pulled a fast one" in including their colonies in the Common Market at the last minute. (He said that the BWI had declared that they would not want to be included in the FTA until relations with Canada were clarified.) On this point the UK side spoke of their inability to get the European countries to modify their position and of their determination to mitigate the adverse effects which could be expected to flow from the inclusion of the European colonies in the Common Market. Dr. Nkrumah, Prime Minister of Ghana, made only one reference to the Volta River project and spoke of the need for his country "to find alternatives" to the drawing down of their sterling balances now that they were "free" to call on them.

7. Lord Home, Secretary of State for Commonwealth Relations, suggested, and it was accepted, that the Commonwealth Economic Committee consider and make recommendations as to how it might expand the scope of its activities in the collection and publication of information on production, trade and consumption of important commodities and on economic development within the Commonwealth. Lord Home suggested and it was also accepted, that Commonwealth experts attending the Atomic Conference in Geneva next year should gather in London after the Conference.

¹¹ Les pays de Messine étaient les six membres de la Communauté européenne du charbon et de l'acier : l'Allemagne, la Belgique, la France, l'Italie, le Luxembourg et les Pays-Bas. Les ministres des Affaires étrangères de ces pays se sont réunis à Messine, en Italie, les 1^{er} et 2 juin 1955, pour discuter de l'établissement d'une Europe unie par la création d'un marché commun.

The Messina countries were the six members of the European Coal and Steel Community — Germany, Belgium, France, Italy, Luxembourg, and The Netherlands. The foreign ministers of these countries met at Messina, Italy, on June 1-2, 1955 to discuss the establishment of a united Europe through the creation of a common market.

Europe and the Commonwealth

8. Mr. Thorneycroft stated that the Common Market was a fact of life and "there is nothing we can do to prevent it." He did not ask for Commonwealth support in the negotiations for association which the UK will be entering with the European countries this fall.¹² He spoke in terms of UK national interests and the need for the UK to associate itself, if at all possible, with the Common Market through an FTA. Many things would happen if this could not be done; the UK would be shut out from the European market which would be dominated by Germany; countries like the Scandinavians, Switzerland and Sweden would be drawn into the Common Market rather than the FTA.

9. Most other speakers also spoke in terms of national interests. Mr. Menzies gave the most support to the UK.

10. Mr. Diefenbaker sought and received Mr. Thorneycroft's assurance that "Commonwealth agricultural exports to the UK will not be affected." Mr. Macmillan said that if it came to a choice between the Commonwealth and the European arrangements the UK would undoubtedly choose the Commonwealth, and he spoke of his government's clear determination to hold firm in the field of agriculture. He added "but we may fail."

11. Mr. Welensky, Prime Minister of Rhodesia and Nyasaland, asked whether the FTA was the beginning of the end of empire preferences. Mr. Thorneycroft gave a technical answer and the matter was not pursued.

12. The question of the colonial territories took up some time and Mr. Nehru suggested that Commonwealth countries might take a common line on this matter in the GATT.

13. In summing up, Mr. Macmillan said that the UK also had misgivings about the Common Market and its association with it through FTA. He said, however, that one must recognize the broad and strong political motives underlying the European movement for integration. In the Treaty of Rome the Messina Powers had agreed en principe. What mattered now was the way in which the treaty would be applied and administered. It would be to the common advantage if the UK could through a Free Trade Area influence this new group of European powers in the direction of more liberal and positive economic policies.

14. The meeting was breaking up when Mr. Macdonald, Minister of External Affairs of NZ, returned to a point he had made earlier in general terms: he said he hoped that the meeting of Commonwealth officials next week would consider the possible forms of association by Commonwealth countries with the Free Trade Area. The matter was not pursued.

339.

DEA/50085-G-40

*Le haut-commissaire au Royaume-Uni
au secrétaire d'État aux Affaires extérieures*

*High Commissioner in United Kingdom
to Secretary of State for External Affairs*

TELEGRAM 1688

London, July 5, 1957

SECRET. OPIMMEDIATE.

Repeat Paris, Washington, New York, Bonn, Brussels, Geneva, Hague, Rome
(Information).

¹² Voir le chapitre IV, première partie./See Chapter IV, Part 1.

By Bag Pretoria, Canberra, Wellington, Delhi, Karachi, Colombo.

PRIME MINISTERS' CONFERENCE: EIGHT MEETING JULY 3

Following is text of Mr. Diefenbaker's remarks at the meeting under reference. Text Begins:

Mr. Diefenbaker said that at the end of 1954 the latest date to which figures were available Canadian private investment abroad amounted to \$2,570 millions, of which \$1,835 millions represented investment in the USA, \$150 millions investment in the UK and \$151 millions investment in the other countries of the Commonwealth. Canada, however, had a deficit with the world as a whole and in particular a deficit with the USA which had amounted to \$1,300 millions in 1956 and would probably be still higher in 1957. Canada, therefore, needed foreign capital. She had in fact received considerable investment from the USA which now far outstripped the UK as the chief foreign investor in Canada and was in a position to dominate the basic industries such as oil, copper etc. More than 60 per cent of those industries were now owned or controlled by USA interests and Canada was increasingly concerned about the extent to which the determination of her economic development was passing into USA hands. Canadian development looked increasingly to the northern area of the country where the bulk of her resources of raw materials was concentrated. Within the foreseeable future the USA demand for many of these materials would outstrip the domestic reserves and it was for this reason that American interests have been extending their interests in our industries to an extent which might challenge Canada's economic freedom. It was increasingly the USA practice to establish in Canada a subsidiary of an American parent company but to refuse to allow any Canadian to acquire shares in this subsidiary or to have any say in its development. His predecessor as leader of the Conservative Party had been alive to this danger and had suggested that USA investment of this kind in Canada should be permitted only on condition that the boards of the subsidiaries included Canadian members, that Canadian subjects were allowed to acquire shares in these companies, and that in general Canadian interests were treated no less favourably than USA interests. Without some safeguards of this kind the future economic development of Canada would be determined not by the needs of the country itself but by the adequacy of the return on capital enjoyed by a foreign investor. As a result of an extensive enquiry by an independent commission into the future economic development of Canada¹³ the previous government had come to realize the danger. Even today few people realized the threat to the economic independence of Canada. The new government, however, while very ready to welcome investment from other countries in principle, would be on their guard from the outset against allowing control over their economic affairs to pass into the hands of speculative investors in other countries.

¹³ Cela fait référence à la Commission royale d'enquête sur les perspectives économiques du Canada, qui était présidée par M. Walter Gordon. Pour le texte du rapport, consulter le *Rapport final de la Commission royale d'enquête sur les perspectives économiques du Canada* (Ottawa : Imprimeur de la Reine 1957).

This refers to the Royal Commission on Canada's Economic Prospects, which was chaired by Walter Gordon. For the text of the report, see *Final Report of the Royal Commission on Canada's Economic Prospects* (Ottawa: Queen's Printer 1957).

340.

DEA/50085-G-40

*Le haut-commissaire au Royaume-Uni
au secrétaire d'État aux Affaires extérieures*

*High Commissioner in United Kingdom
to Secretary of State for External Affairs*

TELEGRAM 1689

London, July 5, 1957

SECRET. OPIMMEDIATE.

Repeat Paris, Washington, New York, Bonn, Brussels, Hague, Geneva, Rome
(Information).

By Bag Pretoria, Canberra, Wellington, Delhi, Karachi, Colombo from London.

PRIME MINISTERS' CONFERENCE: NINTH MEETING JULY 3¹⁴

Following is text of Mr. Diefenbaker's intervention at meeting under reference as well as remarks made by Mr. Thorneycroft immediately thereafter. Text Begins:

Mr. Diefenbaker said that Canadians were very sympathetic towards the development of political integration in Europe and to the concept underlying the customs union and the Free Trade Area. They were, however, seriously concerned about the implications for Canada if agricultural products were included within the scope of the Free Trade Area. There would undoubtedly be strong pressure upon the UK to modify their policy in this respect. He therefore sought an assurance that the UK would in no circumstances agree to join in arrangements which comprised European free trade in agricultural products.

Mr. Thorneycroft said that it was the firm intention of the UK Government to ensure the preservation in full of Commonwealth interests in the export of foodstuffs to the UK. There had been wide recognition in Europe of the special relationship between the UK and the Commonwealth in this context; and while there would undoubtedly be strong pressure upon the UK to enter into discussions with other European countries about trade in agricultural commodities at least in so far as this trade was affected by domestic agricultural subsidies it had been made plain that the UK could not participate in a free trade area which would involve a reduction in the tariff preferences given to Commonwealth foodstuffs.

¹⁴ La neuvième réunion était celle qui s'est tenue dans l'après-midi du 3 juillet, dont il est question dans le document 338.

The ninth meeting was the afternoon meeting of July 3 referred to in Document 338.

341.

PCO

Extrait des conclusions du Cabinet
Extract from Cabinet Conclusions

SECRET

[Ottawa], July 6, 1957

Present

The Prime Minister
and Secretary of State for External Affairs (Mr. Diefenbaker) in the Chair,
The Minister of Public Works
and Acting Minister of Defence Production (Mr. Green),
The Minister of Finance (Mr. Fleming),
The Minister of Veterans Affairs
and Acting Minister of National Health and Welfare (Mr. Brooks),
The Minister of Transport (Mr. Hees),
The Solicitor General
and Acting Minister of Mines and Technical Surveys (Mr. Balcer),
The Minister of Trade and Commerce (Mr. Churchill),
The Minister of Justice
and Acting Minister of Citizenship and Immigration (Mr. Fulton),
The Minister of National Revenue (Mr. Nowlan),
The Minister of Northern Affairs and National Resources
and Acting Minister of Agriculture (Mr. Harkness),
The Secretary of State (Mrs. Fairclough),
The Minister of Fisheries (Mr. MacLean),
The Minister of Labour (Mr. Starr),
The Postmaster General (Mr. Hamilton),
The Minister without Portfolio (Mr. Macdonnell),
The Minister without Portfolio (Mr. Browne),
The Secretary to the Cabinet (Mr. Bryce),
The Assistant Secretaries to the Cabinet (Mr. Pelletier), (Mr. Martin).

COMMONWEALTH PRIME MINISTERS' CONFERENCE; VISIT BY THE QUEEN;
REPORT BY PRIME MINISTER

3. *The Prime Minister* reported that, during the course of the recently concluded London talks of Commonwealth Prime Ministers, he had been granted a twenty-minute interview by Her Majesty the Queen. The conversations had actually lasted forty minutes. Her Majesty was obviously very happy to come to Canada. She had been looking forward to the visit for a long time. She was familiar with the political situation here and made it clear that she did not wish in any way to interfere with the government's wishes concerning the holding of an early session of Parliament. If the government felt it desirable to have Parliament convened in September, she would be quite prepared to give Royal Assent to a few bills instead of formally opening the session as had been suggested by the previous administration.

The Queen had been simple and natural. It was obvious that she knew a great deal about happenings in Canada and she showed a keen interest in finding out more about the Canadian people and their government. She had a special word of greeting for French speaking Canadians.

In previous Commonwealth Prime Ministers' Conferences there had been some reluctance to admit to the Commonwealth additional countries with coloured nationals. This reluctance was natural enough if one considered that a trend of this kind might eventually

result in these nations having the majority. However, there had been no evidence of this attitude during the London talks which had just concluded. As a matter of fact, the last paragraph of the final communiqué¹⁵ issued by the Commonwealth Prime Ministers had noted the fact that the Federation of Malaya was on the eve of attaining independence, had extended the Prime Ministers' warm good wishes to the Federation and had stated that the Commonwealth Prime Ministers were looking forward to welcoming an independent Malaya as a member of the Commonwealth. This new attitude was illustrated vividly by Dr. Nkrumah, the Prime Minister of Ghana, who boasted that he had been invited to lunch by Mr. Louw, the Minister of External Affairs for the Union of South Africa.

It was clear that the United Kingdom had to become a member of the proposed European Free Trade Area, as otherwise Germany might eventually dominate Europe from the economic point of view and displace Britain from many of her foreign markets. This general preoccupation with the problem of an European Free Trade Area placed added difficulties in the way of convening an early Commonwealth trade and economic conference.

The Prime Minister of Australia, at first, had been favourably disposed towards holding such a conference but a few days later he appeared to have completely changed his mind. He now held the view that Australia did not want a repetition of the 1932 Conference and felt Australia's freedom of movement was restricted by the 1932 Ottawa agreements. Mr. Menzies had gone on to say that the practical answer to raising the standard of living in southwest Asia was in expanding trade with a re-vitalized Japan. Mr. Macdonald, the Minister of External Affairs and Defence of New Zealand, was inclined to share Mr. Menzies' views. New Zealand had domestic political problems and an early conference might tend to aggravate rather than ease them. New Zealand, too, wished to buy cheaply from Japan. Towards the end of the London talks, there had been [a] closed meeting of Commonwealth Prime Ministers during which there had been some rather warm verbal exchanges regarding the Canadian proposal for the holding of a Commonwealth Trade and Economic Conference.

Despite Mr. Menzies' attitude, he had accepted an invitation to come to Canada and would be in Ottawa from July 22nd to 24th.¹⁶ Mr. Diefenbaker would be absent on the 22nd, on which date it was proposed that Mr. Menzies should have general discussions with the Minister of Finance and the Minister of Trade and Commerce. The Prime Minister would be back in Ottawa on the 23rd and 24th to continue discussions with Mr. Menzies.

South Africa was not keen on the idea of holding an early conference. Mr. Diefenbaker had the impression that the country did not want to remain too long in the Commonwealth.

It was from Mr. Macmillan that the Prime Minister had received real help and support. Mr. Diefenbaker had received definite assurance from Mr. Macmillan that the United

¹⁵ Voir Canada, ministère des Affaires extérieures, *Affaires Extérieures*, vol 9, N° 8, août 1957, pp. 232-233.

See Canada, Department of External Affairs, *External Affairs*, Vol. 9, No. 8, August 1957, pp. 232-233.

¹⁶ La visite au Canada du premier ministre d'Australie, M. Robert Menzies, prévue pour la troisième semaine du mois de juillet suivant la Conférence des premiers ministres à Londres, a été reportée pour des raisons médicales. M. Menzies a rencontré brièvement le premier ministre Diefenbaker à Ottawa, le 1^{er} août 1957, lors de son retour de Londres en Australie.

Australian Prime Minister Robert Menzies' scheduled visit to Canada in the third week of July following the Prime Ministers' Conference in London was postponed for medical reasons. Menzies met with Prime Minister Diefenbaker briefly in Ottawa on August 1, 1957 as he returned to Australia from London.

Kingdom would not have the position of Commonwealth agricultural products in the U.K. market interfered with by the European Free Trade Area scheme.

Mr. Nehru had seemed a very reasonable man. He had declined with thanks the suggestion that Canada might stand aside this year to let India have the Commonwealth seat on the Security Council, pointing out that Asia, in any event, would be represented by Japan on the Council. Mr. Nehru was facing grave financial difficulties at the moment. India required £200 million immediately to remain solvent. Mr. Suhrawardy of Pakistan was a rough talker who neglected no opportunity to make things unpleasant for Nehru whom he described as a crook, a scoundrel, and an ingrate. On the other hand, Nehru showed a great deal of patience with Suhrawardy's outbursts and never retaliated in kind.

The U.K. Foreign Secretary felt that it would be unwise to expect significant changes as a result of the recent dismissals of Malenkov, Molotov, Shepilov and Kaganovitch from top positions in the Soviet hierarchy, although there might possibly be some lessening of world tension. The Soviet government would undoubtedly continue to press for higher living standards in Russia even though Malenkov, who had, until now, been responsible for this, was one of the four persons dismissed. The only two members of the old guard remaining in the top echelons of the Soviet government were Bulganin and Borashilov.

4. *The Cabinet* noted the report by the Prime Minister on the recently concluded meeting of Commonwealth Prime Ministers and on conversations he had had with the Queen and with representatives of the various Commonwealth countries.

...

342.

DEA/50085-G-40

*Note du secrétaire adjoint du Cabinet
pour le sous-secrétaire d'État aux Affaires extérieures*

*Memorandum from Assistant Secretary to Cabinet
to Under-Secretary of State for External Affairs*

SECRET

[Ottawa], July 8, 1957

Attached is a memorandum which Mr. Bryce prepared for the Prime Minister in connection with the latter's impression of the highlights of the London Conference. Mr. Bryce asked me to send this to you for your information.

W.R. MARTIN

[PIÈCE JOINTE/ENCLOSURE]

*Note du secrétaire du Cabinet
pour le premier ministre¹⁷*

*Memorandum from Secretary to Cabinet
to Prime Minister¹⁷*

SECRET

[Ottawa], July 6, 1957

POINTS RE HIGHLIGHTS OF LONDON CONFERENCE

¹⁷ Ce document, signé par R.B. Bryce, donne un compte rendu à la première personne du premier ministre Diefenbaker sur la réunion des premiers ministres à Londres.

This document, signed by R.B. Bryce, contains Prime Minister Diefenbaker's first-person account of the London Prime Ministers' Meeting.

Nature of Meetings

Ten countries are represented — the U.K. and four of us in the "old Commonwealth" plus the three Asiatics and Ghana and the Federation of Rhodesia and Nyasaland. This means about 24 of us sitting around the U.K. Cabinet table with about 30 officials and secretaries present as well. There were two relatively short meetings of only the Prime Ministers or their representatives. There were 12 sessions spaced over 10 days, not crowded in themselves but with the many private conversations, as well as luncheons, dinners, receptions etc. our time was very fully occupied.

The meetings are very informal in character. Macmillan takes the chair and usually calls on someone to open the discussions on each general subject, sometimes one of his own Ministers, sometimes one of the overseas Prime Ministers. Usually there are statements after that by most of the Prime Ministers present or their representatives and sometimes, but not always, some active discussion with questions, answers, comments on what has been said, etc. There are no resolutions or decisions except in regard to the communiqué at the end and on the admission of new members such as Malaya, whom we decided in principle we should admit if they apply as they intend to do after receiving their independence on September 1st. The main purpose and value is the exchange of opinions and information so that we can all act with a greater understanding of each other's points of view. To some degree this exchange of opinions and information will help to modify the opinions and perhaps actions of some of us on some of the issues that arise.

The discussions are private and confidential and nothing is supposed to be said about them except in the rather vague communiqué at the end. In fact news keeps leaking out to all the scores of newspapermen in London about what is going on and it presents all of us with difficult problems in what we should say, either off the record or on the record, particularly to our newspapermen from home. I endeavoured to be very scrupulous about what I said to them but there was a lot leaked out from other sources about what went on including some of the things I said myself.

Discussions — General Impressions

In general the discussions revealed a reasonable harmony with no bitterness being exhibited over the events of last year and almost no reference made to the Suez intervention. The most obvious clash was that between India and Pakistan; the tension between these two being evident most of the time and occasionally breaking open into the discussion.

Relations with the U.S.S.R.

This was the first subject discussed and there was really nothing very new or startling brought out. It took place before the Molotov and Malenkov removal but the U.K. recorded the views of their Embassy later on; the significance of this event suggesting that it marked the end of compromise between the Stalinists and anti-Stalinists with the latter now taking control and perhaps being in a more precarious position for some time as far as internal opinion is concerned. The gist of the views about Russia was to the effect that there is no immediate likelihood of them trying to start a war and they seem to have plenty to do at home, but we have no evidence that would justify us in trusting them to a degree that would enable us to reduce our defence effort which is still needed to deter them from aggression unless that is done as part of a balanced disarmament plan.

Middle East

There was a long discussion on Middle East affairs but no serious dispute. Suhrawardy was optimistic about the immediate future in Arab countries but Nehru thought there

would never be stability until there was land reform and other economic progress. There was general agreement we should try to improve the refugee situation but no concrete proposals. It was agreed that the problem of Israeli shipping in Aqaba and the Canal should be treated as a legal problem to take the heat off it. Australia, New Zealand and the U.K. wanted to see a more binding agreement on the Suez Canal but India thought the Egyptian declaration was fairly good, was working and should be the basis for further development. Most of us felt the U.N. should be used to try to find settlements to the Middle East issues but we differed on timing. I told them we would keep our force in the UNEF as long as the latter was really needed and useful.

Far East

There was nothing very new on substance. Nehru and other Asiatics argued again for recognition of China. I said little at the meeting but mentioned to the press that recognition was not just a juridical matter but apt to be taken as a gain for Communism. There was little discussion of the Colombo Plan — but in a press conference I said that in my view the Colombo Plan should be extended to other countries and Canada should contribute more to it.

Disarmament

There was active discussion on this based on a U.K. account of discussions with the Russians in the U.N. Sub-Committee. I will be taking up this subject in Cabinet next week to get approval for the Canadian position in these talks. The main point in the Commonwealth talks was that the U.K., Australia and others emphasized there should be no suspension of atomic tests or other measures to limit nuclear armament without some start being made on conventional disarmament too. Nehru would like to go further and take whatever first step was possible, even agreeing to end tests without any related measures.

United Nations (see External Affairs memorandum)¹⁸

There was some smouldering resentment by Menzies and the South Africans and some others about the U.N. but no serious outbursts. There was fairly general agreement on the line taken in the communiqué on this (see 1st para. Page 2).¹⁹ Almost all spoke well of the specialized agencies.

Defence

The session on this did not include India or Ceylon. It was mainly the U.K. explaining the changes in its forces and policy as set forth in its White Paper last spring. Pakistan wanted more U.K. effort in the Middle East and Australia and South Africa were a bit concerned about reductions in overseas garrisons, despite assurances concerning air transport of central reserve. Mr. Pearkes explained briefly what Canadian forces were doing and said our government intended to maintain our forces strong and meet Canadian commitments.

Economics and Trade

Lengthy discussion of the sterling area position took place which the U.K. used to emphasize that they could not meet all the demands of the sterling area Commonwealth countries for capital for economic development and they urged the others to take capital from wherever they could get it. I told them something of our problems with American investment in Canada which impressed the others. It appears the sterling area as a whole is

¹⁸ Voir/See Document 337.

¹⁹ Le quatrième paragraphe du communiqué./The fourth paragraph of the communiqué.

still having difficulties in finding the foreign exchange it needs; the U.K., Australia and South Africa having improved but India and Pakistan being in serious financial trouble. Nehru told us of his difficulties in financing his five year plan. Suhrawardy openly accused India of "not playing the game" and using more than her share of the dollar resources of the sterling area.

On trade the U.K. explained its plans about the Free Trade Area it proposes to enter with the six countries making up the "European Common Market." We have to take the Common Market for granted now whether we like it or not — and the U.K. does not dare to stay out but must try for the Free Trade Area — but it will be hard bargaining. I emphasized the importance of the U.K. holding its position on excluding agriculture from its Free Trade plan and I received a definite assurance in this respect on Commonwealth trade aspects. Others were concerned about agriculture too and several were strongly concerned about inclusion of European colonies but did not want British colonies in. New Zealand wanted the door left open so she could be associated in some way with Free Trade Area herself.

On our ideas concerning a conference on trade, they all see more of the difficulties than of the opportunities, especially Australia and New Zealand, but I spoke pretty strongly in private to them. Macmillan understands our position and is trying to be helpful. I was able to get them to agree to the Finance Ministers' meeting in Ottawa in September but they would not agree to say in our communiqué that they were to consider what should be done now about Commonwealth trade. I made clear to the press in advance, however, that I expected them to discuss trade and they will expect to do so.

I told the press we will be sending a memorandum in two or three weeks to other Commonwealth countries indicating in more detail what we have in mind in regard to such trade and economic discussions.

*The Queen*²⁰

Impressions of meetings with her. General intention regarding her visit.

Impressions of Commonwealth Personalities

Churchill
Macmillan
Menzies
Nehru
Suhrawardy
Nkruma.

R.B. B[RYCE]

²⁰ M. Bryce n'a donné aucun détail des impressions concernant la reine et les personnalités du Commonwealth.

Bryce did not provide any details of the impressions gained of the Queen and Commonwealth personalities.

2^e PARTIE/PART 2

RÉUNION DES MINISTRES DES FINANCES DU COMMONWEALTH,
MONT TREMBLANT, DU 28 AU 30 SEPTEMBRE 1957,
ET DISCUSSIONS BILATÉRALES SUR LE LIBRE-ÉCHANGE AVEC LE
ROYAUME-UNI

MEETING OF COMMONWEALTH FINANCE MINISTERS,
MONT TREMBLANT, SEPTEMBER 28-30, 1957,
AND BILATERAL FREE TRADE DISCUSSIONS WITH THE UNITED KINGDOM

343.

DEA/50330-A-40

Procès-verbal d'une réunion
Minutes of Meeting

SECRET

[Ottawa], July 11, 1957

Present

The Minister of Finance, (Mr. Fleming),
The Minister of Trade and Commerce, (Mr. Churchill),
The Secretary to the Cabinet, (Mr. Bryce),
The Deputy Minister of Finance, (Mr. Taylor),
The Under-Secretary of State for External Affairs, (Mr. Léger),
The Deputy Minister of Trade and Commerce, (Mr. Sharp),
The Deputy Governor of the Bank of Canada, (Mr. Rasminsky),
Mr. S.S. Reisman, (Department of Trade and Commerce),
Mr. J.F. Grandy, (Department of External Affairs),
The Assistant Secretary to the Cabinet, (Mr. Martin).

Also Present

The Canadian Ambassador to the United States (Mr. Robertson).

1. *The Minister of Finance* noted the passage in the communiqué issued at the conclusion of the recent meeting of Commonwealth Prime Ministers in which it was indicated that the Prime Minister of Canada had extended an invitation to Commonwealth Finance Ministers to meet in Ottawa this year, following the annual meeting of the International Monetary Fund and the International Bank for Reconstruction and Development to be held in Washington in September. Mr. Fleming said he would be sending a formal invitation to Finance Ministers in a few days' time. Meanwhile, preparations for the September meeting should be initiated. Such a conference would be for the purpose of arranging a full-scale trade and economic conference in 1958, to be held preferably in Ottawa.

The Prime Minister of Australia would be in Ottawa for three or four days commencing July 21st,²¹ and the Minister of Finance had been asked to discuss matters of mutual interest with Mr. Menzies with a view to facilitating the success of the September meeting of Finance Ministers, and of any conference which might subsequently be held.

For the September meeting the question of physical arrangements should be considered — dates, accommodation and so forth. Apart from that, the problem of holding the conference itself bristled with difficulties, including diversity of interests, different degrees of development within the Commonwealth, meetings of minds, and others. Nevertheless, it was to be hoped that something more positive than merely agreeing that no harm would come from holding a conference would be achieved. The principal purpose of the confer-

²¹ Voir/See Document 341, note 13.

ence would relate to trade, but it should not exclude other economic questions. The agenda of the meeting should be wide enough to make it attractive to as many members of the association as possible, particularly the more newly independent nations. On the other hand, it would be the hope of the government that something useful in Canada's trade interests would emerge from the talks. The government had expressed concern about the extent of Canada's trade in only one channel. The U.S. was a good neighbor and antipathy towards her was not the reason for prompting the government to seek a wider diversification of markets. What was sought was a strengthening of Commonwealth ties through an increase in Commonwealth trade.

2. *During the discussion* the following points emerged:

(a) As a rule, the meeting of Commonwealth Finance Ministers involved an exposition by the U.K. Chancellor of the Exchequer of the sterling area exchange position, followed by presentations of various domestic economic situations. Last year the meeting also included an exposition by the U.K. of its proposals with regard to the European Free Trade Area. This kind of session might be held on the first day of the meeting in Ottawa, followed by one or two days of the more general discussions which the Canadian government had in mind. The conference might start here on Saturday, September 28th, with a break on the Sunday and then get into the other matters on Monday and Tuesday. The most satisfactory place to hold the discussions appeared to be the Seignior Club. The Canadian government, as host, should transport the delegates from Washington to Ottawa in government aircraft.

(b) The subjects which the government might wish to have considered at the meeting were related to what the U.K. Chancellor of the Exchequer might normally present to this annual gathering. For example, a discussion of the facts of the existing sterling area exchange position would lead into trade and the financing of development. From the Canadian point of view, this latter item might not be one which it would be desirable to have on the agenda. Most of the Commonwealth was in a deficit position and Canada itself was a net importer of capital. Even so, if the agenda included an item on the financing of development, practically everyone at the meeting would look in Canada's direction. This should be considered in relation to the form of the invitation to Finance Ministers. It was said, on the other hand, that it was nothing new for Commonwealth Finance Ministers to discuss financing of development at these annual meetings. What would be new would be for Canada to introduce the subject, and if this happened we would be regarded as forthcoming in the matter. However, it would be worth risking discursiveness in discussion, brought about albeit by the form of the invitation, if this succeeded in appropriate first-class representation at the meeting.

(c) The field of communications between members of the Commonwealth might be an item for consideration. A new direct cable from Canada to the U.K. had been approved in principle and this had emphasized the inadequacy of other links in Commonwealth communications. Improvements in this field might facilitate increased trade and at the same time would involve no tariff problems. Canada might even consider a larger share in the cost of any new facilities than might otherwise be the case. This kind of an approach was related to a community of interest amongst members of the Commonwealth as against divisions in other fields. The project was a large one, involving approximately \$200 million, with the work taking perhaps as long as ten years. It was pointed out that pursuing this suggestion would involve a departure in policy because when the facilities had been split up some years ago, Canada had tended to go her own way.

(d) There were probably a number of things which the Canadian government might do by itself which would promote greater trade. However, it was a different matter to set up an agenda and hold discussions about items in which all members of the Commonwealth might take a similar interest. It was of the essence to find items where there was such a common interest. On preferences, there would be differences. Canada desired to increase her trade with other members of the Commonwealth, whereas other Commonwealth countries wished to increase their trade with the U.S. It seemed, therefore, that it would be necessary to look outside what could be considered the normal trade field for agenda items. It was said, on the other hand, that while it would be desirable to have a number of strings to our bow in organizing and preparing for a meeting, it would be undesirable to be distracted from the main objectives of trying to increase trade and of trying to get away from having such a high proportion of our trade concentrated in one area. As regards our trade relations, they should be examined not only with our Commonwealth partners, but also with other countries. For example, it would probably be necessary to hold discussions with the Common Market countries, if only to protect future wheat sales.

(e) There was some doubt as to whether, in the invitation for the September meetings, it should be stated that the purpose was to discuss the plans for a larger trade and economic conference, or whether the letter should speak only in more general terms on Commonwealth trade and economic relationships. Direction on this point was required.

(f) If Ministers, other than Finance Ministers, and their officials were desired at the September meeting, the letter of invitation should be drafted in such a way that it would make this possible. Otherwise, it could be expected that only Finance Ministers would attend.

(g) It would be desirable to have background material available for the use of the Minister of Finance and the Prime Minister in their discussions with the Prime Minister of Australia in about two weeks' time. Australia now appeared to be on the road to giving up her preferences in the U.K. in exchange for concessions elsewhere and would likely be accepting more European imports and imports from Japan. Australia had not had much trade with Canada which would make the discussions with Mr. Menzies not too easy. Another factor to be kept in mind was that Australia, and New Zealand also, by and large discriminated against Canada and we had been urging the Australians to refrain from these practices. Mr. Menzies might feel that Canada would be revising its past attitude if we were to suggest that the important thing was to maintain Commonwealth trade.

(h) In the material for use in the talks with the Australian Prime Minister, the sentimental approach, that anything which would strengthen the Commonwealth as a force for good was desirable, should be noted. The opportunities for improving Australian trade with Canada and for improving trade among other Commonwealth countries should be explored. The fact that notice had been given to the Australians that Canada wanted to renegotiate some tariff schedules should not be overlooked.

(i) Given the existing framework of current conditions, which included the fact that no new preferences could be expected, the need for capital particularly by the under-developed members, etc., it seemed that any proposed Commonwealth discussions would lead into consideration of the dollar-sterling area position and the prospects of sterling convertibility. This, in turn, would lead again to talk of the collective approach.

(j) There would be major G.A.T.T. discussions later this year, including G.A.T.T. consideration of the Free Trade Area and the Common Market. As far as Canada was concerned, we might have important tariff items to renegotiate, such as steel and pipes and tubes, and these negotiations would in the main be with the U.S. as our principal supplier of these items. These factors would circumscribe any Commonwealth discussions at a

major Commonwealth trade and economic conference in 1958. In addition, the U.S. Trade Agreements Act would be up for renewal in 1958 which would further complicate Commonwealth discussions.

(k) Officials should prepare information on what a 15 per cent diversion of imports from the U.S. to the U.K. would involve.²² It was also necessary to have considered the implications of accepting sterling for some of our exports. In connection with the first of these two points, it was to be noted that in times of prosperity imports from the U.S. rose in relation to imports from other countries; the reverse was true in depression years.

(l) Serious thought should be given to the possibility of reaching an agreement with the U.S. on disposals of wheat and other agricultural products. The matter was urgent in that U.S. congressional steps in this connection for the next fiscal year were now almost completed. One possibility would be for Canada to transfer a significant quantity of wheat to the deficiency areas of the Commonwealth, to be done in concert with the U.S. What should be aimed at was the preservation of commercial markets of both countries and an agreement as to areas where each might give away surpluses.

If it were considered desirable to pursue this question in Commonwealth talks, it should first be initiated with the U.S. and done so reasonably soon. In thinking about such an approach, the Australian position should not be forgotten as she was a fairly large supplier of wheat for some of the Asian members of the Commonwealth. It should be remembered too that the cost of giving wheat away was very heavy. Including freight, transferring a bushel of wheat to India amounted to \$2. Exploring such possibilities might soon become public knowledge and would lead to the danger of losing cash sales.

(m) India's continued membership in the Commonwealth was uncertain and she might well decide to leave. If this occurred, Pakistan and Ceylon would probably follow. It was important, therefore, in considering the future of the Commonwealth, to strengthen relations with India as much as possible.

3. Conclusions

(a) *Meeting of Commonwealth Ministers in September in Ottawa.*

(i) *Letter of Invitation.* The letter to be sent to Commonwealth countries, presumably by the Minister of Finance, should be addressed to those who were represented at the recent Prime Ministers' Meeting. However, it should be kept in mind that Malaya will gain her independence on August 31st, and should in due course be included. The invitation should go to Finance Ministers but should be framed in such a way that it would be open to them to bring other Ministers or officials as they may choose. The drafting of the invitation would require more explicit instructions from the Prime Minister as to whether the proposed September meeting was for the purpose of discussing plans for a conference in 1958, or whether it should speak only in more general terms with reference to trade and economic matters.

(ii) *Agenda.* This to be the subject of an exchange of views between now and September. Officials were instructed to prepare immediately a memorandum† on what the nature of a general conference in 1958 might be, and to include therein items for discus-

²² Le 6 juillet 1957, de retour à Ottawa après la Conférence des premiers ministres à Londres, le premier ministre Diefenbaker a annoncé qu'il chercherait à dévier 15 % des importations canadiennes en provenance des États-Unis vers des importations en provenance du Royaume-Uni.

On July 6, 1957, after returning to Ottawa from the Prime Ministers' Conference in London, Prime Minister Diefenbaker announced that he would seek to divert 15% of Canada's imports from the United States to imports from the United Kingdom.

sion at such a meeting, to be available for Ministers by the end of the week for their consideration and revision.

(iii) *Physical Arrangements*. Discussions to be held at the Seignior Club if possible, the Government Hospitality Committee to look into accommodation problems. As host, Canada would arrange to bring delegates from Washington to Ottawa following the Bank and Fund meetings. If possible, the conference to start on Saturday, September 28th, and continue through the following Monday and Tuesday.

(iv) *Course of Discussions*. Saturday, September 28th, would be devoted to the normal post-Bank and Fund discussions usually held by Commonwealth Ministers, including a review of the sterling area position and presumably a further report on the European Free Trade Area. Sunday would be free. Monday and Tuesday would be devoted to consideration of the wider trade and economic questions and to preparations for the holding, in Ottawa if possible, of a 1958 conference.

(b) *Discussions with the Prime Minister of Australia*. A brief to be prepared to include a review of the opportunities for improving trade with Australia and of the opportunities for improving trade relations among Commonwealth countries; it being kept in mind that Canada had given notice to Australia that she wished to renegotiate certain tariff schedules; the memorandum for the September meeting would be helpful in this connection.

(c) *Diversion of Imports from the U.S. to the U.K. and Commonwealth Countries*. A memorandum to be prepared on what the suggestion of a 15 per cent diversion would involve.²³

(d) *Acceptance of Sterling for Canadian Exports*. A memorandum† to be prepared by the Bank of Canada on the implications of such a step.

W.R. MARTIN

344.

DEA/50330-A-40

*Le secrétaire d'État aux Affaires extérieures
au haut-commissaire au Royaume-Uni*

*Secretary of State for External Affairs
to High Commissioner in United Kingdom*

TELEGRAM E-1053

Ottawa, July 12, 1957

CONFIDENTIAL. OPIMMEDIATE.

Repeat Wellington, Pretoria, Delhi, Karachi, Colombo (OpImmediate) (Information).

Please pass following message from the Minister of Finance, the Honourable Donald M. Fleming, to the Chancellor of the Exchequer (Finance Minister). London please pass through Rhodesia House for Finance Minister of Rhodesia and Nyasaland and through Commonwealth Relations Office for Finance Minister of Ghana.

"1. It has become an established practice to hold meetings of Commonwealth Finance Ministers following the annual meetings of the Bank and Fund. At the recent meeting of Commonwealth Prime Ministers in London The Honourable John G. Diefenbaker extended an invitation to hold the meeting of Finance Ministers this year in Ottawa.

²³ Voir/See Document 345.

2. I would like to propose the following arrangements. The Bank, Fund and IFC meetings in Washington are scheduled to end at latest by mid-day Friday, September 27, and we shall be glad to provide air transportation to Ottawa that day. We could then commence our meetings here on Saturday morning, September 28.

3. I understand that at the recent meetings of Commonwealth officials in London it was envisaged that our meeting might be concerned with three subjects:

- (i) the position of the sterling area;
- (ii) recent developments regarding the European Common Market and the Free Trade Area;
- (iii) Canadian proposals respecting the expansion of Commonwealth trade and the promotion of closer economic relations among countries of the Commonwealth.

Perhaps the sessions on Saturday could be devoted to the first and second subjects, leaving discussion of the third subject to take place on Monday and Tuesday.

4. I expect to be in a position before long, and well in advance of these meetings, to put before you a memorandum outlining a number of proposals to be discussed in connection with the third subject. Undoubtedly you, and our colleagues throughout the Commonwealth, will likewise have proposals to make with the same end in view.

5. If, in view of the matters to be discussed, should you wish to be accompanied by another minister he will be most welcome. Will you please let me know in due course how many your party will include.

6. My Government will consider it an honour and pleasure to be host to you and your party. I look forward to welcoming you to Canada and to fruitful collaboration at our meeting.

7. I am sending a similar message to (the Chancellor of the Exchequer and) all Commonwealth Ministers of Finance.

(8. To the Chancellor only. I understand that the Malayan Federation will achieve independence on August 31. Accordingly it would seem appropriate that the Malayan authorities should receive an invitation. If you agree, I would be grateful if you would transmit it on my behalf.)"

345.

J.G.D./XII/A/731

*Note du secrétaire du Cabinet
pour le premier ministre*

*Memorandum from Secretary to Cabinet
to Prime Minister*

SECRET

[Ottawa], August 12, 1957

When we returned from London about a month ago, you asked me to have prepared a memorandum on the possibilities and means of diverting some 15% of Canadian imports from the United States to imports from the United Kingdom.

In discussion with Mr. Fleming and Mr. Churchill and officials in connection with the Commonwealth trade conference preparations, this problem was assigned to the Department of Finance. They have worked on it intensively and have revised their original paper to take into account comments from Trade and Commerce and External Affairs. They have now furnished me with their revised paper which I attach hereto.

The memorandum makes clear there are many serious difficulties. The pattern of our trade reflects far more than measures of commercial policy and indeed the latter have hardly been a dominant influence in the past decade. Consequently, to divert as much as 15% in the way considered would require quite drastic action.

You may like to think of having some study somewhat along these lines prepared in a form that could be published or that could form the basis of a detailed speech by one of your colleagues. It seems to me there would be some value in a good public understanding of the nature of the problems involved here. The matter of timing, however, is a very substantial one and perhaps it would be better to do this in Parliament on a suitable occasion.

R.B. B[RYCE]

[PIÈCE JOINTE/ENCLOSURE]

Note du ministère des Finances

Memorandum by Department of Finance

SECRET

[Ottawa], August 9, 1957

DIVERSION OF CANADIAN IMPORTS
FROM THE UNITED STATES TO THE UNITED KINGDOM

The purpose of this memorandum is to consider the diversion of a really substantial proportion of Canadian imports from the United States to the United Kingdom, various methods which might be employed to this end, and some of the implications of using the methods examined.

Historical Background

To begin with, it may be useful to indicate the dimensions of the problem in its historical background.

A 15 per cent diversion of Canadian imports from the United States to the United Kingdom would mean that Britain's share of Canadian imports would have to increase from 8 ½ per cent, where it stood in 1956, to 19 ½ per cent. Last year Canadian imports from Britain totalled \$485 million. With no significant change in the overall level of imports, a 15 per cent diversion would require that Canadian imports from Britain increase to about \$1,110 million — an increase of \$625 million, or some 130 per cent over 1956 levels.

Historically Britain's share of Canadian imports has exceeded 19 per cent in only five years since 1914. To supply over 19 per cent of Canadian imports on a continuing basis, Britain's position in the Canadian market would have to regain its pre-World-War-I stature. As demonstrated by the following figures, there has been a secular decline in Britain's share of Canadian imports ever since Confederation — in large measure offset by a corresponding increase in the United States share.

| | <u>U.K.</u> (% share) | <u>U.S.</u> (% share) | <u>Other</u> (% share) |
|---------|--------------------------|--------------------------|---------------------------|
| 1870 | 56.1 | 32.4 | 11.5 |
| 1880 | 48.3 | 40.3 | 11.4 |
| 1890 | 38.8 | 46.0 | 15.2 |
| 1900 | 25.7 | 59.2 | 15.1 |
| 1900-14 | 24.4 | 60.2 | 15.4 |
| 1921-29 | 16.8 | 66.8 | 16.1 |
| 1930-31 | 16.8 | 63.8 | 19.4 |
| 1932-36 | 21.6 | 56.9 | 21.5 |
| 1937-39 | 17.0 | 63.2 | 19.8 |
| 1948-51 | 11.4 | 68.8 | 19.8 |
| 1952-55 | 9.3 | 73.3 | 17.4 |
| 1956 | 8.5 | 73.0 | 18.5 |

A wide variety of natural forces have combined to produce this shift in the source of Canada's imports. One important factor has been the relative change in the pattern of Canadian consumption and import demand away from goods in which United Kingdom imports have been more concentrated (e.g. textiles, clothing, leather goods, confectionery, alcoholic beverages) and in favour of goods in which the United States has been the predominant supplier (e.g. consumer durables, petroleum products, fresh fruits and vegetables, automobile parts and components, machinery and equipment, chemicals).

Reinforcing this general trend have been such influences as the more rapid North American changes in technology, styles and fashions and the desire of Canadians to avail themselves thereof; the heavy flow of United States direct investment into dynamic sectors of the Canadian economy bringing with it American equipment, materials and business connections; the more aggressive attitude of American businessmen fostered under their highly competitive domestic conditions; the impact of international marketing arrangements, patent licensing and international corporate affiliations which have helped direct Canadian demand to the United States; the more adequate distribution channels available to United States suppliers, and their ability to follow goods through to final consumers with extensive sales and servicing facilities; the advent of highway transport since the 'twenties, greatly enhancing the ability of United States producers to supply goods to Canada quickly and conveniently; the size of United States production bringing with it possibilities for greater specialization and for fuller realization of economies of scale; the dislocating effects of World Wars I and II on British trade connections with Canada; the more rapid economic growth in North America as compared with the United Kingdom; the depletion of important resources in the United Kingdom, such as coal and iron. Nor should one under-emphasize the real if intangible consequences for trade of the enhanced social interpenetration between Canada and the United States stimulated by dramatic changes in mass communication media.

The main departure during the present century from the declining trend in Britain's share of Canadian imports occurred from 1932 to 1936 when Britain's average share increased by about 5 per cent over 1930-31. A number of factors seem to account for this phenomenon. In part the improvement in Britain's position at that time can be ascribed to the substantially wider preferential margins granted by the 1932 Empire Agreements. This factor, while important, was however only one of a series of developments raising the United Kingdom share of Canadian imports. In large part the shift reflected the uneven impact of the depression on the composition of Canada's consumption and imports. Imports of capital goods, consumer durables, industrial materials and other commodities

supplied largely from the United States were the most severely hit by the sharp fall in production and investment. Demand for such items as textiles, clothing, alcoholic beverages and soft consumer goods generally, which are relatively more important in the basket of goods imported from the United Kingdom, fell off less drastically. A further factor was that from 1932 to 1933 the United Kingdom gained some advantage through exchange rate movements, though this was more than lost after 1934. Finally it must be emphasized that the higher United Kingdom share in the abnormally depressed 'thirties was not accompanied by an increase in the volume of imports from that country; in fact, it represented a larger slice of a much smaller pie. Moreover, because of idle capacity in United Kingdom industry, there were no physical obstacles to diverting goods to the Canadian market.

In considering changes in the relative importance of the United Kingdom and United States as sources of Canadian imports, it should be remembered that the trends revealed by Canadian imports are not unique but conform roughly to a world-wide pattern. As the following figures indicate, Britain's share of world trade has declined seriously during the past century while the position of the United States has greatly strengthened. From this standpoint, the deterioration in Britain's relative position in the Canadian import market can be regarded simply as part of a world development which, for quite understandable reasons, has proceeded somewhat further and more rapidly in Canada than elsewhere.

Share of World Exports
in Manufactures

| | <u>U.K.</u> | <u>U.S.</u> |
|-----------|-------------|-------------|
| | % | % |
| 1876-1880 | 38 | 4 |
| 1899 | 34 | 12 |
| 1913 | 31 | 13 |
| 1929 | 24 | 21 |
| 1937 | 22 | 20 |
| 1950 | 26 | 30 |
| 1954 | 21 | 26 |

It should not be inferred from the foregoing comments and table that the trade performance of the United Kingdom since the end of the war has been unsatisfactory, or that the outlook for British exports to Canada and the world generally is bleak. Quite the contrary. In the past decade the United Kingdom has made a remarkable recovery in the export markets of the world; and the prospects for the future are bright. The absolute level of British exports in value and volume terms in several times greater than before the war. Canada now imports from the United Kingdom many times more than it did in earlier years when the British percentage share was higher; the forecast made by the Gordon Commission is that the absolute level of imports from the United Kingdom will more than double over the next two decades.

There is, of course, nothing inconsistent between a large absolute increase in British exports and a decline in the share of the market it achieves. Indeed, this situation may be very difficult to avoid in circumstances of sharply differentiated rates of growth in the various parts of the world. The United Kingdom and other "mature" countries of Europe have not been growing as fast as Canada, the United States, and other relatively "young" and dynamic regions with large and diverse resources.

With respect to the rather sharp decrease in the British share of world trade in manufactured goods since 1950, it should be emphasized that there are special reasons for this occurrence, and that the United States also showed a significant decline during this period. This development reflects mainly the economic recovery of Germany and Japan and the re-emergence of these two countries as important trading nations.

The Composition of Canadian Imports

Turning to the immediate question before us, it is obviously desirable to dismiss from further consideration various groups or classes of Canadian imports where, for one reason or another, there seems little prospect of significant diversions of Canadian imports away from the United States and towards the United Kingdom. The selection of categories is a matter of judgment but such an analysis should be helpful in indicating the approximate orders of magnitude involved. The classification relates to 1954 trade — the last year for which complete breakdowns have been published. In that year Britain's share of Canadian imports was somewhat higher than at present; but this should not alter the basic picture.

Commodities for which the possibility of diversion is non-existent or slight have been classified into five major groups. These are shown in detail in Appendix A.† Group I consists of products which the United Kingdom does not export at all, or only in small quantities. In most cases Canadian imports of these products from the United Kingdom have been negligible or zero. Included in the group are such products as fresh fruits and vegetables, cereals, rubber, raw cotton, lumber and wood products, petroleum, building materials, and the like. This group of products made up 28 per cent of Canadian imports in 1954; Britain supplied only 1 per cent and the United States 65 per cent.

Group II consists of parts and components for use in Canadian manufacturing and for replacement purposes. Included are such goods as automobile and aircraft parts, engines and boilers, farm machinery parts, and components for most durable goods. Because of Canada's heavy dependence on United States imports in the past and the close corporate and technological links between United States and Canadian industry, most of these imports come from the United States. The great number of American-type products in Canada requiring replacement parts and the importance of United States parts and components to Canadian industries manufacturing American-type products make it exceedingly difficult, at least in the short run, for United States imports of these goods to be diverted to the United Kingdom in any volume. In recent years United Kingdom investors have shown a welcome interest in setting up industrial operations in Canada. With this development there has occurred a simultaneous increase in Canadian imports of parts and components. If British direct investment in Canadian industry were to expand, imports from the United Kingdom in this important category of goods could also be expected to grow. But to achieve a substantial diversion of trade in this way would involve, say, a decade rather than a year or two. The total derived for this group is partially an estimate because, as explained in the Appendix, for many trade categories imports of parts and components are not shown separately. This group of products made up about 13 per cent of Canadian imports in 1954 and the United States supplied 95 per cent and the United Kingdom less than 5 per cent.

Group III consists of imports which are more or less non-commercial in character. Included in this category are such imports as military equipment, articles for use by the Diplomatic Corps, tourist purchases, express and post office parcels, settlers' effects, and returned exports. Works of art, books and printed matter have also been included. As imports of these items are mainly governed by factors other than price and ordinary commercial considerations, the possibility of trade diversion through commercial policy is

slight. Imports in this group made up 7 per cent of total imports in 1954. The United States supplied 84 per cent of the group total and the United Kingdom 7 per cent.

Group IV includes imports which for various reasons neither the United States nor United Kingdom exports to Canada in any volume. Included in this group are such products as spices, sugar, tea, hard fibres, clocks and watches, diamonds. This group made up 5 per cent of total imports in 1954. The United States supplied 7 per cent and the United Kingdom 4 per cent.

Group V is different from other groups in that it includes those commodities in which the United Kingdom already holds a large share and the United States a small share of the import market. Accordingly, there is little scope for diversion from the United States to the United Kingdom. Included in this group are such products as woollen cloth, china tableware, bicycles, small cars, whisky and platinum. This group made up 4 per cent of total imports in 1954. The United Kingdom supplied 75 per cent and the United States 9 per cent.

The foregoing information on these five commodity groups for 1954 can be summarized as follows:

| Group | IMPORTS (millions of dollars) | | | PERCENTAGE | | |
|----------------|----------------------------------|-------|---------|-----------------------------------|-------------------|-------------------|
| | Total | U.K. | U.S. | Group as % of Total Imports | % From U.K. | % From U.S. |
| I | 1,146.1 | 15.0 | 740.3 | 28.0 | 1.3 | 64.6 |
| II | 528.3 | 23.9 | 500.3 | 12.9 | 4.5 | 94.7 |
| III | 276.2 | 19.0 | 232.7 | 6.7 | 6.9 | 84.3 |
| IV | 190.0 | 7.8 | 13.2 | 4.6 | 4.1 | 6.9 |
| Sub-Total | 2,140.6 | 65.7 | 1,486.5 | 52.3 | 3.1 | 69.4 |
| V | 168.4 | 125.5 | 15.3 | 4.1 | 74.5 | 9.1 |
| Total Above | 2,309.0 | 191.2 | 1,501.8 | 56.4 | 8.3 | 65.4 |
| VI (All other) | 1,784.2 | 201.3 | 1,459.6 | 43.6 | 11.3 | 81.8 |
| Total Imports | 4,093.2 | 392.5 | 2,961.4 | 100.0 | 9.6 | 72.3 |

On the basis of these calculations, about 56 per cent of the Canadian import market offers little opportunity for trade diversion from the United States to the United Kingdom. (Over the long-term future there may be some scope in the category of parts and components.) There are reasons for believing that this figure may well be on the low side. Many classes of imports which, on first glance, appear to offer prospects for diversion turn out on closer examination to be less promising. A few examples illustrate this point: air-conditioning equipment, household consumer durables, heavy construction equipment, railway locomotives and cars, automobile dies and presses, and farm machinery. For reasons of styling, design, lack of productive experience, the character of the home market, or simply lack of industrial capacity, it is difficult to see how the United Kingdom could be expected to make deep inroads into many of these categories — at least in the short run.

Further, the source of imports for certain important categories of goods is influenced by international marketing arrangements, patent and brand licensing, and international corporate affiliations. The importance of this factor cannot be easily ascertained, but it should not be underestimated. It was last investigated by the Combines Commission in 1945 and reported on in "Canada and International Cartels." Under a typical arrangement, the

Canadian market for certain products was reserved for Canadian or United States producers, United Kingdom producers receiving corresponding concessions in the Sterling Area and elsewhere. It is generally agreed that these arrangements now exercise less influence on the direction of world trade than before the war. Fragmentary evidence suggests that it may still be important for such goods as certain chemicals and drugs, synthetic fibres, electrical and radio equipment, and certain types of machinery. In cases where these arrangements prevail, attempts to bolster United Kingdom imports through ordinary commercial policy measures would be largely abortive since the source and volume of Canadian imports is more or less arbitrarily controlled.

Taking these various considerations into account, one may reasonably regard about 60 to 65 per cent of Canadian imports as offering only slight possibilities for trade diversion from the United States to the United Kingdom at any rate over a period of a few years. On this basis, a diversion of 15 per cent of Canadian imports from the United States to the United Kingdom would, in effect, mean diverting roughly 35 per cent of Canadian imports from the United States to the United Kingdom in those trade categories which appear to offer scope for diversion. In 1954 the United Kingdom held only about 11 per cent of the market in these categories. One seems forced to the conclusion that a diversion of the magnitude indicated would depend upon the ability of United Kingdom exporting of goods in these "potential" categories being able to increase their sales in Canada between three and four times.

To facilitate appraisal of the prospect of achieving a substantial diversion in these "potential" categories, a list of the goods comprising the residual Group VI shown in the previous table, has been itemized below.

| | Cdn. Imports, 1954 (\$mm)* | | % of Total | |
|---|-------------------------------|-------|------------|------|
| | Total | U.K. | U.K. | U.S. |
| Cereal preparations | 6.4 | 2.4 | 37.5 | 56.3 |
| Sugar preparations | 3.5 | 2.1 | 60.0 | 31.4 |
| Chocolate & preparations | 4.2 | 2.5 | 59.5 | 21.4 |
| Dyeing, tanning & colour materials | 28.9 | 6.1 | 21.1 | 67.5 |
| Medicinal & drug products | 17.7 | 1.7 | 9.6 | 84.2 |
| Chemicals | 133.7 | 10.6 | 7.9 | 88.9 |
| Leather Goods | 11.3 | 4.0 | 35.4 | 60.2 |
| Rubber goods | 17.5 | .7 | 4.0 | 89.7 |
| Wood mfrs., n.o.p. | 16.5 | 2.8 | 17.0 | 63.0 |
| Paper & paperboard | 26.3 | 1.1 | 4.2 | 94.7 |
| Textile yarn, fabrics & clothing ex. wool & mfrs | 175.2 | 27.8 | 15.9 | 66.3 |
| Non-metallic mineral mfrs., n.o.p. | 28.7 | 9.0 | 31.4 | 43.2 |
| Silver, gems & jewellery | 8.1 | .8 | 9.9 | 50.6 |
| Primary Iron & Steel | 171.9 | 25.0 | 14.5 | 77.3 |
| Processed base metals | 11.8 | 3.6 | 30.5 | 59.3 |
| Manufactures of metals & mchry & transport equip. | 936.0 | 86.8 | 9.2 | 87.0 |
| Building fixtures | 18.2 | 1.1 | 6.0 | 90.7 |
| Travel goods | 4.3 | .9 | 20.9 | 62.8 |
| Footwear | 8.9 | 3.4 | 38.2 | 46.1 |
| Scientific instruments | 43.0 | 2.3 | 5.3 | 84.2 |
| Sub-total | 1,672.1 | 194.7 | 11.6 | |
| Miscellaneous | 112.1 | 6.6 | 5.9 | |
| Total | 1,784.2 | 201.3 | 11.3 | 81.8 |

* ex. goods incl. in Groups I-V, Appendix A.

In the following section of this paper, which is concerned with the ways and means of trade diversion available to the Canadian Government, there will be a number of references back to the above table. At this point, however, it may be useful to make some comments about much the largest single item ("industrial machinery, transportation equipment and other manufactures of iron and steel," i.e. engineering goods). These comments apply in lesser degree to other important items in the table.

Given the substantial tariff preferences now existing for many British imports in these important categories, it would seem safe to make the judgment that further commercial policy advantages, at least of a moderate nature, are not in themselves likely to bring about a three or four-fold increase in Canadian imports, or indeed anything like it, within a period of a few years. The evidence suggests that there are fundamental forces at work, unlikely to be overcome by marginal price adjustments. Indeed, many observers have suggested that for the most part the problem is not the inability of British suppliers to compete in the Canadian market on a straight price basis.

This is not to say that the Canadian market does not offer great and growing opportunities for United Kingdom suppliers in these categories. To realize these opportunities, however, British exporters must become more familiar with the precise nature of Canadian requirements so that they can more adequately provide the right goods at the right place and at the right time. There is ample evidence from British experience in the Canadian market over the past few years that close attention to the requirements of the market in this country coupled with aggressive salesmanship can bring rich rewards in expanded trade opportunities. Moreover, United Kingdom industrial capacity and know-how in the engineering field suggest strongly that this important category of imports provide the greatest promise for both an expansion and a diversion in British trade.

POLICY MEASURES

It remains to consider various policy measures which might be employed to divert a share of Canadian imports from the United States to the United Kingdom, their probable effectiveness, and their main implications for the Canadian economy.

As a background for examining these possibilities it may be useful to set out briefly the key obligations which Canada and other Commonwealth countries have assumed under international trade and financial agreements, including the General Agreement on Tariffs and Trade and the International Monetary Fund:

- (1) A general undertaking to extend Most-Favoured-Nation treatment to all agreement countries, except for the right to continue certain existing preferences.
- (2) An undertaking not to create new preferences, or to widen margins of preference beyond those provided for in the tariff schedules to the GATT or those existing on a certain base date (July 1, 1939 for Canadian preferences).
- (3) An obligation not to impose tariff rates higher than those bound in the tariff schedules to the GATT, except as may be modified by re-negotiation and agreement. (A very high proportion of Canadian tariffs is so bound.)
- (4) An obligation not to impose quantitative import restrictions except to deal with serious balance of payments difficulties and, in certain conditions, to protect agricultural programmes.
- (5) An obligation not to impose exchange restrictions on current payments except with Fund approval.

Encouragement and Persuasion

Since World War II, various attempts have been made to increase Canadian imports from Britain through publicity, appeals, dollar "drives," business conferences, educational programmes and similar methods. The United Kingdom sent a number of "Missions" to Canada to explore the Canadian market, to familiarize themselves with Canadian requirements and to contact Canadian buyers. A Dollar-Sterling Export Board was also set up comprising both British and Canadian businessmen with the same purpose in mind; and this body is still functioning. In addition, after the war Canada's Trade Commissioners actively encouraged British exports to Canada. In recent years, buying "Missions" have gone from Canada to the United Kingdom for the following industries: petroleum, metal mining, pulp and paper and British Columbia fishing.

These and similar activities might be enlarged under government auspices. This could result in some increase in imports from the United Kingdom, but past experience indicates that measures of this sort have a limited effectiveness. Moreover, such measures might prove unpalatable to Canadians if, as might in part happen, they shifted business to the United Kingdom at the expense of Canadian producers instead of American producers.

There are no direct controls over Canadian imports except for a few agricultural products. Canadian tariffs are for the most part moderate; this is especially true with respect to the United Kingdom and other Commonwealth countries which enjoy substantial tariff preferences. Consequently the degree to which informal encouragement to imports from the United Kingdom succeeds in diverting trade depends, in very large measure, on the efforts made by United Kingdom suppliers to meet the particular needs or tastes of Canadian buyers.

Tariff Reductions

About 60 per cent of Canadian imports from the United Kingdom are entirely free of duty. Of the remaining 40 per cent, a large proportion enters Canada at very low tariff rates (10 per cent or less). Moreover, the free and nearly free categories include a wide variety of basic chemicals, drugs, earthenware products, special types of primary iron and steel, engineering goods, cutlery, aircraft products, electrical parts and machinery, etc. — classification which loom large in terms of Canadian imports and where Britain has appreciable productive capacity. Where Canadian tariffs constitute significant barriers against British goods — 10 per cent or higher — they are generally designed to protect domestic producers against United Kingdom competition (e.g. textiles, clothing, industrial machinery, leather goods, boots and shoes).

Since a very large proportion of imports from the United Kingdom already enters free or nearly free, it is very doubtful whether lower tariffs on British goods now dutiable would significantly increase imports from Britain. To have any significant impact, tariff reductions would have to extend to classifications where protection of Canadian industry is important. Moreover, such reductions would have to be denied to the United States and other M.F.N. countries, thereby conflicting with the "no new preference rule" of the GATT — a rule which the Contracting Parties have shown themselves extremely reluctant to waive. Finally, and apart from the foregoing considerations, available evidence does not support the view that additional tariff advantages enabling British goods to be sold in Canada at slightly better prices would substantially stimulate sales here. An illustration of this was provided by the 1949 sterling devaluation, which in effect gave United Kingdom suppliers an immediate 20 per cent price advantage over pre-devaluation levels and increased the United Kingdom tariff advantage in Canada as compared with the United States. The United Kingdom did increase its share of the Canadian market from 11.1

per cent to 12.7 per cent from 1949 to 1950, but this gain was short-lived; by 1956 Britain's share was some 2 ½ per cent less than in 1948 or 1949. Although it is likely that reductions in tariffs on United Kingdom goods would increase Britain's share of Canadian imports to some extent, even the complete elimination of tariffs would not, of itself, bring about anything like the trade diversion envisaged. A very rough estimate suggests that the complete elimination of tariffs on United Kingdom goods, leaving M.F.N. rates unchanged, would lead to no more than a 2 per cent diversion from the United States as a very maximum.

As for general economic effects, tariff reductions on British imports would lower their prices, thereby benefiting Canadian consumers, producers of export products and producers of domestic goods not in competition with British imports. Further, one cannot ignore the risk that the United States and other countries adversely affected by any increase in the margins of preference enjoyed by the United Kingdom would withdraw trade concessions from Canada thus damaging Canadian exports. If this were to occur it would be an offset to the economic advantages of tariff reductions on British goods.

The burden of tariff reductions would fall mainly on domestic production and employment in import-competing industries. In terms of total Canadian output, the cut-back in domestic production brought about by tariff reductions on United Kingdom imports would probably be quite small. It might, however, be quite significant in certain industries such as woollen textiles which have a relatively high labour content.

Tariff Increases

Another approach would be to increase tariffs against United States goods, leaving tariffs against United Kingdom goods unchanged. Two variants of this approach should be considered: raising M.F.N. rates generally; and raising rates against United States goods only, leaving the rates against other M.F.N. countries at present levels.

There is little doubt that by raising tariffs against the United States and other M.F.N. countries sufficiently substantial trade diversions could be achieved. The main questions are how substantial such tariff increases would have to be, how the market vacated by the United States and other suppliers would change in size, how this market would be shared between domestic and United Kingdom producers, and what the general economic consequences of the tariff increases would be.

As indicated earlier, the prospect of significantly increasing British imports seems quite remote for about 60-65 per cent of Canadian imports. Interest therefore centres on the remaining 35-40 per cent which might conceivably come from the United Kingdom. To achieve an aggregate diversion of 15 per cent, the diversion in this sector would have to be about 35 per cent. Assuming the total level of imports to be unchanged, this would require Canadian imports from the United Kingdom to be three or four times greater than at present. To induce an increase of this magnitude, M.F.N. tariffs in these categories would have to be raised to almost prohibitive levels and domestic prices allowed to rise very sharply.

Sharp price increases combined with very high tariffs on imports from the United States and other M.F.N. countries would, of course, fundamentally alter the Canadian trade and production position. Under such conditions it is not unlikely that Canadian producers rather than British suppliers would take over much of the market vacated by United States and other suppliers. This, in turn, would result in a lower overall level of imports thereby raising Britain's share by depressing the total level of imports rather than by diverting trade. These results could be avoided only in those cases where United Kingdom producers are in a position to make substitutable products easily and quickly available, with the full

complement of servicing, parts and so on, which the Canadian market demands. As already indicated, there is evidence that British producers have been reasonably competitive in terms of price with United States and Canadian suppliers in many fields. The main constraint on British sales has apparently been an inability to compete on non-price matters such as delivery dates, servicing and styling. Raising Canadian tariffs against M.F.N. countries would hardly solve these problems; and in many cases it would simply result in replacing United States imports with higher-cost domestic output.

In order to evaluate further the effectiveness of tariff increases it is useful to recall Canadian experience in the early 'thirties. In the main, the higher preferential margins negotiated in 1932 were implemented by raising tariffs against the outside world rather than by reducing Commonwealth tariffs. From 1932 to 1936 Britain's share of Canadian imports was 5 per cent higher than in 1931-32 and 5 per cent higher than in 1937-39. Hence, despite the special circumstances favouring diversion at that time and the sizable increases in preferential margins, Britain's share of the Canadian market increased by no more than 5 per cent and this higher share of the Canadian market was based on a much smaller import value and volume.

Raising tariffs on M.F.N. imports and including higher British imports by raising import prices would raise Canadian costs substantially if such a policy were pushed very far. This would reduce real income in Canada which, in itself, would react against higher imports. At the same time the export sector of the Canadian economy would be hampered on world markets because of its higher costs of production. Furthermore, by stimulating higher-cost domestic production, the general efficiency and strength of the Canadian economy would be impaired. Also, as already implied, a sharp reduction in U.S. imports would create inflationary pressures.

It is quite evident from what has already been said that a policy of this kind would cut across the central fabric of Canada's foreign trade relationships and our international trade agreement obligations. Since what is involved here is not only the extensive widening of preferential margins, but also the withdrawal of many Canadian tariff concessions to third countries, it would be difficult to reconcile such a policy with Canada's continued participation in the GATT. Countries adversely affected by higher Canadian tariffs would almost certainly retaliate by imposing higher barriers against Canadian exports.

A word about the second variant of the tariff increase approach, i.e. raising rates against the United States but not against other M.F.N. countries. Such a policy would perhaps offer greater scope for diversion of imports from the United States. Access to a wider range of countries at existing tariff rates would moderate the adverse repercussions on the domestic economy of higher tariffs against the United States. At the same time the trade benefits accruing to the United Kingdom would also be smaller. Countries like Germany and Japan could be expected to expand greatly their exports to Canada under such conditions — perhaps even more than the United Kingdom, having in mind their recent performance in world export markets.

Finally, and perhaps most important, a policy of outright trade discrimination against the United States would be sure to provoke a violent reaction in that country. Indeed, such a policy would almost certainly lead to a trade war with the United States and all the consequences for Canadian exports which this would entail.

Quantitative Restrictions

By directly controlling the volume or value of Canadian imports, imports from the United States might be restricted to any desired level and Britain's share of Canadian imports might thereby be raised. In principle, restricting imports from the United States

through quantitative controls has much the same consequences as restricting them through higher tariffs. The two measures are different administrative arrangements for accomplishing the same result. Accordingly, the comments made above in connection with the higher tariff apply here as well. If United States imports were restricted, domestic prices would rise and this would serve to induce higher United Kingdom imports and greater domestic production.

There are several important differences between quantitative restrictions and tariffs from an administrative viewpoint. One is that the former can be applied more deliberately and with greater certainty as to the restrictive effect on the level of imports. Another is that windfall profits would accrue to those importers fortunate enough to obtain import quotas. Thirdly, a complex and costly organization would have to be established to administer the controls.

During the 1947-50 period of emergency import control in Canada, quantitative restrictions were so designed as to restrict United States imports but not United Kingdom imports. Although these restrictions were imposed for balance of payments purposes rather than for trade diversion, it is, nevertheless, noteworthy that the United Kingdom share of Canadian imports was only moderately affected. In this instance problems of productive capacity in the United Kingdom and inability to provide the type and variety of products demanded in Canada made it difficult for the United Kingdom to take fuller advantage of the restrictions. The experience also suggested a strong aversion on the part of Canadians to direct and arbitrary interference with trade by the government.

Unless Canada were in serious balance of payments difficulties, the imposition of a broad system of quantitative import restrictions would be contrary to trade treaty obligations. As in the case of a general increase in tariffs, a policy of import restrictions designed to divert trade would probably require withdrawal from the GATT and the likelihood of retaliation by the United States and other countries adversely affected.

Quite apart from their implications for Canada's international trade relations, the effects of an extensive system of quantitative import restrictions on the domestic economy would be seriously adverse. Import restrictions would contribute to price and cost inflation and impair the competitive efficiency of Canadian industry in both the home and world markets. This has been the experience of all countries which have used this device. Indeed, the trend in recent years has been for the United Kingdom and other countries — acting in their own interests — to dismantle their systems of quantitative import restrictions, and to confine their use to circumstances of special economic or political difficulties.

Government Purchasing

There is a possibility of increasing imports from Britain by diverting to British suppliers a larger share of Government of Canada purchases. Present Government purchasing policy is laid down in Cabinet Directive No. 16 of May 20, 1950. Under this policy Canadian and United Kingdom suppliers are afforded the same treatment once bids have been tendered and both are allowed a price advantage up to 10% over United States suppliers. British suppliers have an additional tariff advantage over United States suppliers in most cases.

In inviting tenders, however, the practice is to "buy Canadian." This does not require that goods be Canadian produced but only that firms carry on business in some form or other in this country. Foreign firms with agencies, branches or subsidiaries, can request to be put on the tender lists, submit tenders in competition with Canadian producers, be awarded contracts and fill them with imported goods. However, a firm which does not

have a business in Canada would not be invited to tender on goods available from Canadian sources.

If requirements are not available from Canadian firms it is, of course, necessary to invite tenders from outside the country — almost invariably in the United States or the United Kingdom. Decisions respecting tenders from foreign countries are left pretty much to the discretion of the individual government departments concerned.

It is evident from the foregoing that United Kingdom suppliers are already in a somewhat favoured position where Government purchasing is concerned. Government purchases in the United States are mainly for defence purposes and are governed by considerations of military efficiency and general defence strategy. If purchases of these goods were to be diverted from the United States to the United Kingdom it would be necessary to make fundamental changes in defence policy. Depending on how far the redirection of Government purchasing was pressed, there might be some scope for trade diversion. However, even if pursued with vigour, this policy could increase Britain's share of Canadian imports by only a few per cent at most.

Other Measures

An exhaustive review of possible measures to divert trade would have to examine various possibilities in the fields of fiscal policy, foreign exchange control, state trading, foreign investment, and restrictive business practices in addition to the alternatives explored in this memorandum. A preliminary survey of these various possibilities suggests that they either offer marginal scope for influencing the direction of trade or are really administrative substitutes for tariff measures or direct import controls. Should it be considered useful, supplementary material on these other measures can be submitted in a separate memorandum.

Conclusion

The essence of this memorandum can be summarized in a few sentences. The source of Canadian imports has been determined primarily by the structure of Canadian industry, the particular nature of Canadian requirements, and the ability of foreign suppliers to provide the required goods competitively. Within this framework there is some scope for moderate changes in commercial policy to influence the direction of imports, but their role is not great by comparison with the other influences at work.

Despite a favourable tariff position in the Canadian market — a substantial body of tariff preferences, many of them of a substantial nature — the United Kingdom share of Canadian imports has, with few interruptions, been undergoing a secular decline for many decades. This development has not been unique to Britain's position in Canada, but has reflected a world-wide trend.

A detailed examination of Canadian imports shows that not much more than a third offers any real potential for diversion from the United States to the United Kingdom. Accordingly, in order to achieve an overall diversion of something like 15 per cent, a very large diversion would have to occur in a relatively small sector of Canadian imports.

Policy measures which are broadly consistent with Canada's present trade treaty obligations, would offer some scope for trade diversion; but striking results cannot be anticipated, particularly in the course of a few years. Moreover, some of these measures would involve Canadian secondary industry in increased competition.

If present international obligations were put aside, more effective trade diversion measures could be devised. Even these, however, could not be relied on to achieve a really substantial diversion from the United States to the United Kingdom. What is more likely to

happen under the influence of severe restrictive measures is a decline in overall imports and the encouragement of high-cost domestic industry. Furthermore, such measures would likely result in retaliatory action by the United States and other countries adversely affected. This could have severe repercussion on exports and on Canada's general economic prosperity.

Finally, while Britain's share of the Canadian and world markets has been falling, there has occurred a large expansion in the absolute level of United Kingdom exports. This can be expected to continue. It can be aided and encouraged as far as Canada is concerned within the framework of existing international treaties; and it is, perhaps, in some sense more important than the question of "shares."

346.

DEA/50330-A-40

*Le secrétaire d'État aux Affaires extérieures
au haut-commissaire au Royaume-Uni*

*Secretary of State for External Affairs
to High Commissioner in United Kingdom*

TELEGRAM E-1194

Ottawa, August 14, 1957

SECRET. OPIMMEDIATE.

Reference: My Tel E-1053 of July 12.

Repeat New Delhi, Wellington (OpImmediate).

Repeat Washington (Priority) (Information).

By Bag Karachi, Colombo, Pretoria from London.

COMMONWEALTH FINANCE MINISTERS' MEETING

Please pass the following message and memorandum from the Canadian Minister of Finance to the Chancellor of the Exchequer. Begins:

(Communications: Please copy attached text) ends.

(Communications: Please transmit to Wellington only)

The second last paragraph of the Minister's message is not of course relevant to New Zealand which is not a member of the Bank and Fund. Please amend the last paragraph to read "In conclusion, let me express to you the pleasure it gives my colleagues and myself to know that a member of the New Zealand Government and the Ministers of Finance of the other Commonwealth nations are to be our honoured guests in Canada on this occasion."

[PIÈCE JOINTE 1/ENCLOSURE 1]

Message

SECRET

[Ottawa], August 14, 1957

MESSAGE FROM THE CANADIAN MINISTER OF FINANCE
TO OTHER COMMONWEALTH FINANCE MINISTERS

I am glad to say that I have now received definite acceptance from all Commonwealth governments, and we are proceeding to make the necessary arrangements for our meetings at the end of September.

As I promised, I am sending you herewith a memorandum for consideration under the third item on the proposed agenda. You will see that this covers a wide range of topics: many matters in the field of trade and payments; some questions relating to economic aid and development; atomic energy; gold; communication, transport and travel; and certain tax problems. I hope that you may have additional suggestions.

I recognize that it would be impossible to go into the substance of all these matters at the September meeting. I shall, however, be prepared at that time to elaborate some of our ideas; this memorandum is only a summary of what we have in mind.

I would hope and expect that following our discussions each of us might feel in a position to advise his government that there is a real need for a Commonwealth Trade and Economic Conference to take place after a lapse of several months and on the basis of studies to be carried forward in the meanwhile. A few of the topics, however, would probably merit at least some preliminary discussion in September; for example, those relating to United States commercial policy (paragraph 8), wheat (paragraph 12), dairy products (paragraph 13), and United States action on lead and zinc (paragraph 14). We have already agreed to consider, under the second item on our agenda, the implications for Commonwealth trade of the European Common Market and the proposed association of a Free Trade Area with it (paragraph 7).

In regard to physical arrangements, I am glad to say that we have been able to arrange to hold our meetings at Mont Tremblant, a beautiful location some eighty miles north of Montreal, where we will have a comfortable hotel completely to ourselves. This means that, in order to arrange accommodation, we shall need to know names of those who may be joining your party from your mission in Ottawa, as well as those from overseas.

The preliminary information we have received indicates that very few of those coming from overseas are planning to bring their wives to North America. In these circumstances we are not planning to provide for wives at Mont Tremblant but will be glad to provide a tour and accommodation and hospitality at Montreal and Ottawa for those wives from overseas who will be coming to Canada with members of delegations. We are, of course, arranging for the transportation of delegates between the Montreal airport and Mont Tremblant.

Since my last message I have learned informally that while the Fund-Bank-IFC meetings will indeed be concluded by mid-day on Friday, September 27, it is planned that the ball which has previously been given on the Thursday night, will this year be given on the Friday night. If we all stayed in Washington that night it would scarcely be possible to start our meetings at Mont Tremblant before Monday, and I shall assume, unless I hear from you to the contrary, that it would be your wish to proceed with the arrangements outlined in my last message. However, if there were a general feeling that it would be preferable to stay over Friday night in Washington and travel to Mont Tremblant on Saturday, it would not be difficult to adapt the timetable at this end. In that case, the Conference could be opened on Monday morning and continue until and including Wednesday, October 2.

In conclusion, let me express to you the pleasure it gives my colleagues and myself to know that a member of the New Zealand Government and the Ministers of Finance of the other Commonwealth nations are to be our honoured guests in Canada on this occasion.

[PIÈCE JOINTE 2/ENCLOSURE 2]

*Note**Memorandum*

SECRET

MEMORANDUM FOR DISCUSSION BY COMMONWEALTH FINANCE MINISTERS

1. The Canadian Government desires to increase two-way trade between Commonwealth countries and, in this and other ways, to extend and enlarge benefits that the Commonwealth association can bring to its members. Accordingly, the Canadian Government believes that representatives of Commonwealth governments after making adequate preparations should undertake discussions of a number of questions relating to trade and economic relations between them. There have been many important developments and changes in recent years that make such discussions appropriate and timely.
2. Canada believes that there are opportunities for the expansion of Commonwealth trade in the next few years, to take advantage of increased productive power and resources and to meet demands in expanding markets in the countries of the Commonwealth. We think that positive efforts are required to see that advantage is taken of these opportunities and that suitable arrangements and institutions are available to facilitate that trade and other mutually beneficial economic relations.
3. The Canadian Government believes that the expansion of Commonwealth trade is consistent in general with the maintenance and improvement of trade between Commonwealth countries and other countries. Proposals in this memorandum are, we believe, consistent with the obligations which Commonwealth countries have assumed to others.
4. To begin with matters of trade and payments, there are two general objectives which Canada seeks. Most important of these is the progressive removal of quantitative restrictions on trade. In this process we would like to see priority given to restrictions which impede trade between Commonwealth countries, including Canada. We recognize that some Commonwealth countries, due to the stage and pace of their economic development, are from time to time in balance of payments difficulties to such an extent as to make restrictions necessary, but we hope that these can be regarded as individual exceptions.
5. Second, we hope that the United Kingdom will be able to continue the substantial progress already made toward full convertibility.
6. The Canadian Government would welcome a discussion of the means of developing the sort of environment in which Commonwealth countries would feel able to take further steps in the direction of these major objectives. Some of the following paragraphs bear on these matters.
7. It is evident that the creation of a European Common Market, and the proposed association of a Free Trade Area with it, would constitute a change of the first magnitude in the field of trade for members of the Commonwealth. Prime Ministers have recently discussed general policy aspects of this change, and our officials have explored together some of the more detailed implications. It has been agreed that more discussions on these matters will be necessary both among ourselves and in other groups, such as the contracting parties to the General Agreement on Tariffs and Trade. We believe that a special duty lies upon the Commonwealth to ensure that these European arrangements are "outward looking," that this great initiative creates better opportunities for all and does not lead to the formation of

restrictive trading blocs. All Commonwealth countries have a special interest in European plans in respect of trade in agricultural products. We believe that Ministers should discuss these matters further at the September meeting in an effort to ensure that the Commonwealth as a whole may be adversely affected as little as possible and may benefit to the maximum possible extent from the opportunities afforded by these major changes in Europe.

8. The United States has become a dominant influence upon the trade of the whole free world and all of us are greatly affected by its policies and prosperity. We recognize that the United States has participated constructively in the past twenty-five years in the reduction of trade barriers, thus making it possible for all of us to increase our trade with it, to the benefit of all concerned. On the other hand, from time to time United States policies give rise to important questions of concern to several if not all members of the Commonwealth and we consider there would be merit in seeking an understanding of one another's points of view in regard to them. The Canadian Government suggests, therefore, that we should review together various ways in which our countries are affected by developments of United States commercial policy, including actions taken under trade agreements acts, surplus disposal operations, and other policies and programmes of the United States bearing upon trade. We have in mind that Canada, and no doubt other Commonwealth countries too, will be holding discussions with the United States on a number of trade problems and it would be helpful to each of us to know in advance the views of fellow members of the Commonwealth.

9. The Canadian Government is not now proposing a new system of tariff preferences, or of restrictions against trade with non-Commonwealth countries. On the other hand, if fellow members of the Commonwealth could reciprocate, and if it seemed that Commonwealth trade could be promoted on a mutually advantageous basis, we would be glad to engage in discussions relating to tariff adjustments.

10. We have already in Canada a dollar-sterling export board, composed of public-spirited citizens and engaged in promoting imports to Canada from the United Kingdom. As part of a concerted programme for increasing Commonwealth trade, it might well be encouraged to intensify its work and broaden its scope in order to cover imports from other Commonwealth countries as well as the United Kingdom.

11. A direct way in which some increase in Commonwealth trade might be brought about would be through an effort on the part of each Commonwealth government, and its agencies, to ensure that, when tenders are called for, suppliers from other Commonwealth countries are given every opportunity to put in their bids. For its part, the Canadian Government would be prepared to review its system of procurement, of both military and civilian supplies, with this in mind, subject, of course, to strategic and similar considerations.

12. There are a number of special problems of commercial policy we should also like to discuss within a wider context. Four of these may be mentioned; first of all, wheat. The Canadian Government is determined to keep open normal commercial markets for Canadian wheat. It is prepared to retain substantial wheat stocks against needs arising from fluctuations in crops in North America and elsewhere. It has no intention of becoming a weak seller in wheat markets of the world. Nevertheless, it is prepared to give consideration to the use of a portion of its present wheat surplus to enlarge the scale of assistance now being made available to Commonwealth countries under the Colombo Plan.

13. Second, it seems clear that Canada, like most major producers, must make some special provision in regard to major dairy products. This will likely involve in the future, as in the past, restrictions upon imports at least from time to time. We should like to be

able to make arrangements with other Commonwealth countries that under such circumstances assure them of an equitable share of imports required to supplement our domestic production in these fields.

14. Third, there is a danger that the United States, by imposing new duties on lead and zinc, will be withdrawing a major benefit provided to Canada and Australia under our trade agreements. In that event, we would be entitled to take steps to preserve the balance of advantages under the agreements and we should like to discuss our compensating arrangements with fellow members of the Commonwealth, some of whom may be particularly interested, before reaching decisions as to what we should do.

15. Fourth, as long as quantitative restrictions on trade remain, Canada has a number of special export problems in the field of food products which we believe can be met in considerable part by a resumption of traditional sales to the United Kingdom, which need not involve it in any major changes in policy nor any large expenditures in dollars. This we shall wish to discuss with the United Kingdom in the context of an approach to Commonwealth trade as a whole.

16. In addition to questions of trade, there are other matters upon which we are conscious of the need for an exchange of views. Amongst these perhaps most important are investment and development. These subjects were broadly reviewed last month at the meeting of Prime Ministers. There may, however, be particular subjects for further discussion. As for Canada, we warmly welcome the flow of commercial investment that is moving to Canada from the United Kingdom and, for our part, we place no restriction on the access of Commonwealth or other countries to our capital market.

17. Canada and other Commonwealth countries have participated actively in the Colombo Plan. The Canadian Government regards that Plan as an example of the constructive way in which the Commonwealth spirit can be translated into effective action. The Plan has not been exclusive and others outside the Commonwealth have become associated with it. We would, however, welcome an opportunity to discuss certain questions, at least in a preliminary way, within the Commonwealth family; for example, whether the forms and types of aid that have been supplied are best serving the fundamental purposes of the Plan. Nor should discussion of these and similar matters be confined to the area covered by the Colombo Plan; there are now other countries, emerging from the status of colonies, that may well engage our special attention.

18. Several Commonwealth countries are amongst the world's largest producers of gold. The Canadian Government is naturally interested in any proposal affecting its price. Following the meetings of the International Monetary Fund, it would seem appropriate to review this matter together.

19. We in Canada expect to proceed on a large scale with the production and export of uranium for peaceful purposes. We wish to export uranium for these purposes on a commercial basis, subject to effective safeguards to ensure that fissionable products made from it are not diverted to military use. We hope other members of the Commonwealth will agree with the desirability of building up trade on such a basis in order that this great new source of energy may be most fruitfully used for the benefit of mankind without endangering the security of all of us. We should like to have an opportunity of discussing with our partners in the Commonwealth this aspect of trade in uranium and other materials and equipment for producing atomic energy.²⁴

²⁴ Voir chapitre V, première partie./See Chapter V, Part 1.

20. In addition, it might be useful to exchange information on our programmes in the field of atomic energy and to discuss the interrelation of trade policies and the development of manufacturing industries in this general field.

21. The Canadian Government would also like to review a number of matters under the broad heading of communication and transportation between members of the Commonwealth. There are, for instance, suggestions for a comprehensive modernization of cable and telephone communications between all Commonwealth countries. Experience with the new co-axial cable across the Atlantic seems to suggest that improved facilities give rise to greatly increased traffic.

22. There is an important shipping matter affecting trade which gives Canada concern. The levels of freight rates on trade between Canada and some other countries of the Commonwealth are so high as to handicap the effective development of direct trade between our countries in competition with other trade. While these are private or conference rates, they are of sufficient importance to warrant discussion between governments to see what can be done to ensure that such rates do not divert trade from the Commonwealth to other channels.

23. Turning to the matter of personal travel, the Canadian Government warmly welcomes the recent decision of the United Kingdom to provide a travel allowance (one hundred pounds per annum) to tourists visiting Canada and also the increases which have been made in travel allowances by Australia and New Zealand. We are examining a request by the United Kingdom that the Canadian tariff should be adjusted so as to facilitate tourist purchases by Canadians who visit overseas countries. We would be glad to review with other members of the Commonwealth the possibility of giving encouragement to travel between our countries.

24. Finally, Canada has a number of tax treaties with other members of the Commonwealth and the Canadian authorities are aware that many efforts have been made to remove or reduce tax barriers to persons in Commonwealth countries investing in other Commonwealth countries. We consider, however, it might be worthwhile to make a survey in this field to ensure that all is being done that can properly be done to avoid double taxation and to facilitate the flow of productive private investment between countries of the Commonwealth while at the same time securing an equitable division of revenue on the basis of recognized principles.

347.

DEA/50330-A-40

*Le haut-commissaire au Royaume-Uni
au secrétaire d'État aux Affaires extérieures*

*High Commissioner in United Kingdom
to Secretary of State for External Affairs*

TELEGRAM 2172

London, August 21, 1957

SECRET. OPIMMEDIATE.

Reference: Your Tel E-1194 Aug 14.

Repeat Washington (Information).

COMMONWEALTH FINANCE MINISTERS' MEETING

At lunch yesterday Arnold France volunteered some initial comments on the message and memorandum which Mr. Fleming has sent to Commonwealth Finance Ministers. In Sir Leslie Rowan's absence on leave France is in charge of the Overseas Finance Section of the Treasury.

2. As regards the timing of the message a reply to the Minister of Finance is being prepared, for submission to the Chancellor when he returns to London at the end of this week, agreeing that it would be desirable to stick to the initial plan and to leave Washington p.m. Friday the 27th and start the meeting on Saturday. The Chancellor's message may also suggest that Mr. Fleming, as convening minister, might take the initiative in explaining to Black and Jacobssen the circumstances making it desirable that Commonwealth delegations should leave before the ball. We gather that Mr. Thorneycroft must return to London on the Thursday. France noted that a change in the timetable whereby the meeting would not have opened until the Monday would have left very little time for the bilateral discussions on the Anglo-Canadian trade questions after the general meeting, to which the UK attachés considerable importance.

3. In the coming weeks the Canadian memorandum will be carefully examined inter-departmentally. A first meeting of officials has already been held and from what France said, the initial reaction seems to have been to question whether there is enough in the Canadian proposals to warrant the calling of an early Commonwealth Trade and Economic Conference. They of course appreciate that the memorandum is only a summary of what the Canadian ministers have in mind and recognize further that a sound judgement on the question of the calling of a conference cannot be reached until ministers have met and discussed the various points in Mr. Fleming's paper and other ideas which may be put forward. In the meantime France seemed anxious to convey the thought that it would be undesirable to stimulate public expectation that a major Commonwealth economic conference would be held at an early date. In this regard he mentioned the hazards of calling a conference which in the event did not produce significant results and also the danger that a full-dress Commonwealth conference would provide a forum in which it would be particularly difficult to resist the demands for investment funds of capital-short Commonwealth countries — demands which would inevitable be focussed on Canada and the UK and which neither country might really be in a position to afford. France did not mention the preoccupation of UK officials with Free Trade Area problems in Europe, but this may well be another factor in their present attitude toward the proposal for a Commonwealth economic conference.

4. Another impression we gained was that UK officials were perhaps expecting rather more radical and far-reaching proposals from the Canadian side than they found in a first reading of Mr. Fleming's memorandum. Not surprisingly there is a good deal of interest here in your suggestions about the diversion of Canadian imports from the USA to the UK and it may be that UK officials were expecting that something explicit on this subject would have been contained in our proposals. It seems clear that Canadian thinking on this subject will be carefully probed, if not during the full meeting, certainly during the bilateral trade discussions.

5. France indicated that UK officials had not yet proceeded very far in their own thinking about new ways in which Commonwealth trade might be expanded and closer Commonwealth economic relations promoted. However, work is going forward in the hope of developing constructive proposals. From one or two straws in the wind it seems probable that thought is being given to the possibility of increasing imports from Canada

provided the required additional dollars are seen to be in hand, through action on our part. One fly which was thrown our way was the thought that the Canadian Government might decide to hold sterling as a proportion of our official reserves. One may presume that other ways in which the UK might increase its earning or otherwise obtain the additional dollars thought to be required to finance more Canadian imports are also being explored. Some of the ideas being considered by UK officials will of course never see the light of day and too much should not be read into the above information at this stage.

6. In talking to France and other UK officials about item 3 on the agenda for Finance Ministers, we are being careful not to go beyond what is said in Mr. Fleming's memorandum, while at the same time emphasizing that the points made therein are only an outline of the thinking of Canadian Ministers and that they will be elaborated during the course of the meeting. It would be helpful to have your guidance on the way in which this office could be most useful to you in preparing for the meeting. There may for instance be points on which you would especially welcome advance indications of UK views and others which you would not wish us to discuss before the meeting.

348.

DEA/50330-A-40

*Le haut-commissaire au Royaume-Uni
au secrétaire d'État aux Affaires extérieures*

*High Commissioner in United Kingdom
to Secretary of State for External Affairs*

TELEGRAM 2235

London, August 28, 1957

SECRET. OPIMMEDIATE.

Reference: Your E-1194 Aug 14 and our 2172 Aug 21.

COMMONWEALTH FINANCE MINISTERS' MEETINGS

1. Since my arrival I have called upon the Prime Minister, Lord Home and the Chancellor of the Exchequer to pay my respects and to discuss with them Mr. Fleming's memorandum. This message reports the substance of their comments together with some additional information which my officers have picked up in conversation with UK officials.

2. The Prime Minister expressed the greatest possible interest in your proposals. He used the words "we are most enthusiastic." He said that while his government recognized the need for caution in preparing for a general conference, they did want to get ahead with the discussion of such subjects as had been fully explored and in regard to which there would be some possibility of success. [While] he did refer to the different position of such countries as India, Pakistan, Ceylon, Ghana and Malaya, he did, however, express the opinion that your positive proposals did have a very good effect on the Asian members of the Commonwealth. I raised some question about the press reports that the UK Government is lukewarm to the idea of a general conference. He replied: "That is nonsense. You won't find us dragging our feet." Both in words and in appearance I was greatly impressed with the Prime Minister's very real enthusiasm. In fact, when I saw the Chancellor of the Exchequer later, he said that there was great enthusiasm on the part of most ministers and particularly at the top. This is only qualified by the statement frequently repeated that it is essential that each of the subjects be fully explored in advance to assure success and also that they regard an understanding between the UK and Canada as being of vital importance. The Prime Minister informed me that when Mr. Heathcoat Amory goes to Canada

within the next ten days, he will be fully briefed in regard to the subjects raised by Mr. Fleming, and that he will have with him Sir Frank Lee and others whose purpose will be to explore the subjects raised by Mr. Fleming in his memorandum. From my conversation with the Prime Minister I am convinced that the interest in this subject is increasing daily. In fact, he told me that although the press had reported that their long Cabinet meeting yesterday dealt with the Russian announcement regarding intercontinental missiles, the meeting had been devoted to a full discussion of this subject.

3. When I saw Lord Home he had just come from the Cabinet meeting at which our proposal were discussed. He assured me that the UK's response to our memorandum and the proposal for a Commonwealth Trade and Economic Conference, would be "positive." He said that he and other members of the government were excited about this conference and the subjects to be considered, particularly the possibility of increasing UK-Canadian trade. Although he was not specific, Lord Home indicated that there were a number of subjects listed by Mr. Fleming which in his view would repay careful work and from which improved Commonwealth relations in the economic field could be expected to develop. While warmly welcoming the idea of a conference, the Secretary of State emphasized the need for the most careful advance study and preparation, because of the importance of a successful outcome of the discussions. He also expressed some concern that the less developed Commonwealth countries might try to make use of the conference for the purpose of seeking investment capital from those of us who would be in a position to provide funds. In this connection he mentioned the Indian position and the rapid reduction of India's sterling balances which has accelerated in the past few weeks.

4. The Chancellor of the Exchequer received me in a most cordial manner and also assured me that the UK would support the idea of a conference to be held after the necessary preparatory work had been done. His attitude was enthusiastic and I gather he is thinking hard and has his officials working hard on ways in which Commonwealth trade and Anglo-Canadian trade can be stimulated.

5. The only sour note we have heard at the ministerial level was a comment made to one of my officers by Sir David Eccles to the effect that the Canadian paper did not "contain enough meat" to promise good prospects for a successful meeting, and that "as things stood" we should "not expect much support" for our proposals. I am informed that there is reason to question the accuracy or discretion of the President of the Board of Trade. Certainly the opinion he expressed was directly at variance with those of the Prime Minister and the two ministers to whom I spoke. I am sure we can discount his observation completely, more particularly as he spoke before yesterday's long Cabinet meeting which the Prime Minister told me was devoted almost entirely to this subject.

6. The Ministers to whom I have spoken have indicated very great interest in your suggestion that a percentage of our imports from the USA should be diverted to the UK. I am sure that this is the subject to which they will give priority in their discussions with you in Canada. Your suggestion that as much as 15 percent of our imports from the USA might be shifted to the UK has aroused very great interest, particularly among the supporters of the government. This is an additional element on the political side which serves to increase the interest in your proposals, which the members of the UK Government would have shown in any event. We may expect that the UK representatives will put forward some ideas of their own as to how the objective of a major increase in trade exchanges between Canada and the UK might be brought about. It is not clear yet whether the UK's proposals will be communicated to Mr. Fleming in advance of the meeting, or whether they will be reserved for first discussion with you during the day being set aside for bilateral talks.

7. In summary we may take it that the UK will fully support the proposal to convene a Commonwealth Trade and Economic Conference for both economic and political reasons. The question of timing is considered to be of considerable importance since it must take into account the widely differing preoccupations of Commonwealth countries. We have not had any clear expressions of opinion on this point but the emphasis which has been placed on the need for careful preparation suggests that the UK is not presently thinking in terms of a very early date.

8. My officers continue to receive indications of the active thought which is being given at the official levels to ways in which trade with Canada can be increased. Officials are looking at the remaining restrictions against dollar imports and apparently have toyed with the idea of a Free Trade Area (Canada, UK, Australia, NZ and perhaps South Africa and the Federation of Rhodesia). As indicated in our earlier message, we believe that the UK will be looking for some quid pro quo from us for any move which they might make to increase purchases from Canada. In this connection, their primary interest will be in the proposals we may have for increasing imports from this country. We have also heard again the suggestion that we might consider holding some part of our reserves in sterling.

9. We understand that proposals may be made to you concerning the establishment of bonded warehouses in Canada where British suppliers could keep adequate stocks of spare parts, etc., for quick delivery and that we may be asked again to look at the problem of UK interest in the St. Lawrence Seaway as a provider of shipping services. From one CRO official we have heard that the UK will be proposing that as a new and regular feature of Commonwealth economic cooperation, it should be agreed that senior Commonwealth trade and finance officials should meet annually, possibly in the spring.

10. You may already have heard that Sir Henry Lintott will be joining the group of officials going to Mont Tremblant. It is also likely that Mr. Reginald Maudling, the Paymaster-General, will be attending the meeting. When our officials called on him last week to make his acquaintance and to underline our interest in the Free Trade Area discussions, Mr. Maudling showed some interest in being present. If he does attend, his presence in Canada on the eve of the resumption of negotiations on the Free Trade Area should provide a particularly useful opportunity to make him personally aware of our preoccupation with current European economic developments.

G.A. DREW

349.

DEA/50330-A-40

*Le haut-commissaire au Royaume-Uni
au secrétaire d'État aux Affaires extérieures*

*High Commissioner in United Kingdom
to Secretary of State for External Affairs*

TELEGRAM 2282

London, September 4, 1957

SECRET. OPIMMEDIATE.

Reference: Your E-1194 Aug 14 and our 2235 Aug 28.

Repeat Washington (Information).

COMMONWEALTH FINANCE MINISTERS' MEETING

From talks we have had in recent days with Otto Clarke (Treasury), John Stevens (Bank of England) and Cyril Sanders (Board of Trade), it is possible to supplement our earlier messages about the thinking of officials here with respect to Mr. Fleming's memorandum.

2. It is now clear beyond doubt that the primary interest on the UK side lies in the possible expansion of trade with Canada and the development of closer economic links between our two countries. This they regard as the cornerstone of increased economic cooperation within the Commonwealth as a whole. The current interest has been stimulated by Mr. Fleming's memorandum, by the imminence of the meeting of Finance Ministers and perhaps most significantly by the hope that we will be prepared to take action to help bring about a substantial expansion of UK exports to Canada at the expense of the USA. But these are not the only reasons. We detect some feeling of disillusionment and second thought about the proposed European Free Trade Area which is leading officials to examine even more carefully than would otherwise be the case, the possibilities which might be offered by increased Commonwealth trade in general and trade with Canada in particular. This more cautious attitude towards Europe seems to have come about as a result of the rigidity so far displayed by France in the FTA negotiations and by current European exchange difficulties, particularly the German situation and the recent French action, which are not thought to augur well for future European economic cooperation. Of course there has been no change in UK policy with respect to the desirability of an appropriate Free Trade Area arrangement and the reaction we have picked up may prove only a passing phase. But for the moment the difficulties in working out satisfactory arrangements with European countries give an additional stimulus to positive thinking about trade with the Commonwealth and Canada.

3. There is increasing evidence that, as indicated in earlier messages, UK officials are considering the possibility of dismantling restrictions against our exports, or some of our exports, as part of a deal in which we would make concessions in our market. Otto Clarke mentioned in this connection that to achieve a really dramatic increase in UK exports to Canada would almost inevitably bring into question the absolute level of our tariff against UK goods and thus the existing level of protection for Canadian industry. We gather that, at least as an intellectual exercise, Clarke has been speculating about the possibility of an eventual Free Trade Area or partial Free Trade Area with Canada and perhaps one or two other Commonwealth countries — a technique which would permit adjustments to be made between the member countries which would not have to be extended to outside countries such as the USA.

4. As regards the additional dollar cost which might arise if restrictions against various Canadian imports could be eliminated, Stevens volunteered that in UK thinking there was no question of seeking financial aid from Canada by way of a gift or loan. An increase in the possibility to earn Canadian dollars is what is sought. He did suggest however that the financial arrangements between our two countries should be such that the desired expansion of trade would not be frustrated from time to time because of possible UK shortages of USA dollars. This observation by Stevens may not be inconsistent with the idea of Canada holding part of its reserves in sterling which we have already reported as under possible consideration here.

5. You may assume that UK officials are thinking about the implications for Canada-USA economic relations which measures to bring about a reorientation of our import pattern in favour of this country might imply. No doubt the UK team will be anxious to ascertain in their talks with you how far our own thinking has developed on this aspect of the

question. In this connection it may be of interest that Otto Clarke expressed the view that any new measures which might be taken should not be such as to precipitate a reaction from the USA which could be damaging to the interests of our two countries in the American market. His concern was both economic and political.

6. Stevens seemed particularly interested in direct investment in Canada. He made it clear that the UK attitude to such investment was positive and added that the necessary dollars would be found even if this involved disinvestment elsewhere, including the USA.

7. We found Clarke relatively unenthusiastic about the idea of encouraging further investment in the under-developed Commonwealth countries. His feeling was that the limited savings available would be much more usefully and profitably applied in this country and in Canada than in the under-developed areas. He went on to observe that rapid development of relatively primitive economies frequently brought difficult social problems in its train and did not necessarily produce hoped for political results. This may well be a purely personal view of Clarke's but it is of some interest in the context of the discussions on investment which Finance Ministers will be having.

8. I shall be seeing Sir David Eccles and Heathcoat Amory before the end of the week and will be sending you a report on my conversations with them.

350.

DEA/50330-A-40

*Le haut-commissaire au Royaume-Uni
au secrétaire d'État aux Affaires extérieures*

*High Commissioner in United Kingdom
to Secretary of State for External Affairs*

TELEGRAM 2293

London, September 5, 1957

SECRET. OPIMMEDIATE.

Reference: Our Tel 2282 Sep 4.

COMMONWEALTH FINANCE MINISTERS' MEETING

A talk we had this morning with Sir Frank Lee tends to substantiate the information we have had from others about the thinking of senior UK officials with respect to the expansion of trade with Canada.

2. It will be Lee's main task when he passes through Ottawa with Heathcoat Amory to ascertain how far our own ideas have developed on measures which might be taken to facilitate and encourage UK exports. We judge that the range of action which the UK would be prepared to consider as regards exports from Canada will depend a good deal on the kind of report which is made to London. Thus, if we appeared willing to contemplate policy changes which would hold out the prospect of a substantial increase in the UK's earnings from Canada they, for their part, might well be prepared to face up to the abolition of all but a few of the remaining restrictions against Canada. Contrary wise, if what we may have in mind was thought unlikely to bring the UK substantial advantage, their willingness to make adjustments in our favour would be adjusted accordingly.

3. We gathered that if our side of any arrangement seemed sufficiently attractive the UK might be prepared to extend their OEEC liberalization to Canada. Criticism from the US would be countered by pointing out the steps which we had taken to help increase UK earnings in Canada. Thus any new basis for trade with Canada could be used both as a

defence and as a bargaining weapon to secure free entry into the US market. En passant, Lee mentioned that in any event the problem of apples and pears would be very difficult, mainly for protective reasons, and that these two sensitive fruits would probably have to continue under restriction. We asked whether at the appropriate time, the UK would be seeking a hard-core waiver for these products. He replied that the problem was more or less permanent whereas GATT hardcore waivers were for temporary periods only. This led us to discuss the present pattern of UK agricultural production and the possibilities of adjustments therein. This issue raises delicate political considerations here, as elsewhere. However, some people to whom we have talked would be happy to see less revenue going to assist UK farmers and it may be that a certain amount of pressure on UK Ministers when they are in Ottawa would not be misplaced.

4. In our earlier messages we have reported indications we have had of some tentative ideas about possible financial arrangements which might be made between our two countries in the context of a major expansion of trade. Frank Lee emphasized that such thinking as was going on was only in the crucible stage, no conclusions had been reached and the matter had not been discussed with ministers. Moreover, such ideas as had been discussed might never see the light of day. What he said does however confirm that some thought is being given to the financial side of the trade question.

351.

D.M.F. Vol. 131

*Le sous-ministre adjoint des Finances
au ministre des Finances*

*Assistant Deputy Minister of Finance
to Minister of Finance*

SECRET

[Ottawa], September 9, 1957

COMMONWEALTH FINANCE MINISTERS' MEETING — U.K. PROPOSALS

I attach Telegram No. 2293 from Canada House on this subject recording a conversation with Sir Frank Lee. It has just come to my desk this morning.

The essence of this telegram is an indication that the United Kingdom, which has up to the present maintained discriminatory import restrictions against both Canada and the United States on more or less equal terms (although giving us the breaks here and there), would be willing to consider discrimination in favour of Canada and against the United States if we were willing to pay a sufficiently high price — a price which would no doubt involve outright discrimination by Canada in favour of the United Kingdom and against the United States.

Sir Frank mentions as a possibility that the U.K. might be willing to give to Canadian exports the same degree of liberalization that the U.K. is now giving to European countries under the OEEC. It will take a good deal of detailed work to assess the possible benefits to Canada. I have asked the Department of Trade and Commerce to look into this matter but I very much doubt that they will be able to come up with any very useful answers while Sir Frank is here. My own off-the-cuff reaction is that the advantages to Canada would not be very great. There might be some benefits to Canadian manufacturers, e.g. of chemicals and motor cars, but in general Canadian manufactures are not competitive on a cost basis in the U.K. market. There might also be some benefits to a few marginal agricultural items but in this field the particular arrangements between the U.K. and other OEEC countries will have to be studied in detail.

In general, and on a very preliminary basis, I would question whether the advantages we might gain would be at all commensurate with the disadvantages to our trade which would flow from a policy of discrimination against the United States.

I have a feeling, which I find to be shared by officials in other Departments, that the United Kingdom Government is

(a) under pretty heavy pressure from sections of the Conservative Party, since the 15% proposal, to make a proposal which would seem "dramatic" even though it would be very difficult and costly for us to agree to, and

(b) looking for some avenue of escape in the event that their negotiations for a European Free Trade Area bog down.²⁵

It also seems to me that the United Kingdom may be asking us to give a snap reply on an issue of the highest importance to us. Discrimination against the United States is obviously something that we would not want to embark on lightly. It is no doubt a question that will be in the back of the minds of Canadian Ministers in their discussions with U.S. Ministers next month.²⁶ Final decisions would only be made at the time of our proposed Commonwealth trade and economic conference which is, of course, many months away.

A.F.W. P[LUMPTRE]

352.

DF/867/C212/U57

*Le sous-ministre adjoint des Finances
au sous-ministre des Finances*

*Assistant Deputy Minister of Finance
to Deputy Minister of Finance*

SECRET

[Ottawa], September 9, 1957

U.K. PROPOSAL FOR CANADA-U.K. FREE TRADE AREA

Colonel Heathcoat Amory had a short talk with the Prime Minister and Mr. Fleming after lunch in the Rideau Club. Also present were Sir Saville Garner, Sir Frank Lee and myself.

Col. Amory said that Mr. Diefenbaker's proposal for a substantial shift of Canadian trade from U.S. to U.K. was considered in London as a bold and imaginative initiative. It had greatly interested the U.K. Government and Mr. Macmillan had asked that he put certain views before Mr. Diefenbaker.

The Memorandum circulated to Commonwealth Finance Ministers by Mr. Fleming had also been welcomed with interest. The next task would be to pick out the most promising items for an agenda for a Commonwealth economic conference.

The proposal for expanding U.K.-Canadian trade, however, was a matter to be pursued bilaterally. It was recognized in U.K. that the figure of 15% had only been used to indicate a kind of target. However, questions were being asked about it in the House of Commons. The U.K. Government had reached the conclusion that a shift of such a magnitude would be a major project. It could not be achieved through normal adjustments, or even by vigorous salesmanship.

²⁵ Voir le chapitre IV, première partie./See Chapter IV, Part 1.

²⁶ Voir le volume 25, chapitre premier./See Volume 25, Chapter I.

The U.K. recognized that Canada would find it difficult to discriminate against the United States, particularly having regard to GATT and the no-new-preference rule. Consideration had been given in the U.K. to the possibility that Canada might restore the preferences that had been removed since 1947. This would be of real benefit to U.K. exports. However, it could not be expected to shift trade to anything like the extent of Mr. Diefenbaker's suggestion.

Accordingly, the U.K. invited consideration of a proposal that Canada and the U.K. should join together in a Free Trade Area. Mr. Diefenbaker asked if this would involve Canada joining the proposed U.K.-European Free Trade Area, from which the U.K. had promised to keep agriculture excluded. Col. Amory replied that this was not intended. The Canada-U.K. Free Trade Area would run parallel with, but would not be a part of, the other. It would, with possible very minor exceptions, embrace both agriculture and industry. It would provide a really substantial advantage for expanded U.K. exports; and, since GATT permitted Free Trade Areas, it would provide Canada with grounds for discriminating against the U.S.A.

Mr. Diefenbaker said that he recognized the advantages it would provide to U.K. exports, but could not see what advantage there would be in it for Canada. As regards the figure of 15% he had recently had a talk with Mr. J.S. Duncan (Sterling-Dollar Export Board) who was now of the opinion that 15% was probably impractical but that something like half that amount should be possible within a reasonable period of time. He also wondered how a closely bilateral Canada-U.K. arrangement would look in terms of the general strengthening of Commonwealth ties, which was the context within which he had suggested a shift of Canadian trade from U.S. to U.K.

Sir Frank Lee then elaborated several aspects of the proposal which Mr. Amory had put forward. Mr. Fleming wondered whether it might not be possible to get an amendment of GATT that would permit progress in the desired direction. Mr. Diefenbaker returned to the point that he could not see in the U.K. proposal any satisfactory results from the Canadian point of view. He did not expect, in all the circumstances, an exactly equal bargain; he could look sympathetically at something which was, say, on a 60:40 basis in favour of the U.K.; but he could not really see that this proposal provided any reasonable quid-pro-quo.

Discussion was concluded because Mr. Diefenbaker had to return to an important meeting. It was agreed that Mr. Fleming and Mr. Amory, together with officials, should explore the U.K. proposals more fully.

A.F.W. P[LUMPTRE]

353.

DF/8627/C212/U57

Projet d'un compte-rendu

Draft Minutes

SECRET

[Ottawa], September 17, 1957

A meeting to discuss certain United Kingdom proposals to increase the level of exchanges between Canada and the United Kingdom was held in the Conference Room of the Department of External Affairs on Monday, September 9 at 2:30 p.m.

In the Chair:

The Minister of Finance (Mr. Fleming)

United Kingdom

The Minister of Food, Agriculture and Fisheries (The Right Honourable D. Heathcoat Amory)

The Permanent Secretary to the Board of Trade (Sir Frank Lee)

The High Commissioner for the United Kingdom (Sir Saville Garner)
The Economic Adviser to the United Kingdom High Commissioner (G. Bowen)

Canada:

The Deputy Minister, Trade and Commerce (Mr. Sharp)
The Deputy Minister of Agriculture (Mr. Taggart)
The Deputy Governor, Bank of Canada (Mr. Rasminsky)
The Assistant Deputy Minister of Finance (Mr. Plumpre)
The Assistant Deputy of Trade and Commerce (Mr. Isbister)
Department of Agriculture (Mr. L.W. Pearsall)
Department of Finance (Mr. S.S. Reisman)
Department of External Affairs (Mr. L.E. Couillard)
Department of External Affairs (Mr. J.F. Grandy)
Department of External Affairs (Mr. K. Goldschlag)

The Chairman welcomed Mr. Heathcoat Amory and Sir Frank Lee and invited them to put forward the United Kingdom proposals.

Mr. Heathcoat Amory said that the Canadian Prime Minister's bold suggestion for further steps to expand Commonwealth trade, and especially trade between Canada and the United Kingdom, had been welcomed enthusiastically by his Government and they had been considering how best this suggestion might be translated into practical proposals. His Government had also studied carefully the Canadian memorandum to Commonwealth Finance Ministers and they agreed that the issues set out in that memorandum were, in fact, the issues of major importance.

In considering the possibility of doing something imaginative and dramatic in the field of Canadian-United Kingdom trade relations, United Kingdom Ministers had come to the conclusion that the only way of achieving the objective the Canadian Prime Minister had in mind was to work toward a free trade area arrangement between the United Kingdom and Canada. The United Kingdom side realized that there were obvious practical difficulties in such a scheme but they hoped that Canada would feel that it was a concept which merited serious attention. They had been looking at a variety of alternative proposals that might effectively increase exchanges between Canada and the United Kingdom but had come to the conclusion that none of these would add up to anything that was big enough to measure up to the concept underlying the Canadian Prime Minister's initiative.

Sir Frank Lee said that Canada might consider whether some of the preferences given up by the United Kingdom in 1947 might not now be restored. The United Kingdom side had considered this and various other proposals that might lead to a reorientation of the pattern of Canadian-United Kingdom trade. But while they were not inclined to minimize the importance of proposals along these lines, they had concluded that the free trade area proposal was the only one to give real content to the Canadian Prime Minister's idea. It also had a number of very substantial advantages. It would enable both Canada and the United Kingdom to exercise *de jure* discrimination against the United States without being in contravention of their GATT obligations. It would be an arrangement that would come into effect gradually over a period of years and thus avoid any dramatic dislocation of Canadian industries affected by the prospective changes. Needless to say, at the end of the day any quantitative restrictions still in effect on Canadian imports in the United Kingdom would have to go; indeed, the United Kingdom would feel that an earlier ending of these restrictions was justified despite the risk that this entailed in terms of additional dollar expenditure. However, because the United Kingdom would not be obligated to remove its corresponding restrictions on United States imports in a free trade area context, the additional dollar outlay involved was likely to be a good deal less significant. Nevertheless the United Kingdom anticipated that some concessions by way of a relaxation of existing restrictions would probably have to be made to the United States at the same time.

On the face of it, *Sir Frank Lee* concluded, the advantages of the free trade area proposal seemed to be all in favour of the United Kingdom. However, the fact was that the Canadian Prime Minister seemed determined to do something to secure for the United Kingdom a greater share of the Canadian market and this in itself implied an imbalance of concessions. Moreover the United Kingdom would in this case be moving on quantitative restrictions even before the free trade area came to full fruition and this, given the exiguous state of the United Kingdom reserves, was a concession of substance.

Mr. Plumpton commented that the British proposals appeared to fall into two separate categories: first, a restoration of the level of Canadian preferences, and second, the creation over a period of years of a free trade area between Canada and the United Kingdom.

Restoration of Preferences

Regarding the preference issue, *Mr. Plumpton* said that it was true that there had been some appreciable reductions in margins of preference since 1947. Nevertheless the greater part of the preferences that were of importance to the United Kingdom remained. The fact was that the expansion of United Kingdom exports had probably not been impeded because these exports were not fully competitive in the Canadian market, but by reason of other factors, including delivery dates, availability and the greater attraction of selling in the soft markets of the sterling area. Conversely, such studies as the Canadian side had made did not lead toward the conclusion that a restoration of preference margins would lead to any really substantial changes in the pattern of Canadian-United Kingdom trade. Because so many of the tariff items subject to preferences provided for duty-free entry, there was also a practical difficulty in that any restoration of preferences would have to be achieved not by a lowering of the preferential tariff, but by increases in the most-favoured-nation tariff.

Sir Frank Lee said that in general he did not disagree with the Canadian analysis. Indeed, that was why the United Kingdom had come forward with their alternative proposal for a free trade area. He did think, however, that despite their great initial advantage and the remaining preferences, United Kingdom exporters found Canada a tougher market than the United States. This was largely because of the geographical configurations of the Canadian market. That is why he thought a restoration of preferences should not be underrated since a move in that direction was bound to have a certain political and psychological effect on British exporters.

In reply to a question by *Mr. Rasminsky*, *Sir Frank Lee* conceded that in the context of the total economy United Kingdom exports to Canada were a good deal more significant than those to the United States. At the same time, it was a fact that the expansion of British exports had been more effective in the United States than it had in Canada.

Mr. Bowen commented that while it was true that British exports to the United States were small in relation to the total picture, United Kingdom exporters to Canada came up against United States export corporations whom they found to be a good deal more difficult than their parent companies in the United States.

Mr. Heathcoat Amory summed up the discussion about this particular proposal by saying that while a restoration of preferences would be a very useful measure, it would not by itself come up to the scale of the Canadian Prime Minister's original proposal.

Free Trade Area

Mr. Plumpton said that the Canadian side had done some work on the possible elimination over a period of years of Canadian tariffs against the United Kingdom only or in the context of a European Free Trade Area which included the United Kingdom. The results of

this study had suggested that broad areas of Canadian industry would probably be wiped out in the process.

Mr. Fleming thought that the textile industry would almost certainly be one.

Mr. Plumptre agreed and added that iron and steel and their products would²⁷ be another.

Mr. Sharp thought that United Kingdom industry stood to gain a good deal more than Canada was likely to gain by way of greater access to the United Kingdom market. Canada already had non-discriminatory access to the United Kingdom market for its raw materials. While in other sectors it faced restrictions, Canada had never pretended that the removal of these restrictions would lead to any great burgeoning of Canadian sales. Indeed, Canada had been contending all along that the removal of the remaining discriminatory restrictions could be achieved at no very substantial cost in dollars. In the same way it was unlikely that the free trade area scheme would yield any very substantial increase in Canadian exports to the United Kingdom.

Mr. Isbister thought that it was probably easier for the Department of Finance to pinpoint the potential damage than it was for the Department of Trade and Commerce to gauge the possibilities of export expansion. No doubt the free trade area scheme would be attractive to some Canadian export industries. By and large, however, it had to be remembered that a large part of Canada's export industry consisted of primary foodstuffs and raw and semi-processed materials which the United Kingdom and Western Europe required in any case to import from outside.

In reply to *Mr. Isbister's* question whether the free trade area proposal would also be put before other Commonwealth countries *Sir Frank Lee* replied in the negative. He did think, however, that if — as was unlikely — other Commonwealth countries found the proposal attractive, the United Kingdom would necessarily have to give sympathetic consideration to extending its scope. So far, however, nothing had been said to other Commonwealth countries nor, for that matter, to representatives of United Kingdom industry. There was also the matter of whether the colonies should be included or excluded in the free trade area scheme or if some might be included but not others. It went without saying, of course, that agriculture would be included.

Mr. Isbister suggested that one of the greatest problems that was likely to arise if the proposal for a free trade area were taken up seriously would be with regard to branch plants of United States companies which constituted a sizeable part of the Canadian manufacturing industry. In view particularly of the discrimination which it would be open to the United Kingdom to exercise against the United States in the context of a United Kingdom-Canada free trade area there was a risk of United States companies circumventing the intentions of the free trade area by selling within the area through their Canadian subsidiaries. This would call for origin requirements on an industry-by-industry basis if the position of Canadian industries was to be safeguarded.

Mr. Isbister went on to ask whether in the event that Canada favoured a free trade area with the United Kingdom but also favoured a similar arrangement with the whole of Europe, such a scheme would be as attractive to the United Kingdom as a free trade area confined to Canada and the United Kingdom only.

Sir Frank Lee replied that there were a number of obviously imponderable factors which made it difficult to be categorical. He would not wish to say that if Canada wanted

²⁷ Note marginale :/Marginal note:
might [auteur inconnu/author unknown]

to go into a European free trade area, the United Kingdom would discourage such a move. Indeed it was probable that in due course the two separate free trade areas, each involving the United Kingdom, were bound to coalesce to some extent. In the present context, however, the proposal for bilateral free trade between Canada and the United Kingdom would be regarded as more attractive by the United Kingdom. The alternative scheme of a free trade area comprising both the United Kingdom and Western Europe on the one hand, and Canada on the other, would pose (1) the difficulty of what was to be done with regard to agriculture and (2) the difficulty of European competition which the United Kingdom would have to meet in the Canadian market without the benefit of the existing preferences.

Reverting to the first point made by Mr. Isbister, *Sir Frank Lee* thought that the problem of United States firms establishing themselves in Canada for the specific purpose of cashing in on the free trade area relationship was a separable problem. It was also unlikely to be an insuperable one in view of the experience which Commonwealth countries had already gained in the matter of defining origin under the existing imperial preference arrangements.

Mr. Taggart said that it was difficult to see how Canada's agricultural export could be very significantly increased as a result of a Canada-United Kingdom free trade area arrangement. Because of the very high level of agricultural subsidies in the United Kingdom and because, also, there were no very substantial surpluses of agricultural commodities in Canada apart from wheat, he thought that completely free access for Canada's agricultural exports to the United Kingdom market was unlikely to entail an increase of more than about \$25 million a year.

Mr. Heathcoat Amory commented that this assumption would depend to some extent on the level of agricultural subsidies in the United Kingdom over the years.

In reply to a question by *Mr. Fleming* with regard to the prospects for additional exports of meat, *Dr. Taggart* thought that it might be possible to ship bacon to the United Kingdom in certain years but that the overall picture did not suggest any very significant prospects for export expansion in this direction.

Mr. Rasminsky referred to the complicated picture that would result from the progressive elimination of tariffs by Canada and the United Kingdom, and of discriminatory restrictions by the United Kingdom. This would mean that (1) the United Kingdom would obtain discrimination in her favour in the Canadian market not only in relation to the United States but also in relation to her prospective partners in a European free trade area; and (2) Canada would be accorded discriminatory treatment in her favour in the United Kingdom, not only in relation to the United States, but also in relation to other Commonwealth countries. He wondered whether the United Kingdom regarded these consequences as acceptable politically either in Europe or in the Commonwealth.

Sir Frank Lee said that the United Kingdom had looked at this aspect of the question and that apart from certain specific cases such as Indian exports of rayon, the problem seemed to be manageable. There were very few tariffs on Canadian imports in any case so that the treatment Canada would enjoy under a free trade area régime in relation to other Commonwealth countries would not differ markedly from the present position. *Sir Frank Lee* did not discount the possibility of repercussions from other European countries but he thought that the European case was a weak one in view of the fact that the Europeans themselves were involved in a highly discriminatory arrangement.

In reply to a question from *Mr. Rasminsky* as to whether the United Kingdom proposal was being put forward as a contribution to achieving a substantial diversion of trade and whether any estimate of the extent of such a diversion had been made, *Sir Frank Lee* said

that the short answer to this was in the affirmative. While it was impossible to extrapolate the resultant expansion of United Kingdom exports to Canada and while he was reluctant to commit himself to any figure, he thought that the expansion might be of the order of between 25% and 50%, if not more.

In reply to a further question by *Mr. Rasminsky* as to whether any change was contemplated in the present financial relationships, *Sir Frank Lee* confirmed that the free trade proposal stood by itself and would entail no change of the kind *Mr. Rasminsky* had in mind.

Mr. Sharp said that reference had been made to the possibility of negotiations with the United States in connection with the present United Kingdom initiative. He wondered what the United Kingdom had in mind and specifically whether they were intending to use a possible free trade area arrangement with Canada as a bargaining weapon to obtain freer access to the United States market.

Sir Frank Lee said that it was politically realistic to think in terms of negotiations with the United States but that these would be concerned with quantitative restrictions only. Such negotiations were not part of the free trade area scheme that was being proposed to Canada but it would be only natural to review the position with the Americans in the light of any changes in the pattern of trade between the United Kingdom and Canada.

Mr. Fleming asked what would be the reaction of the United Kingdom if Australia and New Zealand came forward with a similar proposal for a free trade area relationship.

Sir Frank Lee replied that the United Kingdom would naturally have to study such a proposal. On the other hand the difficulties that Canadian industry would encounter in a free trade area were negligible as compared with the difficulty that would be encountered by industry in Australia and New Zealand.

Mr. Fleming also wondered whether the United Kingdom proposal would not tend to cut across the Canadian Government's plans for closer relationships between the Commonwealth as a whole. He wondered particularly about the reactions of the Asian members of the Commonwealth.

Sir Frank Lee said that he did not think that, on balance, the free trade area scheme would interfere with the achievement of closer Commonwealth relationships. It had to be borne in mind that conditions in most of the other Commonwealth countries were different and that the Governments of these countries, such as Australia and New Zealand, were committed to heavily protectionist programmes.

Sir Saville Garner thought that this assessment was broadly accurate. It was possible that political and psychological factors would enter into the reaction of countries like Australia and New Zealand. He did not, on the other hand, foresee similar difficulties in the case of the Asian countries.

Mr. Rasminsky said that the Asians would doubtless be interested in the treatment given by Canada to imports from the overseas dependencies of the United Kingdom. It would be awkward if the Asian countries had to be given less favourable treatment in Canada than the exports of British overseas dependencies.

Mr. Isbister wondered about the repercussions which any move such as the United Kingdom contemplated might have on United States commercial policy. There was a danger that the United States might interpret such a move as a turning back of the clock all the way to 1932 and that it would give aid and comfort to protectionist and isolationist groups. More specifically there was the question of whether such a move might have an adverse effect on the trade agreements programme which was due for renewal in 1958.

Mr. Heathcoat Amory said the United Kingdom would hope that a Canadian-United Kingdom free trade area might be taken philosophically in Washington and serve to expedite rather than impede the renewal of the trade agreements programme. He agreed, however, that it was difficult to be sure until one was able to see the pattern emerge more clearly.

Sir Frank Lee added that this was not really a matter of reversing the clock in the particular sense of 1932, that is to say in the sense of creating a whole system of imperial preferences. Much would depend in any case on what happened in the United States. It was true that the United Kingdom proposal could be regarded as to some extent aimed against the United States. Still, the proposal was within the context of what was permitted by GATT, and the United States would continue to have a special position in the Canadian market. Moreover, the proposal to achieve a fundamental reorientation of trade was a Canadian proposal in the first place and the United Kingdom had been merely trying to think how best it might be implemented.

Mr. Couillard thought that there was a risk in attempting to dispose too easily of the reaction of other countries. The proposed free trade area scheme was one which would have to be especially closely scrutinized for the effect it might have on the Commonwealth as an association. There was a danger in particular in relation to the Asian countries within the Commonwealth. There was the further problem of relationships with the United States, both as far as Canada and as far as the United Kingdom were concerned. In the NATO context, too, it would be unfortunate if there were a further parceling off of relationships within the community. Finally, a Canadian-United Kingdom free trade area had to be viewed in the context of the GATT; while it was true that it might be justifiable in GATT terms, it was bound to have an adverse effect on the whole pattern of multilateral trading relations with the risk that other countries, with the additional encouragement provided by the precedents that were now being created in Europe, would re-orientate their trading policies away from a reliance on the multilateral world of GATT.

Mr. Rasminsky said that a United Kingdom-Canadian free trade area would not only legalize tariff discrimination but the United Kingdom had also suggested that it might result in an earlier ending of discriminatory restrictions against Canadian exports than would otherwise be possible. This was a matter of concern because the Canadian view so far had been that, insofar as quantitative restrictions were concerned, the obligations of individual countries, even within a free trade area, should continue to be governed by their balance of payments position. Any other course would imply a reversal of the Canadian position.

Sir Frank Lee thought that this would have to be accepted as something that the United Kingdom did rather than as something that Canada had asked for.

Mr. Grandy, reverting to the impact of a Canadian-United Kingdom free trade area on the United States, said that the United States tolerated a number of arrangements in Europe for the specific reason that they regarded them as strengthening Europe as a political unit. The same consideration would not apply to a transatlantic arrangement of the kind now being proposed.

Mr. Reisman said that the Royal Commission on the Canadian Economy had done some exploratory work on the possible consequences of changes in the Canadian tariff. He recalled that Canada today gave free entry to many imports from the United Kingdom and that the Canadian tariff for many others was very low. Indeed, the tariff was significant only for that category of goods which involved sectors of Canadian industry that were sensitive to competition.

If Canada were to give complete free entry to the United Kingdom, the result was likely to be more significant in terms of a displacement of Canadian output than as a change in the pattern of Canadian imports. While any quantitative estimates were necessarily of a very broad and tentative order, he thought that United Kingdom exports were unlikely to be capable of expansion by much more than \$100 million and that about 2/3 of this figure would probably represent a displacement of Canadian production. Nevertheless the psychological and moral impact of a move in the direction of free entry on United Kingdom exporters might well be more significant than this statistical extrapolation suggested.

Mr. Heathcoat Amory thanked the Minister of Finance for the very fully opportunity that had been given to him and Sir Frank Lee of explaining the United Kingdom proposals. He thought that he should reiterate the point made at the outset, namely, that the United Kingdom were concerned merely to find a way of bringing about a switch in the Canadian pattern of imports of the kind of order which the Canadian Prime Minister appeared to have had in mind.

Mr. Fleming said that the discussion had been extremely refreshing and that the frankness which had characterized the discussion gave a good indication of the very close affinity between Canada and the United Kingdom. He thought that the proposal for a free trade area between Canada and the United Kingdom was a bold and dramatic one and he wanted it understood that the comments made on the proposal had been frank and unprepared. In conclusion he expressed the hope that *Mr. Heathcoat Amory* and *Sir Frank Lee* would regard the discussion as having been worthwhile and well-intentioned and that they would not interpret the Canadian comments as being unduly cold or intransigent. There would, in any case, be an opportunity of looking further into all these matters at the next stage of Canadian-United Kingdom talks.

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*Le sous-ministre adjoint des Finances
au ministre des Finances*

*Assistant Deputy Minister of Finance
to Minister of Finance*

SECRET

[Ottawa], September 10, 1957

PROPOSAL FOR CANADA-U.K. FREE TRADE AREA

I have just learned from *Sir Saville Garner* that the U.K. are pressing for an immediate "preliminary reaction" from the Canadian Government to the proposal made only yesterday by *Colonel Heathcoat Amory* that Canada and the United Kingdom should form a Free Trade Area.

Personally I regard this request for a snap reply on a question affecting the whole economic and political future of this country to be absolutely outrageous.

The U.K. is sufficiently experienced in these matters to realize how outrageous their request for a snap judgment really is. This tends to confirm my suspicion that the U.K. is really involved in a political manoeuvre. Any sort of reply which is given now by the Canadian Government will be used either as a basis for a statement in the House of Commons, probably in reply to a planted question, or the basis of an official press leak. In either case the U.K. will be trying to get off a rather embarrassing domestic hook at the expense of Canada.

Sir Saville tells me that "all" the U.K. wants is a preliminary reaction indicating one of three possibilities:

- (a) that the proposal is not a starter;
- (b) that the proposal is welcome but will have to be considered carefully;
- (c) that the proposal will be considered carefully.

If we felt we had to give a snap reply I would hope that the reply would be (a). I am sure that it was clear to you from the discussions in the East Block yesterday that every one of our officials would support the view of the Prime Minister who said in effect, at the end of the brief discussion with Colonel Heathcoat Amory in the Rideau Club:

"If you were making a proposition which was weighted something like 60:40 in favour of the United Kingdom we would want to look at it sympathetically because we realize that under existing circumstances we cannot make an exactly balanced bargain, but as far as I can see the proposal you are making offers no reasonable quid pro quo to Canada."

A.F.W. P[LUMPTRE]

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DEA/9575-40

*Le haut-commissaire au Royaume-Uni
au premier ministre*

*High Commissioner in United Kingdom
to Prime Minister*

TELEGRAM 2334²⁸

London, September 11, 1957

SECRET. OPIMMEDIATE.

1. I accompanied Mr. Macdonnell to No. 10 Downing Street this morning, and the Prime Minister discussed with us very freely the attitude of his government in regard to the present discussions taking place in Ottawa, as well as the attitude of his government toward relations between Canada and the UK. He did not specifically mention the proposals put forward by Mr. Heathcoat Amory and in fact his reference to the discussions in Ottawa left the impression that he might be unaware of what the discussions had been and the attitude of the Canadian Government. I made no reference to my knowledge of the attitude of the Canadian Government contained in your telegram E-1364 September 10,† which states that Mr. Heathcoat Amory has been told that the proposal is too extreme to be entertained by the Canadian Government. As the conversation progressed he did speak of the desire of his government to take full advantage of the new atmosphere which exists, and expressed the hope that something definite might emerge from the present meetings. He repeated more than once that we must move step by step and that this is a continuing relationship which will be built by dealing with various subjects as they arise. He did not repeat the expression which has been used on earlier occasions that it is hoped that some dramatic statement may be made at the coming meeting this month, but his whole attitude and his obvious enthusiasm makes it clear that this is his hope. However, this is subject to the

²⁸ Note marginale :/Marginal note:

Phone from Drew Sept 11/57 [auteur inconnu/author unknown]

Rec'd P.M.'s office 2pm Sept 11. Copy sent to Dept of External Affairs for distribution.

H.B. R[obinson]

reservation that he is thinking in long terms. He spoke of the fact that Britain has been powerful and while not so powerful now may have great power in the years ahead, and he also spoke of our increasing power. He referred specifically to the possibility of bilateral agreements, although emphasizing his desire to build the strength of the Commonwealth as a whole. My own impression, however, is that their attention is mainly directed on what can be achieved in agreement with Canada, and that it is upon that basis that they would proceed to examine the broader picture. Referring to the spirit which has been stimulated by your statements here and in Canada, he said that having reached some starting point we must continue the spirit of enthusiasm which has been established and constantly seek new grounds of agreement. He emphasized that they have committed themselves to no one particular solution, and although he refrained from referring to the discussions in Ottawa yesterday his remarks were open to the interpretation that he was reassuring us that if any present proposal were not acceptable, we certainly should proceed to explore others in an effort to achieve something definite when the meeting takes place. Referring to the fact that in his opinion the relationship between the governments of the UK and the USA had not been closer for many years, I think he left no doubt that he would be quite prepared to follow the course he thinks is right and to the mutual advantage of Canada and the UK, believing that we would gain respect from the USA by the strength we showed in following this course.

2. I think the long and satisfactory conversation could best be summed up by saying that while he showed great enthusiasm about the prospects of closer ties between Canada and the UK in trade relations and while it is their hope to be able to put forward some definite result from the meeting in Canada this month, they are looking at the picture from a long-term point of view and would hope that this might merely be the beginning of a gradual and progressive expansion of agreements to our common advantage.

G.A. DREW

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DEA/50030-A-40

*Le haut-commissaire au Royaume-Uni
au secrétaire d'État aux Affaires extérieures*
*High Commissioner in United Kingdom
to Secretary of State for External Affairs*

TELEGRAM 2413

London, September 20, 1957

TOP SECRET. CANADIAN EYES ONLY. OPIMMEDIATE.

Repeat Washington (Information).

COMMONWEALTH FINANCE MINISTERS' CONFERENCE

From our farewell meetings with UK officials (who will be going to Washington and Mont Tremblant) we have gained the distinct impression that at the official level at least UK interest in a free trade area remains lively. There seems to be hope that despite the categorical rejection which the proposal met in Ottawa initially, a seed has been sown which may yet bear fruit. This does not mean, of course, that UK Ministers will press their suggestion in Ottawa. But the proposal remains on the table. In any event if it does seem that the UK officials believe that it will be essential to work out jointly an appropriate means of informing other Commonwealth governments (and perhaps the public as well) that the suggestion has been made in order to ensure that a distorted version does not reach them

through other channels. Moreover, their desire is that public criticism of the UK suggestion or the reception it received be avoided at all costs.

2. In our informal discussions UK officials have been quite prepared to admit that the free trade area proposal is much more advantageous to the UK than to Canada. But they have stressed that the advantages are by no means one-sided and suitable escapes could be incorporated into it to meet particular Canadian problems. On the positive side they claim that it would prevent a more rapid dismantling of UK quantitative restrictions (on a discriminatory basis of course) and prevent the imposition of additional quantitative restrictions against Canadian imports should the re-emergence of the dollar gap prove to be critical for the UK. While officials are fully sympathetic with our decision to reject such a radical approach (incidentally we are told that even a more radical proposal would have been put forward if the reaction to the free trade area had been positive) the hard fact seems to be that officials have not been able to put forward the UK Ministers alternatives which would have any hope of bringing about a substantial diversion of Canadian imports and it may be for this reason that it is not now planned to send a large number of UK officials from Mont Tremblant to Ottawa.

3. UK officials have gone out of their way to tell us that the UK is determined to support the calling of a further Commonwealth conference. If, however, other Commonwealth governments are opposed the UK will make every effort to work out an acceptable compromise. For political reasons alone, the present UK Government could not contemplate the failure to share the Canadian initiative.

4. Incidentally, in groping for a way to expand trade with Canada on a bilateral basis, UK officials admit that they often collide with the principles of Commonwealth multilateralism which the conference is designed to promote. An increase in trade between Canada and the UK or an increase in UK investment in Canada might well affect in some measure the level of UK trade with other Commonwealth countries (and other traditional suppliers or customers) or the availability of UK funds for investment in other parts of the Commonwealth. Moreover, the credit squeeze which inflationary pressures here have made necessary will less be a factor limiting the availability of funds to invest abroad. On the other hand, the rather one-sided flirtation by Australia and NZ with the European Common Market/Free Trade Area, does not, in the view of UK officials, augur well for the success of efforts to increase economic cooperation on a Commonwealth basis.

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PCO

Extrait des conclusions du Cabinet
Extract from Cabinet Conclusions

SECRET

[Ottawa], September 20, 1957

Present

The Prime Minister (Mr. Diefenbaker) in the Chair,
 The Minister of Public Works and Acting Minister of Defence Production (Mr. Green),
 The Minister of Finance (Mr. Fleming),
 The Minister of Veterans Affairs (Mr. Brooks),
 The Minister of Transport (Mr. Hees),
 The Minister of National Defence (Mr. Pearkes),
 The Minister of National Revenue (Mr. Nowlan),
 The Minister of Agriculture and Acting Minister of Trade and Commerce (Mr. Harkness),
 The Minister of Labour (Mr. Starr), (for morning meeting only)
 The Postmaster General (Mr. William Hamilton),
 The Ministers without Portfolio (Mr. Browne),
 The Minister of Mines and Technical Surveys (Mr. Comtois), (for morning meeting only)
 The Minister of National Health and Welfare (Mr. Monteith), (for morning meeting only)
 The Minister of Northern Affairs and National Resources (Mr. Alvin Hamilton)
 The Secretary to the Cabinet (Mr. Bryce),
 The Assistant Secretaries to the Cabinet (Mr. Fournier), (Mr. Martin).

DISCUSSIONS WITH THE U.K. MINISTER OF AGRICULTURE; REPORT
BY MINISTER OF FINANCE

24. *The Minister of Finance* said that the Canadian suggestion to divert 15 per cent of her imports from the United States to the United Kingdom had aroused great interest in the U.K. The U.K. authorities had examined the implications of it and Mr. Heathcoat Amory, the U.K. Minister of Agriculture, had been authorized to put forward a proposal that Canada and the U.K. enter a free trade area. The U.K. would reduce as soon as possible its present quotas on Canadian products and manufactured goods but beyond that had nothing to offer. In exchange, British manufacturers would have free entry into the Canadian market. The suggestion had been thoroughly examined and before Mr. Heathcoat Amory returned to London he had been informed that it was too radical and one-sided to be acceptable. This reply might have an effect on the U.K. attitude towards the larger conference but he was sure that U.K. would agree that one should be held. Before the approach had been made, the U.K. had asked for bilateral talks with Canada during the Mont Tremblant Conference. At Canada's suggestion, these had been deferred until the day after the meeting because it might appear to the others present that special arrangements were being made between the two and such an appearance might impair the possibility of holding the larger meeting.

The U.K. had been especially shrewd in this matter and hard bargaining with them would be expected at the forthcoming discussions in Mont Tremblant and Ottawa.

26. *During the discussion*, the very slight advantages and the positive disadvantages to Canada in a free trade area with the U.K. were mentioned. Canada simply could not be led into a position which had the appearance of subservience to the U.K. No doubt, however, the U.K. government was under heavy pressure to show the British public that they

regarded the 15 per cent diversion suggestion seriously and had, therefore, made the proposal they had.

27. *The Cabinet* noted the report of the Minister of Finance on the recent discussions with the United Kingdom Minister of Agriculture concerning the U.K. proposal for a Canada-U.K. free trade area.

...

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DEA/50030-A-40

*La délégation à la conférence des ministres des Finances du Commonwealth
au secrétaire d'État aux Affaires extérieures*

*Delegation to Commonwealth Finance Ministers' Conference
to Secretary of State for External Affairs*

TELEGRAM 8

Mont Tremblant, September 29, 1957

CONFIDENTIAL. OPIMMEDIATE.

Repeat London, Paris, NATO Paris, Washington, Bonn, Brussels, Hague, Geneva, Dublin, Rome, Wellington, Canberra, Pretoria, Delhi, Karachi, Colombo (OpImmediate) from Ottawa (Information).

COMMONWEALTH FINANCE MINISTERS' CONFERENCE

1. My immediately following en clair telegram† contains CP summary of remarks made to press at Tremblant last evening by Mr. Fleming and UK Chancellor of the Exchequer on report, which as appeared in press both here and in London, that UK and Canada were proposing to consider formation of free trade area between them.
2. For your own strictly confidential information informal proposal in these terms was made to us by UK and has been rejected by government as too extreme to be entertained.
3. Meeting yesterday morning was taken up by usual review of position of sterling area. In the afternoon, Conference discussed Common Market and Free Trade Area. Discussion did not carry problem very much beyond position as you know it. All Commonwealth representatives, while agreeing with broad political and economic objectives of European initiatives, stressed as they had at Commonwealth Finance Ministers Meeting danger to their export interests particularly in the field of agriculture. They also expressed desire to be kept as closely and continuously informed as possible and it was agreed that adequate procedures to ensure this would be devised.

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PCO

Extrait des conclusions du Cabinet
Extract from Cabinet Conclusions

SECRET

[Ottawa], October 1, 1957

Present

The Prime Minister (Mr. Diefenbaker) in the Chair,
 The Minister of Public Works and Acting Minister of Defence Production (Mr. Green),
 The Minister of Veterans Affairs (Mr. Brooks),
 The Minister of Transport (Mr. Hees),
 The Solicitor General (Mr. Balcer),
 The Minister of Justice and Acting Minister of Citizenship and Immigration (Mr. Fulton),
 The Minister of Agriculture (Mr. Harkness),
 The Secretary of State (Mrs. Fairclough),
 The Minister of Labour (Mr. Starr),
 The Minister without Portfolio (Mr. Macdonnell),
 The Minister without Portfolio (Mr. Browne),
 The Minister of Mines and Technical Surveys (Mr. Comtois),
 The Minister of National Health and Welfare (Mr. Monteith),
 The Secretary to the Cabinet (Mr. Bryce),
 The Assistant Secretary to the Cabinet (Mr. Fournier),
 The Registrar of the Cabinet (Mr. Halliday).

...

CANADA'S ELECTION TO THE SECURITY COUNCIL; DECISION TO HOLD
COMMONWEALTH TRADE AND ECONOMIC CONFERENCE

15. *The Prime Minister* reported that he had just been informed that Canada had been elected to the Security Council.²⁹

He also reported that the Minister of Finance had succeeded in getting agreement for the holding next year of a Commonwealth Trade and Economic Conference. He had apparently been able to do this without making any bargains with the British or others in order to get their agreement. Sir Arthur Fadden of Australia had enthusiastically supported Mr. Fleming's proposal. The U.K. and others had supported Mr. Fleming as a matter of policy while India had supported the proposal but with less enthusiasm. It appeared likely that the conference would take place around this time next year, in Ottawa. A preparatory committee of officials would probably meet in London in January, although it was not certain that this matter would be agreed before the end of the present conference. A communiqué would be ready at noon to-day.

16. *The Prime Minister* considered that Mr. Fleming had done a splendid job in securing the agreement of the Finance Ministers' Conference for the holding next year of a Commonwealth Trade and Economic Conference.

17. *The Cabinet* noted with approbation the Prime Minister's report on Canada's appointment to the Security Council and on the results of the Mont Tremblant meeting of Commonwealth Finance Ministers, which had recommended the holding of a Commonwealth Trade and Economic Conference in 1958.

...

²⁹ Voir le chapitre premier, première partie, section A, subdivision (ii)./See Chapter I, Part 1, Section A, Sub-section (ii).

360.

DF/8810/457-1

*Note**Memorandum*

SECRET

[Ottawa], October 2, 1957

SUMMARY NOTES ON THE MEETING BETWEEN CANADIAN AND
UNITED KINGDOM MINISTERS AND ADVISERS*Present**United Kingdom*

Mr. Peter Thorneycroft, Chancellor of the Exchequer

Sir David Eccles, President of the Board of Trade

Canada

Mr. Donald Fleming, Minister of Finance

Mr. Gordon Churchill, Minister of Trade and Commerce

The Finance Minister: Welcomed the United Kingdom visitors to Ottawa. The purpose of the meeting was to find reasonable means to further the joint purpose of increasing the two-way flow of trade. Certain avenues of approach could be explored in a preliminary way, and perhaps be followed up at the official level.

One such matter was procurement. The policy of the Canadian Government was quite clear. Preference is given first of all to Canadian supplying firms, and then to the United Kingdom and other Commonwealth countries generally. Canadian procurement, however, is mainly of interest to the United Kingdom among the Commonwealth countries. Policy is the same, whether military or civilian procurement is being considered. It is necessary, however, to note that some at least of the federal Crown Corporation operate within areas where they compete with private firms on a business basis. It should also be noted that the expenditures of the provinces, the municipalities, and their agents are not the responsibility of the Federal Government. The Provinces are responsible within their boundaries for such large expenditure areas as roads, and resources development. The best means of persuading the Provinces to turn their eyes as much as possible towards United Kingdom sources of supply would need to be considered. Active consideration would be given to this matter. He would call on Mr. Golden to make a brief statement on considerations affecting military procurement.

Mr. Golden: One of the main considerations affecting procurement is that Canadian-based capacity to produce a substantial range of military equipment is now in excess of the money available to make purchases in relevant fields, such as in aircraft and electronic equipment.

Another consideration is the matter of logistics. For strategic and logistical reasons, there is a high degree of standardization on what might be termed "North American lines." Partly for these reasons, there has been a rough dollar balance between the value of Canadian procurement in the United States, and the value of United States procurement in Canada. On the other hand, procurement as between the United Kingdom and Canada is mainly a one-way street. A great deal had been done in recent years in the way of United Kingdom firms establishing plants in Canada, for example Hawker-Siddeley one of the very large industrial complexes in Canada is owned in the United Kingdom. A number of other Canadian located defence firms are in a similar position. For logistical reasons it is desirable to have plants located in Canada, but this does not mean that United Kingdom ownership and participation is debarred. A good deal of the procurement which is called

"Canadian" actually has a substantial United Kingdom, or United States, content. Fundamentally, the problem being discussed is a matter of requirements, since at the stage of procurement the objectives and thus the scope for manoeuvre had to a large extent already been determined. For example, when requirements called for fire control systems available only in the United States, there is little scope for directing procurements to the United Kingdom. The fact that direct procurement in overseas countries is at a low level is mainly attributable to the circumstances that the forces are not expanding, and there is excess capacity in Canadian located defence industry. In 1956 direct expenditures in the United States were some \$40 million, and in the United Kingdom some \$24 million. Expenditures in the United States were largely for specialized equipment.

The Chancellor: Asked how one would go about shifting, say, 24 per cent of procurement to the United Kingdom.

Mr. Golden: It would be necessary to move Canada further away from the United States. The forces of the two countries are closely linked and, for example, the United States undertakes a large part of the joint role in the air. There may, however, be opportunities in the development field, if the United Kingdom produced the required equipment better than other suppliers. After the research stage, it is important to develop equipment suited to the special conditions of North America. In the field of what might be termed "hardware," procurement is at a low level because the forces are not expanding. Perhaps there are opportunities for eg. scout cars, and motorcycles, but such opportunities are not large. Lines of communication with the United Kingdom are very good; we know what the United Kingdom can supply; they know what our problems are.

The Chancellor: Asked whether fear that the United Kingdom might be cut off in wartime is a major factor.

Mr. Golden: Replied that this does not fit the new NATO concept. The problem really is a matter of the country with which we are co-ordinating our major forces. In reply to a question about helicopters, Mr. Golden pointed out that Sikorski is pre-eminent in this field and indeed, makes helicopters in the United Kingdom under licence. There are Canadian firms interested in making helicopters.

The President: Referred to the Farnborough Air Show, and the quality of products shown there.

Sir Frank Lee: Said that the salient fact is that the forces are not expanding. All that could be asked is that Canada have a renewed, hard look at the opportunities for buying British, and that this consideration be extended to the Crown Corporations. He cited the case of Ontario Hydroelectric which has a list of products obtainable in the United Kingdom. It might be useful to examine whether all federal agencies followed a similar procedure.

Mr. Golden: Replied to questions about naval procurement. He pointed to the purchase of the *Bonaventure*. Destroyer escorts are built in Canada, but have a high United Kingdom content. Naval aircraft are made in Canada by a United Kingdom firm. Some armament is produced in the United Kingdom.

The Chancellor: Assumed that every effort would be made to exploit whatever opportunities exist.

The Minister of Finance: Stated that procurement policy in the civilian field is the same as that in the military field. The matter of civilian procurement was the next item for discussion.

Mr. Plumptre: Said that some years ago general rules had been made respecting the origin of goods procured by civilian Departments. These rules remain in effect. They give

the United Kingdom and other Commonwealth countries an informal 10 per cent advantage over suppliers from other countries, such as the United States. There are two points which need clarification.

(a) There is apparently no comprehensive United Kingdom statement of what the United Kingdom feel they are missing.

(b) There is also no comprehensive analysis on the Canadian side of how the rules work at the operating level.

Mr. Plumptre: Hoped that the two points could be pursued.

Sir Frank Lee: Thought that the first approach would be as broad in scope as the field of United Kingdom industry as a whole. He referred again to lists prepared Department by Department, and agency by agency, of the Canadian Government.

The Minister of Finance: Pointed out that many purchases are made by tender. Unless agents of United Kingdom firms are in a position to tender, it is difficult to do anything.

The President: Said the key to the matter lies in the provision of quick commercial intelligence. If the United Kingdom suppliers do not have rapid intelligence respecting tender conditions, they are handicapped. In the United States, British businessmen have formed regional committees, often chaired by a United Kingdom trade official. Experience indicates that what is required are regular meetings between people of high status who are in one another's confidence. He wondered whether the provision of advance economic intelligence could be improved.

The Finance Minister: Said that tenders are, of course, advertised. The position could be explored, however. Perhaps the Trade Mission to the United Kingdom could explore this matter.

Sir Frank Lee: Said that many United Kingdom firms obtain tender data as rapidly as Canadian firms. However, there is a feeling that not enough time is available in some cases to consider tenders. It would be useful if consultation took place in advance. He agreed with Mr. Rasminsky that detailed consideration of the budget estimates after these came out would be useful in providing guidance.

Mr. Plumptre: Said that the rules re giving of a preference to United Kingdom sources of supply do not apply formally to Crown Corporations, because of possible United States reactions. Informal pressure, however, is maintained on the Crown Corporations.

The Chancellor: Said he does not wish to plead for non-competitive products. It is a matter of promoting more East-West trade, rather than North-South trade. Machinery for providing advance intelligence, for example to United Kingdom Trade Commissioners, might make it possible to increase sales of competitive United Kingdom products.

Mr. Sharp: Asked if there are any serious complaints about procurement at the operating level.

Sir Frank Lee: Said that there is a great deal of co-operation freely given. The best help the procurement officer can give is to devote sufficient time to the agents of British firms who wish to acquire background knowledge.

The Chancellor: Asked if the general policy of buy British if possible could be impressed on the Provinces. Perhaps something could be done at the forthcoming Federal-Provincial Conference. It would be useful if the Federal Government could give the Provinces a lead which United Kingdom traders could follow up.

The Finance Minister: Said the Canadian Government is willing to give a lead, but the problem is the best means of going about it. This would be considered. Speaking of Crown

Corporations, he noted that some of them at least are operating in competition with private business and are impelled to direct their purchases to the cheapest source of supplies.

The Chancellor: Noted that there are private Canadian firms which have switched purchases to the United Kingdom, for example the west coast fishing industry.

The Finance Minister: Said that if agreeable the matter of tourist purchases could be considered next. There is an exemption of \$100 for purchases carried in the luggage of returning Canadians who have been out of the country for 48 hours. There is a lot of Canadian money spent in the United States in this way, and a lesser amount spent in the United Kingdom. The Canadian Government would welcome further suggestions from the United Kingdom.

Sir Frank Lee: Noted that the United Kingdom had proposed this matter before. There seems to be a problem of discrimination. The object, of course, is to stimulate purchases in the United Kingdom.

Mr. Plumtre: Said that it might well be possible to meet the United Kingdom view without formal or explicit discrimination. A number of formulae are being explored in this connection.

Mr. Rasminsky: Noted that a change in the tourist exemption would also encourage more Canadians to travel to the United Kingdom.

The Trade and Commerce Minister: Said that a measure of this kind would have a certain popularity with Canadians travelling abroad.

The Finance Minister: Agreed with the Chancellor that this matter should be pursued at the official level. He noted that the next item concerned the Trade Mission to the United Kingdom. The Mission was shaping up well. The private people concerned wanted a Minister to lead the Mission, but this decision would have to wait upon events.

Mr. Sharp: Supported a suggestion by Sir Frank Lee that preparations for the Mission should not be rushed.

The Finance Minister: Noted that the United Kingdom had some comments to make on tariff matters.

Sir Frank Lee: Said that the United Kingdom was not putting forward a formal request list. He noted that there are three areas in which action might have a good psychological effect. These are:

- (1) The possibility, consistently with GATT, of restoring the 1947 levels of preferences. An informal list of items had already been submitted for study.
- (2) The possibility of binding existing preferences over the whole field, or over a range of goods.
- (3) The possibility of binding the preferential rate on a number of items.

Sir Frank Lee: Also noted the importance of the Canadian sugar preference. This is a generous preference. He would like to urge that the position be placed beyond doubt. With the British West Indies becoming a nation, a statement that the preference will remain bound would be of very great importance. There had been some threats to this preference in the recent past (e.g. Cuban sugar). A better form of binding than under the present "rickety" British West Indies-Canada Agreement would be important.

The Finance Minister: Noted that much of the problem in the Canadian market results from competition with United States products. In this connection, would it be helpful from the United Kingdom point of view if Canadian valuation were changed to a cost-of-production basis?

The Chancellor: Said that, tentatively, he would think not. The matter could be studied. It was agreed that officials would meet next day to draft a press communiqué.

361.

PCO

*Extrait des conclusions du Cabinet**Extract from Cabinet Conclusions*

SECRET

[Ottawa], October 3, 1957

Present

The Prime Minister (Mr. Diefenbaker), in the Chair,
 The Minister of Public Works and Acting Minister of Defence Production (Mr. Green),
 The Minister of Finance (Mr. Fleming),
 The Minister of Veterans Affairs (Mr. Brooks),
 The Minister of Transport (Mr. Hees),
 The Solicitor General (Mr. Balcer),
 The Minister of Trade and Commerce (Mr. Churchill),
 The Minister of Justice and Acting Minister of Citizenship and Immigration (Mr. Fulton),
 The Minister of Agriculture (Mr. Harkness),
 The Secretary of State (Mrs. Fairclough),
 The Minister of Fisheries (Mr. MacLean),
 The Minister of Labour (Mr. Starr),
 The Postmaster General (Mr. William Hamilton),
 The Minister without Portfolio (Mr. Macdonnell),
 The Minister without Portfolio (Mr. Browne),
 The Minister of Mines and Technical Surveys (Mr. Comtois),
 The Minister of National Health and Welfare (Mr. Monteith),
 The Secretary of State for External Affairs (Mr. Smith),
 The Secretary to the Cabinet (Mr. Bryce),
 The Assistant Secretary to the Cabinet (Mr. Martin).

COMMONWEALTH FINANCE MINISTERS' MEETING AT MONT TREMBLANT;
 REPORT BY MINISTER OF FINANCE

36. *The Prime Minister* said the main achievements of the Mont Tremblant meeting, the agreement to hold a Commonwealth Trade and Economic Conference, had to some extent been obscured by the accounts in the press of the United Kingdom proposal for a free trade area with Canada, about which there had been a "leak" some weeks before. Notwithstanding this, the work at Mont Tremblant had been most successful. Since the meeting he had heard that the able and persuasive presentation by the Minister of Finance had convinced the doubters of the desirability of holding the larger conference.

37. *The Minister of Finance* said he and the Minister of Trade and Commerce had been gratified by the unanimous recommendation of the meeting to hold the Trade and Economic Conference. If the South African Minister of Finance had not had to leave early, there would probably also have been unanimous agreement to hold the conference in Canada. Eventually he was sure that this would be agreed to, by all Commonwealth countries. The date had not yet been settled but he hoped it would be held some time next summer. The necessity of adequate preparations had been stressed, and officials would meet in London in January to consider procedures and prepare the agenda.

The Canadian proposals were still secret, although the communiqué described in general terms several of the items Canada would wish to discuss.³⁰ He had submitted fourteen items at Mont Tremblant — seven relating to trade and seven to other economic matters.

He felt the meeting had done much to bring about warmer and more cordial relations between Commonwealth countries.

As regards the emergence of the free trade area proposal during the conference, he had informed the other delegations that it did not constitute a formal proposal and had nothing to do with the Mont Tremblant meeting. Subsequently, however, he and the U.K. Chancellor of the Exchequer were asked about the matter by the press. The Chancellor was less inhibited than he was and had elaborated on it at some length; he had confined himself to saying that such a proposal would present formidable difficulties to the Canadian government.

38. *The Cabinet* noted with approval the reports of the Prime Minister and the Minister of Finance on the Commonwealth Finance Ministers' meeting at Mont Tremblant.

CANADIAN-U.K. TRADE DISCUSSIONS; COMMUNIQUÉ

39. *The Minister of Finance* reported that a communiqué would be issued the following day at the conclusion of the trade discussions. The first part had been drafted by the U.K. and Canadian Ministers while their officials had prepared the draft of the second part. He read the draft communiqué and asked for comments.

40. *During the discussion* of the text and intent of the communiqué the following points were raised:

(a) Despite the government's unfavourable reaction to the United Kingdom's proposal for free trade, it would not be feasible to reject this proposal out of hand. It was recognized that the manner in which the British proposal had been presented, particularly at the press conference in Mont Tremblant, had not pleased the Canadian delegation. The British proposal could be considered as an attempt to answer the Prime Minister's earlier proposal of diverting some of Canada's imports from the United States to the United Kingdom. The U.K. ministers would return to their country and face criticism within their own party and from the opposition parties unless they could confirm that the free trade area proposal had been put forward seriously.

(b) It would be politically wise to avoid leaving an impression in the minds of the public of Canada that the free trade proposals were to be "considered" or even "reviewed" before or after the Commonwealth Trade and Economic Conference scheduled for next year, otherwise any unemployment in Canadian industries might be attributed by the public to the uncertainty of the outlook in regard to this vital matter of policy.

(c) The communiqué should leave no doubt that the free trade area proposals raised serious and complex problems and difficulties. It would be best if the expressions "free trade" were not used in the communiqué. Expansion of trade should be declared the objective of both governments.

(d) The communiqué should contain a reference to the government's declared objective to shift 15 per cent of Canada's imports from the United States to the United Kingdom.

³⁰ Voir Canada, ministère des Affaires extérieures, *Affaires Extérieures*, vol. 9, N° 10, octobre 1957, pp. 291 à 292.

See Canada, Department of External Affairs, *External Affairs*, Vol. 9, No. 10, October 1957, pp. 291-292.

(e) The communiqué should not indicate only the benefits which the U.K. would get out of the current talks but be so drafted as to leave no impression that eventual benefits would be one-sided only.

(f) The communiqué should not be a source of embarrassment to the Minister of Finance at his forthcoming meeting with U.S. government trade officials. Reference to purchases from countries "outside the Commonwealth" should be tactfully phrased.

(g) Reference should be made to the visit by a high level trade delegation from Canada to the United Kingdom. This reference might even be given more prominence by placing it ahead of any reference to free trade proposals.

(h) Any reference in the communiqué to the strengthening by Canada of the preferential tariff arrangements applying to U.K. trade should be removed. It was realized that this would remove much of the meat from the conclusions of the discussion.

(i) The U.K. were going ahead with its proposals for a European Free Trade Area but had said that these would exclude foodstuffs, drink, and tobacco.

41. *The Cabinet*, after a long discussion, agreed:

(a) that it would not be feasible to indicate in the communiqué that the United Kingdom's free trade area proposals had been rejected;

(b) that the Prime Minister, the Ministers of Finance, Agriculture, Justice, Trade and Commerce and the Secretary of State for External Affairs meet the U.K. ministers during that evening to review the communiqué and its implications; and,

(c) that the Cabinet meet the following day to consider further amendments to the communiqué.³¹

R.B. BRYCE
Secretary to the Cabinet

³¹ Le Cabinet a approuvé le texte final du communiqué, le 4 octobre 1957. Voir Canada, ministère des Affaires extérieures, *Affaires Extérieures*, vol. 9, N° 10, octobre 1957, pp. 294 à 295.

Cabinet approved the final text of the communiqué on October 4, 1957. See Canada, Department of External Affairs, *External Affairs*, Vol. 9, No. 10, October 1957, pp. 293-294.

3^e PARTIE/PART 3

CONFÉRENCE ÉCONOMIQUE ET COMMERCIALE DU COMMONWEALTH
15-26 SEPTEMBRE 1958
COMMONWEALTH TRADE AND ECONOMIC CONFERENCE,
SEPTEMBER 15-26, 1958

SECTION A

APERÇU GÉNÉRAL
GENERAL OVERVIEW

362.

DEA/50123-B-40

*Note du sous-secrétaire d'État aux Affaires extérieures
pour le secrétaire d'État aux Affaires extérieures*

*Memorandum from Under-Secretary of State for External Affairs
to Secretary of State for External Affairs*

CONFIDENTIAL

[Ottawa], February 5, 1958

COMMONWEALTH TRADE AND ECONOMIC CONFERENCE

I attach for your signature, if you agree, a memorandum to the Prime Minister concerning the preparatory meeting of Commonwealth officials that is to be held in London on February 11. I suggest that, in present circumstances, it would be satisfactory to have the approval of the Prime Minister and the Ministers directly concerned in a matter of this kind. The memorandum has already been shown to Mr. Fleming and Mr. Churchill and carries their concurrence.³²

2. As you will note, it is now anticipated that this first meeting of officials will be called upon to decide on matters of substance. What we envisage is that officials will put in hand the preparation of material on the basis of which an agenda for the Conference can in due course be formulated.

3. A general framework for such an agenda was, of course, agreed upon by Commonwealth Finance Ministers at Mont Tremblant last autumn. On the other hand, it has always been understood that, as Mr. Fleming put it in the House on January 4, "any proposal that any Commonwealth country wishes to bring forward in relation to trade within the Commonwealth, or to economic questions arising within the Commonwealth, or economic policies, will have full opportunity of putting them before the Trade and Economic Conference."

4. Because this has been the position from the outset and because any meaningful review of Commonwealth relations in the economic field will necessarily have to take account of the interests of all participating Governments, the attached memorandum recommends that our delegation be authorized to consider any proposals put forward by other Commonwealth Governments for discussion at the proposed Conference. You will note that some of these proposals — and particularly those put forward by the under-developed members of the Commonwealth — may be fairly ambitious in scope. Nevertheless, it is

³² Note marginale :/Marginal note:

Memo sent to P.M. 6.2.58 [H.B. Robinson]

our feeling that due weight should be given to all such proposals even though there can, of course, be no commitment before the Conference itself regarding action based on proposals submitted by individual Commonwealth countries.

5. You will note that, in the attached memorandum, the view is also put forward that it may not be expedient for us to seek the inclusion in the final Conference agenda of all of the fourteen points proposed by Mr. Fleming at Mont Tremblant. Our reservations, which are shared by other departments, relate among others to the subject of communications. If this were taken to include civil aviation it would almost certainly raise difficult issues for the United Kingdom and others; if it were extended to cover telecommunications, there might be a tendency to duplicate the work of the Commonwealth Telecommunications Network Conference that it is proposed to hold in London at the end of May. Reservations also attach to the subject of uranium for which a Commonwealth Conference is not considered to be the most appropriate forum and which, indeed, might give rise to some bitterness as between India on the one hand and Canada and the United Kingdom on the other.

6. There is one broader consideration of which, I think, you would wish to be aware. This is that there has over the years been some loosening of the economic ties linking Commonwealth countries. Partly this is due to the emergence of new Commonwealth countries in Asia and Africa, partly to the increasing extent to which industrialization has spread in Commonwealth countries other than the United Kingdom, and partly to the very great change in the economic position of the United Kingdom itself. No doubt, recent moves toward closer economic integration in Western Europe and the need of Commonwealth countries to take account of these developments have served to reinforce this general trend.

7. Most of the under-developed Commonwealth countries of Asia and Africa depend heavily on world market prices for one or two primary commodities. There is not much that can be done by the Commonwealth alone to prevent severe fluctuations in these prices and thus to assure some degree of stability to the export incomes of the under-developed members of the Commonwealth. These countries have also found that the United Kingdom is no longer able to supply all the external capital which they require to expand their economies.

8. Australia and New Zealand are in a not dissimilar position. They have in the past relied upon the United Kingdom for investment capital and upon the United Kingdom market to absorb the exportable surpluses of their primary commodities. These surpluses have grown while the United Kingdom market for them has contracted, largely owing to domestic subsidization of agricultural production in the United Kingdom. These developments have compelled Australia and New Zealand to look for alternative markets in Europe and in the Far East. To negotiate their way into these markets, Australia has sought and New Zealand is about to seek releases from their preferential commitments in favour of the United Kingdom. Moreover, both countries — and possibly other Commonwealth countries in a similar position — may well wish eventually to negotiate some form of association with or limited participation in the proposed European free trade area if this were the only way of safeguarding access for their primary commodities to the markets of Europe.

9. The United Kingdom continues, of course, to be committed to the closest possible economic co-operation with the Commonwealth. Nevertheless, a realistic assessment over recent years has made it clear to the United Kingdom that the prospect of expanding export opportunities lies pre-eminently in Europe and North America and that the United Kingdom could not, therefore, afford to allow European economic integration to go

forward without their participation. It is fair to say that, in their negotiations with Europe, the United Kingdom have throughout laid stress on their determination that nothing would be done to impair Commonwealth interests. The possibility is not to be excluded, however, that the United Kingdom may yet be compelled to modify their position (e.g. with respect to agriculture) if the coming into being of a European free trade area hinged on such a concession on their part.

10. In these circumstances, it was perhaps inevitable that some skepticism should have developed with respect to the Commonwealth as an economic framework. And it is because this skepticism does exist and because it does have a basis in fact that Commonwealth Governments regard it as all the more important that any Conference along the lines proposed by us at Mont Tremblant should be such as to yield results. This is a matter of particular relevance to the position of Commonwealth Governments in Asia, some of which are under continuing pressure to justify the Commonwealth association in terms of national self-interest.

11. It is difficult, of course, to be sure what different Commonwealth Governments have in mind when they speak of a Conference that will yield results. Presumably, however, they are thinking in terms of a Conference that would not merely discuss Commonwealth trade and economic relations as they are and as they are developing but would consider some new initiatives. These might be initiatives designed to strengthen economic relations within the Commonwealth. They might also be initiatives which, like the Colombo Plan, would be formulated in a Commonwealth context but capable of extension over a wider area.

11. We have touched upon these matters in the memorandum to the Prime Minister. No doubt, some of the points at issue will require to be developed further as the shape of the Commonwealth Trade and Economic Conference emerges more clearly and in the light of developments generally over the next few months.

J.W. H[OLMES]
for Under-Secretary of State
for External Affairs

[PIÈCE JOINTE 1/ENCLOSURE 1]

*Note du secrétaire d'État aux Affaires extérieures
pour le premier ministre³³*

*Memorandum from Secretary of State for External Affairs
to Prime Minister²⁸*

CONFIDENTIAL

[Ottawa], February 5, 1958

COMMONWEALTH TRADE AND ECONOMIC CONFERENCE

The Finance Ministers of the Commonwealth who met at Mont Tremblant in the autumn of 1957 approved the proposal of the Canadian Government that a Commonwealth Trade and Economic Conference be held at a convenient place and time in 1958 and agreed to recommend the proposal to their Governments.

³³ Cet original du mémoire est tiré des documents du premier ministre Diefenbaker. Voir J.G.D./VI/814. This original of the memorandum is taken from Prime Minister Diefenbaker's papers. See J.G.D./VI/814.

On the basis of the indications which we have already received from Commonwealth Governments it can be assumed that the Conference will be held and that, in response to the invitation of the Canadian Government, it will be held in Canada. There has been some difficulty in securing agreement on a date that would suit the convenience of all concerned. In an effort to take into account the difficulties of individual Commonwealth Governments it has now been proposed that the Conference should open on September 15, 1958, and it is hoped that Commonwealth Governments will see their way clear to accepting this compromise proposal.

In the meantime Commonwealth officials are due to meet for a few days in London beginning on February 11 to set in train the preparatory work for the Conference. This will be the first such meeting and it is unlikely to involve the consideration of substantive issues. A second meeting of officials is projected for May at which time the shape of an agenda for the Conference will probably be determined. It is possible that officials may have to meet again immediately before the Conference to make a final review of the material which is to be put before Ministers.

It is clear that all Commonwealth Governments attach importance to the success of the forthcoming Conference. This is one of the reasons why considerable stress was laid at Mont Tremblant on the need for adequate and careful preparation. Public opinion in the Commonwealth will likewise look to the Conference to produce results that go beyond a mere review of Commonwealth trade and economic relations. To the extent that the Conference flows from a Canadian initiative it may be assumed that other Commonwealth Governments will expect Canada to take an active part in the preparatory work with a view to ensuring that the Conference will serve to strengthen the existing framework of economic relations within the Commonwealth and thereby the Commonwealth association as such.

At Mont Tremblant the Minister of Finance put forward fourteen points in the field of Commonwealth trade and economic relations generally that might be suitable for discussion at a Commonwealth Trade and Economic Conference (attached as Appendix "A"). While the fourteen points will continue to represent the basic Canadian proposals, it is not considered that Canadian representatives at the preparatory meeting of officials need to regard themselves as committed to the inclusion of all the fourteen points in a draft agenda for the Conference. Indeed, it has already become clear that some of the points in question may raise difficult issues for other Commonwealth countries.

It was understood from the outset that the proposals put forward by Canada as a basis for discussion at a Commonwealth Trade and Economic Conference were not to be regarded as exhaustive and that other Commonwealth Governments would be free to propose for inclusion in the agenda for the Conference any issues to which they attached importance and which they regarded as suitable for consideration in a Commonwealth forum of this kind. It is, therefore, probable that additional proposals will be put forward between now and the drawing up of a final agenda. This might include proposals on such matters as the creation of a Commonwealth investment bank and a possible Commonwealth initiative designed to stabilize prices of primary commodities. Whatever the nature of the proposals that may emerge in this way, there is much to be said at this stage for encouraging other Commonwealth countries to participate actively in the preparatory work for the Conference and for making it clear that any points to which they attach importance will receive due consideration when the time comes to formulate a Conference agenda. The broad general framework of an agenda was agreed to by Commonwealth

Finance Ministers and was set out in the final communiqué issued at Mont Tremblant (relevant extract attached as Appendix "B"†).³⁴

In the light of these considerations and with the concurrence of the Minister of Finance and the Minister of Trade and Commerce, I would propose for your approval:

(a) that Canada be represented at the preparatory meeting of officials that is due to open in London on February 11 by a delegation headed by Mr. A.F.W. Plumptre, Assistant Deputy Minister of Finance, and including the following members:

M. Schwarzmann, Department of Trade and Commerce

J.F. Grandy, Canada House, London

K. Goldschlag, Department of External Affairs

G.S. Watts, Bank of Canada

J.M. Harrington, Canada House, London;

(b) that the delegation be empowered to discuss administrative issues relating to the holding of the Commonwealth Trade and Economic Conference on the assumption that the Conference will be held in Canada in response to the invitation of the Canadian Government and that the Canadian Government will be prepared to meet the cost of the Conference, including that of visiting delegations;

(c) that the delegation be authorized to participate in a preliminary consideration of a Conference agenda in terms of the general framework agreed to at Mont Tremblant and including

(i) the fourteen points proposed by the Minister of Finance on the understanding that, on further examination, it may not prove expedient to seek the inclusion of each and every one of these points in the final Conference agenda; and

(ii) proposals put forward by other Commonwealth countries on the understanding that the final Conference agenda will remain to be determined by reference to the views of Governments;

(d) that the delegation seek further instructions in the event that any unforeseen issues requiring immediate decisions should arise at the preparatory meeting of officials.

SIDNEY SMITH

[PIÈCE JOINTE 2/ENCLOSURE 2]

Appendice "A"

Appendix "A"

LIST OF POINTS PUT FORWARD BY THE MINISTER OF FINANCE
AT MONT TREMBLANT AS SUITABLE FOR DISCUSSION AT A
COMMONWEALTH TRADE AND ECONOMIC CONFERENCE

Economic Relations

1. Improved Methods of Consultation
2. Communications
3. Direct Aid and Technical Assistance
4. Investment

³⁴ Voir/See Document 361, note 31.

5. Fiscal and Monetary Policies

6. Uranium

7. Ocean Freight Rates

Trade

8. Tariffs

9. Quotas and Import Restrictions within the Commonwealth

10. Agricultural Policy, Other than Wheat

11. Tourism

12. Procurement and Government Purchasing

13. The Common Market and Free Trade Area

14. Collective Approach to Free Trade and Payments

363.

DEA/50123-B-40

*Le haut-commissaire au Royaume-Uni
au secrétaire d'État aux Affaires extérieures*

*High Commissioner in United Kingdom
to Secretary of State for External Affairs*

TELEGRAM 312

London, February 14, 1958

CONFIDENTIAL. OPIMMEDIATE.

Repeat Wellington, Delhi, Washington (Information).

By Bag Canberra, Pretoria, Accra, Karachi, Colombo from London.

COMMONWEALTH TRADE AND ECONOMIC CONFERENCE
PREPARATORY MEETING OF OFFICIALS

Meeting ended yesterday afternoon. As a result partly of advance consultation between Canadian and UK delegations and partly of Makins' firm but sympathetic chairmanship, meeting developed very much along lines anticipated in Ottawa.

2. A provisional agenda was adopted on understanding that it was not to be regarded as immutable but should serve as a reasonably firm basis on which to set in train preparatory work in form of background papers. There was also agreement that agenda itself should not be overloaded or made unduly specific (if only to provide against possibility of leakage) but that it would be useful to annotate agenda in such a way as to take into account suggestions of certain delegations and to spell out in somewhat greater detail items on which background papers would have to be prepared. Allocation of preparatory work was generally satisfactory from our point of view.

3. After reviewing problems of timing and location of final Conference we invited agreement that Conference should open on September 15 at Queen Elizabeth Hotel in Montreal; also that Pierce, who had been selected by Canadian Ministers, should supervise all Conference arrangements. Proposals made by Canadian Government for holding Conference and selection of Pierce were warmly received and accepted, subject to formal confirmation by NZ Government that September 15 was acceptable to them. In these circumstances it did not prove possible to arrange for Canadian Government announcement of date and place of Conference to coincide with conclusion of officials' meeting.

4. In commenting on Pierce's selection, Chairman used term "General Secretary" rather than "Secretary General". On reflection Pierce considers and we agree that "General Secretary" is less pretentious designation which might be adopted.

5. Officials agreed that their second preparatory meeting would be held in London on June 2. That meeting would provide for full and thorough discussion of points of substance arising out of agenda with a view to assisting ministers to take decisions in September. It was also agreed that background papers should be circulated to Commonwealth Governments by those preparing them no later than May 1. June meeting of officials would then endeavour to reconcile views on agenda items or, where this did not prove possible, identify points of disagreement. Meeting would also wish to consider whether there was some kind of central theme for Ministerial Conference. Meeting would endeavour to complete its work within fortnight.

6. Other arrangements agreed upon are set out in confidential agreed minute of further action which is going forward to you as telegram No. 313.† In addition telegrams 314† and 315† will contain, respectively, provisional agenda adopted by officials and text of press statement released yesterday with 12:30 a.m. GMT embargo.

364.

DF/8262-03-01 (58)

*Le sous-secrétaire d'État aux Affaires extérieures
au sous-ministre adjoint des Finances*

*Under-Secretary of State for External Affairs
to Assistant Deputy Minister of Finance*

CONFIDENTIAL

Ottawa, April 2, 1958

COMMONWEALTH TRADE AND ECONOMIC CONFERENCE

I thought that you might find it useful to have the attached summary of our discussion on February 24. I am sorry that it has taken us so long to prepare these notes. It was agreed, I think, that what we would want at this stage would be a general summary of the points that were raised in the course of the discussion. Accordingly, no attempt has been made to attribute the points included in the summary to individual participants in the discussion.

It is for consideration whether we shall want an agreed document on which to base our further discussion of Canadian initiatives at the forthcoming Conference. For the time being, I shall assume that you will bring to my attention any points that obviously require revision as well as points that should have been included in the summary but, for one reason or another, have not been covered. You might also wish to let me know whether, in your view, we might in due course make copies of the summary available to a wider circle. For the moment I propose to confine the circulation of the summary to those who participated in the meeting on February 24. At a later stage, however, I think that it might be useful to elicit the views of others who may be in a position to contribute to our thinking.

L.E. COUILLARD
for Under-Secretary of State
for External Affairs

[PIÈCE JOINTE/ENCLOSURE]

*Résumé de note**Summary Note*

Ottawa, April 2, 1958

COMMONWEALTH TRADE AND ECONOMIC CONFERENCE

The following is a summary of a discussion held on February 24, 1958, at 8:30 p.m., at 85 Lakeway Drive, Ottawa.

Those present were:

Mr. A.F.W. Plumptre (Host)
Mr. R.B. Bryce
Mr. K.W. Taylor
Mr. M.W. Sharp
Mr. L. Rasminsky
Mr. D.V. LePan
Mr. S.D. Peirce
Mr. R.A. Farquharson
Mr. L.E. Couillard
Mr. S.S. Reisman
Mr. K. Goldschlag.

Background of Conference

It was recognized that the Commonwealth involved a clash between form and substance. As an institution it was generally regarded by people as a good thing. In particular, its function as a bridge between the West and the newly emergent countries of Asia and Africa was held to be valuable. In economic terms there appeared to be little of real substance in the Commonwealth relationship and the trend was for member countries to back away from such economic links as had at one time existed. Still, the fact was that there was a good deal of Commonwealth activity on the economic side and it might well be a part of the function of the forthcoming Conference to bring these various activities into focus.

Trade

It was generally agreed that there appeared to be little by way of fresh initiatives in the field of trade that was likely to be of general interest to the countries participating in the Conference. As far as Canada was concerned, it might be possible to seek expanded markets for Canadian exports in Commonwealth countries. This would depend in part on continued economic stability and progress in the Sterling area and in part on the management of the import restrictions operated by Commonwealth countries. Any effort in the direction of expanding Canadian markets in the Commonwealth would have to be based on an assessment of the prospects for our exports in the countries of the old and the new Commonwealth. If on examination these prospects proved to be real, there was still the question of whether or not Canada could buy relief from the discriminatory management of the present restrictions.

On broader grounds one had to look at the general economic situation that was likely to prevail at the time when the Conference was being held next September. If by that time the United States economy had not shown very clear signs of recovery, and if, possibly, there had been a reversal of the net outflow of dollars, the Conference might very well be faced with an attempt at organized discrimination against the United States. The pressure for

such a move would be even greater if the United Kingdom were encountering further difficulties in their free trade area negotiations. In such an event, Canada would have the choice of either participating in or staying out of a collective Commonwealth exercise aimed against the United States. Indeed, it was not inconceivable that the United Kingdom might think of asking Canada to join the Sterling area if the position had deteriorated both in relation to the United States and in relation to Europe.

These prospects underlined the need for Canada to have a policy for trade at the Conference. This should probably be aimed at the disappearance of the existing trade restrictions in the Commonwealth. There was also a need to bear in mind the serious risks which might be involved if, in the period between now and the time of the Conference, Canada were to institute new restrictions against the United States. In all these circumstances, there was something to be said for thinking in terms of a collective Commonwealth approach to the United States rather than *against* the United States. Such an approach would be designed to exercise some degree of influence on United States trade and general economic policies. On the other hand, it would have to be remembered that any Commonwealth proposal would *ipso facto* be suspect in the eyes of the United States Congress.

Apart from these broader issues relating to trade, it was suggested that Canada in common with other Commonwealth countries might seek to exert influence on the United Kingdom in relation to the free trade area proposals. It was also thought possible that Canada might be able to reach agreement with Australia and New Zealand in the matter of dairy products, but it was doubtful whether and to what extent this type of discussion could be fitted into the broader framework of the Conference.

Aid

There was general agreement that the majority of Commonwealth countries were primarily interested in economic development and that this was an interest of which the Conference would have to take account. Indeed, there was a good deal to be said for focussing the attention of the Conference on the theme of "the expanding Commonwealth" in both its geographical and economic connotations. In this context a mere summary, for presentational purposes, of what the Commonwealth was already doing was unlikely to be adequate. What was required would almost certainly involve some new commitments.

Subject to budgetary limitations, which would be more clearly apparent as the time of the Conference drew closer, it was suggested that there might be an extension of the Colombo Plan type of aid. Specifically, it might be in the Canadian interest to see the Colombo Plan broadened to include Ghana and the West Indies. Neither country was likely to be in a position to absorb very much aid so that only a modest commitment would be involved at the outset. In relation to the West Indies, it was recognized that there would be a danger in Canada's being involved in aid to that country on an increasing scale, somewhat on the analogy of the United States involvement in Latin America. On the other hand, it was agreed that the Colombo Plan was the best framework within which to make available additional Canadian aid to other Commonwealth countries in that it would enable us to discriminate in favour of those for whom we feel a special concern. Mention was also made of the possibility of drawing South Africa into the Colombo Plan as a donor country especially if African countries like Ghana were to benefit from the Plan as recipients of economic and technical aid.

Apart from any extension of the Colombo Plan to provide aid to the West Indies and Ghana, it was recognized that India and Pakistan were the really crucial countries of whose requirements Canada and others would have to take account. If they were to leave the Commonwealth, it was almost certain that the rest of the Commonwealth would be in jeop-

ardy. It was true that any additional aid that Canada could make available to them would mean relatively little in comparison with their prospective earnings from commodity exports and with the amounts of capital that they might secure from the United States, Germany, the Soviet Union and international institutions. On the other hand, Canadian aid might — in addition to its direct benefits — help these countries to improve their position in attracting investment.

A second proposal which was explored was the creation of a new source of capital in the form of an Export-Import Bank type of scheme. In this connection, preference was expressed for an export credit scheme which would be operated on a Government-to-Government basis rather than to have an official body making credit available to exporting firms. The question remained, or course, what types of goods and commodities Canada had to export on a competitive basis. It was agreed that if genuine commercial transactions could be financed through the type of scheme that had been proposed, this would be acceptable. Indeed, it was likely that some elaboration of Canada's present export credits structure was in prospect quite independently of any fresh initiatives that might be taken in this direction at the forthcoming Conference.

Reference was also made in the course of the discussion to the matter of trade between the under-developed countries of the Commonwealth and the Soviet bloc and to Soviet aid to these countries. It was realized that the older countries of the Commonwealth had no alternative but to adopt a realistic approach to these developments which had figured prominently in the brief of the Ceylonese representative at the preparatory meeting of Commonwealth officials earlier in the month.

Commodity Arrangements

It was recognized that fluctuations in commodity prices represented the root of the difficulties experienced by most of the underdeveloped countries. In addition there was the new threat of firm Soviet purchases of these commodities which might result in increasing economic dependence on the part of the primary producing countries on the Soviet Union. On both these grounds it was in the interest of the Western countries to be more positive in their approach to commodity problems. Essentially the importance of any commodity scheme to the primary producing countries was twofold: it would serve to maintain the incomes of producers (although this is something which could be achieved by governmental stabilization schemes) and it would serve to maintain foreign exchange earnings.

There was general agreement that nothing substantial could be done in this field without some form of United States participation. It might be possible to present a new initiative on commodity problems as a form of giving assistance to the under-developed countries and as an answer to Soviet economic penetration of these countries. This type of approach would have considerable attractions from the point of view of enlisting public support in the United States. It was to be assumed, in any case, that a new Commonwealth initiative on commodity problems would have some leverage, not necessarily on the Republicans but on the Democratic Party which might be expected to return to power in 1960.

It was unlikely that the problem in terms of the number of commodities of direct interest to Commonwealth countries would prove to be unmanageable. Tin, sugar, cocoa, tea, rubber and jute seemed to be the main commodities involved. It was generally agreed that the pattern at which to aim would be the pattern of the International Tin Agreement which involved a buffer stock scheme and avoided recourse to state trading. The real question to which an answer was required was how much hard cash Canada and the United States and others would be prepared to put into a buffer stock type of scheme.

There was some discussion about the possibility of bringing the United Kingdom back into the International Wheat Agreement. It was suggested, however, that in present circumstances the International Wheat Agreement was of negligible value to Canada and that, provided the two major exporters were prepared to hold stocks, there was little difficulty in maintaining reasonable stability of wheat prices.

Commonwealth Organs

It was thought that one of the matters to be pursued at the Conference was the extent to which there should be increased facilities for Commonwealth consultation. There had been suggestions in certain quarters that it might be possible to transfer the headquarters of certain Commonwealth organs from London to Ottawa as being a more acceptable locale and the transfer of the headquarters of the Boy Scouts Association had been mentioned as a case in point. However, it was difficult at this stage to envisage Canada as a Commonwealth centre and further consideration would no doubt have to be given to the question of whether Canada had an interest in seeing the centre of Commonwealth gravity move across the Atlantic, even if it is assumed that the present and succeeding Canadian Governments will continue to follow an active Commonwealth policy.

Immigration

It was recalled that the establishment of quotas in Canada for immigrants from India, Pakistan and Ceylon had been warmly welcomed by these countries. It was for consideration whether a further initiative in this direction might be suitable at the forthcoming Conference.

General Conclusions

It was clear that other Commonwealth countries would be speculating about the substantial objectives Canada had in mind in proposing a Commonwealth Trade and Economic Conference. As had been made clear at Mont Tremblant they will themselves find it politically necessary to pursue substantial objectives at such a Conference. In all probability they would expect Canada to be thinking in terms of:

- (a) joining the sterling area;
- (b) reviving the preferential system;
- (c) committing additional resources to economic development in the Commonwealth.

It was axiomatic that (a) and (b) would be impracticable but that (c) was feasible.

An approach to the Commonwealth Trade and Economic Conference which would put the accent firmly on economic development was one which, it was thought, Ministers would be prepared to consider. This would be particularly so if it appeared that the alternative approach, namely to seek an expansion of Commonwealth trade and an extension of the preferential system, was likely to founder on the lack of interest in such an approach on the part of the older Commonwealth countries. Consideration would, of course, have to be given in due course to the budgetary implications of any additional Canadian commitments to Commonwealth development. In this connection the extension of loans, if these could be kept technically outside the budget, was likely to be easier than any substantial increase by way of grant aid.

Concern was expressed that an approach along these lines might put the United Kingdom in a difficult position in that they were already doing about as much as they could do and that prospective drawings by other Commonwealth countries on their sterling balances would add to the strain on the United Kingdom position. It might be possible, however, in the context of the Conference to formulate a broad statement which would

relate aid to national income. Such a statement would be likely to show that the United Kingdom were doing proportionately more than other Commonwealth countries in contributing to Commonwealth development.

365.

DEA/50123-B-40

*Procès-verbal de la réunion du Comité du Cabinet
sur la Conférence du Commonwealth*

*Minutes of Meeting of Cabinet Committee
on Commonwealth Conference*

SECRET

[Ottawa], July 14, 1958

Present

The Minister of Finance, (Mr. Fleming), (Chairman)
The Minister of Trade and Commerce, (Mr. Churchill),
The Minister without Portfolio, (Mr. Macdonnell),
The Secretary of State for External Affairs (Mr. Smith).

Also Present

Mr. R.B. Bryce, (Secretary to the Cabinet),
Mr. K.W. Taylor, (Deputy Minister of Finance),
Mr. J.H. English, (Deputy Minister of Trade and Commerce),
Mr. A.F.W. Plumptre, (Assistant Deputy Minister of Finance),
Mr. D. LePan, (Assistant Under-Secretary of State for External Affairs),
Mr. C.M. Isbister, (Assistant Deputy Minister of Trade and Commerce),
Mr. L. Rasminsky, (Deputy Governor of the Bank of Canada),
Mr. L.E. Couillard (Department of External Affairs),
Mr. S.S. Reisman, (Department of Finance),
Mr. M.W. Schwarzmann, Mr. J.R. Downs, (Department of Trade and Commerce),
Mr. W.R. Martin, (Privy Council Office). (Secretary)

The Canadian Ambassador to the United States, (Mr. Norman Robertson).

The Secretary General of the Commonwealth Trade and Economic Conference, (Mr. Sydney Pierce).

1. *The Assistant Deputy Minister of Finance (Mr. Plumptre)* circulated an Agenda, as follows:

- (a) General report on meetings of Commonwealth Officials in London in June.
- (b) Trade matters arising out of June meetings.
 - (i) Bilateral discussions.
 - (ii) Elimination of discriminatory restrictions.
 - (iii) Convertibility of Sterling.
- (c) Commonwealth institutions.

ITEM 1 — GENERAL REPORT ON MEETINGS OF
COMMONWEALTH OFFICIALS IN LONDON IN JUNE

2. *Mr. Plumptre* said that the organizational pattern of the London meeting of officials, which had consisted of a Committee of Trade, a Committee on Finance and Development, a plenary, or steering, committee and a sub-committee on gold, might prove to be the pattern for the organization of the September meeting. The agenda which had emerged from the officials' meeting was the same in substance as had been previously discussed, but went back to the Mont Tremblant wording.

3. *Mr. Plumptre* made the following points with respect to *trade*.

(a) The Canadian Delegation had emphasized the desirability of the expansion of Commonwealth trade through bilateral discussions and also generally. They had also stressed the necessity for eliminating discriminatory restrictions. Expansion might be piecemeal or general, as the circumstances warranted. Many Commonwealth countries admitted that discriminatory restrictions were contrary to their own interests.

(b) As regards currency convertibility, the Canadian delegation had urged that consideration be given to convertibility of sterling, having in mind that as long as it was inconvertible, countries had a formalistic basis for discrimination.

United Kingdom officials had been very cautious indeed about these two points. They had acknowledged them as long term objectives but mentioned the difficulties. They had made it clear that the U.K. reviewed its trade and convertibility objectives every so often. Indeed a review had occurred just before the June meetings but U.K. Ministers had felt the time was not ripe to move forward, certainly at least until the results of the second half of the year were apparent. Canadian officials had urged that there might be an opportunity before the end of the year for progress. All governments undertook to review their positions on these two matters during the summer.

(c) The interests of various countries in the stabilization of commodity prices was quite apparent. The British said they intended to send a representative to preparatory meetings in September on a new International Wheat Agreement. As far as agreements in general were concerned it was recognized that both producers and consumers had to belong and this pointed to the crucial position of the United States.

(d) In the field of commodities, New Zealand and Australia had emphasized the effects of protectionist agricultural policies in Canada, the U.K., Europe, and elsewhere. The hope was expressed that the Commonwealth would show leadership in this field.

(e) On tariff preferences, no interest was shown to enlarge or extend such preferences. It was recognized that this would be contrary to GATT obligations and the opposite of self interest. In fact, some countries were now in the process of "eroding" preferences.

(f) All agreed that trade should be expanded on a general basis.

(g) On liquidity, the U.K. had taken the position that trade was hampered by a lack of reserves. No detailed attempt had been made to examine the basis of U.K. thinking that the world was short of reserves. On gold the Commonwealth had "rung the changes" on the rigid U.S. position. It had been easy to agree that the International Monetary Fund had a bigger job to do than when it had been originally established. One or two of the poorer countries were not sure that they would be able to make increased contributions to the Fund's resources, if called upon to do so.

DEVELOPMENT

4. *Mr. Plumptre* said that there had been general acceptance of the view that the world was short of capital. This applied not only to underdeveloped countries but to developed countries in which technological changes were occurring. The Commonwealth therefore looked to all sources for capital. Sources had been reviewed, including loans from private markets and the Colombo Plan. There had been unanimous agreement on enlarging the powers of the International Bank. Everyone agreed that increasing the individual guarantee would be desirable, though here again one or two of the poorer countries were not sure about increasing their own cash subscriptions or their 18 per cent in national currencies. There had been some discussion of the Commonwealth Development Finance Corporation and it was recognized that this was not a popular or terribly useful institution. Our High Commissioner in London had just recently informed us that the U.K. proposed to withdraw

its proposals for a Commonwealth Bank. Technical assistance had been inadequately covered.

A wide diversity of views was apparent on methods for improving machinery for consultation and cooperation. They ranged from those of Ghana and Malaya, who would like to see the establishment of a Commonwealth Secretariat and Commonwealth Council to discuss practical issues, to those of South Africa, who felt that anything new or additional would be suspect, if not undesirable. India was only slightly less forthcoming than South Africa. In the end, officials concluded that it would be useful for senior officials to meet in the spring of each year as well as at the usual autumn meetings.

The U.K. had reiterated its views, already before us, on the European Economic Community. In view of the situation in France and the uncertainty on the E.E.C. and the Free Trade Area, there had been no effective discussions.

5. *Mr. Plumptre* had, at another meeting, indicated to the Prime Minister, and other Ministers and officials, the assumptions with regard to the United States which underlay the discussions in London.

The U.K. proposal for scholarships and the Shawcross convention on foreign investments had not been discussed. There were brief but unproductive discussions on freight rates, shipping, and some other matters.

At the same time as the meeting of the officials was being held the Commonwealth Communications Board had been in session and something might emerge which would be useful for the Conference. Officials had agreed that it would be useful to meet for a few days before the opening of the main Conference in Montreal, the date proposed being September 10th.

6. *The Secretary General of the Commonwealth Trade and Economic Conference (Mr. Pierce)* said that the U.K. scholarship proposal had not been raised in London because its practicalities had not then been studied by U.K. authorities. He thought more would be heard of the investment code because of its wide backing in various quarters. The Commonwealth Communications Board had come up with a project involving a telephone line around the world through Commonwealth countries, but it had been felt that, if the plan was acceptable, it should not emerge from a technical conference but be saved for September. Sir Roger Makins and Mr. Drew were to consult on this and try to reserve an announcement for approval at the Conference.

7. *Mr. Couillard* added that he had been impressed by the fact that technical assistance had not been given a full airing, due to deficiencies in the organization of the June meetings.

8. *The Assistant Deputy Minister of Trade and Commerce (Mr. Isbister)* added three points. He had been impressed about the worries of the Ghanaian representative on the prejudice of the rest of the world against coloured people. As regards bilateral negotiations to remove restrictions he felt there were not many large concessions to be made. The bigger issues were the important ones. Finally he noted that the organization of the secretariat in London had been bad and had resulted in incorrect and inadequate minutes.

9. *The Minister of Finance (Mr. Fleming)* reported on conversations held with the Prime Minister of the U.K. when officials were in London. Mr. Macmillan had doused cold water on any hopes that steps towards convertibility might be announced at the time of the conference. He acknowledged that the position of sterling was favourable at the moment but the U.K. was worried about the out-turn in the second half of the year. Mr. Macmillan had said that the only ground which might be given in the E.E.C. on agriculture would have to do with products of little or no concern to Canada. Mr. Macmillan had mentioned wool.

10. *Mr. Fleming* said that *Mr. Macmillan* had expressed gratitude and appreciation to us for keeping the U.S. informed of the plans for the Conference and allaying U.S. suspicions. *Mr. Macmillan* had said the United Kingdom would consider seriously a new International Wheat Agreement. Finally, *Mr. Macmillan* had expressed the hope again the something really concrete respecting Commonwealth institutions might emerge from the Conference. *Mr. Fleming* added that he had today held discussions with the U.K. High Commissioner in Ottawa regarding the Conference which were not altogether reassuring. *Sir Saville Garner* told him that U.K. Ministers were disappointed with the results of the officials' discussions because no theme had been developed for the plenary meeting. Canada had tended to focus too much attention on the removal of restrictions by the U.K. and not much had been said about institutions. *Sir Saville* had continued that the Conference should consider the financing of development. It should also give thought to making the Commonwealth Development Finance Corporation more effective. The U.K. was concerned about the inadequacy of the discussion on technical assistance and training of students.

11. *Mr. Fleming* went on to give a brief report on the talks which had been held with *Mr. Dulles* that afternoon respecting, in particular, the Conference, the possibility of enlarging the resources of the I.M.F. and the I.B.R.D., the U.S. proposal for a meeting on August 4th of the Continuing Committee of Ministers and Secretaries on Trade and Economic Affairs, and the concern of the U.S. over the creation of organizations which might duplicate the work of existing international financial institutions.

12. *The Canadian Ambassador to the United States (Mr. Robertson)* thought it might be of some help if the Canada-U.S. Committee met before September 15th depending on what could be expected to emerge from such a meeting. We might find that some lines of advance would be blocked if we did not take the opportunity for a frank discussion with U.S. secretaries before the Conference started.

13. *The Committee* noted a suggestion of *the Minister of Trade and Commerce (Mr. Churchill)* that a decision on a meeting of the Committee could be deferred until the end of the week, after the talks of the President and *Mr. Dulles* had been concluded.³⁵

14. *The Deputy Governor of the Bank of Canada (Mr. Rasminsky)* reported on the discussions held by officials in London on the price of gold. The lead in this matter had been taken by South Africa, whose representative had spoiled a good case by pushing it too far. *Mr. Rasminsky* reviewed the points he had made at these discussions and the points made by others. A report was prepared at South African insistence. He mentioned briefly the conclusions which had been recorded in the report.

ITEM 2 — TRADE MATTERS ARISING OUT OF JUNE MEETINGS

15. *Mr. Isbister* said that in accordance with instructions, bilateral discussions had been held with as many countries as possible, including Australia, New Zealand, India, West Indies, South Africa, and the United Kingdom.

³⁵ La quatrième réunion du Comité mixte Canada-États-Unis sur le commerce et les affaires économiques n'a pas eu lieu avant le mois de janvier 1959. Pour les documents concernant la visite du président Eisenhower et du secrétaire d'État Dulles à Ottawa au mois de juillet 1958, voir volume 25, chapitre premier.

The fourth meeting of the Joint Canada-United States Committee on Trade and Economic Affairs did not occur until January 1959. For documents relating to the visit of President Eisenhower and Secretary of States Dulles to Ottawa in July 1958, see Volume 25, Chapter 1.

Australia

We had registered with the Australians our desire for the abolition of trade discrimination and the removal of restrictions, our wish to reach agreements with Australia, arising out of their agreement with the U.K., which had the effect of reducing preferences affecting Canadian trade and we drew to the Australians' attention the bad effects on Canada of their procedure of waiving preferences for commodities, in short supply, which they wished to import. Before leaving London the Australians had registered the points they wished to discuss with Canada. These included some preferential rates bound to Australia, quantitative restrictions on dairy products, alleged competition in the U.K. in U.S. fruit, canned in Canada, and exported to the U.K., Canadian restrictions on wine and the question of consultation on surplus disposals. The Australians had been asked if they could come to Canada in advance of the Conference to discuss these matters, in the hope of reaching agreements. At first, the Australian delegation had been disposed to do this, but after having had discussions with their home government had said this would not be possible, and had suggested that if Canada wanted to pursue negotiations Canadian officials might go to Australia. *Mr. Isbister* thought this impracticable and suggested that something might be achieved by written exchanges. The important things from the Australian point of view were obviously Canadian restrictions on dairy products and the disposal of agricultural surpluses. Results in other fields would hinge on progress in these two subjects of major interest to Australia.

New Zealand

The discussions with New Zealand were a small edition of the discussions with Australia. New Zealand was in extreme financial difficulties so it would be unreasonable for Canada to expect concessions of any account. The main New Zealand complaint was over Canadian import restrictions on the principal products they had to sell. Unless we were able to give some satisfaction on this matter, a New Zealand assault could be expected in September.

16. *Mr. Isbister* said that both Australia and New Zealand indicated great interest in the abandonment of restrictions against dollar goods, and were almost begging the U.K. for a lead. Australia had said that the dollar restrictions were actually weakening the sterling area. Sir Leslie Rowan had indicated a slightly different view than that brought forward by the U.K. previously on this subject. Instead of emphasizing common action, he had indicated that it was up to Commonwealth countries concerned to make their own decisions, but, went on to say that such countries would have to bear in mind the effects of their decisions on sterling reserves. *Mr. Isbister* felt that the Australians would, from this, report to their Ministers that Australia was free to consider its problems by itself.

South Africa

17. *Mr. Isbister* said there were not many common problems between South Africa and Canada. The South Africans were interested in sales of wine to Canada but this was largely in the provincial area of responsibility. *Mr. Isbister* said he had been struck by the remarks of South Africans that Canadian business men were not taking advantage of the opportunities in South Africa to increase sales.

Conference Arrangements

18. *The Secretary to the Cabinet (Mr. Bryce)* raised the question of what hospitality the Governor General might provide to Commonwealth visitors to Montreal. It was agreed that *Mr. Bryce* and *Mr. Pierce* would discuss this matter further.

19. *The Committee* agreed that officials consider immediately, and make recommendations on,

(a) proposals to be put to the United Kingdom for the removal of discriminatory import restrictions and with respect to convertibility; and,

(b) Commonwealth institutions for any possible field of activity.

W.R. MARTIN

366.

DEA/50123-B-40

*Procès-verbal de la réunion du Comité du Cabinet
sur la Conférence du Commonwealth*

*Minutes of Meeting of Cabinet Committee
on Commonwealth Conference*

SECRET

[Ottawa], August 8, 1958

Present

The Minister of Finance, (Mr. Fleming), (Chairman)
The Minister of Trade and Commerce, (Mr. Churchill),
The Secretary of State for External Affairs (Mr. Smith).

Also Present

Mr. A.F.W. Plumptre, (Assistant Deputy Minister of Finance),
Mr. D. LePan, (Assistant Under-Secretary of State for External Affairs),
Mr. C.M. Isbister, (Assistant Deputy Minister of Trade and Commerce),
Mr. L. Rasminsky, (Deputy Governor of the Bank of Canada),
Mr. J.R. Downs, Mr. R.E. Latimer, (Department of Trade and Commerce),
Mr. R. Grey, Mr. K. Goldschlag, (Department of External Affairs)
Mr. M. Sakellaropoulos (Bank of Canada)
Mr. S.D. Pierce (Secretary-General of the Commonwealth Trade and Economic Conference)
Mr. F.A. Farquharson (Canadian Embassy, Washington).
Mr. J. Fournier, Mr. D. Morley (Acting Secretary), (Privy Council Office).

1. *The Minister of Finance* invited Mr. Plumptre to report on the meetings which officials had attended in London.³⁶

2. *The Assistant Deputy Minister of Finance* said that the Canadian delegation had had five meetings with U.K. officials and one with U.K. Ministers. The last meeting had been most helpful in getting U.K. ministerial views on certain points. Although the results of the visit could not be considered very encouraging from a substantive or presentational point of view, it had been extremely useful to compare Canadian and U.K. thinking where our views diverged. We now knew the U.K. position and could govern ourselves accordingly. The matters discussed at London could be considered under nine headings.

I. REPORT ON CANADIAN CONTACTS WITH THE U.S.A.

Officials had reported on the visit of Mr. Eisenhower and on meetings with Mr. Dulles. Mr. Rasminsky had told U.K. officials of his talks in Washington with Mr. Anderson, Secretary of the Treasury, and had said that a U.S. statement concerning the Bank and Fund would probably be forthcoming in August. U.K. officials had been glad to hear of these

³⁶ Les représentants du Canada se sont rendus à Londres pour la troisième fois, afin de discuter des préparatifs de la conférence avec leurs homologues britanniques, à partir du 31 juillet 1958.

Canadian officials went to London for a third time to discuss conference preparations with their British counterparts beginning on July 31, 1958.

latest developments on a matter on which they had previously had discussions with the Americans.

II. AID PROGRAMMES AND THEIR HARMONIZATION

Officials had reported the Canadian position as discussed with Ministers on the following lines:

- (a) A proposed technical assistance programme for those underdeveloped countries of the Commonwealth which (except for Ghana) are not now in receipt of such assistance;
- (b) A proposed \$10 million aid programme to the West Indies;
- (c) A proposed enlargement in Canada's contribution to the Colombo Plan or, alternatively the setting up of a Commonwealth Fund to which Canada would contribute.

Before officials had left London they had received the reaction of U.K. Ministers to the Commonwealth Fund proposals. Ministers had said they appreciated the Canadian proposal but that they were not in a position to make a 3-year commitment. Considering the present and possible future demands on U.K. resources, they had to maintain what they termed "infinite flexibility." They could not afford to make grants and felt that once the Fund was exhausted there would be additional demands on donor countries. The "soft loan" principle had also been questioned by Ministers on the grounds that they did not want to commit themselves to a scheme similar to the Monroney Plan.³⁷

U.K. officials had then reported on their own proposals for aid to the Commonwealth:

- (a) *Scholarship Programme*. This programme would be available to all Commonwealth countries at both graduate and undergraduate levels. It would not be limited to the technical field and there would be a return flow of teachers and instructors to Commonwealth countries. At present students from Commonwealth countries represented between 7 and 8% of those attending U.K. universities. It was intended to maintain this high proportion of Commonwealth student enrolment.

Canadian officials had said they had not been thinking strictly in these terms but that for presentational purposes, it might be possible to relate the schemes that we both had in mind.

- (b) *Enlargement of Commonwealth Development Finance Company*. U.K. officials had confirmed Mr. Rasminsky's report that this semi-private organization was seeking a line of credit from the World Bank. They would also be seeking the participation of other Commonwealth countries. It was noted that some Commonwealth countries, such as India, had similar organizations.

Canadian officials had passed on ministerial comments on this proposal. They had said that Canadian Ministers did not favour contribution to the resource of the Commonwealth

³⁷ Le 24 février 1958, le sénateur Mike Monroney, de l'Oklahoma, a présenté une résolution au Sénat des États-Unis, demandant la création d'une Association internationale de développement, pour travailler en coopération avec la Banque internationale pour la reconstruction et le développement. Voir *American Foreign Policy: Current Documents* (Washington: Government Printing Office, 1962), p. 180. Voir aussi United States, Department of State, *FRUS, 1958-1960*, Volume IV, (Washington: Government Printing Office 1993), pp. 294-95.

On February 24, 1958, Senator Mike Monroney of Oklahoma introduced a resolution into the United States Senate calling for the establishment of an International Development Association to work in cooperation with the International Bank for Reconstruction and Development. See *American Foreign Policy: Current Documents* (Washington: Government Printing Office, 1962), p. 180. See also United States, Department of State, *FRUS, 1958-1960*, Volume IV, (Washington: Government Printing Office 1993), pp. 294-95.

Development Finance Company. If there was a strong positive response to the message the U.K. was sending to other Commonwealth countries proposing the enlargement of the C.D.F.C. resources, officials had said that Canadian Ministers might be prepared to review their position.

(c) *Long-Term Development Loans.* These loans would be tied to U.K. exports and would be made under Section I of the Exports Credit Guarantee Act; they would be available only to Commonwealth countries. This was to be the main additional source of U.K. aid to the Commonwealth. It was emphasized that the loans were to be selective and purposeful and were intended to give help primarily to emergent Commonwealth countries. U.K. officials had expressed the hope that Canada and Australia might follow something like the U.K. plan on a regional basis. In this context they had noted with pleasure Canada's intention of assisting the West Indies though this would be in the form of a grant rather than a loan. Canadian officials had explained that a study was being made on proposals for expanding export credit facilities. Officials had pointed out, however, that the real pressure for a move in this direction arose in connection with Canadian exports to Latin America and not the Commonwealth. There appeared to be, therefore, as a Commonwealth initiative, little point in adopting the U.K. idea.

(d) *Commonwealth Advisory Development Board.* This Board would serve to maintain contact between Commonwealth countries in their development programmes. A parallel with the O.E.E.C. had been cited but was not really relevant. Canadian officials had given no encouragement to this proposal. They had, however, expressed the hope that at the Conference we could harmonize our announcements respecting additional assistance to Commonwealth countries.

III. INDIAN SITUATION

The U.K. was much preoccupied with the Indian financial crisis which had been caused by the over purchase of capital goods and military supplies. It was planned to extend the short-term credit granted to India under Sections 2 and 3 of the Exports Credit Guarantee Act, to a long-term basis by using Section I of the Act. It appears to be their intention to apply the Act retroactively to goods already exported. It was thus in essence a refinancing operation. The U.K. had wondered how easy they should make things for India. India had been warned that they were overextending themselves in the formulation of their 5-year plan. However, they had gone ahead and were now waiting to be bailed out. If substantial aid was extended to India other countries might assume that imprudence paid off. It was likely that the U.K. would have to give financial assistance to a greater extent than Indian commitments to the U.K., which had been quoted around \$300 million or 40% of total Indian commitments.

There had been a discussion about the rescue operation for India to which consideration was to be given under the auspices of the World Bank. Canadian officials had avoided giving any commitment as to the Canadian position. There was clearly some doubt if this would be a genuine rescue operation for India or if it was largely a matter of concern to the creditor countries. Canada's policy, particularly under the Colombo Plan, had been one to avoid becoming a creditor of India. Mr. Isbister had remarked that the assistance to India envisaged by the U.K. as a main instrument of their aid, was not encouraging from the broader point of view of a new Commonwealth initiative in the aid field.

IV. COMMONWEALTH CONSULTATIONS

The U.K. had proposed to consolidate the main existing Commonwealth bodies under the title of the Commonwealth Economic Consultative Council and to provide a building

or headquarters for this body when it met in London. The following existing bodies and forums of Commonwealth Consultation would be integrated in the proposed body:

- Commonwealth Ministers of Finance Meeting
- Spring Meetings of Senior Commonwealth Officials
- Meetings of Commonwealth Statisticians
- Commonwealth Liaison Committee
- Commonwealth Economic Committee.

Canadian officials said that they had no instructions concerning this proposal but undertook to explore the idea with Ministers.

V. REVIEW OF WORLD ECONOMIC CONDITIONS

Officials had covered the following areas in their discussions:

(a) *The Middle East Situation*. U.K. officials had been surprisingly sanguine concerning these developments and did not appear alarmed at possible adverse economic effects.

(b) *European Developments*. European countries had shown some misgivings at possible delayed reactions from the U.S. recession and from the unfavourable position of primary producers. The U.K. was encouraging European countries to be expansive in their economic policies.

(c) *The U.S. Recession*. The U.K. was now more optimistic on the prospects of recovery.

(d) *F.T.A.* Officials had said that negotiations were now moving forward and that the French were willing to discuss the situation but were continuing to show an inward-looking approach. Mr. Maulding had told Mr. LePan that General de Gaulle was not interested in the problems of the F.T.A. but had told officials to go ahead with the discussions and to avoid open controversy with the British.

VI. CONVERTIBILITY AND NON-DISCRIMINATION

Canadian officials had not gone over to push this matter and had only raised it briefly. They had emphasized that this problem was to the fore in Canadian Ministers' minds and that Ministers had appreciated the U.K. action on fruit and chemicals.³⁸ The Chancellor of the Exchequer remarked that this subject would have to wait and the U.K. could move forward only as fast as they judged progress to be possible. The impression gained by Canadian officials was that we could not expect further progress in this field by September.

VII.

(a) *Commonwealth Cable Network*. The Telecommunication Conference held in London during June had agreed in principle to a Commonwealth network. The U.K. had not considered the matter since then but agreed to formulate some ideas before September.

(b) *World Food Bank*. The U.K. had thought that a Food Bank in a Commonwealth context raised a number of problems. There was little enthusiasm in other Commonwealth countries and the U.K. wondered whether it would be appropriate to pursue this matter at the Conference. Officials had the impression that Mr. Diefenbaker was more concerned with NATO concept of a food bank.

(c) *Uranium*. U.K. officials felt that any discussions on uranium would tend to be divisive because of conflicting views and sensitivities. It therefore might be considered more

³⁸ Le Royaume-Uni a aboli les restrictions à l'importation de fruits et de produits chimiques en provenance des pays de la zone dollar, en juillet 1958.

The United Kingdom abolished import restrictions on fruit and chemicals from dollar countries in July 1958.

appropriately at the Commonwealth Conference of Nuclear Scientists to be held in London from September 15th to 20th.

VIII. ORGANIZATIONAL MATTERS

U.K. officials thought that the Conference should be run as a single forum. Sub-groups could be split off as required to study particular problems, such as gold and the F.T.A. There had been several reasons why the Conference of 1952 had been split into two committees. U.K. officials also suggested that it would cause fewer rather than more problems if chairmanships were retained in Canadian hands. Canadian officials were also advised that U.K. Ministers would not be accompanied by their wives at Montreal.

IX. THEME

The theme "an expanding Commonwealth in an expanding world" seemed to be acceptable as far as U.K. officials were concerned.

3. *Mr. Plumptre* felt that there were five questions requiring further attention.

(i) *Harmonization of Aid Programmes*. Ministers might invite officials to see how far harmonization could be carried and possibly submit a report for ministerial consideration. Should the idea of the Commonwealth Fund be considered as dead?

(ii) *India*. Should Canada be represented at the Bank meeting in Washington at the end of August?

(iii) *Australia*. Ministers might like to consult Australia and outline Canadian and U.K. views on aid.

(iv) *Conference Organization*. If it was decided that the Conference structure should be monolithic, it might be advisable to send a message to other Commonwealth countries to let them know of the proposed change in organization.

(v) *Commonwealth Trade*. While no single Conference decision was likely to stand out and be remembered as a Conference achievement, when the whole aid programme was considered as one package, it would not be a negligible contribution to Commonwealth development. There was, however, little prospect of achievement on the trade side of the Conference. It was desirable from the Canadian point of view that the U.K. should be forthcoming on this question, but in view of the recent announcement on fruit and chemicals it was doubtful if further progress could be expected in September.

4. In reply to a question by the Minister of Finance, *Mr. Plumptre* said that as far as he knew nobody had known that Canadian officials had been in London. It had not been considered necessary to inform other Commonwealth countries of the meetings. U.K. officials had, however, undertaken to inform Australia after Canadian officials had left London.

5. In reply to a question by the Minister of Trade and Commerce, *Mr. Isbister* said that there had been no mention of the proposal of a group of U.K. Members of Parliament that U.K. imports from non-Commonwealth countries should be diverted to the Commonwealth.

6. *Mr. Fleming* thanked *Mr. Plumptre* for his comprehensive summary of the London discussions. While the U.K. attitude to the idea of a Commonwealth Fund was disappointing the discussions had yielded a clearer understanding of where we and the U.K. stood.

7. *The Assistant Deputy Minister of Trade and Commerce* thought that one reason why the U.K. had announced trade concessions on fruit and chemicals before the Conference was because they were reluctant to have the U.S. benefit from what was ostensibly a Conference initiative. The announcement on fruit could not in any case have been delayed until

September if it was to apply to the current year's crop. He felt that there would be little purpose in seeking merely a reaffirmation in principle concerning non-discrimination and convertibility at the Conference because this had been done many times before and the U.K. were clearly not prepared to commit themselves to a timetable. The position on trade vis-à-vis the U.K. was thus not encouraging, though the Acting Trade Commissioner in London had thought it possible that the U.K. might enlarge their token imports schemes if they were pressed hard enough. Such a move would have presentational value. However, the subject had not been discussed during the London meetings.

8. *Mr. Fleming* thought it might be worthwhile to pursue this point.

9. *Mr. Isbister* said that because of their position on aid, the U.K. were not asking us to do anything that would involve large capital outlays. If they had, we might have been better able to press for non-discrimination. It looked as if we would have to settle for something relatively small as far as trade was concerned.

10. *The Secretary-General of the Conference* felt that the importance of the U.S. role should not be minimized in any assessment of the probable results of the Conference. The U.S. attitude was all-important. The U.K. initiative in removing restrictions on chemicals might have been intended to assist a U.S. initiative in proposing increases in the resources of the Fund and Bank. *Mr. Pierce* thought it would be difficult to take exception to this move at this time.

The U.K. had accepted as reasonable our explanation concerning India. However, the Indian problem was serious and careful consideration would clearly have to be given to our position in this matter.

11. *Mr. Pierce* said he had been surprised at the U.K. suggestion of having only one main committee. The idea had appeal as far as the secretariat was concerned. It would also make press relations more manageable. The U.K. had produced several arguments in favour of a monolithic structure. First, Ministers would not be disposed to spend too much time discussing subjects that had been covered by officials and there might not therefore be enough work for two committees for a fortnight. Second, the Conference might lose cohesion if there were two committees. Discussions on trade and on development and finance were interrelated and there was a risk of duplication in a two-committee structure. *Mr. Pierce* said that he favoured the idea of one main committee with working groups to be set up as required.

12. *The Assistant Secretary of State for External Affairs* said he was concerned with the presentational aspects of the Conference. The final communiqué should include all items and should be made to look like an impressive package. There would be a serious public relations problem to see that this was done.

13. *Mr. Plumpton*, commenting on the presentational and publicity aspects of the Conference, felt that it might be wise to think less in terms of an impressive final communiqué and more in terms of day-to-day announcements that might in fact be presentationally more effective. If day-to-day press releases were made, the problem of the final communiqué was likely to be more manageable.

14. *The Deputy Governor of the Bank of Canada* wondered whether the final package would be concrete enough to be impressive. It would be impossible to put a figure to U.K. credits. Any subscription to the Commonwealth Development Finance Company would not be impressive and there would be difficulty in bringing together a series of disparate proposals. The problem was how to make the combination of proposals appear as good as they actually were. In relation to what had been done in the past these proposals were not unimpressive.

He felt that one aspect of the recent meetings was to change the posture of the Canadian Government in relation to the Conference. Until the proposal for the Commonwealth Fund had been put forward, the onus for taking some sort of major initiative had been assumed to be upon us. This proposal had been bigger than the idea of a Commonwealth Bank and better as far as the recipient countries were concerned. We were now no longer in a defensive position.

15. *Mr. Rasminsky* agreed with *Mr. Pierce* that we should not be worried about the timing of U.K. concessions. It would, however, cause a presentational problem. It would seem to be perfectly legitimate to say that these concessions reflected the process of preparation for the Conference, and [words missing] in the final communiqué to the removal of these restrictions.

16. *The Minister of Trade and Commerce* said that he was not too encouraged by the officials' report. If the U.K. could not go along with the idea of a Commonwealth Fund, discussions would be limited to smaller items. There appeared to be little to discuss as far as trade was concerned.

17. *Mr. Fleming* agreed with the Minister of Trade and Commerce. On the other hand, the meetings had been well justified since there was a risk in our going forward without consulting U.K. views. While at Mont Tremblant a series of disparate proposals had amounted to something, he was not sure whether this would be the case at the Montreal Conference. There seemed to be need for concrete and more impressive proposals than were at present before the Committee.

18. *Mr. Farquharson* agreed with *Mr. Plumptre* that daily press release were preferable to the issue of one final communiqué. He thought it might be wise to let the public know before the Conference started that trade questions were going to figure less prominently than it might be assumed on the basis of the title of the Conference. This would avoid disappointment if proposals affecting trade were not forthcoming.

19. *The Committee* agreed that it was too late to suppress the term "Trade" from the Conference title.

20. *Mr. Fleming*, in reverting to the Committee structure, said that the suggestion of unifying proceedings into one main committee seemed sensible; sub-groups could be set up on an *ad hoc* basis. This would simplify the problem of manning the Conference, especially as it now appeared unlikely that the Secretary of State for External Affairs could be present.

21. *Mr. Pierce* said that there would most probably be plenary sessions every day. *Ad hoc* meetings could be arranged, say in the afternoons, and evenings had been left generally free if this proved necessary. It was difficult at this stage to decide how much time would be required for each agenda item.

22. *Mr. Fleming* wondered whether the Conference would occupy two weeks if there was so little to discuss in the trade field. He thought that in our preparation we should develop ideas on the problem of continuing consultations. In referring to the U.K. suggestion that Commonwealth countries accept special responsibilities for aid to the regions closest to them, *Mr. Fleming* thought two points needed clarifying. First, would Canada have responsibilities elsewhere than in the West Indies? Second, if the U.K. was disposed to make itself responsible for the emerging African countries, was this being arranged with a view to preserving close trading relations with these nations?

23. *The Committee* felt that the idea of regional responsibilities was proposed in the U.K. mainly to get the Australians to take an interest in Malaya and elsewhere in that area. The U.K. had in no way suggested that Canadian assistance should be confined to a specific

area. The example of the West Indies was primarily illustrative since it was understood in the U.K. that the West Indies had particularly close ties with Canada. It was agreed that the U.K. had no ulterior motive in proposing that she should undertake to give more aid to the emergent African countries.

24. *Mr. Fleming* thought that in terms of a Commonwealth approach to the total Commonwealth requirements for assistance, regional responsibilities were poor substitutes for the larger idea of a Commonwealth Fund. He felt that enlarging facilities of the Commonwealth Development Finance Company would not commend itself to Ministers. He wondered if there was any point in pressing the U.K. to reconsider the idea of a Commonwealth Fund.

25. *Mr. Plumptre* said the U.K. had decisively rejected the idea of a Commonwealth Fund. When officials were leaving London, the U.K. were on the point of sending three telegrams to Commonwealth countries. The first two, proposing the scholarship fund and the increase in the resources of the Commonwealth Development Finance Company, would be sent to all Commonwealth countries. The third telegram would be sent only to Canada and Australia, asking if we could do anything in the aid field comparable to the U.K. export credit scheme. *Mr. Plumptre* agreed with the Minister of Trade and Commerce that the U.K. proposals were based on the assumption that there would be an increase in the resources of the Fund and Bank.

26. *Mr. Rasminsky* felt that three elements had tempered the U.K. decision on the Commonwealth Fund:

(a) The U.K. was concerned about the balance of payments implications. Drawings on sterling balances were already taxing the U.K. external assets; there was an expectation of additional capital contributions to the Fund and Bank, and possible capital subscriptions to a European Monetary Fund. All this had to be set against a background of limited external assets. In the U.K. view, therefore, it seemed desirable that they should not over-extend themselves. The main reason why a Commonwealth Bank had been favoured over the proposed Fund was that under the former scheme the capital contribution would be regarded as an asset and loans would be repayable in currencies originally advanced; contributions to the Fund would be virtually a gift.

(b) There was also a budgetary problem. The bulk of Commonwealth development was financed by private companies. The Commonwealth Development Finance Company and a \$60 million annual contribution to Colonial Welfare and Development Funds were about the only budgetary items of U.K. aid.

(c) The U.K. did not favour the idea of giving soft loans on easy terms. They felt that the governments of underdeveloped countries should adjust their internal policies so as to attract more private investment. The easier the donor countries' credit terms, the less the incentive for recipient countries to adjust their policies.

27. *Mr. Rasminsky* said that the Indian situation was causing considerable worry amongst U.K. Ministers. Sir David Eccles had said that the most important question facing the Commonwealth today was whether India could be saved from bankruptcy.

28. *The Minister of External Affairs* noted the serious political implications of India's situation. If India was to become bankrupt it was possible that the whole country might in time go communist. This would have a multiplier effect on other smaller south-east Asian countries who were watching India's efforts to develop her economy largely by her own efforts.

29. *Mr. Fleming* said that he had been talking to Dr. Rauf, the High Commissioner for India, who had raised the question of Canada's attendance at the meeting that would be

held later this month under the auspices of the International Bank. Mr. Fleming had said that Canada was very sympathetic to the Indian problem but that since Canada was not a creditor of India, it seemed inappropriate for us to take part in these particular discussions. *Mr. Fleming* said that he had not closed the door on further consultations about India's financial crisis but had added that the subject might be more appropriately raised at the Montreal Conference or during the Bank and Fund meetings in New Delhi early in October.

30. *Mr. Smith* said that he had received a letter from Mr. Escott Reid, the former High Commissioner to India, who reported a conversation he had had in Bonn with Mr. B.K. Nehru. Nehru had told him that India wanted us to sit in at the meetings not because they were necessarily looking for a contribution from Canada, but because they were counting on us to be helpful in arriving at assessment of the Indian situation.

31. *Mr. Rasminsky* felt that it would be unwise to attend the meeting unless we were prepared to make a financial contribution; more was likely to be expected of us than helpful advice.

32. *Mr. Fleming* asked if at the London meeting there had been any discussion of the Communist bloc trade offensive.

33. *Mr. Isbister* said that there seemed to be a difference of opinion between officials and Ministers on this question. Lord Home had made a public statement which suggested that the Commonwealth Conference would be a meeting of "worried people" to examine the difficult world trade and economic problems. However, apart from the Indian financial crisis, U.K. officials had appeared to be comparatively sanguine about world economic conditions.

34. *Mr. Churchill* wondered whether India was likely to contribute much to the Conference in the light of her present difficulties. Would it be possible to give some assistance to India before the Conference?

35. *Mr. Isbister* said that the major Commonwealth countries should be warned against focussing all their attention on India. Otherwise some of the smaller countries might assume that they would get little benefit from the Conference.

36. *Mr. Pierce* said that Mr. Drew was in favour of asking the British to reconsider the Commonwealth Fund proposal. He had definitely liked the idea.

37. In reply to a question by the Minister of Finance, *Mr. Plumptre* said that all the main points discussed at the Cabinet Committee meeting of July 28th outlining the proposed structure of the Commonwealth Fund, had been reported to U.K. officials.

38. *Mr. Fleming* was discouraged by the lack of sympathy on the part of the U.K. for the idea of a Commonwealth Fund and also because of the contraction of trade possibilities that could be discussed at the Conference. There was little time between now and the Conference, and he wondered whether papers could be prepared for Ministers that would survey the current position of the various proposals that had emerged.

39. *Mr. Plumptre* said that the final report of the June meetings was intended to serve as a guide to the Conference discussions. A paper outlining the position of the Canadian delegation would, of course, have to be prepared for the Cabinet. However, in view of the exhaustive discussions at the meetings of the present Committee, he wondered to what extent a comprehensive paper would be required. In his experience there had never been closer liaison between Ministers and officials in preparation for a Conference.

40. *Mr. Fleming* was gratified to hear that this form of meeting between Ministers and officials had been useful. However, he felt that he should have a brief, outlining the posi-

tion on the various proposals. He had found this type of brief most useful and worthwhile in his preparation for the Mont Tremblant Conference.

41. *Mr. Fleming*, in referring to the day-to-day conduct of the proceedings, wondered whether we could now start thinking in more precise terms, such as what subject should be considered first, and in what order? He suggested that the Conference might start on an item on which agreement could readily be reached so that the press could have something positive to write about.

42. *Mr. Pierce* agreed that it would be helpful to have some idea of the order of proceedings but, from U.K. experience, an inflexible agenda had proved to be unsatisfactory. He would, however, try his hand at a tentative timetable for the Conference discussions.

43. *Mr. Plumptre* said that it might be possible to prepare an order of business from the brief to be submitted to Ministers.

44. *Mr. Isbister*, in reverting to the question of the Commonwealth Fund, wondered whether Ministers would wish to try to influence U.K. Ministers to change their position. A month ago, Mr. Macmillan had said he was anxious that the Commonwealth should give leadership. This leadership had been expressed in the idea of a Commonwealth Bank. One element that was lacking at the London talks was that Canadian officials had learned nothing of Mr. Macmillan's views. He felt that there was still room to make a vigorous approach to Mr. Macmillan on the grounds that we were disappointed by their limited approach to trade problems, notably non-discrimination and convertibility, and their negative attitude to our idea for a Commonwealth Fund. As Mr. Rasminsky had suggested earlier, the shoe was now on the other foot.

45. *Mr. Fleming* thought that this would be an unfavourable time to approach Mr. Macmillan because of the Middle East situation, the possibility of a summit conference and the forthcoming August vacations. Mr. Fleming referred to the telegram describing a conversation Mr. Wilgress had had with Sir David Eccles and wondered whether we should encourage Sir David to come to Canada. He might be in a position to give us Mr. Macmillan's views on the Commonwealth Fund.

46. *Mr. Plumptre* said he was not impressed by the idea of a declaration of principles as proposed by Sir David. If we did invite Sir David over, it might give the impression that we supported the ideas he had put forward.

47. *Mr. LePan* felt that there would not be enough to talk about if Sir David came over. If we felt that there was any prospect of the U.K. being induced to take more concrete action in the trade field, it might be better if the Prime Minister called on Mr. Macmillan as part of his proposed trip to Europe.

48. *Mr. Fleming* said that he would talk to the Prime Minister about this proposal and in the meantime, officials might review the position in anticipation of a meeting next week.

NEW ZEALAND REPRESENTATION ON TRADE

49. *Mr. Fleming* said that at the last Cabinet Committee meeting, it had been agreed that the Ministers concerned would have a word about the paper reviewing our trade position with respect to New Zealand which had been prepared by officials. He had had a preliminary discussion with the Minister of Agriculture who had not been optimistic about the prospects of relaxing import restrictions against dairy products at this time.

50. *Mr. Fleming*, in summing up, said that he was grateful to the officials who had gone to London. The trip had been both valuable and constructive. In particular, credit was due to Mr. Pierce for suggesting the idea.

51. *The Committee* agreed to meet in the Privy Council Chamber on Wednesday, August 13th, 1958, at 8:15 p.m.

D. MORLEY
Acting Secretary

367.

PCO

Extrait des conclusions du Cabinet
Extract from Cabinet Conclusions

SECRET

[Ottawa], August 28, 1958

Present

The Prime Minister (Mr. Diefenbaker) in the Chair,
The Minister of Public Works (Mr. Green) (for afternoon meeting only),
The Minister of Finance (Mr. Fleming),
The Minister of Veterans Affairs (Mr. Brooks) (for afternoon meeting only),
The Solicitor General (Mr. Balcer),
The Minister of National Defence (Mr. Pearkes),
The Minister of Trade and Commerce (Mr. Churchill) (for afternoon meeting only),
The Minister of Justice (Mr. Fulton),
The Minister of Agriculture (Mr. Harkness),
The Minister of Fisheries (Mr. MacLean),
The Minister of Labour (Mr. Starr),
The Minister without Portfolio (Mr. Macdonnell),
The Minister of Mines and Technical Surveys (Mr. Comtois),
The Secretary of State for External Affairs (Mr. Smith),
The Minister of Defence Production (Mr. O'Hurley),
The Secretary of State (Mr. Courtemanche).
The Secretary to the Cabinet (Mr. Bryce),
The Assistant Secretaries to the Cabinet (Mr. Fournier), (Mr. Martin).

. . .

COMMONWEALTH CABLE NETWORK

7. *The Minister of Finance* recalled that, at the Mont Tremblant meeting of Commonwealth Finance Ministers a year ago, he had referred to the question of communication links between countries of the Commonwealth and of including on the agenda of the proposed Montreal conference the question of extending the telephone cable between Canada and the United Kingdom into a Commonwealth-wide network. This subject had not figured prominently in the preparations for the forthcoming meeting but, in the meantime, a Commonwealth Telecommunications Conference had been held and a report on the matter was now before governments for consideration. This report concluded that the construction of a round-the-world telephone cable network was technically feasible and likely to be self-supporting. The Cabinet Committee on the Commonwealth Trade and Economic Conference felt that, if agreement could be reached to construct such a system, it would be an important achievement of the conference.

The Minister outlined the conclusions of the Commonwealth Telecommunications Conference including, particularly, the cost and revenue aspects of the various sections of the proposed new network. He described the attitudes to be expected from Commonwealth countries at the Montreal meeting. The most that might emerge would be agreement, in principle, to construct the network, leaving details to be settled by the governments concerned at a later date. The main hurdle at Montreal would be to convince the U.K. to agree

to the proposal and, in this connection, a Canadian offer of assistance, in the form of loans or grants to the less developed countries of the Commonwealth to finance their share of the capital cost, would make it more attractive to the U.K.

He recommended, with the concurrence of the Minister of Transport, that the Canadian delegation of the Commonwealth Trade and Economic Conference be authorized to seek approval for a round-the-world Commonwealth cable network, and, if necessary, to offer to assist the less developed countries to finance their share of the cable.

An explanatory memorandum had been circulated, (Minister's memorandum, Aug. 24, 1958 - Cab. Doc. 248-58†).

8. *During the discussion* it was said it was doubtful that Canadian contractors could have a very large share in the construction of the project, as the type of cable required for such a project was not made in Canada.

9. *The Cabinet* agreed,

(a) that the Canadian delegation to the Commonwealth Trade and Economic Conference be authorized to take the initiative in seeking approval in principle for the construction of the round-the-world Commonwealth cable network; and,

(b) that the delegation, if necessary, could offer the assistance of Canada to less developed countries either by way of loans or grants to cover their share of the cable, but that such an offer would be subject to the considerations set out in the circulated memorandum (Cab. Doc. 248-58).

...

368.

PCO

*Note du ministre des Finances, du ministre du Commerce,
du secrétaire d'État aux Affaires extérieures et du ministre sans portefeuille
pour le Cabinet*

*Memorandum from Minister of Finance, Minister of Trade and Commerce,
Secretary of State for External Affairs and Minister without Portfolio
to Cabinet*

CABINET DOCUMENT NO. 255-58

[Ottawa], September 4, 1958

SECRET

COMMONWEALTH TRADE AND ECONOMIC CONFERENCE

This memorandum reviews the arrangements and agenda for the coming Commonwealth Trade and Economic Conference. It invites Cabinet approval for the composition of the Canadian Delegation and the position it should take on the various agenda items. Since some subjects to be considered at the Commonwealth Conference will also be considered immediately afterwards at the Annual Meeting of the International Bank for Reconstruction and Development and the International Monetary Fund, Cabinet approval is also invited for the position to be taken by Canada at those meetings.

Administrative Arrangements

2. The Commonwealth Conference is to be held in The Queen Elizabeth Hotel, Montreal, from Monday, September 15 to Friday, September 26. Following the normal Commonwealth custom, it is to be anticipated that the leader of the host delegation (Cana-

dian) will be elected chairman. The agenda, which is reviewed in detail below, is a heavy one. Social arrangements, which are being kept to a minimum, are as follows: the Government is to give a reception the first evening; the Prime Minister is to attend and address a formal dinner the following Thursday; a visit to the St. Lawrence Seaway is being arranged on Saturday; the City of Montreal will provide a reception the following Tuesday. All administrative arrangements are in the hands of Mr. S.D. Pierce, our Deputy High Commissioner at Canada House, London, who has been chosen as Secretary-General of the Conference.

3. The opening and closing ceremonies will be open to the press, radio and television; otherwise meetings of the Conference will be in private. Special arrangements for publicity and public information are in the hands of Mr. R.A. Farquharson, who is temporarily released for this purpose from his duties at our Embassy in Washington.

Attendance

4. Delegations, led by senior Ministers, are coming from all Commonwealth countries. The Delegation from the United Kingdom will be led by the Chancellor of the Exchequer, and will include the President of the Board of Trade, the Secretary of State for Commonwealth Relations, and the Paymaster General (who is to report on his negotiations for the European Free Trade Area).

5. The Colonies will be represented in the United Kingdom Delegation by the Minister of State for Colonial Affairs. Ministers will also come from a number of Colonial territories, including the West Indies.

6. Total attendance, including Delegations and also the Conference Staff and Secretariat (who will all be Canadians), will be about 300. Detailed arrangements regarding costs have been approved by Treasury Board.

Canadian Delegation

7. It is proposed that the Ministers on the Canadian Delegation should be the Minister of Finance, the Minister of Trade and Commerce, the Secretary of State for External Affairs and the Honourable J.M. Macdonnell (Minister without Portfolio). A list of the proposed Delegation is attached.

The Agenda

8. A list of subjects to be considered at the Conference was agreed by Commonwealth Ministers at Mont Tremblant last October. At subsequent meetings of Commonwealth officials this list, with some minor changes, has been agreed upon as the proposed agenda for the Conference. These agenda items are set out individually below. In relation to each there are some comments on its substance and, where appropriate, proposals regarding the positions to be taken by Canada.

9. *Opening Statements; The Significance for Commonwealth Countries of Changes Taking Place in World Trade; Sterling Area Prospects.* In their opening statements Delegations may be expected to cover three areas. First, they will no doubt set forth the particular interests of their Governments in the Conference; in this connection the Canadian delegation should emphasize the desire of the Canadian Government to expand trade. Second, each Delegation may be expected to describe the economic position and prospects of their country pointing out the main economic developments in the rest of the world that are of special significance for their trade and development. Third, the position and prospects of the Sterling Area as a whole will be reviewed.

10. In Commonwealth gatherings, other Commonwealth countries are accustomed to look to Canada for information and observations on economic developments in the United States. On this occasion it will be satisfactory to be able to report that the U.S. recession seems to have halted, that recovery seems to be gathering momentum, and that the rest of the world is continuing to add substantially to reserves of gold and U.S. dollars.

11. An encouraging statement of this sort regarding U.S. prospects is, of course, of more than academic interest. The prosperity and overseas earnings of all Commonwealth countries depend heavily upon the prosperity and purchasing power of the United States. The more confident they feel that their earnings of U.S. dollars will be rising rather than falling, the more possible it is for them to move forward with their own development plans and to consider relaxations in their restrictions against imports.

12. *Progress towards the Common Objective of Freer Trade and Payments.* To judge from previous experience, discussion under this item will relate to world-wide issues; a later item relates specifically to intra-Commonwealth trade.

13. It is under this item that two inter-related matters of great interest to Canada should be considered: the convertibility of sterling and the elimination by other Commonwealth countries of the remaining special restrictions against "dollar" goods — restrictions which have, continuously since the war, kept Canadian exporters from competing on a basis of equality with others in Sterling Area markets. When sterling is made convertible into dollars, any semblance of justification for discriminating against dollar imports, and in favour of sterling imports, will disappear.

14. The Canadian Delegation should urge upon the United Kingdom and other Commonwealth countries the desirability of eliminating special "dollar" trade restrictions and making sterling convertible. Fortunately, all Commonwealth countries are fully committed to these policies in principle; indeed several Commonwealth countries (e.g. Australia) are finding it increasingly irksome and costly to cut themselves off from dollar sources of supply when these are cheaper.

15. On the vital matter of timing, it can be pointed out that, in the United States, both economic developments and policy developments give grounds for reasonable confidence in the outlook. The United Kingdom itself is probably in a stronger position, as regards external finance, than it has been at any time since the war; and its strength and its gold reserves are at present growing. There is a danger that the United Kingdom will become increasingly enmeshed in European economic arrangements and engagements. The adoption of convertibility of sterling, which would probably be followed by similar action on the part of other European countries, would deter regionalist developments in Europe.

16. The United Kingdom has emphasized, in preliminary discussions, that the responsibility for actions in regard to sterling must lie with them. In the light of their premature and unsuccessful attempt to attain convertibility in 1947, under the obligation of an international agreement with the U.S.A., they are understandably cautious about attempting more than they feel sure they can achieve and maintain.

17. One amongst the several factors that has been causing concern and hesitation in the United Kingdom, in relation to possible relaxation of restrictions on trade and currency, has been a doubt whether there is not, in some sense, a world shortage of liquid reserves which impedes progress towards freer trade and payments. This has attracted attention to the adequacy of the resources of the International Monetary Fund.

18. Whether or not there exists in fact a world shortage of liquid reserves, it may be readily agreed that the resources of the Fund should be increased. Since its establishment in 1945, world trade has grown greatly and world prices have increased substantially. The

day might come when Canada would be glad of an enlarged "quota" under which to borrow; but our main and immediate interest in the proposed enlargement would relate to the ability of other countries to maintain stability in their imports, including imports from Canada, on the basis of temporary accommodation from the Fund. Our present quota is \$300 million. Proposals for general enlargement run from 50% to 100%. We would have to put up \$37.5 to \$75 million in gold and \$112.5 to \$225 million in interest-free demand notes of the Canadian Government. It seems desirable that the Canadian Delegation to the Commonwealth Conference should support the general move; and that the Canadian Governor at the subsequent meeting of the Fund in New Delhi should do likewise.

19. Much the most important contributor to the Fund is, of course, the United States. The President, on August 26, announced his interest in the Fund's enlargement and instructed the Secretary of the Treasury to propose, at the New Delhi meeting next month, "that prompt consideration be given to the advisability of a general increase in the quotas assigned to member governments."

20. Another approach to enlarging the world's liquid reserves will be proposed by South Africa: i.e. a world-wide increase in the price of gold. While such an increase would be welcomed in various Commonwealth countries, including Canada, there is no likelihood that it could take place in the near future. The United States, which holds a key position, is not willing to contemplate an increase at this time. Indeed public discussion of this subject might delay rather than hasten possible U.S. action. The U.K. is most anxious that any discussion of this matter *should be kept strictly secret* because it might cause speculation on the value of sterling.

21. *The Progress and Direction of Economic Expansion in the Less-Developed Countries of the Commonwealth and the Sources of Capital and Technical Assistance that may Aid in their Further Development.* This item is of great interest to the "underdeveloped countries" of the Commonwealth and, of course, to the Colonies. It is interesting to note that, represented in Montreal, there will be six members of the Commonwealth in this category: India, Pakistan, Ceylon, Federation of Rhodesia and Nyasaland, Ghana and Malaya. There are only five other members of the Commonwealth. Thus the majority will have as their main preoccupation the possibility of obtaining more help for their economic development.

22. It is desirable and appropriate that Canada, at the Conference, should show, in a tangible form, its interest in the economic expansion and development of the less developed areas of the Commonwealth. An expansion of Canadian economic aid to the Commonwealth can be supported, not merely by reference to the Conference, but also in relation to the long run political stability and economic stability of both Asia and Africa. It is proposed that the Canadian Delegation should be empowered to announce, at the Conference, that the Government will recommend to Parliament:

(a) An increase in annual Colombo Plan aid from the present \$35 million to \$50 million for three years beginning in the coming fiscal year;

(b) A special programme of grant aid to the Federation of the West Indies amounting in all to \$10 million to be spread over five years beginning in the current fiscal year (an initial item has been included in the Estimates) and to include (i) the cost of the inter-island ship already announced, (ii) a sister-ship as requested by the West Indies, (iii) technical assistance, and (iv) other forms of aid to be agreed with the Federal Government;

(c) Collaboration in a proposed Commonwealth educational exchange programme, described below, the Canadian commitment to be of the order of \$1 million a year for five years and to begin in the coming fiscal year;

(d) Extension of our technical assistance programme to include areas of the Commonwealth not covered by the Colombo Plan, the West Indies programme, and the proposed educational exchange programme; these areas are chiefly in Africa and, while the cost is difficult to estimate, it is not likely to exceed half a million dollars a year for the next several years.

23. In regard to the Commonwealth educational exchange programme — 22(c) above — our present suggestions are in harmony with certain proposals from the United Kingdom but go somewhat farther. According to our ideas the programme would cover both students and teachers and, while most of the students would go from the underdeveloped countries to educational institutions in the more developed countries, there would be provision for some movement in the opposite direction (e.g. a Canadian intern might work at the excellent hospital in Jamaica). The emphasis would no doubt be on technical subjects, but other subjects including the humanities would not be ruled out. The choice of candidates would lie with educational authorities; under present technical assistance arrangements this choice lies with governments.

24. One of the chief reasons for proposing and supporting a broad educational exchange of this sort lies in the fact that the strength and cohesion of the Commonwealth are drawn from its common political and educational heritage. Many leaders, in underdeveloped Commonwealth countries, have received education in England. As these countries improve their own educational systems, the common heritage and the cohesion may be lost unless steps are taken to preserve them. If the proposal, or something like it, commends itself to other Commonwealth Governments it will be necessary to convene, after the Montreal Conference, a meeting of Commonwealth educational authorities to work out procedures and administration.

25. Canada should also support, at the Montreal Conference and at New Delhi, proposals for increasing the capital of the International Bank for Reconstruction and Development. The President of the United States has instructed the Secretary of the Treasury to propose at New Delhi that prompt consideration be given to this matter. The Bank has been a major source of development capital for Commonwealth countries who stand to derive substantial benefits from the strengthening of its resources. The proposals would involve an increase of up to 100 per cent in each country's capital subscription. The Canadian subscription might be increased by as much as \$325 million, none of which however would have to be put up in cash.

26. During the preparatory work for the Conference consideration was given to setting up some sort of Commonwealth financial institution to foster Commonwealth development — a Commonwealth Bank or Loan Fund. The United Kingdom, which made the first of these proposals, has since decided against them. It is possible, however, that proposals of this sort may be reviewed at Montreal, particularly in the light of recent announcements that regional financial institutions are to be set up for the benefit of the Middle East and Latin America. If it develops, at Montreal, that there is an active Commonwealth interest in some new Commonwealth financial institution, and that the United Kingdom is likely to take part in it, the Canadian Delegation should discuss and consider any proposal on its merits. If the Delegation should consider it desirable to do so it should seek further instructions, on the assumption that Canadian participation in a Commonwealth financial institution would be alternative, not additional, to the proposed increase of the Colombo Plan from \$35 million to \$50 million (paragraph 22 (a) above).

27. After deciding against a new Commonwealth financial institution, the United Kingdom invited other Commonwealth countries to contribute to the capital of the

Commonwealth Development Finance Company — a semi-public body, operating on business principles, established in London after the Commonwealth Conference of 1952. It would seem that a Canadian Government subscription to the capital of CDFC would not be of great interest to the Canadian public, nor to the underdeveloped areas of the Commonwealth. The reply of the Canadian Delegation to this invitation should be negative unless, unexpectedly, there is a generally favourable response amongst the other Delegations in which case a modest capital subscription might be considered (e.g. \$1 million).

28. *Economic and Trade Problems in Regard to Agriculture and Other Primary Production.* All Commonwealth countries, other than the U.K., are heavily dependent on the production and export of primary products, including farm products; some of them are almost completely dependent on such exports. The U.K., on behalf of the Colonies, also has a special interest in these problems.

29. In the preparations for the Conference a number of countries have expressed concern, and some acute concern, regarding the following developments in the field of agriculture:

(a) There appears to be a strong and widespread trend towards agricultural protectionism, inside as well as outside the Commonwealth: tariffs, quotas, price-supports, and other special incentives to expand production in protected markets.

(b) This is accompanied by unfair competition in third markets in the form of subsidized sales of agricultural products. It is noted that while the U.S.A. may be the chief, it is by no means the only country whose domestic support prices stimulate surpluses which have to be "dumped" abroad.

30. In response to views of this sort it would seem that Canada should, in conformity with existing obligations under FAO and GATT, reiterate its readiness to consult fully with Commonwealth Governments affected before making concessional sales of Canadian agricultural surpluses. In this connection it may be noted that the Australians have expressed great appreciation of the care we took to consult them before concluding our recent flour-loan to Ceylon.

31. Canadian policy with respect to dairy products has given rise to serious problems in our trade relations with New Zealand. We have had strong representations from New Zealand in recent months protesting the import ban on butter, cheese and skim milk powder, and also objecting to disposal of our surplus milk powder at subsidized prices in their traditional markets in Europe and elsewhere. It is quite clear from the exchanges with New Zealand on this subject that unless we are prepared to recognize New Zealand's claims, based on a past pattern of exports supplying a small share of the Canadian market for dairy products, there can be no hope of expanding our export outlets in that country. Indeed, New Zealand has let it be known that if Canada persists in these measures New Zealand may be forced to "embark on a policy of excluding Canadian products." Agricultural protectionism in general, with Canadian import restrictions as a prime example, will be among New Zealand's main preoccupations at the Montreal Conference. A negative attitude on our part to permitting the entry of moderate quantities of New Zealand dairy products is certain to affect New Zealand's attitude in Montreal, and may give rise to unfortunate publicity, thereby prejudicing the success of the Conference as a whole.

32. During the preparations for the Conference a number of Commonwealth countries, led by Australia, have drawn attention to the economic instability, and hence the political instability, that results from wide fluctuations in prices of primary products entering into international trade. This has led to extensive discussion of ways and means of moderating such fluctuations. Proposals run all the way from tightly-drawn international agreements, complete with formal obligations involving control over exports and imports together with

financial provisions for "buffer-stock" operations, down to informal exchanges of statistics and other information.

33. Experience shows that formal international commodity agreements are exceedingly difficult to work out, because of the widely divergent interests involved, that they are almost equally difficult to implement for the same reason, and that they may be costly in terms both of buffer-stock losses and uneconomic production. The subject is clearly one that must be approached with caution. Accordingly the Canadian Delegation should attempt to inject into the discussion an element of practical realism as well as a spirit of constructive sympathy.

34. It is unlikely that any positive action or programme of action in this field could emerge from the Conference. Commodity agreements should include all major producing and consuming countries, and the Commonwealth does not embrace Europe, U.S.A., or South America. Hence, the most that might be expected to emerge would be some statement, in rather general terms, calling attention to the problems of instability in this field and agreeing, in somewhat guarded terms, that Commonwealth countries should be willing to join in any apparently constructive attempts to mitigate it. There can be no objection to the Canadian Delegation supporting such a statement.

35. Nor can there be any objection to a statement which invites the cooperation of non-Commonwealth countries. If, however, the resolution were so cast as to state or infer criticism of non-Commonwealth countries, e.g., of the United States, it might actually retard the attainment of its own objective. The United States Administration, after years of adamant opposition to any sort of commodity stabilization agreement, is at last (since Mr. Nixon's experiences in South America) relaxing its position to some extent.

36. While on this topic, it may be noted that Canada has a very active interest in the renewal next year of the International Wheat Agreement. The Delegation should take advantage of any opportunity to further this objective.

37. It may also be noted that Canada is a member of all existing international commodity agreements — wheat, tin and sugar. In addition representatives of Canada participate actively in many international study groups and working groups concerned with particular commodities. A newly-organized group concerned with base metals will be meeting in London at the time of the Conference.

38. The *wheat agreement* provides for sales of assured quantities by exporting countries at minimum prices and for assured purchases by importers at maximum prices. The present agreement expires July, 1959. Australia and the United States are members, as are most major producers and consumers, but the United Kingdom is not. The *tin agreement* provides for a buffer stock involving purchases when prices reach a minimum and sales at a maximum price. The present agreement is in force until July, 1961. Membership in the agreement includes Australia, United Kingdom, Malaya and Nigeria, but not the United States, Germany nor Japan. Under the *sugar agreement* exporters agree to limit exports and control production and stocks. Importers undertake to limit purchases from non-participants. The agreement is up for renewal this year.³⁹ Most important producers and consumers are members. The United Kingdom has recently expressed serious concern that the tin agreement, together with the market for tin, is being upset by Russian sales.

39. *Measures to Expand Trade Between Commonwealth Countries*. Measures to expand Commonwealth trade may be classified under three headings: tariffs; import quotas; and other measures.

³⁹ Voir/See Document 180.

40. (i) *Tariffs*. Traditionally Commonwealth trade has been encouraged by tariff preferences. Many people, recalling the Imperial Conference of 1932, still expect tariffs to be the focus of the Montreal Conference. But this is a mistake. The type of tariff action undertaken by British countries in Ottawa in 1932 reflected the fact that the world was experiencing an unprecedented depression and the U.S.A., in a mood of extreme isolationism, had just raised its own tariff barriers to unprecedented heights. Today the situation is entirely different, on both counts, and in fact no Commonwealth country has shown any interest in enlarging the British preferential system.

41. We did indeed make an offer, a year ago, before Mont Tremblant:

"The Canadian Government is not now proposing a new system of tariff preferences, or of restrictions against trade with non-Commonwealth countries. On the other hand, if fellow members of the Commonwealth could reciprocate, and if it seemed that Commonwealth trade could be promoted on a mutually advantageous basis, we would be glad to engage in discussions relating to tariff adjustments."

The only response has been a suggestion from the United Kingdom that Canada might *unilaterally* restore in favour of the U.K. about a score of tariff preferences that had been reduced during GATT negotiations of the past decade. Accordingly, there seems to be very little likelihood of any tariff negotiations at the Conference.

42. There are, however, three Canadian agreements with Commonwealth countries on tariffs that need to be overhauled. The Agreements with Australia (1931) and New Zealand (1932) are out of date, partly because the balance of these agreements is being disturbed as a result of negotiations between those countries and the United Kingdom leading to substantial reductions in preference margins enjoyed not only by the United Kingdom but also by Canada. On the other side of the ledger is to be counted the Canadian action regarding imports of dairy products. It might be desirable to announce at the Conference that these Agreements were being reviewed and revised.

43. The third Agreement in need of revision is that with the British West Indies dating back to 1927. The new West Indies Federation, comprising most of the territories covered by this Agreement will be developing a customs union with a single tariff over the next few years. For this reason alone it will be necessary in due course to renegotiate our trade arrangements with them. There is also the pressing problem of our trade relations with other Caribbean countries which turns on the Canadian market for raw sugar and a solution to this problem will require close consultation with the West Indies. Apart from these considerations, the emergence of the West Indies Federation would seem to offer a good opportunity to explore with them the prospect for expanding our mutual trade. Our exports to the West Indies now at a level of over \$50 million are historically of importance to all regions of Canada, but particularly to the Atlantic provinces.

44. A recent report by Canada's Commissioner to the West Indies Federation indicated that there was a strong desire in the Islands for closer trade ties with Canada which might go as far as a Canada-West Indies Free Trade Area. A trade initiative of this magnitude would have obvious attractions in the context of the Montreal Conference. Accordingly, an interim study was made of how such a Free Trade Area would affect Canada. This study suggested that the economic advantages for Canada in terms of substantially greater export markets would clearly outweigh any disadvantages which might result from increased import competition for certain secondary industries. The main export gains would occur over a broad range of manufactured goods but would also extend to our traditional exports of foodstuffs and raw materials. Increased import competition could be expected in the long run as the West Indies became industrialized but this would probably be confined to a

few labour-intensive, low-capital industries producing certain consumer goods; it would not likely have a serious impact on the Canadian sugar industry. Apart from the trade aspects it seemed clear, however, that a free trade area with the West Indies would bring with it increased pressures for easier immigration, larger economic aid, and eventually for closer political ties. These broad social and political questions would of course have to be taken into account in any final judgment and a much closer study would seem to be required before any commitments could be made with respect to a free trade area with the Federation.

45. In the light of the foregoing considerations it is proposed that the Canadian Delegation should be authorized to explore informally with the United Kingdom and West Indies representatives the prospects for closer trade ties between Canada and the Federation including the possibility of free trade. Should their response be favourable it is proposed that an announcement should be made at the Conference that Canada and the West Indies Federation had agreed to examine jointly trade relations between them with a view to strengthening their trade ties; and that this review would cover all possible aspects of the matter including the implications of free trade.

46. (ii) *Import Quotas*. All Commonwealth countries other than Canada have a general system of import licenses in effect. These systems are, at least in principle, designed to conserve their reserves of gold and foreign exchange and, some years ago, all of them contained a large element of discrimination against "dollar" goods and in favour of "sterling" and European goods. Whatever the situation may have been then, today there is little or no justification for such discrimination. It is reasonable to expect that "dollar" goods should be treated on no worse basis than imports from elsewhere.

47. A careful review, in the last few weeks, of our exports to Commonwealth countries and bilateral discussions with a number of them, has revealed that Canada is *not* suffering from actual discrimination in the licensing systems of the following: South Africa, India, Pakistan, and Ceylon. Moreover some of these countries (e.g., Ceylon) have virtually no effective restrictions left; while the others (e.g., India) have a very real need of the system to protect their reserves. Accordingly, discussions with these countries regarding their quota systems are unlikely to lead to any adjustments that will benefit Canadian exports.

48. Quota discrimination against dollar goods continues to be practiced by the United Kingdom, the Colonies (including the West Indies), Australia, New Zealand and Malaya. All these countries, along with the rest mentioned in the preceding paragraph, accept in principle the undesirability of discrimination, but for one reason or another continue to practice it. The Canadian Delegation, following up on preparatory work already done, should press for at least relaxation, and if possible complete elimination, of the discriminatory elements in the quota systems of those countries.

49. It should, perhaps, be added that, in the last few weeks, the United Kingdom and Australia have both taken significant steps to relax their restrictions affecting Canadian imports; how much further they can be persuaded to go in the near future remains to be seen. New Zealand is experiencing a period of severe fiscal and commercial difficulties so that little or nothing is to be expected for the time being from that quarter.

50. (iii) *Other Measures*. Other means of encouraging intra-Commonwealth trade that have been reviewed during the preparatory work relate to the activities of trade missions (official or private), government trade and tourist services, trade fairs, and government purchases. There was also discussion of the role of shipping rates and double taxation agreements. It is to be expected that there will be further consideration of all these matters at Montreal. In addition, it is anticipated that references will be made to the conference of

nuclear scientists of the Commonwealth who will be meeting in the United Kingdom at the same time.

51. A matter of considerable interest that might best be raised under the item relating to Commonwealth trade is the proposal for a Commonwealth round-the-world cable network. A separate memorandum on this subject was approved by Cabinet on August 28.

52. *The Prospects and Implications, Especially for Commonwealth Countries, of the European Economic Community and the Proposed Free Trade Area.* The United Kingdom Delegation will be giving an up-to-date report on the Free Trade Area negotiations in Europe. All other Commonwealth countries view these negotiations with some concern, especially those with substantial agricultural exports and with important markets in Europe.

53. The United Kingdom authorities have recently given broad undertakings to the effect that she will not permit Commonwealth agricultural interests to be injured as a result of the negotiations. Their earlier undertakings, completely to exclude food, drink and tobacco from the negotiations, had to be abandoned. In this situation the Canadian Delegation should attempt to protect the position of Canadian agricultural and other exports to the United Kingdom by resisting any further erosion of the United Kingdom position.

54. In regard to the European Economic Community (Common Market) there is a danger that Commonwealth producers may find their export interests seriously threatened by raised tariffs, reduced quotas, and other devices. There have been indications that Australia and New Zealand may be seeking separate bilateral arrangements to protect their interests. The Canadian Delegation should not support such tendencies but should seek to maintain a common front in GATT to curtail protectionist influences in Europe.

55. *Arrangements for Continuing Commonwealth Consultation on Economic Matters.* In the preparatory work for the Conference there has been evidence of some desire, either to have rather more standing machinery for Commonwealth economic consultation, or else (for purposes of presentation and publicity) to dress up the existing machinery rather more formally and attractively. Some countries like these ideas (Ghana and Malaya); others dislike them strongly (South Africa).

56. The United Kingdom has very recently put forward a compromise proposal which may mobilize a fair measure of support. She is offering to supply a building, or part of a building, to house under one roof various Commonwealth activities now scattered over London. Meetings of various Commonwealth bodies would be held there and the Secretariat of the Commonwealth Economic Committee would work there. In addition they propose that there should be a regular meeting of senior Commonwealth officials in the spring of each year. And finally, all these more-or-less related activities, as well as the annual meetings of Commonwealth Finance Ministers, would go under the general title of "The Commonwealth Economic Consultative Council."

57. If there seems to be general support for these proposals, the Canadian Delegation could support them. It is not desirable, however, that any body with executive functions should be set up.

58. In July 1957 Commonwealth Prime Ministers directed the Commonwealth Economic Committee to review its activities. Its report will be before the Conference.

Conclusion

59. Three points may be made in conclusion. First, there is no disposition whatever amongst Commonwealth governments today to form a separate or regional bloc for trade, for development, or for any other purpose. On an economic basis, most of their external

problems are worldwide problems; these problems are not soluble on a Commonwealth basis although discussion in the Commonwealth may lead towards common and constructive attitudes. By the same token, no Commonwealth country wishes to take steps to cut itself off or estrange itself from the United States, at once the greatest market and the richest source of capital in the world. This is particularly evident in relation to tariff preferences and quota discrimination. In short the Commonwealth countries are not looking towards economic expansion at the expense of other countries, but together with them. To quote from the Report by Commonwealth Officials to the Conference, Commonwealth countries seek

“An expanding Commonwealth in an expanding world economy.”

60. Second, in regard to trade, the chief preoccupation of many Delegations seems likely to be with commodity arrangements or with agricultural protectionism or both. As far as we know at present, not one Commonwealth country other than Canada has, within the context of the coming Conference, approached another with proposals or requests for expanding intra-Commonwealth trade. In regard to our own bilateral trade initiatives, the prospects of achieving immediate results at the Conference are much less bright than we might have hoped. On the other hand the improvement in the trading position of the United Kingdom, and the gradual strengthening of the economic position and purchasing power of the less developed members, should mean that the longer term prospects for expansion of Commonwealth trade are encouraging.

61. Third, there will be strong emphasis at the Conference on economic development, particularly in underdeveloped countries, and in the financial measures needed to sustain world-wide expansion of both development and trade. There will be active interest both in world-wide measures (e.g., expansion of the International Bank and Fund) and bilateral arrangements (e.g., the Colombo Plan).

Recommendation

62. We recommend that this memorandum be adopted by Cabinet to serve as instructions for the Canadian Delegation to the Conference.

DONALD M. FLEMING
Minister of Finance

GORDON CHURCHILL
Minister of Trade and Commerce

SIDNEY SMITH
Secretary of State for External Affairs

J.M. MACDONNELL
Minister Without Portfolio

[PIÈCE JOINTE/ENCLOSURE]

*Annexe**Annex*

[Ottawa], September 4, 1958

CANADIAN DELEGATION TO COMMONWEALTH TRADE
AND ECONOMIC CONFERENCE*Members of the Delegation**Department of Finance*

Honourable Donald M. Fleming
 Mr. K.W. Taylor
 Mr. A.F.W. Plumptre
 Mr. S.S. Reisman
 Mr. L.D. Hudon (Secretary)

Bank of Canada

Mr. L. Rasminsky
 Mr. G.S. Watts

Department of Trade and Commerce

Honourable Gordon Churchill
 Mr. J.H. English
 Mr. C.M. Isbister
 Mr. M. Schwarzmann

Department of External Affairs

Honourable Sidney Smith
 Mr. D.V. LePan
 Mr. L.E. Couillard
 Mr. A.E. Ritchie (Washington Embassy)

Minister Without Portfolio

Honourable J.M. Macdonnell

Privy Council

Mr. R.B. Bryce

*Ministers' Secretaries (3)**Secretaries for the Delegation (6)**Messenger (1)**"In Attendance"*

Other officers from the Departments mentioned above, as well as from other Departments such as Agriculture and Transport, may be asked to attend the Conference for a few days as needed in connection with particular issues.

369.

DEA/50123-B-40

*Le haut-commissaire au Royaume-Uni
au secrétaire d'État aux Affaires extérieures*

*High Commissioner in United Kingdom
to Secretary of State for External Affairs*

TELEGRAM 3652

London, September 5, 1958

SECRET. OPIMMEDIATE.

Repeat Finance, Trade and Commerce, Bank of Canada (Information).

COMMONWEALTH TRADE AND ECONOMIC CONFERENCE

We have gained some impressions from UK officials about the general lines of the brief their delegation will take to Montreal. These impressions are however based upon the work of the Ministerial Committee on this subject which still has to be approved by the full Cabinet.

2. On the general question of removing discrimination we gather that the delegation will be given flexibility but will have authority if it wishes to remove discrimination on machinery (other than machinery for the oil industry) and to put canned salmon on O[pen]G[eneral]L[ist]. It will also have authority to give increased flexibility and scope to colonial administrations in respect of discrimination. We were unable to get any more precise idea of what is envisaged with regard to, for example, the West Indies. It is not envisaged that there will be a complete elimination of UK discriminatory restrictions nor for example the elimination at this stage of discrimination on manufactured consumer goods. On the other hand we gather that the departments here have mapped out a stage by stage programme for getting rid of discrimination over the next year or two except on some sensitive hard core items. Of course each stage in such a programme would have to be considered by the government when the time came for it to be implemented. It would be best not to let UK officials know that you have the foregoing information for the present. These plans are in any case subject to Cabinet approval as indicated above.

3. In general the UK welcome our proposals about scholarships and fellowships, although they will not wish to commit themselves to any particular number until they have had an opportunity after the Conference to consult local education authorities and others concerned in view of the strain on existing capacity of educational institutions here. In any case they would hope that the later conference on scholarships and fellowships may cover a wider field than we contemplated. They would like to extend it to discuss the whole range of problems associated with educational and technical exchange programmes. For the programme of scholarships and fellowships they envisage that post-graduate scholarships would be of most use to people going from one old Commonwealth country to another, under-graduate scholarships would be of most value to newer Commonwealth countries, while teaching fellowships might be a particularly suitable thing for newer Commonwealth countries to offer as their contribution, since at the same time they would meet a need in those countries.

4. We expect that the UK will be agreeable to a general declaration in favour of the Commonwealth cable network provided this does not go into the question of how the cost will be shared or when each stage will be built.

5. The UK position on economic aid remains about the same as described to Canadian official last month. The Australians however have made it pretty clear that they regard themselves as over-committed already and are unlikely to be willing to take on any new responsibilities in economic assistance.

6. The UK position on Commonwealth consultative machinery is also unchanged. They have not heard anything from the South Africans in answer to the representations they made to try to overcome South African objections. The UK can be expected to support the Commonwealth Economic Committee's proposals for expanding its activities. They may also raise, although not necessarily as a question to be decided at the Conference, their earlier proposal about providing a non-rotational chairman for the Commonwealth Economic Committee. They do not now envisage that he should be a full-time chairman since he would not have enough work to do; instead they would like to find someone who had other activities but could give a fair amount of his time to the committee and remain in office for say three years. There might be a rotational vice-chairman.

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PCO

Extrait des conclusions du Cabinet

Extract from Cabinet Conclusions

SECRET

[Ottawa], September 7, 1958

Present

The Prime Minister (Mr. Diefenbaker) in the Chair,
 The Minister of Public Works (Mr. Green),
 The Minister of Finance (Mr. Fleming),
 The Minister of Veterans Affairs (Mr. Brooks),
 The Minister of Transport (Mr. Hees),
 The Solicitor General (Mr. Balcer),
 The Minister of National Defence (Mr. Pearkes),
 The Minister of Trade and Commerce (Mr. Churchill),
 The Minister of Justice (Mr. Fulton),
 The Minister of Agriculture (Mr. Harkness),
 The Minister of Citizenship and Immigration (Mrs. Fairclough),
 The Minister of Fisheries (Mr. MacLean),
 The Minister of Labour (Mr. Starr),
 The Postmaster General (Mr. William Hamilton),
 The Minister without Portfolio (Mr. Macdonnell),
 The Minister without Portfolio (Mr. Browne),
 The Minister of National Health and Welfare (Mr. Monteith),
 The Secretary of State for External Affairs (Mr. Smith),
 The Secretary of State (Mr. Courtemanche).
 The Secretary to the Cabinet (Mr. Bryce),
 The Assistant Secretary to the Cabinet (Mr. Martin),
 The Registrar of the Cabinet (Mr. Halliday).

...

COMMONWEALTH TRADE AND ECONOMIC CONFERENCE
 (PREVIOUS REFERENCE JULY 26)

37. *The Minister of Finance* submitted a memorandum from the committee on preparations for the Commonwealth Trade and Economic Conference. The memorandum reviewed the arrangements and agenda for the conference and sought approval for the

composition of the Canadian delegation and the position it should take on the various items on the agenda. Some of the subjects to be considered at the conference would also be taken up immediately afterwards at the annual meeting of the International Bank for Reconstruction and Development and the International Monetary Fund. Therefore approval was also sought for the position Canada might take at those meetings.

An explanatory memorandum had been circulated, (Memorandum, Ministers of Finance and Trade and Commerce, Minister without Portfolio (Mr. Macdonnell), Secretary of State for External Affairs, Sept. 4, 1958—Cab. Doc. 255-58).

38. *The Prime Minister* said it would be highly desirable to have some sort of Commonwealth financial institution whose facilities would be available only to the newer members of the Commonwealth, starting, say, with Ghana. Something had to be done for the newer coloured peoples in the Commonwealth. He could understand the attitude of the International Bank towards a Commonwealth institution which might provide loans or grants to all members of the Commonwealth. However, the bank might not be inclined to restrict its lending to Commonwealth countries if the kind of institution he had in mind were established.

39. *Mr. Fleming* explained that the proposal for a Commonwealth Development Fund had been carefully considered by ministers and officials but several difficult problems had been encountered. There were difficult questions which had arisen and for which it was hard to find appropriate answers. Officials had gone to London to canvass the proposal but the United Kingdom was not interested. This was not the last word, however, and the matter would be pursued at the conference.

40. *During the discussion* the following points emerged:

(a) It was suggested that Commonwealth preferences be restored. In reply to this it was pointed out that such a step would be a violation of Canada's obligations under the G.A.T.T. and that, in any event, no other Commonwealth countries were interested in new preferences.

(b) Establishing closer trade links with the West Indies might lead in time to immigration problems. However, Canada would not be committed to anything along this line. What was intended was discussion on prospects for increasing Canadian trade in fish and manufactured goods.

(c) The report on the prospects for the conference was somewhat depressing, certainly on the trade side, and in some other respects as well. But there was no point in being unrealistic.

(d) On the other hand, there were possibilities for progress. The prospects for reaching agreement, in principle, on a round-the-world Commonwealth telephone cable were hopeful. Canada would have something to say about government purchasing. In the absence of other arrangements, Canada would be offering to increase Colombo Plan aid and technical assistance. Then there was the proposal for educational exchanges.

(e) Perhaps the best hope for success lay on the financial side. If the United Kingdom could be persuaded to change its attitude on a Commonwealth institution, this would be a real step forward. It would not matter what the institution was called. A letter to Mr. Macmillan on the matter might be helpful at this stage, as he himself had been a strong proponent of the idea.

(f) A Commonwealth Development Fund under which loans would be made on favourable terms to the newer Commonwealth countries and guaranteed by members of the fund, would have many attractions. It should not be confused with the Commonwealth Development Finance Company, which was a semi-private organization, nor should it be

regarded as a substitute for the Colombo Plan. The Colombo Plan was charity. A fund would be a lending organization and would have more appeal to the republican, independence-minded, new and emerging members of the Commonwealth. A proposal of this kind was one which Canada could more readily initiate than the United Kingdom or Australia. It would be desirable to put it forward even if the United Kingdom did not agree.

(g) The Colombo Plan had been very successful and increases in the Canadian contribution were being recommended. If there appeared to be any chance of success with a new fund, then the money envisaged for the Colombo Plan increase should be put into the fund instead.

(h) Some thought that increases in the Colombo Plan and funds for the British West Indies should not be made unless they were tied to the disposal of some agricultural surpluses. However, this would not necessarily assist development in the recipient countries which was the essential concern of those countries.

41. *The Cabinet* approved the instructions for the delegation to the Commonwealth Trade and Economic Conference as contained in the circulated memorandum (Cab. Doc. 255-58), subject to,

- (a) the inclusion of the Minister of Defence Production as a member of the delegation;
- (b) an effort being made to interest others at the conference in the possibility of establishing a Commonwealth financial institution to assist in financing the development of the new and emerging members of the Commonwealth; and,
- (c) the understanding that there would be reasonable consultation with Commonwealth governments affected before concessional sales of agricultural surpluses were made.

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371.

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*Note du ministre des Finances
pour le Cabinet*

*Memorandum by Minister of Finance
to Cabinet*

CABINET DOCUMENT NO. 270-58

[Ottawa], September 19, 1958

SECRET

1. During the Canada-United Kingdom bilateral trade talks which were held in Ottawa last October following the Mont Tremblant Conference, United Kingdom Ministers urged that Canada could help the United Kingdom by taking action in the field of tariffs and preferences under the following three heads:

- (a) the restoration of certain preference margins reduced since 1947,
- (b) the binding of some existing preference margins, and
- (c) the binding of British preferential rates of duty on certain goods.

2. In a letter handed to me at Montreal on September 16th Sir David Eccles pressed for some action at this time on the above suggestions. He requested also that we confirm that Canada is initiating the necessary action to restore the former preference margins on wool textiles. A copy of Sir David's letter is attached to this memorandum.†

3. United Kingdom officials indicated informally that the United Kingdom is particularly hopeful that it will be possible for Canada to agree to and announce in the context of the

Montreal Conference the binding of the present British Preferential rates of duty on a list of items of particular interest to them (heading (c) above). They emphasized moreover that they will continue to hope that we will also find it possible to restore margins of preference to the pre-1947 level on a select list of items (heading (a) above).

4. In my view it would be contrary to the best interests of Canada to try to meet them on their requests relating to the restoration or the binding of margins of preference, although we may be able to go some distance to meeting them on the binding of preferential rates.

5. In this connection it should be pointed out that there is no obligation on Canada to compensate the United Kingdom for the steps they have announced in Montreal with respect to the relaxation of import controls. It has been our view that such relaxations were overdue in the light of the improved United Kingdom balance of payments position.

6. At the same time, having regard to our desire to promote increased trade with the Commonwealth and in the context of the Conference, it seems advisable for the Canadian Government to go as far to meet the United Kingdom wishes in this matter as is possible without prejudice to our own interests.

7. Referring first to the British proposal that certain margins of preference be restored to the pre-1947 level, it is my view that no action should be taken. The following considerations are relevant: the preferences in question were reduced by multilateral negotiations under the GATT and if we attempted to restore them serious difficulties would arise in our trade relations with the United States and other third countries; in view of the symbolic importance attached in the United States to the reduction or removal of discrimination and preferences these unfavourable consequences might be out of proportion to the action which gave rise to them and could adversely affect the United Kingdom as well as ourselves; in so far as restrictive measures introduced by the United States, e.g., on lead and zinc, may provide scope for compensatory tariff adjustments on our part we must keep in mind our own immediate needs in respect of the renegotiation of fruit and vegetable tariffs and the possible renegotiation at a later stage of a broad range of textiles and chemicals which are now before the Tariff Board.

8. The second United Kingdom request that existing margins of preference be bound also presents difficult problems and no action is being proposed with respect to it. From the Canadian point of view binding margins of preference could severely limit our freedom to make tariff changes either up or down that might be necessary as a result of negotiations with third countries or for domestic reasons. A practical illustration of this is provided by the recent changes in the tariff schedule on iron and steel. In the negotiations on iron and steel the modification of margins of preference enjoyed by the United Kingdom was an essential feature of the agreement reached with the United States and other countries. It would have been much more difficult, if not impossible to reach agreement if United Kingdom consent had to be obtained in advance. Similarly, our freedom of action to assist Canadian industry by reducing or removing tariffs on materials and components would be seriously impaired if the permission of the United Kingdom were required before we were free to act.

9. The third heading relates to the binding of existing British Preferential tariff rates. In this connection the United Kingdom has indicated particular interest in cotton fabrics, rubber footwear, titanium oxide, fancy biscuits, knitted clothing, floor coverings, steel wire for rope, diesel engines, machinery, aluminum sheets, radio apparatus n.o.p. and the iron and steel items.

10. The effect of binding British Preferential rates on these products would be to commit ourselves not to raise rates beyond the bound level without first negotiating such changes

with the United Kingdom. This is the position which now prevails with respect to those British Preferential tariff items bound in Part II of our present GATT tariff schedule; and is also the position which prevails with respect to M.F.N. rates bound in Part I of our present GATT schedule.

11. It should also be noted that under the 1947 exchange of notes with the United Kingdom we are committed not to raise British Preferential rates on any item bound in Part I of our GATT schedule so long as it remains in Part I. The significance of specifically binding the British Preferential rates would be that if we wanted to raise a rate so bound we would be required to negotiate not only with the M.F.N. country or countries, but also with the United Kingdom. In other words where the British Preferential rate is specifically bound, the United Kingdom would be entitled to seek compensation in its own right.

12. It follows that the binding of additional British Preferential rates would raise a problem should we at a later date wish to raise tariffs on these products. In selecting the list described below this important factor has been taken into account.

13. In my view the binding of certain British Preferential rates of duty, including a good many (but by no means all) of those specifically mentioned by the British, would not be as difficult from the Canadian point of view as would action on the other British requests. If the Government wishes to meet the British requests, at least in part, it would be possible to bind a substantial list of items without causing hardship to any Canadian industry. This list would include a good many of the items on the British list — indeed most of those items which are not included in reference now before the Tariff Board — and it would include also some very large items which are not on the British list, but which the British would undoubtedly welcome. Some of these items would be of widespread interest in the United Kingdom and therefore have considerable presentational value.

14. If the Government wishes, as a matter of policy, to take a bold step in this matter, and is prepared to meet criticisms from some Canadian industries for so doing, I would suggest that we agree to bind, in favour of the United Kingdom, under Part II of our GATT schedule, a selected list of existing British Preferential rates.

15. A list of items for consideration in this regard is appended. In broad outline it would include the following commodities or groups of items:

- Automobiles and motor vehicles of all kinds
- Aircraft and aircraft engines of all kinds
- Primary iron and steel
- Pipes and tubes
- Diesel engines
- Tractors
- Textile machinery
- Printing machinery
- Aluminum sheet
- Fancy biscuits
- Chinaware
- Books

Recommendations

16. The undersigned recommends that:

(1) The Government agree to bind the present British Preferential rates of duty on the attached list of tariff items in the manner provided by the G.A.T.T.

(2) This decision be made public in the communiqué to be issued at the close of the Commonwealth Trade and Economic Conference.

(3) Alternatively, if the Government should decide that the recommendation contained in (1) above should be adopted in principle, but that the specific list of items to be bound should receive detailed consideration by Cabinet at a later date, the Delegation to the Montreal Conference be authorized to have included in the final communiqué of the Conference, a statement along the following lines:

"As a means of encouraging trade with the United Kingdom, the Canadian Government stated that it would be prepared to examine its Customs Tariff with a view to binding a selected list of British Preferential tariff rates, in the manner provided by the G.A.T.T., of special importance to the United Kingdom."

[DONALD FLEMING]

[PIÈCE JOINTE/ENCLOSURE]

Annexe

Annex

| <u>Tariff Item No.</u> | <u>Condensed Description</u> | <u>British Preferential Rate</u> | <u>1957 Imports from U.K. (\$ million)</u> |
|----------------------------|--|--|--|
| 66a | Biscuits | | |
| 169, 171 | Books | Free | 3 |
| 287 | Tableware of china | Free | 2 |
| 319 | Plate glass | Free | 10 |
| 353(b) | Aluminum plates, sheet and strip | Free | 2 |
| 403(c) | Wire for the manufacture of wire rope | Free | 2 |
| 409m | Traction engines and parts | Free | 3 |
| 412d | Printing presses | Free | 5 |
| 413 | Textile machinery | Free | 1 |
| 428e | Diesel engines and parts | Free | 3 |
| 438a | Automobiles; trucks; buses | Free | 2 |
| 438b, 438c) | | Free | 31 |
| 438d, 438e) | Automobile parts | | |
| 438e, 438f) | | Free | 4 |
| 440m | Aircraft | | |
| 440n | Aircraft engines | Free | 9 |
| 440p | Aircraft parts | Free | 2 |
| 440q | Aircraft engine parts | Free | 6 |
| 446 | Electric steam turbo generator sets | Free | 7 |
| | Primary iron and steel (all items in respect of which the M.F.N. Rates, as recently revised, are bound) | Free | 3 |
| | Pipes and tubes of iron or steel and fittings therefor (items 396, 397, 397a, 398, 398a, 398c, 399, 399a, 400) | Various | 28 |
| | Total imports from U.K. under above items | Various | <u>27</u> |

\$150 million

*Extrait des conclusions du Cabinet**Extract from Cabinet Conclusions*

SECRET

[Ottawa], September 21, 1958

Present

The Prime Minister (Mr. Diefenbaker) in the Chair,
 The Minister of Finance (Mr. Fleming),
 The Minister of Veterans Affairs (Mr. Brooks),
 The Minister of Transport (Mr. Hees),
 The Solicitor General (Mr. Balcer),
 The Minister of National Defence (Mr. Pearkes),
 The Minister of Trade and Commerce (Mr. Churchill),
 The Minister of Justice (Mr. Fulton),
 The Minister of National Revenue (Mr. Nowlan),
 The Minister of Agriculture (Mr. Harkness),
 The Minister of Citizenship and Immigration (Mrs. Fairclough),
 The Minister of Fisheries (Mr. MacLean),
 The Minister of Labour (Mr. Starr),
 The Postmaster General (Mr. William Hamilton),
 The Minister without Portfolio (Mr. Macdonnell),
 The Minister without Portfolio (Mr. Browne) (for afternoon meeting only),
 The Minister of Mines and Technical Surveys (Mr. Comtois),
 The Minister of National Health and Welfare (Mr. Monteith),
 The Secretary of State for External Affairs (Mr. Smith),
 The Minister of Defence Production (Mr. O'Hurley),
 The Secretary of State (Mr. Courtemanche).
 The Secretary to the Cabinet (Mr. Bryce),
 The Assistant Secretary to the Cabinet (Mr. Fournier).

...

COMMONWEALTH TRADE AND ECONOMIC CONFERENCE; PROGRESS REPORT
AND BINDING OF RATES OF DUTY

40. *The Minister of Finance* reported verbally on the proceedings of the first week of the Commonwealth Trade and Economic Conference. After paying tribute to those working on the Canadian delegation and the secretariat, he reviewed the main issues that had arisen. The largest was the question of convertibility or some long stride toward it. He had had an early conversation with the Chancellor of the Exchequer on this matter and had not derived too much hope from it. As a result, he had made a strong statement on the second day of the conference, emphasizing the importance of some move in this direction. The following day the United Kingdom had submitted their announcement of the removal of restrictions on machinery, canned salmon, and certain other items and their invitation to the colonial authorities to take similar action. Moreover, they had indicated they intended to follow this action with further removal of restrictions during the next year. This announcement had greatly improved the tone of the conference, relieved Canada of many anxieties about it, and ensured that it would be a political success.

41. *Mr. Fleming* went on to report on the difficulties over agricultural protection and the representations by the Minister of Finance of New Zealand on this subject, particularly in regard to dairy products. He noted, however, that the U.K. representatives had taken a strong stand in defence of their agricultural policy which had made the situation easier for the Canadian representatives.

He also indicated that there was a considerable consensus of view in favour of agreements to stabilize prices of major commodities in international trade. In this connection, the United Kingdom had indicated their readiness to attend the preparatory meetings on the Wheat Agreement.

Another major subject on which progress had been made was the educational programme on which both Lord Home and Mr. Sidney Smith had spoken so enthusiastically that, as Minister of Finance, he came to wonder whether the Canadian proposal was perhaps too modest. He noted in connection with the educational proposals that a number of the under-developed members of the Commonwealth were now somewhat reluctant to send their young people abroad for training, and preferred to have suitable teachers sent to their own countries.

One major question remained of course, the suggested Commonwealth institution to assist in the financing of development. There had been considerable discussion of this within the Canadian delegation and in private discussions with U.K. representatives, as well as the reference to it in the Prime Minister's speech on the Thursday evening. The United Kingdom had come to the conference clearly troubled about this suggestion, feeling it could not go forward on it now but not wishing to close the door. The U.K. Prime Minister (Mr. Macmillan) had been in favour of it originally but had been talked out of it largely by the Bank of England and by the President of the International Bank. There would be support at the conference in Montreal for expansion of the resources of the International Bank and the International Monetary Fund as well as proposals and support for increasing the size of contributions made under the Colombo Plan and similar aid programmes such as those which Canada was proposing in respect of the West Indies and Africa. It seemed, however, that there would not be much additional capital to be obtained from Commonwealth sources for transmission through a Commonwealth financial institution. Sir Henry Lee of Malaya, who had been in favour of this proposal, had said now that it should not be considered until after the financial discussions at New Delhi in October and that appeared to be the best prospect. There might then be a reference of the subject to a suitable Commonwealth group for further study.

42. *The Prime Minister* following Mr. Fleming's review, enquired what action Canada should now take toward the United Kingdom as a quid pro quo for the help they had provided and in order to make clear that Canada has not lost its position of leadership in the Commonwealth.

43. *Mr. Fleming*, in reply, noted the various things Canada had already proposed in regard to expansion of the Colombo Plan, technical assistance for Ghana, and the aid to the West Indies shortly to be announced as well as the proposals about education. He agreed, however, that something should be done in the field of trade.

44. *Mr. Fleming* then went on to outline the proposal that he wished to say before the Cabinet in regard to the binding of British preferential rates of duty on certain classes of goods. He had prepared a memorandum to be circulated to the Cabinet on this matter. This memorandum noted that the U.K. Ministers, following the Mont Tremblant Conference in October 1957, had urged Canada to help the United Kingdom by action in the field of tariffs and preferences. The United Kingdom would prefer the restoration of certain margins of preferences which had been reduced since 1947. If that could not be achieved, they would then hope that existing margins of preferences could be bound on a list of U.K. products. As a third alternative, they would wish Canada to bind the rates of duty under the British preferential tariff on various U.K. exports to Canada.

In a letter handed to Mr. Fleming at the conference in Montreal on September 16th, the President of the Board of Trade had pressed for some action at this time on these suggestions and requested also confirmation that Canada was initiating the necessary action to restore the former margins of preference on wool textiles.

The Minister's memorandum indicated various arguments for and against the several types of action requested by the United Kingdom. He suggested action to bind the British preferential rates of duty on a list of items appended to the memorandum. He pointed out that this did not include any cotton textiles.

An explanatory memorandum was circulated, (Minister's memorandum, Sept. 19, — Cab. Doc. 270-58).

45. *There was some discussion* on this proposal but the opinion was expressed that the Ministers present should have an opportunity to consider it overnight and other ministers who were not then present at the meeting should also have an opportunity to consider it.

46. *The Cabinet* noted with approval the progress report of the Minister of Finance on the first week of the Commonwealth Trade and Economic Conference and deferred until a meeting on the following day action on his recommendation concerning the binding or rates of duty under the British preferential tariff.⁴⁰

R.B. BRYCE
Secretary to Cabinet

373.

DEA/50123-B-40

Extrait du livre des instructions

Extract from Briefing Book

CONFIDENTIAL

[Ottawa], October 3, 1958

COMMONWEALTH TRADE AND ECONOMIC CONFERENCE

The central theme of the Conference was "an expanding Commonwealth in an expanding world." As a corollary of this theme, the Conference recognized that the achievement of its objectives would require the co-operation of other countries, notably the

⁴⁰ Le 22 septembre 1958, le Cabinet a approuvé la recommandation de lier les taux de droits selon le tarif préférentiel britannique.

On September 22, 1958, Cabinet approved the recommendation to bind the rates of duty under the British preferential tariff.

United States. The following is a summary of the detailed decisions and understandings reached at Montreal.⁴¹

Trade

The Conference re-affirmed the common objective of freer trade and payments. It agreed on the value of the preference system and the importance of maintaining it. It looked forward to the ending of dollar discrimination as soon as possible and also agreed that discrimination between Commonwealth sources of supply by means of quantitative restrictions should be avoided. The Conference recognized that it was important for the under-developed countries of the Commonwealth to have unobstructed goods. Agreement was also reached that Commonwealth countries would examine cases where it was alleged that dumped or subsidized goods were damaging the interests of other Commonwealth suppliers.

In the discussion the Canadian delegation placed special emphasis on the early removal of discrimination. We said that the conditions which had at one time made this necessary no longer applied and that the continuance of discrimination did not seem to us to be in the interests of the sterling area countries themselves. In this connection we welcomed, in particular, the United Kingdom announcement that they were removing import restrictions on canned salmon, newsprint and most machinery, that they were proposing to make a start next year on the removal of all remaining restrictions, and that Colonial Governments were being invited to relax their restrictions on dollar imports. For its part, Canada undertook to bind the British preferential rates on an important list of goods of interest to the United Kingdom. It also undertook to bind against increase the special low rate of duty on mutton and lamb accorded to New Zealand and Australia.

There was a valuable exchange of views on the new situation created by the more active participation of Communist countries in world trade. The Canadian position at the Conference was that there was a case for expanding normal commercial trade with these countries and involving them in sound and stable trading relationships. Where Sino-Soviet competition in world markets was deliberately disruptive, Canada would be prepared to join others in mitigating situations where the interests of Commonwealth countries could be safe-

⁴¹ Aucun résumé quotidien des activités de la Conférence n'a été rédigé par les hauts fonctionnaires canadiens, et aucune évaluation de la politique de la Conférence du point de vue canadien n'a été faite à la suite des travaux. Seul un volume relié des procès-verbaux de réunions des sessions plénières et des groupes de travail des hauts fonctionnaires a été distribué aux fonctionnaires supérieurs des ministères ayant pris part à la Conférence. Un exemplaire de ce volume se trouve au MAE/50123-B-40. Pour le texte du rapport final publié, consulter *Conférence économique et commerciale du Commonwealth: Rapport de la conférence tenue à Montréal, Canada, du 15 septembre au 26 septembre 1958*, Ottawa: Imprimerie de la Reine, 1958. Pour les documents relatifs aux questions spécifiques discutées à la Conférence, voir les portions de ce chapitre traitant des Échanges du Commonwealth en matière d'éducation, du Plan Colombo, des importations de fromage de la Nouvelle-Zélande, du programme d'aide des Antilles et des propositions portant sur la libéralisation des échanges.

No daily summaries of Conference events were prepared by Canadian officials, nor was a policy evaluation of the Conference from the Canadian point of view prepared in the aftermath of the proceedings. Only a bound volume of meeting minutes of the plenary sessions and working groups of officials was distributed to senior officials from the departments that attended the conference. A copy of this volume can be found in DEA/50123-B-40. For the text of the published final report, see *Commonwealth Trade and Economic Conference, 1958: Report of the Conference Held at Montreal, Canada, September 15 to September 26, 1958* Ottawa: Queen's Printer, 1958. For documents related to specific issues discussed at the Conference, see portions of this chapter dealing with the Commonwealth Educational Exchanges, the Colombo Plan, New Zealand cheese imports, and the West Indies aid program and trade liberalization proposals.

guarded by co-operative action. Canada expressed the hope that others would be prepared to do likewise where Canadian interests were involved.

The Conference re-affirmed the need for outward-looking arrangements in Europe in the interests of expanding world trade. In subscribing to this objective, Canada made it clear that we supported the broad aims of the European countries and that we hoped these would result in greater trading opportunities. We also underlined the great importance we attached to the undertakings given by the United Kingdom that the agricultural interests of Commonwealth countries in the United Kingdom market would be fully safeguarded.

Commodity Problems and Agriculture

On the subject of commodity price stabilization, the Conference recognized the serious problems caused by wide fluctuations in commodity prices and the need for remedial action. Accordingly Commonwealth countries agreed to participate in a commodity by commodity examination of the problems. Specifically the Conference agreed on an early examination of the problems relating to lead and zinc and on the need to strengthen the International Tin Agreement. Canada undertook to play its full part in achieving these objectives. It agreed that the Commonwealth might be able to take useful initiatives in this field although effective solutions to the problem would probably have to be taken in a context wider than that of the Commonwealth. In common with Australia, Canada welcomed the intention of the United Kingdom to participate in the preparatory discussions for a new International Wheat Agreement.

With respect to agriculture, the Conference recognized the obligations each country had as a producer. Subject to these, it agreed on the need to limit and progressively to reduce the level of effective protection. It also agreed that care must be taken in the disposal of surpluses not to cause harm to the legitimate interests of traditional suppliers.

Canada said that it was generally recognized that there were special problems inherent in agricultural trade. Canada's own sales of agricultural products had been affected by restrictions in other markets and by surplus disposals. We realized the dangers of excessive protection but the problem was clearly world-wide and there appeared to be a need for a collective and comprehensive review of the problem to see if policies could not be harmonized and acceptable rules formulated. Canada would be prepared to join others in such a review in the GATT.

Finance

The Conference underlined the importance Commonwealth countries attach to the strength of sterling and re-affirmed the agreed objective that it should be made convertible as soon as the necessary conditions had been achieved. The Conference also endorsed the proposals that have been made for expanding the resources of the International Bank and the International Monetary Fund and welcomed the support that had been given to these proposals by President Eisenhower.

Canada said that there were a number of factors which suggested that the time had come to make sterling formally convertible: there had been a recovery in the economic situation in the United States; the world dollar position had continued to improve; and there was now a prospect of substantial additional resources becoming available to support convertibility. For our part, we would be prepared to double our subscription to the International Bank and increase by 50 per cent our quota in the International Monetary Fund.

Development

The Conference stressed the great importance of more rapid economic progress in the less developed countries and the need for all Commonwealth countries to co-operate in this

urgent task. This would require more capital, both public and private, more technical assistance, better opportunities for education, and increased opportunities for trade. The Conference recognized the part which had been played in this field by the Colombo Plan. It also agreed that all possible steps should be taken to encourage the participation of private capital in economic development in the under-developed countries. With respect to the creation of a new Commonwealth financial institution, it was agreed that further joint studies should be undertaken to explore methods of mobilizing additional resources for development.

Canada stated that the need for development in the underdeveloped countries transcended economic considerations. The countries concerned had carried and would continue to have to carry the main burden but external help was necessary. While this would have to come mainly from Governments and international institutions, the role private capital could play should not be discounted. We announced an increase in our Colombo Plan contribution from \$35 to \$50 million a year over the next three years; a \$10 million programme of aid to The West Indies over the next five years; and a technical assistance programme for Africa absorbing an initial \$500,000 a year. In addition to our normal aid programmes we said that we would continue to provide food on a grant or loan basis to under-developed countries. With respect to a Commonwealth financial institution, we said that this would symbolize the willingness of the Commonwealth to work in partnership. We agreed that more time be required to examine the idea, particularly in the light of other decisions that might be taken to expand the resources available for development.

Education

The Conference agreed in principle on the initiation of a new scheme of Commonwealth scholarships and fellowships under which 1,000 Commonwealth candidates would be studying in other Commonwealth countries at any one time. The details of the scheme (to which Canada agreed to contribute 100 places a year at a cost of about \$1 million) remain to be worked out at a special conference to be held in London next year. This conference will also look into other ways in which Commonwealth countries might expand and improve their help to one another in this field.

Telecommunications

On the initiative of Canada, Commonwealth countries agreed in principle on the construction of a Commonwealth system of co-axial cables to provide the first round-the-world telephone service.

Consultation

The Conference endorsed the importance of the existing arrangements for Commonwealth consultation on economic matters. It agreed to co-ordinate these arrangements under the name of "Commonwealth Economic Consultative Council." It also welcomed the United Kingdom offer to make available a "Commonwealth House" in London to serve as a headquarters for the Council and its constituent bodies.

SECTION B

ÉCHANGES DU COMMONWEALTH EN MATIÈRE D'ÉDUCATION
COMMONWEALTH EDUCATIONAL EXCHANGES

374.

DEA/50123-B-40

*Note**Memorandum*

CONFIDENTIAL

[Ottawa], July 30, 1958

EXTENSION OF TECHNICAL ASSISTANCE TO THE FULL COMMONWEALTH

The purpose of this memorandum is to examine the proposal to extend the present Canadian technical assistance arrangements to all the "underdeveloped" areas of the Commonwealth whether dependent or independent. This broadening of the geographical coverage and of the scope of our technical assistance scheme should be the subject of consultation with other Commonwealth governments to the end that it may be agreed that a general extension of these programs by a number of Commonwealth governments might be decided upon at the Montreal Conference. The proposal should be examined with four aspects of the problem in mind:

- (a) What is now being done by Canada and other Commonwealth countries?
- (b) How would any expansion of the Canadian program be integrated with the present Canadian arrangements for the Colombo Plan, the West Indies, and Ghana?
- (c) What form might the new arrangements take? Suggested for consideration are two related schemes:
 - (i) a Commonwealth scholarship scheme to be operated in close consultation with other Commonwealth governments; and
 - (ii) technical assistance on the present pattern.
- (d) What institutional machinery would be required?

1. The Present Technical Assistance Arrangements

Most of the more well-developed countries of the Commonwealth contribute to the United Nations Expanded Technical Assistance program and would presumably play some part in any new United Nations arrangements that may be made such as the Special Fund. The present Canadian contribution to UNETAP is \$2 million a year. In addition to this the United Nations Specialized Agencies provide some technical assistance from their regular budgets, to which Canada and of course other Commonwealth countries contribute.

In addition, the United Kingdom makes substantial contributions of a technical assistance character to the Commonwealth through the Colonial Development and Welfare Funds and other programs such as the technical scholarships offered by the U.K. Board of Trade. Other Commonwealth countries have similar arrangements; for example, Australia provides a good deal of help for Papua which it administers as a trusteeship territory. The most important form of such assistance offered by Commonwealth countries (except South Africa) is through their Colombo Plan programs.

The present Canadian arrangements within the Commonwealth may be summarized as follows:

| (a) <i>Colombo Plan</i> | New Appointments in Calendar 1957 | Expenditure Fiscal 1957-8 |
|--------------------------|--------------------------------------|------------------------------|
| Trainees | 119 | 560,000 |
| Experts | 17 | <u>363,000</u> |
| Total Expenditure 1957-8 | | 923,000 |

(Note: Activities in non-commonwealth countries are excluded from these figures.)

(b) *West Indies*, present fiscal year:

| | |
|---------------------------------|-----------|
| Experts abroad (to September 1) | 7 |
| Funds available | \$215,000 |

(c) *Ghana*, present fiscal year:

| | |
|---------------------------------|-----------|
| Experts abroad (to September 1) | 2 |
| Funds available | \$135,000 |

(d) *Canada Council* (Calendar 1958)

| | |
|--|----------|
| Scholarships and fellowships awarded or planned for nationals of underdeveloped Commonwealth countries | 7 |
| Approximate expenditure | \$23,500 |

(e) *National Research Council* (1957-8)

| | |
|--|-----------|
| Scholarships and fellowships awarded or planned for nationals of underdeveloped Commonwealth countries | 43 |
| Approximate expenditure | \$300,000 |

Most of the Canadian contribution at least at the Federal level, in what might be called the international exchange of persons has been arranged through the Colombo Plan and through Canadian aid programmes to the West Indies and Ghana. This is technical assistance in the narrow sense of the term, and differs from broader international exchange programs in that it must meet the following criteria:

- (a) the object of the exchanges must be associated with the economic development of the country assisted; work in the humanities or other non-economic fields is thus not included.
- (b) the candidates must be nominated formally by their own governments. In practice, this means that most of them are in government service and return to fill government jobs.

Consideration should be given to extending Canadian programmes beyond technical assistance thus defined, for the following reasons:

(a) The underdeveloped countries of the Commonwealth have in the past drawn on the West for a great many of their trained people in the humanities and other non-economic fields, and this has given the Western viewpoint strong spokesmen. Independence in much of the Commonwealth and the limitations of present technical assistance arrangements together make it likely that in many countries this group of western trained leaders may not be replaced, except to the extent that existing scholarships, most of them from University endowments or private funds, are providing some opportunity for replacement.

(b) The prime need in many of the underdeveloped countries is not so much for technicians and engineers (of which there may be too many) but for administrators, political leaders, teachers and other people who must have broad education and background rather than narrowly specialized training. Present technical assistance arrangements do not meet

this need; and may well be one of the reasons why the existing stock of technical personnel in underdeveloped countries is not being better used.

(c) Training in the humanities and other non-technical fields would be popular and welcome both in recipient countries and also among certain groups in Canada, who feel that the present Canadian programs are unreasonably biased.

The expanded program of assistance could therefore be adjusted to meet their changing needs and demands.

2. Relationship of New Scheme to Colombo Plan Programmes and Other Canadian Technical Assistance Arrangements

There may be problems in fitting a new Commonwealth Scheme into the technical assistance which countries in Asia now take for granted through the Colombo Plan. The problem arises because the Colombo Plan is not primarily a Commonwealth scheme, although it was of Commonwealth origin. The criterion for membership is nominally geographical rather than political. Countries like Burma and Indonesia, which are not Commonwealth members, are full participants in the Colombo Plan. At the same time it would be unfortunate and undesirable to exclude the Commonwealth countries of South-East Asia from the workings of any new Commonwealth scheme. It is suggested that one approach to this problem might be to divide the new scheme into two programs, one to be Commonwealth wide and the other to apply only to Commonwealth countries not now receiving Canadian technical assistance. Suggested programs are discussed in the following section. No significant problems are foreseen in the West Indies and Ghana, or in coordination with the United Nations or other international programs.

3. Commonwealth Scholarship Scheme

Consideration might be given to establishing a Scheme of Commonwealth Scholarships to which the countries and dependent territories of the Commonwealth might contribute (approximately in proportion to the facilities which they can make available) and within which the nations of each country or territory might secure awards.

If Canada were to offer (as suggested below) about 100 scholarships, then the total scheme might be from five to ten times as great, or even larger. Aside from awards granted by the "developed" Commonwealth countries (U.K., Australia, and so forth) it might well be that India, Pakistan, Malaya, Ceylon, and others would also wish to contribute. These countries are now providing worthwhile technical assistance to others through the Colombo Plan, and feel strongly about their position as donors as well as recipients.

Awards might be limited to "underdeveloped" countries or extended to the full Commonwealth; the broad political attractions of the latter alternative are obvious. In line with the views set-out above, it is suggested that these scholarships not be limited to "technical assistance" in the restricted sense, but rather the awards should be open to the best candidates in each country, regardless of their proposed field of study. The awards offered by any country might therefore be open for study in every field in which suitable facilities are available. Candidates would not have to be sponsored by their own governments, but would apply in their own right; intellectual and personal qualities would be the sole criteria for selection.

Canadian Participation

A possible Canadian contribution to such a Commonwealth Scholarship scheme is outlined below merely as a basis for consideration. It is possible, of course, to adjust the calculations to fit any desired scale of operations. It is suggested that Canada might offer one scholarship for every two million people in each "underdeveloped" territory, of the

Commonwealth, with a maximum of ten a year for any one country and a minimum for each country of one in four years. This would mean approximately 70 Canadian scholarships a year according to the attached (Annex A).† If the awards were tenable for a maximum of four years, with an average duration of three years, then the cost (on present Canadian Colombo Plan rates) would be about \$260,000 for the first year, \$420,000 for the second year and \$580,000 for the third and succeeding years.

The scheme would apply both to present Commonwealth Colombo Plan countries as well as to Commonwealth countries and territories not in the Colombo Plan area. For the Colombo Plan countries, the money could be found from the Canadian Colombo Plan vote; this would cut the need for new money almost in half. (It might be desirable to allocate rather more of Canadian Colombo Plan funds to technical assistance so that present activities would not have to be unduly curtailed.) If "developed" countries were to be included in the scheme, the number of scholarships would rise by 29 as outlined in the attached Annex B.† An estimate of all the costs involved is summarized in Annex C.

If some such scheme as this were undertaken, the first awards could not take effect before September 1959 and would be possible only if arrangements are put in hand urgently next autumn.

These awards should be invested with as much academic distinction and prestige as possible. This is partly at least a public relations assignment, although the scholarships themselves should be sufficiently attractive financially to secure application from the best available candidates in each country.

To this end it is suggested that selection of scholars be made in each country by local committees which would include representatives of each donor country as well as nominees of the candidate's own Government. These committees should be established at the highest possible level, although in practice most of the work might be done by alternates. The object should be that the people who are successful in securing these scholarships should gain wide recognition by so doing.

The field of study in which Canadian scholarships might be offered would have to be examined in some detail. In principle there should be no restriction except that imposed by academic facilities available here. It is suggested however that in setting up the awards the Canadian Governments should specify for most countries how many of the scholarships would be for under-graduate and how many for graduate study. In many of the more under-developed countries it is difficult to find candidates of ability to undertake graduate work; in other countries (e.g. India) both the candidates available and administrative considerations would indicate limiting the awards to graduates.

Placement in Canadian universities of candidates of the calibre expected is unlikely to present a serious problem. The undergraduates could be fitted into the appropriate faculties across the country without causing noticeable extra pressure, while graduates, considering their calibre, may be expected to know what they wish to study and where. Anyone successful in getting one of these awards is likely to be sufficiently strong academically to secure admission to any faculty of his choice.

4. *Expansion of Technical Assistance (in the narrow sense)*

It is suggested that while the proposed Commonwealth Scholarship scheme extend to the whole Commonwealth, it be supplemented by a technical assistance program for Commonwealth countries not now receiving Canadian Technical Assistance. This program would be similar in principle to the existing Canadian arrangements and would be limited by the same criteria. Assistance both in experts' services and by the grant of fellowships and scholarships would be made available only for purposes which contribute to the

economic development of the country concerned, and would be limited to specific requests by governments.

Assuming that about one million dollars additional is available in the expansion and that the contemplated Scholarship arrangements as outlined above are acceptable, the balance for technical assistance for the countries not now covered would be about half a million dollars. This would be sufficient in the early stages of the expansion of the programme (assuming the present arrangements for Ghana are to be subsumed under the new Scheme, but the West Indies to be dealt with separately.) However, unlike the scholarship scheme the technical assistance program might well grow so that more money could be used effectively in later years. If any significant amounts of equipment and supplies were to be provided these funds would have to be increased materially.

However, since realistic requests for assistance are likely to be lower than available funds for the first few years, it is suggested that no formal public allocation of funds between countries be made at the beginning, at least. Undue concentration on any one area or country can be avoided by informal negotiation and administrative control. This approach has proved satisfactory, simple, and acceptable by recipient countries under the Colombo Plan Technical Assistance Scheme.

Administration

It is suggested that administrative arrangements be similar to those which have been developed in dealing with the Colombo Plan and the West Indies and Ghana. The Canadian Government would receive applications from the governments of the Commonwealth countries and territories, would examine them to ensure that they fall within the terms of reference of the program, that they were likely to be possible and practical of execution, and that they fall in a field where assistance from Canada could be effective. If they met those criteria, then the assistance would be provided according to the procedures already being applied.

It is suggested that while both experts' services and training facilities might be provided, the bias should be in favour of the former because:

1. Experts probably provide more value for money, both in promoting economic development and in political impact;
2. In most of the underdeveloped territories, there is an acute shortage of people with the basic education which is needed to take advantage of training abroad. The trained people in many areas already have scholarship programs open to them under other schemes;
3. The Commonwealth Scholarship Scheme outlined above would provide training opportunities for the best available local people.

In summary, and as a very general rule, experts probably provide better value and meet higher priority needs than trainees.

5. Institutional Arrangements

In Canada, it would probably be most reasonable to administer the new programs through the Technical Co-Operation Service of the Department of Trade and Commerce, which has been established to look after Colombo Plan, United Nations, and other technical assistance for which Canada has taken some responsibility. Experience available there in detailed administration of technical assistance will be valuable, since many of the same problems will be encountered in the new operation. In placing scholarship holders the Service would have the advice of its own university advisers, and of the Canada Council and National Research Council where the field of study is within the orbit of these organizations.

Experience with the Colombo Plan has been that the most effective technical assistance can be arranged bilaterally. It is most important in practice to bring the professional people concerned in donor and recipient countries into close contact so that the assistance provided will fit and reflect the actual problems to be faced. A standing international secretariat serves only to introduce a complicating factor in the Scheme. This has been the experience with the Colombo Plan Bureau, which now contributes very little to the operation of the Colombo Plan Technical Assistance Program. It was of some use at the beginning of the Scheme, but as the program developed participating countries found it desirable to by-pass the secretariat in the interests of speed and efficiency.

The Bureau now has only three functions of any real significance. First, it collects statistics of the operation of the Colombo Plan Scheme. These are useful but not essential. It is suggested that this function might be performed for the new Program, as well as for existing Commonwealth Schemes by the Commonwealth Economic Committee. The Colombo Bureau also has an Information Unit. For the new schemes this function could be performed by national information agencies, as happens in practice for the Colombo Plan. Visits by the Director of the Colombo Bureau to participating countries can be useful, but probably do not in themselves justify the existence of the Bureau. It is suggested that for the new program this function could be performed more cheaply and effectively by arranging for occasional visits to recipient countries by Canadian officials concerned with the Program and by officials from recipient countries visiting Canada. Experience has demonstrated that such visits are necessary, in any event.

The Colombo Bureau continues to exist for historical reasons and it is not the purpose of this paper to suggest that it should be abolished. However, Canadian experience with it indicates that there is no need to set up a similar organization for a new Program. It is significant that the West Indies and Ghana programs have started to operate without a separate intermediary body, and with no obvious need for one. It is relevant to point out that technical assistance was a new idea when the Bureau was established. National administrations, in both donor and recipient countries were feeling their way. Most countries now have a good deal of experience in working in this field with the United Nations, the Commonwealth Development and Welfare Program, the Specialized Agencies, the United States I.C.A. Program, and so forth. The principles of operation of all of these agencies are essentially similar and are well understood by the officials throughout the world who have to deal with technical assistance.

The detailed arrangements in the programme could probably best be established at a conference where officials could come together to work out the administrative arrangements and to exchange views on the fields of activity in which they are most concerned. Beyond this the need for continuity would adequately be met through tours by individuals as mentioned above, and by occasional (perhaps annual) meetings of senior operating officials from participating countries.

In short, the cost of a continuing secretariat might better be spent on providing more technical assistance.

Summary and Conclusions

(a) Given funds, a Canadian technical assistance program for the underdeveloped areas of the Commonwealth not now receiving Canadian aid is perfectly practical. As far as Canada is concerned it could be handled largely by machinery and procedures developed to deal with the Colombo Plan, West Indies, and Ghana Programs. More people would of course be required, but the basic structure exists.

(b) A program of Commonwealth Scholarships is equally feasible as far as the Canadian portion of the Scheme is concerned, and would fill a gap existing in the present Canadian programs. Machinery for the administration of the Scheme in Canada exists, not only in the Technical Cooperation Service, but also in the National Research Council and the Canada Council. Co-ordination and co-operation between these agencies would be required, but should cause no difficulty.

(c) Experience with the Colombo Plan provides a valuable guide in establishing the new program. Most of the procedures and criteria developed through the Colombo Plan can be applied with only minor changes. There seems little need, for administrative purposes at least, to establish a Secretariat as was done at the beginning of the Colombo Plan. The Commonwealth Economic Committee might collect such common statistics as are required.

D.W. B[ARTLETT]
[R. GREY]

[PIÈCE JOINTE/ENCLOSURE]

Annexe C

Annex C

COMMONWEALTH SCHOLARSHIPS
COSTS

Assuming arbitrarily, but not unrealistically that the average duration of each award is three years, that the average cost of transportation is \$1,400 for each award and that the average annual cost of maintenance, fees and medical coverage is \$2300 a year, the following cost figures result for the proposed Canadian Program.

| | First Year | Second Year | Third and Succeeding Years |
|--|------------|-------------|-------------------------------|
| Underdeveloped Territories (Annex A)† | 260,000 | 420,000 | 580,000 |
| Less Colombo Plan Funds (29 of 70 awards)* | 116,000 | 183,000 | 249,000 |
| Net Cost for Underdeveloped Territories | 144,000 | 237,000 | 331,000 |
| Plus cost for Developed Ter- ritories (Annex A) | 85,000 | 138,000 | 191,000 |
| Total for all Commonwealth for Which | 345,000 | 558,000 | 771,000 |
| New Money needed | 229,000 | 375,000 | 523,000 |

* Transportation averaged @ \$1,700 each because of consistent long distances

Note: These figures are approximate only, and should not be taken as firm estimates. They give, however, a reasonable pictures of the general order of magnitudes involved.

375.

DEA/14020-C-14-2-40

*Note du ministère des Finances
pour le sous-ministre adjoint des Finances*
*Memorandum from Department of Finance
to Assistant Deputy of Finance*

[Ottawa], August 13, 1958

EXTENSION OF TECHNICAL ASSISTANCE

In their memorandum of July 30, 1958, Messrs. Bartlett and Grey propose the extension of our technical assistance programme in two directions:

- (a) geographically, to include all Commonwealth countries including the colonies;
- (b) academically, to cover areas of study not eligible under technical assistance "narrowly interpreted", i.e. the humanities.

2. The geographical extension has been approved in principle by Ministers. It does not raise any particularly difficult problems. The administrative machinery already exists. The U.K. would have to act on our behalf in those countries where we do not have diplomatic or commercial representatives.

3. The presentation of the second feature of the Bartlett-Grey proposal is, in my opinion, somewhat confused; furthermore, the reasons advanced in support are not equally valid; and finally, I would question some of the suggested organizational arrangements.

4. The memorandum states that under our technical assistance programme exchanges must be associated with the economic development of the country assisted. In my own interpretation of technical assistance, I have placed the main emphasis on the word "technical," the association with economic development being a secondary consideration. This interpretation conforms to the facts. Our technical assistance programme extends into fields which are only more or less indirectly associated with economic development, such as medicine, public health, nursing, security, the social sciences.

5. The residual area referred to in the memorandum as the "humanities" and to be covered by the proposed "Commonwealth Scholarship Scheme" is thus a very narrow one. It would include areas such as literature, languages, history, and the fine arts.

6. Without wishing to denigrate these fields of study, I question seriously the need for a scholarship programme limited to or including these fields. Technical assistance, as it now operates, yields most of the benefits outlined at the bottom of page 3 and the top of page 4 and advanced in justification for the establishment of the special scholarship programme. The Commonwealth Conference is a trade and economic conference and the main problem facing the Commonwealth is the economic development of its poorer members. It seems to me that any proposals which we put forward at the Conference in the field of economic and technical assistance, given the limited resources available, should address themselves to this problem rather than to one of its tangential elements.

7. The idea of a special scholarship programme should, in my opinion, be retained, but in a slightly modified form. The distinctive element of these scholarships would be that candidates would not, as is the case of technical assistance scholarships, be sponsored by their governments, but would apply on the basis of their academic or other achievements. The scholarships would be limited to graduate students and to certain fields of study related to economic development in general, e.g. the social sciences, rather than specific aspects of

economic development, e.g. transportation. There would be a minimum of one scholarship per year per underdeveloped country (and colony?), the other scholarships being awarded purely on the basis of merit.

8. With regard to organization I agree with the Bartlett-Grey memorandum that no new international organization is needed to deal with the geographically extended technical assistance programme. The creation of such machinery has only some short-lived publicity value.

9. In the case of the special scholarship programme, I would like to put forward for your consideration a suggestion, which I agree involves some difficulties, for the creation of a scholarship fund to which each Commonwealth country would contribute, each country receiving a number of scholars proportionate to its contribution. The selection of scholars from among the applicants would be made by a panel of distinguished Commonwealth citizens. Some new machinery would be needed. Such a fund might be called the Commonwealth Scholarship Fund for Economic Development.

10. If the fund were to be an essentially Canadian affair, the Colombo Plan Administration might be asked to do the secretarial work. The selection of scholars, however, should be made by a body such as the Canada Council, the interdepartmental scholarship panel, or a specially created panel outside the Government.

11. I am not convinced that a special scholarship programme should be financed by earmarking funds voted for the Colombo Plan or for technical assistance. In my opinion, any real or alleged deficiencies in the technical assistance programme are not in themselves sufficient to justify a special scholarship programme. The justification for such a programme rests in its prestige value, in the publicity which it attracts, and in the interest in Commonwealth development which it will foster. As such, it should, I think, be kept quite separate and built up independently from anything else that we may be doing.

D. HUDON

376.

DEA/14020-C-14-2-40

*Note*⁴²

*Memorandum*⁴²

CONFIDENTIAL

COMMONWEALTH SCHOLARSHIP AND TECHNICAL ASSISTANCE PROPOSALS

The purpose of this memorandum is to examine proposals, first, that the Canadian Delegation to the Montreal Conference should, in concert with the United Kingdom Delegation, urge the establishment of a broad and reciprocal plan of Commonwealth scholarships and second to authorize the Canadian Delegation to offer an extension of the present Canadian technical assistance arrangements to all the underdeveloped areas of the Commonwealth, whether dependent or independent, if such an extension is considered desirable as the Conference develops.

⁴² L'original de ce document n'a pas été trouvé. Le document imprimé ici est tiré des documents d'information pour la Conférence économique et commerciale du Commonwealth.

The original of this document was not located. The document printed here is taken from the briefing material for the Commonwealth Trade and Economic Conference.

The extension of inter-Commonwealth contacts is important at this time to strengthen the bond between Western institutions and administrators and similar personnel and institutions in Commonwealth countries who may be expected in time to influence public attitudes and in many cases to provide the governing elite in these countries. In the past there have been basic arrangements which have ensured the development of Western-educated and Western-trained personnel who developed a natural sympathy and understanding of Western ideas and institutions. These bonds are not being maintained as countries achieve political independence. Already the present leaders of Commonwealth countries in Asia and Africa are called upon to justify the Commonwealth association in terms of national self-interest. The coming generation of leaders in these countries may no longer be able to do so in clear conscience unless they too can be given some experience of the Commonwealth association in personal terms.

Apart from the question of improving contacts it is also evident that there is a particular need for administrators, political leaders, teachers and business executives who can participate in the formulation and management of more effective and dynamic programmes and thereby ensure productive employment of the growing reservoir of technically skilled personnel and other resources. "Unless economic development can go forward effectively on sound lines in the underdeveloped areas of the Commonwealth, the Commonwealth is not likely to survive." Indeed, it is in recognition of this problem that the United Kingdom has been giving attention to widening the scope and amount of technical training to be extended to the under-developed countries of the Commonwealth, although, as yet, the U.K. has placed rather more emphasis on technical training.

The present technical assistance arrangements do not meet this range of needs fully. Of course, most of the more well developed countries of the Commonwealth contribute to the U.N. technical assistance programme and will no doubt contribute to any new arrangements, such as the Special Projects Fund. Canada's contribution to UNETAP is \$2 million a year; Canada is committed to a contribution to the Special Fund. Further, the United Nations Specialized Agencies provide some technical assistance from their regular budgets, to which Canada and, of course, other Commonwealth countries contribute. The *United Kingdom* makes substantial contributions of a technical assistance character to the Commonwealth on a bilateral basis as do other Commonwealth countries. There are a number of other minor technical assistance arrangements within the Commonwealth but by far the most important assistance offered by Commonwealth countries is through the Colombo Plan.

The Canadian Colombo Plan programme which is, of course, the most important Canadian programme is governed by the following criteria: first, the exchanges must be related in some way to economic development; thus the exchange of personnel in certain fields of critical importance to the underdeveloped countries is not included. Second, trainees must be nominated formally by their own governments and experts must be formally accepted by governments. Trainees are usually from government service and return to fill government jobs; intellectual competence above a certain minimum level has little bearing on selection.

Commonwealth Scholarship and Fellowship Programme

At Montreal, the Canadian Delegation should take the initiative in seeking an agreement in principle for the establishment of a broad and reciprocal Commonwealth programme of scholarships and teaching fellowships as an instrument to strengthen the intellectual resources of the Commonwealth. Both the developed and the underdeveloped countries and dependent territories of the Commonwealth would contribute to this scheme

so as to secure a substantial exchange of the ablest men and women, both to study and to teach, between the Western Commonwealth and the Asian and new African countries. The Delegation might propose the programme be established for an initial period of five years, after which there would be a comprehensive review.

A very important aspect of the proposal is that the Asian and African members would be encouraged to make some contribution. A reciprocal programme would emphasize that the western Commonwealth countries recognize that we need to know more about the new countries of the Commonwealth and that we recognize that they have much to contribute and the scholarships and fellowships would be open to the best candidates in each country, regardless of their fields of competence. The awards offered by any country should be open in every discipline in which suitable facilities are available. Candidates would not have to be sponsored by their own governments but would apply in their own right. This exchange of persons should be designed to develop the aptitude and knowledge of promising candidates in fields deemed most useful to future advancement of the countries concerned and to strengthening Commonwealth ties.

It is difficult to say at this time just how large such a programme would be. If there was general participation by all Commonwealth governments an annual exchange of one thousand or more individuals might be possible.

It is important that these awards be invested with as much distinction and prestige as possible. To this end, the awards should be made in each country by a committee established at the highest possible level. Such a committee would include representatives of each donor country in the programme as well as nominees of the national government and of the major universities. People who are successful in securing such awards must be of the highest calibre and they must gain wide recognition by so doing.

If some such programme as this were undertaken, the first awards could not take effect before September 1959 and would be possible only if arrangements are put in hand immediately after the Montreal Conference. To that end, the Canadian Delegation might propose a meeting of key Commonwealth educational leaders and government officials, to work out the details of such a programme promptly.

As for Canadian participation, the Canadian Government would specify for each country how many of the scholarships would be for under-graduate and how many for graduate study and in what fields we wish to receive teaching fellows. In many of the more underdeveloped countries, it is difficult to find candidates of ability to undertake graduate work; in other countries (e.g., India) both the candidates available and administrative considerations make it desirable to limit the awards to graduates and to look for senior personnel who would teach as well as study. Candidates who have already studied abroad in other Commonwealth countries, would, as a general rule, not be accepted.

Geographical Expansion of Technical Assistance

The Commonwealth Scholarship Scheme would extend to all the underdeveloped countries and areas of the Commonwealth. Consideration should be given also to the extension of technical assistance to Commonwealth countries not now receiving Canadian technical assistance (e.g. the emerging African territories). Such a programme would be similar to the existing Canadian arrangements under the Colombo Plan and for Ghana and the West Indies and would be limited by the same criteria.

There are a number of considerations which argue for or against extending the geographical scope of Canadian technical assistance now. On the one hand, there is an acute need to help countries before they emerge, when people can be freed for training, rather than after independence. There are, too, Canadian interests in territories such as Nigeria

which would be furthered by extending help now. In broad political terms, the emerging African countries have a role to play in the settlement of international issues only less important than the role of the Asian countries of the Commonwealth.

We are already receiving hints that aid would be welcome from some of these countries, and some definite requests. There are not likely to be many such requests but our reasons for not meeting such requests are not very clear to the countries concerned. They are very much aware of Canada's ability to help other Commonwealth countries (Ghana, West Indies, etc.). In part, the need may be met by the Scholarship and Fellowship Programme. On the other hand, it may be desirable to hold back Canadian aid to emerging countries until they are fully independent.

In the light of these considerations, it is suggested that the Canadian Delegation should be authorized to indicate at the Conference that Canada is prepared to extend technical assistance to the Commonwealth countries not now receiving such aid if, in the judgment of the Delegation, such an offer is desirable, in view of the response of other countries to the Scholarship proposal, but in the light of such views on these matters as may be put forward by other delegations.

Financial and Administrative Considerations

Consideration would be given after Montreal, in the light of the response of other Commonwealth countries, to what sort of committee or agency would be necessary in Canada to administer the Canadian portion of scholarship and fellowship programmes. In the Canada Council, the National Research Council and in the Colombo Plan Administration we have of course considerable experience and a good deal of machinery which should be used in any new programme. As for setting up some form of Commonwealth mechanism, this matter should be one subject to be considered by the proposed conference of educators and Commonwealth officials. However, it should be borne in mind that experience with the Colombo Plan has been that the most effective exchanges of personnel can be arranged bilaterally. It is most important in practice to bring the professional people concerned in donor and recipient countries into close contact. A standing international secretariat serves only to introduce a complicating factor. This has been the experience with the Colombo Plan Bureau, which now contributes very little, if anything, to the Colombo Plan.

As for the extension of technical assistance to new areas the same administrative arrangements similar to those which have been developed in dealing with the Colombo Plan and the West Indies and Ghana would be appropriate.

As for the financial implications of these proposals, precise figures cannot be established until much more detailed study has been given to the scholarship programme, in particular. A Canadian programme of one hundred awards per year for an average duration of three years might involve expenditures of about three-quarters of a million dollars annually. It might be necessary for the developed countries to underwrite some of the costs of the under-developed countries' share — which would call for further Canadian expenditures. The technical assistance programme for countries not now covered (and subsuming the interim arrangements for Ghana) might involve, after an initial period of low expenditure, annual charges of the order of half-a-million dollars. These proposals involve Canadian charges, therefore, of the order of one to one-and-a-half million dollars.

Summary and Conclusions

(a) A programme of Commonwealth scholarships and senior teaching fellowships should be proposed by the Canadian Delegation to the Montreal Conference; the Delegation

should seek agreement in principle to the setting up of such a programme and the convening of a conference of educationalists and officials to draw up detailed proposals for the programme to be initiated as soon as possible.

(b) The extension of Canada's technical assistance programme to under-developed countries of the Commonwealth not now receiving Canadian aid might be put forward by the Canadian Delegation at Montreal, if it is apparent that this would be needed and welcomed by Commonwealth countries.

377.

DEA/50123-B-40

*Extrait du procès-verbal de la réunion
du Comité du Cabinet sur la conférence du Commonwealth*

*Extract from Minutes of Meeting
of Cabinet Committee on Commonwealth Conference*

SECRET

[Ottawa], August 20, 1958

Present

The Minister of Finance, (Mr. Fleming), (Chairman),
The Minister of Trade and Commerce, (Mr. Churchill),
The Minister without Portfolio, (Mr. Macdonnell).

Also Present

Mr. R.B. Bryce, (Secretary to the Cabinet)
Mr. J.H. English, (Deputy Minister of Trade and Commerce)
Mr. D.V. LePan, (Assistant Under-Secretary of State for External Affairs)
Mr. A.F.W. Plumtre, (Assistant Deputy Minister of Finance)
Mr. C.M. Isbister, (Assistant Deputy Minister of Trade and Commerce)
Mr. M. Schwarzmann, Mr. J.R. Downs, Mr. R.E. Latimer, (Department of Trade and Commerce)
Mr. L.E. Couillard, Mr. R. Grey, Mr. K. Goldschlag, (Department of External Affairs)
Mr. S.S. Reisman, Mr. C.A. Annis, Mr. H.D. Clark, (Department of Finance)
Mr. G.S. Watts, Mr. M. Sakellaropoulo, (Bank of Canada)
Mr. S.D. Pierce (Secretary-General of the Commonwealth Trade and Economic Conference)
Mr. R.A. Farquharson, (Canadian Embassy, Washington)
Mr. D. Morley, (Acting Secretary), (Privy Council Office)
Mr. G. Smith, (Commissioner to The West Indies).

Item II: COMMONWEALTH SCHOLARSHIP SCHEME

38. *Mr. LePan* regretted that the Secretary of State for External Affairs was not present to introduce the paper or comment on the New Zealand trade representations. The paper before the Ministers was the result of inter-departmental discussions; many of the ideas were attributable to Mr. Plumtre. Four considerations had been kept in mind in the drafting of this memorandum:

- (i) Though the Commonwealth countries were not a source of surplus capital, they did have a surplus of educational and technical training facilities.
- (ii) One important cohesive element in Commonwealth relations has been the similarity of educational background.
- (iii) The scarcity of appropriate personnel in emerging countries limited proper use being made of the technical assistance that was available.
- (iv) In modern circumstances one of the important ways that central governments can assist economic development is by providing training facilities

These thoughts had been in the minds of officials when they had learnt of the U.K. ideas on this matter. The paper should be regarded as an effort to accept and adopt Canadian thinking to the ideas current in Whitehall.

39. *Mr. LePan* said that the programme as outlined in the paper would differ from what had been done under technical assistance schemes now in operation in the following respects:

- (i) Candidates would apply on their own responsibilities rather than being put forward by a Government body.
- (ii) In selecting candidates, recipient countries would rely on their educational authorities.
- (iii) The programme would aim at a high standard of intellectual promise and attainment.
- (iv) The programme would have a broader scope than technical assistance programmes.

The scheme would be operated on a bilateral basis, though some minimal organization might have to be set up to establish connections between those seeking schooling and the donor countries providing the education.

The programme would be envisaged as a reciprocal scheme in which all Commonwealth countries contributed as well as received educational opportunities. If one hundred scholarships were offered per annum by Canada the annual cost to Canada at the end of the third year would be approximately \$750,000.

Consideration should also be given to a geographical expansion of Canadian technical assistance to those Commonwealth countries not at present in receipt of such aid. At present, Canada was providing technical assistance to the Colombo Plan countries and to The West Indies and Ghana. Officials had thought that this assistance might now be extended to countries such as Nigeria and other territories in Africa and elsewhere. However, it might be advisable at the Conference to withhold announcement of the proposal until we had a better idea of what forms of technical assistance Commonwealth countries felt they needed and until we could assess the response of other Commonwealth countries to our scholarship proposal. If the two schemes were implemented, it would involve charges to Canada of about \$1-\$1 ½ million per annum.

40. *Mr. Fleming* wondered, now that this paper had been prepared, what would be the next step?

41. *Mr. Plumtre* thought that our scholarship programme had some affinity to U.K. ideas. The U.K. did not intend by September to reach finality as to the type of programme they could support. What was wanted at the Conference was an agreement in principle. Canadian officials had broached the subject of technical assistance at the June meetings in London, and U.K. officials had made few general remarks about a scholarship fund. The paper now before the Committee implied letting the U.K. propose their scheme first. If the U.K. scheme was found to lack substance, we could then put forward our proposals for a somewhat broader programme as comments on the U.K. ideas.

42. *Mr. Plumtre* said that he wanted to re-emphasize the presentational value of this programme. This would be a reciprocal scheme. Canadians would go to India, The West Indies, as well as persons from those countries coming to Canada. There might also be an exchange of prominent teachers and educators between the various Commonwealth countries. The technical assistance proposal of the U.K. presupposed that Canada and the U.K. and possibly Australia would be the only sources of such assistance.

43. *Mr. LePan* thought that if the broad outline of the scheme could be agreed on, then government officials, members of the Canada Council, the National Research Board and universities, could consider the details at a later date.

44. *Mr. Fleming* hoped that something fairly definite would emerge from the Montreal Conference. This paper had two conclusions that he hoped would be adopted. Would it be best to communicate our ideas to the U.K. and then, at the Conference, aim at arriving at some firm conclusions?

45. *Mr. Churchill* thought that the proposals should be put into final form and put forward at the Conference. It should not be difficult to work out the details from our previous experiences in this field.

46. In reply to a question by the Minister without Portfolio, *Mr. Plumptre* said that since the selection of personnel would, in part, be up to national authorities, there would be a tendency for students coming to Canada from underdeveloped countries to concentrate on technical subjects rather than the humanities. *Mr. Plumptre* wondered whether we should send our thoughts on this matter to the U.K. before we received their telegram on the proposals for a scholarship fund.

47. *The Committee* agreed that these proposals should be discussed with other countries after consultation with the U.K. A memorandum might then be prepared for presentation to the Cabinet.

...

378.

DEA/50123-B-40

*Le secrétaire d'État aux Affaires extérieures
au haut-commissaire au Royaume-Uni*

*Secretary of State for External Affairs
to High Commissioner in United Kingdom*

TELEGRAM E-1442

Ottawa, August 21, 1958

CONFIDENTIAL. OPIMMEDIATE.

COMMONWEALTH TRADE AND ECONOMIC CONFERENCE: COMMONWEALTH
SCHOLARSHIPS AND FELLOWSHIPS PROPOSAL

Cabinet Committee on Conference has considered proposals that Canada and the United Kingdom should urge agreement in principle by Commonwealth countries at Conference to a broad and reciprocal programme of Commonwealth scholarships and senior teaching fellowships. They envisage a plan under which all Commonwealth countries would both offer awards and receive these awards which might total a thousand a year or more and to which Canada might contribute 100 a year. These awards would not be limited to technical subjects and would carry considerable prestige; candidates would not be nominated by governments but would apply in their own right to national committees comprised of leading educationalists and other prominent citizens. Ministers attach very great importance to reaching agreement at the Conference that such a programme will be put in hand and to this end reaching agreement at Montreal to convening of a conference of educationalists and officials to work out the full details of a programme for submission to governments.

2. One reason Ministers wish to pursue this matter is that they know UK Ministers have been thinking along the lines of an expanded scheme of educational training in the UK for

personnel from under-developed Commonwealth countries. They wish to advise other Commonwealth governments of Canadian views on proposal but they would not wish to appear to be attempting to pre-empt a field in which the UK has clearly had proposals in mind. They would therefore hope that warning telegram on UK proposals in this field will be received shortly. We do not have any detailed information on UK scheme but would hope that it would not be incompatible with Canadian proposals. We would prefer that Canadian views can be put forward as comments on UK telegram and thus make logical and feasible a joint UK-Canada initiative at the Conference in this important field to Commonwealth endeavour.

3. Please speak to UK authorities in the sense of the above and let us have their views urgently.

379.

DEA/14020-C-14-2-40

*Le haut-commissaire au Royaume-Uni
au secrétaire d'État aux Affaires extérieures*

*High Commissioner in United Kingdom
to Secretary of State for External Affairs*

TELEGRAM 3534

London, August 25, 1958

CONFIDENTIAL. OPIMMEDIATE.

Reference: Your Tel E-1442 Aug 21.

Repeat Finance, T and C, Bank of Canada (Information).

COMMONWEALTH TRADE AND ECONOMIC CONFERENCE — SCHOLARSHIPS AND FELLOWSHIPS

We have spoken to UK officials about your ideas concerning a programme of Commonwealth scholarships and fellowships. Their initial reaction was that these ideas are not incompatible with their own thinking although they were approaching the problem more from the point of view of reserving places in universities for Commonwealth students. Their own ideas are not yet very precise. Officials are working on proposals this week which would be considered by ministers next Monday (September 1). Unfortunately this means that their telegram will not be sent before September 1. Nevertheless I think they would prefer us to hold our message until theirs has gone forward.⁴³

380.

DEA/14020-C-14-2-40

*Le haut-commissaire au Royaume-Uni
au secrétaire d'État aux Affaires extérieures*

*High Commissioner in United Kingdom
to Secretary of State for External Affairs*

TELEGRAM 3556

London, August 27, 1958

CONFIDENTIAL. OPIMMEDIATE.

Reference: Our Tel 3534 Aug 25.

⁴³ Note marginale :/Marginal note:

This is going to be very late for Australia & NZ R. G[rey]

Repeat Washington, Finance, T&C, Bank of Canada (OpImmediate) (Information).

COMMONWEALTH TRADE AND ECONOMIC CONFERENCE — SCHOLARSHIPS AND FELLOWSHIPS

We have had further talks with UK officials. They have now decided that they can send out a telegram in very general terms to the effect that the UK government wishes to raise this question at the Conference. The telegram will not include any actual proposals, but should be adequate to give us an opportunity to send our message by way of comment on it. The UK telegram will probably go out today.

381.

DEA/50123-B-40

*Le secrétaire d'État aux Affaires extérieures
au haut-commissaire au Royaume-Uni*

*Secretary of State for External Affairs
to High Commissioner in United Kingdom*

TELEGRAM E-1501

Ottawa, August 27, 1958

CONFIDENTIAL. PRIORITY.

Repeat London, Canberra, Wellington, Cape Town, Delhi, Karachi, Colombo, Kuala Lumpur, Accra (Priority).

Repeat DM/T&C, C/Plan T&C (Information).

COMMONWEALTH TRADE AND ECONOMIC CONFERENCE —
COMMONWEALTH SCHOLARSHIPS AND FELLOWSHIPS PROPOSAL

Canadian Ministers have welcomed proposals to initiate discussion in Montreal of scope for co-operative action to improve existing facilities for the higher training of Commonwealth students in other Commonwealth countries. Canadian Ministers have also been giving consideration to such a programme. The purpose of this message is to indicate our present thinking on these matters so that Commonwealth governments in considering UK suggestion can take our views into account.

2. Canadian Ministers have considered how best Commonwealth resources might be used to meet Commonwealth needs for broad and general training at the highest levels. They have envisaged a programme with perhaps less emphasis on technology than the UK appears to have in mind, which would provide for exchange of teachers as well as students and which would not be limited to purely academic disciplines. To this end it is proposed that Canadian delegation should urge agreement in principle at Conference of a broad and reciprocal programme of Commonwealth scholarships and senior teaching fellowships. All Commonwealth countries would both offer awards and receive awards, which might total a thousand a year or more. These awards would not repeat not be limited to technical subjects and would carry considerable prestige: candidates would not repeat not be nominated by governments but would apply in their own right to national committees comprised of leading educationalists and other prominent citizens. Ministers attach very great importance to reaching agreement at the Conference that such a programme will be put in hand and to this end agreeing at Montreal to convening of a Conference of educationalists and officials to work out the full details of a programme for submission to governments.

3. Please speak to officials concerned with Conference in the sense of the above.

382.

DEA/50123-B-40

*Le haut-commissaire en Australie
au secrétaire d'État aux Affaires extérieures*

*High Commissioner in Australia
to Secretary of State for External Affairs*

TELEGRAM 113

Canberra, September 9, 1958

CONFIDENTIAL. OPIMMEDIATE.

Reference: Your Tel E-1501 Aug 27.

COMMONWEALTH SCHOLARSHIPS AND FELLOWSHIPS

Discussed Canadian proposals with Moore, Assistant Under Secretary concerned, Department of External Affairs, and outlined them to the Departments of Trade and Prime Minister which latter deals with Commonwealth Office of Education and Commonwealth Granting Commissions. To date there appears to have been little consultation between departments concerned and Australian policy is still in the formative stage. Details of training in Australia under the Colombo Plan have been cabled to Mr. Casey in Washington who is expected to brief Mr. McEwen on Australian position.

2. Speaking on official level Moore said Canadian proposals seem to be more flexible and offer greater scope than the original UK suggestions. He emphasized however that Australia had just increased its scholarships under Colombo Plan from 800 to 950 at any one time and that there would be difficulties financially and with regard to university accommodation for any extension of present scholarships. Since June Australia has trained 1274 students and fellows from Commonwealth or Crown Territories under the Colombo Plan.

3. It is not repeat not in question whether Australia will have very firm views about proposals at Trade and Economic Conference but will probably point out that it is achieving some at least of the objectives already through its Colombo Plan training scheme.

[T.W.L.] MACDERMOT

383.

DEA/14020-C-14-2-40

*Le haut-commissaire en Nouvelle-Zélande
au secrétaire d'État aux Affaires extérieures*

*High Commissioner in New Zealand
to Secretary of State for External Affairs*

TELEGRAM 85

Wellington, September 11, 1958

CONFIDENTIAL. PRIORITY.

Reference: Your Tel E-1501 Aug 27.

Repeat London from Ottawa (Information).

By Bag Cape Town, Accra, Karachi, Delhi, Colombo, Kuala Lumpur from London.

By Bag Canberra from Wellington.

MONTREAL CONFERENCE
COMMONWEALTH SCHOLARSHIPS AND FELLOWSHIPS PROPOSAL

NZ Delegation to Montreal Conference has been instructed to support in principle the idea of a Commonwealth fellowship programme. They consider the concept has real merit and that such culture conscious nations (as?) India will welcome reciprocal nature of proposal. However, the New Zealanders are anxious to avoid making a firm commitment regarding the proposal at Montreal and would like a special conference of experts convened to thrash out the details.

384.

DEA/50123-B-1-40

*Extrait du procès-verbal de la réunion
de la huitième Session plénière
de la Conférence économique et commerciale du Commonwealth*
*Extract from Minutes of Meeting of the Eighth Plenary Session
of the Commonwealth Trade and Economic Conference*

SECRET

Montreal, September 19, 1958

...

1. ECONOMIC DEVELOPMENT: EDUCATIONAL EXCHANGES

Mr. Fleming (Canada) proposed that consideration of this item be limited at the current stage to one aspect of the problem of economic development, namely educational exchanges and particularly the provision of scholarships on a Commonwealth basis. The United Kingdom and Canada had shown a special interest in this matter which had also formed the subject of exchanges of messages prior to the opening of the Conference.

Lord Home (United Kingdom) said it was logical that the subject of technical assistance and scholarship training should precede the consideration of means of mobilizing more capital for development. It was clear that full advantage could not be taken of the opportunities for economic progress unless there was full recognition of the importance of the human factor in economic development. Professional and craft skills were the product of long and costly training and there was a shortage of technicians which was not confined to the less developed countries. Apart from the role which human resources played in economic development it was important to bear in mind that democracy could survive only in an educated society. However different the methods adopted by the communists might be, it was a fact that, at least in the field of technology, they had based their development plans on trained manpower.

The United Kingdom Delegation had circulated a paper outlining the assistance given by the United Kingdom in the training of students from the Commonwealth. The meeting might also be interested, however, in the general lines along which an expansion of educational opportunities in the United Kingdom was envisaged. They were aiming to double the output of qualified scientists and technicians between 1955 and 1970. They were also aiming to increase university places from 90,000 to over 130,000 within 10 years and the output of technical colleges from 9,500 to 15,000. In these plans the objective was to preserve versatility as a basic aim of education and not to put the emphasis too narrowly on technical education. Only in this way could the needs of a modern community be adequately served. The United Kingdom had been and continued to be ready to welcome students from overseas and especially from the Commonwealth and the Colonies. It was their hope that the expansion of educational opportunities in the United Kingdom would benefit

the Commonwealth. There had already been an increase in overseas students from 10,000 in 1951 to 38,000 at the present time and two-thirds of these came from the Commonwealth. Between ten and twelve per cent of the places available at technical colleges and universities were thus held by overseas students. These facilities could be sustained only by a heavy subsidy; some three-quarters of the recurrent income of the universities derived from public funds. In addition a great many overseas students were completely financed by the United Kingdom. The university authorities had warned that if students from overseas were to derive full advantage from the facilities available to them in the United Kingdom a better knowledge of English was essential. English was already the international language of science and it was in the interest of the Commonwealth that it should be widely taught in all Commonwealth countries. Another aspect of this picture which should be considered was the training of teachers for service in other countries. There had been an almost insatiable demand for teachers in the Commonwealth. Their training could take place either in the United Kingdom or in the country where they were eventually to teach. The United Kingdom Government had made considerable efforts to attract teachers for service overseas because they attached the greatest value to the exchange of qualified teachers and had themselves benefited from such exchanges with Commonwealth countries.

The Canadian Government had given notice that they wished to put forward a proposal for Commonwealth scholarships. The United Kingdom would be eager to examine it. Whatever the outcome of that proposal, however, the United Kingdom delegation felt there should be a joint study with the object of improving reciprocal educational facilities that existed in the Commonwealth. The United Kingdom wished to consult the universities and other educational authorities with respect to these matters in advance of any Commonwealth meeting on this subject. It seemed appropriate, however, that such a meeting should not only examine whatever proposals might emerge from the Conference but it should also survey the whole field to assess the needs of the Commonwealth and the resources available to meet those needs. In this endeavour the United Kingdom Government would be ready to play their full part and they would also be prepared to bear their full share of the cost of any expansion of existing facilities. In opening the Conference, Mr. Fleming had said that the Commonwealth spoke with many voices but could in many matters speak with one voice. It was the hope of the United Kingdom that this would be one such matter and that the proposals formulated by the Conference would hold out to the youth of the Commonwealth a vision of the fuller life that could be the reward of Commonwealth citizenship.

Mr. Fleming, inviting Mr. Smith to present the Canadian proposals noted Mr. Smith's special interest in this subject since he had been President of the University of Toronto for a decade and had also served as President of the National Conference of Canadian Universities.

Mr. Smith (Canada) said that he shared fully the enthusiasm of his colleagues for the Commonwealth association and that he had already had ample opportunity of becoming aware of the importance of trade and economic matters generally in the conduct of international affairs. He was particularly glad to participate in the discussion of a subject of such far-reaching importance. He shared the view already expressed that this subject was closely related to economic development in that the policies that emerged from the present Conference would require human skill and human energy for their implementation.

Before outlining the proposals that had been formulated by the Canadian Government, he wished to make it clear that these proposals did not imply any weakening in Canadian support for the existing programmes of capital or technical assistance. On the contrary, the

Canadian Government had decided on a substantially increased level of assistance which it was prepared to make available. Canada was acutely aware of the needs of under-developed countries for external capital if their economic development was not to be stultified and was prepared to do its part in helping to provide the required assistance. In considering the broad requirements of the less developed Commonwealth countries, Canada had come to the conclusion that there was a further way in which assistance might be afforded. Despite the capital assistance now being provided and the additions to this assistance that were contemplated, it remained a fact that the Commonwealth, as such, would not be able to generate large surpluses of capital for investment in economic development. On the other hand, Commonwealth countries were in a position to provide a surplus of educational opportunities and the Canadian proposals were designed to exploit this surplus in the interests of Commonwealth development. The present Conference was concerned with trade and economic development. It seemed to the Canadian Government that there were few things that central Governments could do to encourage economic growth that would be more useful than to assist in the expansion of educational opportunities. A growing economy inevitably tended towards greater complexity and this process of increasing differentiation and specialization clearly called for an increasing number of special skills. The object of the technical assistance schemes had been to train and provide specialists. On the other hand, an increasingly complex economic and social organism called for trained people of more general skills and aptitudes to exercise the qualities of judgment, insight, sympathy and intelligent synthesis that were clearly required in the process of economic growth.

The Canadian proposals had been formulated against this general background. Canada envisaged that the fellowships available would cover a broader range of subjects than those existing under the technical assistance programmes and would include the humanities and the social sciences as well as the physical sciences. Intellectual excellence would be one of the main criteria for the selection of candidates and, for this reason, Canada had in mind that candidates would apply on their own initiative and responsibility rather than be recommended by Governments. The process of selection might be carried out in each Commonwealth country by a committee on which universities and other learned institutions as well as Governments would be represented. While the size and scope of the scheme remained to be worked out, the Canadian Government would be prepared to offer 100 additional places a year at an estimated cost of approximately \$1 million annually. If the scheme commended itself to other Commonwealth countries, the aggregate number of scholarships available at any one time might reach as high as 1,000. It was the hope of the Canadian Government that the scheme might be operated on a reciprocal basis although Commonwealth countries would inevitably share unevenly in the responsibility for providing scholarships and making available teachers for service abroad. In this connection he wished to pay particular tribute to the continued generosity of the United Kingdom for the opportunities it was providing for Commonwealth students. Canada was only too ready to acknowledge the debt it owed to the United Kingdom in this respect and he imagined that other Commonwealth countries were in a similar position. No doubt the United Kingdom would also be the most important partner in the scheme he was proposing, but Canada was anxious to play its full part. Without any thought of mathematical equivalence, Canada was anxious that it should also be established, as far as possible, on a reciprocal basis, and to have the privilege of sending some Canadian scholars to universities in the Asian and African countries of the Commonwealth as well as to the United Kingdom and others. The programme would have to be worked out with the leaders of universities and other learned institutions. He had taken the liberty of giving a very general outline of these ideas to the

Congress of the Association of Universities of the British Commonwealth earlier this month. The reaction at that time suggested that they would have enthusiastic support from the learned communities in Commonwealth countries. In due course their co-operation would no doubt be necessary in working out the details of a Commonwealth scholarship scheme. In the meantime the Conference should be in a position to agree on the principle of establishing such a scheme and to set in train arrangements for the convening of a meeting at which more specific form could be given to the proposals that had been put forward.

The educational opportunities which so many members of the Commonwealth had enjoyed in the United Kingdom had provided a cohesive factor in terms of a common recognition of certain ideas and goals. At the same time the tradition of British universities had been to encourage individuality of thought and it was this blend of unity and diversity that was such a distinctive feature of the Commonwealth.

Mr. Fleming added that as Canada would be willing to make 100 scholarships available each year this would mean, on the assumption that most courses would last approximately three years, that at any one time between 250 and 300 such students would be studying in Canada.

Mr. Mustapha (Sierra Leone) observed that the question of development in the under-developed countries often seemed to be divided into two main compartments — economic development and development of basic social services. Although this distinction might have some validity in advanced countries, it was not one that could safely be employed in framing policy. Sierra Leone was amongst the most needy of those under-developed countries competing for the inadequate resources available for development. It had at present primary school places for only about 6 per cent of those of school age. The Government were convinced that in any country in that condition, more education was an integral part of economic development. They had been disappointed when the move to establish a Special United Nations Fund for Economic Development fell through. It had been hoped that such a fund might have provided money for technical and even primary education schemes as well as for teacher training. But they appreciated that there had been cogent reasons for the failure of this scheme and were aware of more recent developments in this field. Sierra Leone was grateful for the help received from the United Kingdom for the expansion of education. However, much remained to be done. Sierra Leone had given education a very high priority in its development programme, as had other Colonial Territories. He earnestly hoped that the Conference would reach agreement for concrete and early action resulting in some significant increase in the resources available to such countries for their more urgent needs.

Mr. Amjad Ali (Pakistan) welcomed the proposals of Lord Home and Mr. Smith. Any scheme to encourage the pursuit of knowledge would have the wholehearted support of Pakistan, whose government would participate in it to the best of their ability. Lord Home had rightly emphasized the importance of an educated society to a healthy democracy. This was borne out by Pakistan's experience. The members of the Commonwealth owed a great debt to the United Kingdom for having given them two things of immense value; the parliamentary system of government and contact with the English language. The latter had opened the door for the accumulated knowledge of great writers, scientists and philosophers.

Pakistan was not yet able to provide even primary education on a universal basis. The demands for education were much greater than they were even 20 years ago. It was now necessary for example to provide schooling for girls.

Problems sometimes arose when students were sent abroad to more advanced countries to study. It took them some time to reorient themselves when they returned home and they were therefore not able to contribute effectively for one or two years after their return. There was also a wastage of foreign exchange when about 10 per cent of the total number of Pakistani students who went to the United States stayed in that country. As Mr. Desai pointed out technical assistance was not adequate in itself. People who had been trained to use advanced techniques needed modern equipment and facilities if they were to use the knowledge they had acquired. Moreover the techniques of the highly developed countries were not all equally useful to the under-developed countries. For example, many modern drugs were too expensive to enjoy widespread use.

Despite these problems, Pakistan still believed that it was vital to send students abroad and spent about \$4 million a year to make this possible. Exchanges of students were also valuable, but even more necessary to Pakistan was the strengthening of training institutions in the country. Institutions within the country could provide facilities for a much higher percentage of the population than could go abroad. Some institutions had been established in the last few years, with external assistance, for example a business administration school and an institute of home economics. Mr. Amjad Ali agreed that a meeting of educational officials of the Commonwealth should be held to discuss the problems and proposals in this field, and emphasized that careful preparations should be made before it took place.

Chief Festus S. Okotie-Eboh (Nigeria) said that this subject was close to the hearts of the Colonial peoples. The efforts of the United Kingdom to develop the emerging countries so that they would be able to take their full place among the nations of the world was warmly appreciated. In considering development there was the problem of which should come first, education or capital. In the Nigerian view, education should come first. Lord Home's paper, describing United Kingdom efforts in this regard, was quite true to Nigerian experience, and he took pleasure in endorsing it to the Conference. He also endorsed the proposal for a Commonwealth conference on education. Such a conference had to include representatives from all countries so as to reflect the divergent needs of the Commonwealth peoples. As Mr. Amjad Ali said, it was essential that adequate preparatory work be done before the conference. Nigeria also welcomed the proposals of the Canadian Governments as outlined by Mr. Smith. He hoped the allocation of scholarships would be on the basis of need. Nigeria was a country of forty million people with only one university college and two or three other colleges of arts, sciences and technology. The teachers for these colleges were provided by the United Kingdom, but the Nigerian people would welcome Canadian teachers as well. The exchange of teachers and lecturers would also be very useful. One aspect of education of particular importance to Nigeria was the need of education for citizenship. Too often scientific and technological education tended to overshadow moral and religious teaching. The Nigerians wanted to emphasize such teaching, however, so that their people would be able to manage the affairs of their country efficiently and honestly. Teachers' training programmes would also be most helpful to a country like Nigeria which could not train teachers at home at a sufficiently rapid rate to meet its needs as it approached independence. He also thought it would benefit the whole Commonwealth if members of the various governments could visit each others' countries more often.

Dr. van Rhijn (South Africa) said that he had listened with great interest to the imaginative proposals which had been made for helping to meet one of the most urgent needs of the modern world. Through the United Nations programmes South Africa had played its part in contributing technical assistance but the need had continued to outstrip the available

resources and South Africa had to decide which of the various claimants for assistance should have priority. Since the War, South Africa had had very extensive developmental needs at home, particularly in social and educational expenditure. This had left South Africa with little spare cash to aid in development outside its borders. Similarly, the country's own needs in the way of trained manpower put the utmost strain on the available supply. South Africa was grateful to certain Commonwealth countries for making training facilities available in their institutions to South Africans, a privilege which they hoped would continue. In considering how best to apply its scarce resources, South Africa thought that its prime concern should be with the area adjoining its own country. Mutual aid on a regional basis was not a new concept. One such helpful scheme which had been started in the post-war period was the Colombo Plan. The main new contribution of South Africa had, therefore, been through its more modest African counterpart, the Commission for Technical Co-operation in Africa south of the Sahara (CCCTA). Present membership in this organization included Belgium, France, Portugal, Liberia, and four Commonwealth countries, the United Kingdom, Ghana, the Federation of Rhodesia and Nyasaland, and South Africa. For nearly a decade now there had been close co-operation in the scientific and technical field throughout the territories of southern Africa embraced by this membership. Within the region, too, there was a desperate need for more and more technical assistance, which the C.C.T.A. had attempted to meet by the establishment of the Foundation for Mutual Assistance in Africa south of the Sahara (F.A.M.A.). The aid envisaged in this scheme was in terms of technical training, the lending of experts, and the provision of equipment. The scheme was not limited to the members of the C.C.T.A. and other countries within the area could derive benefit from it if they wished. Similarly, other non-member countries could make useful contributions. However, the value of F.A.M.A. would no doubt mainly depend on the contributions of the members of the C.C.T.A. Apart from an initial payment to the working capital of F.A.M.A., South Africa had also pledged itself to make a substantial contribution by way of technical assistance itself. South African universities were experiencing acute pressure on their available space, and for this reason it was not possible for South Africa to match the generous offer of training facilities made by Canada and the United Kingdom. It had been possible in the past for South Africa occasionally to make arrangements for students from other countries to train in South Africa, and it was hoped that this could continue to be done. In the distant future South Africa might be able to provide other facilities for higher education. He was particularly interested in Mr. Smith's proposal and saw great merit in it. This proposal would be carefully considered in consultation with the South African university authorities. It appeared to offer a promising method of partly bridging the gap between the less and the more developed members of the Commonwealth.

Mr. Shah (India) welcomed the United Kingdom and Canadian proposals for greater training facilities and educational exchanges among the Commonwealth countries. India had, for a long time, stressed the importance of education and had done everything in its power to develop the various fields of education in its country. It was planned that by the end of 1966 compulsory primary education would be available to all children. Not only was the life of a technologist or a teacher longer than the life of most capital goods; these trained people also had a social and spiritual significance in the community. He paid tribute to the assistance which the more advanced countries had given to India, particularly through the Colombo Plan, the U.N. Technical Assistance Programme, United States Technical Co-operation Programme and the Ford and Rockefeller Foundations. He expressed special appreciation to Canada, Australia, and New Zealand for the training and facilities they had provided. India itself had also been able to make a contribution in this field. Since

the beginning of the Colombo Plan in 1951 India had provided 885 places in schools and universities to people from other countries.

The problem of under-developed countries was to develop as quickly as possible. Countries like India needed accelerated training courses aimed at providing skilled workers as quickly as possible. One of the greatest needs for India was the development of a middle class in industry with technical training that could operate at floor and shop management levels. A successful scheme of this kind for the rapid training of technical people had been set up by the late Ernest Bevin during the last war. Mr. Shah thought the selection of scholars under the Canadian proposal should be made by an association consisting of the representatives of the Governments concerned. Such a Board would be in a better position to select the right kind of people. He was glad to see the very significant role that teacher training would play in the United Kingdom and Canadian proposals.

One other aspect of the problem of developing educational facilities in the Commonwealth deserved particular attention: the need of expanding educational institutions themselves. He hoped that the plans envisaged might include the expansion of existing institutions and the building of new ones within the Commonwealth countries themselves. He stressed the importance of having such institutions localized so as to provide the maximum facilities for the people of that country. India would be glad to participate in the proposed discussions and in preparations for them. To the extent that its resources permitted; India would be happy to make its own contribution to the scheme.

Mr. Macintyre (Rhodesia and Nyasaland) commented on the overwhelming importance of education to the Federation. He expressed appreciation to the United Kingdom and Canada for their proposals. The Federation had only limited facilities to offer in higher education. Two years ago a multiracial university had been opened and his country was grateful for the gift of £1 1/4 million which the United Kingdom had made to this institution. A substantial need remained for honours courses and medical training which it was hoped could be met soon. At present, scholarships covering first-degree courses were available and the Federation was anxious to see these extended since it was heavily dependent on educational facilities in the United Kingdom and the Union of South Africa. Teacher exchanges with the United Kingdom had been undertaken and might usefully be expanded. In addition, the Federation subscribed to the organizations mentioned by *Mr. van Rhijn*. He welcomed the proposals which had been advanced and the Federation would do all it could to co-operate, given its limited facilities. In the immediate future, however, the Federation would no doubt be more on the receiving than on the donor side but would hope that its contributions could eventually be more substantial.

Lord Home felt that the discussion had indicated substantial agreement on aims and first steps. In making arrangements for the conference proposed in London, the views which had been expressed should be taken fully into account. On the Canadian scholarship proposal, he noted that although the total number remained to be fixed he saw some advantage in aiming at one thousand. The United Kingdom was prepared to provide half the places of the number finally decided upon, it being understood that these would include both scholarships and teaching fellowships at universities and professional and technical schools. The magnitude of the task faced in education was clearly very great but its value was fundamental. The Commonwealth should not rest content with this scheme alone. The suggestion made by *Mr. Amjad Ali* that educational institutions within countries should be strengthened was particularly useful and he hoped the meeting would give it favourable consideration. *Lord Home* suggested that consideration should be given to how the proposals which had emerged could be best highlighted and projected in the communiqué for public attention.

Mr. Coomaraswamy (Ceylon) said that education commanded special attention in Ceylon. Since education was free to all in Ceylon and the population was increasing rapidly, it was essential that further educational facilities be developed. He thought it important that such facilities in under-developed countries should be especially geared to employment opportunities. At present technical assistance usually went to people already employed in their field. The special virtue of the present proposal was that it would provide pre-employment training. Ceylon welcomed the proposal and would participate in future discussions on it. He assumed that the Canadian proposal would provide for the training of school teachers as well as for scholarships at the university level.

Mr. Vasey (Kenya) stated that the rate at which the East African territories developed toward their ultimate goal of self-government depended on their administrative and economic capacity which, in turn, was vitally dependent on education. The territories were making a great effort to increase their educational facilities. In Kenya, for example, 15 per cent of the central budget was allocated to education. It was especially important that the territories should be able to provide their own educated personnel without having to incur the heavy cost of importing them from abroad. In these territories it was not so much a question of expanding education as of laying the foundation for a sound system. For that reason the suggestions made by the United Kingdom and Canada were very welcome. He also wished to acknowledge the help which had already been received from the United Kingdom, the United States and India. Past experience with a programme in Kenya in which India had co-operated led him to support the Indian view that governments should have an important say in the appointment of students.

He supported Lord Home's point that there was a need to improve basic educational standards (including the teaching of English) so that existing schemes could be used more effectively. At present there was a dearth of qualified students for training overseas. This reflected the need for better teachers in the schools. Kenya could not afford to import teachers at present and he hoped the teachers' training side of Lord Home's proposal could be developed. A Commonwealth teachers' training college would be especially helpful to Kenya not only in improving education but also in bringing home the significance of the Commonwealth concept.

Mr. McEwen had found the discussion very heartening. A precondition for the objective of equality of opportunity for all men was equality of educational opportunity. The value placed on things of the spirit was one of the distinguishing features of the free world. Democracy could not survive unless it was based on educated populations. The Commonwealth could have no more effective cement than a sharing of experience in education.

Australia had been active in the field of education, although being a new country, it still lacked an adequate supply of institutions and teaching staffs. Australian capacity to give higher education was now under some strain. Indeed pressure on facilities for higher education had become so great that a restrictive quota had been applied to Australians seeking admission to some university faculties. However, Australia was trying to expand its facilities for higher education, and, as this expansion took place, the increased facilities would be shared with other countries.

Australian universities and technical schools now accommodated some 6,000 overseas students predominantly from Commonwealth countries in Asia, all of whom enjoyed some degree of subsidy. Since 1950, 2,300 students had been received under the Colombo Plan. Of these, 1,300 were from Commonwealth countries. In 1957-58 there had been a little over 800 Colombo Plan students in Australia. The Australian Government had now

decided to increase that number to 950 in the present financial year. About 100 of these additional places would be taken by Commonwealth students. Australia hoped to be able to provide a progressive increase in the number of places available, more especially under the Colombo Plan.

Mr. Nordmeyer (New Zealand) said his country wholeheartedly supported the Canadian proposal in principle. It was natural that in the early stages the emphasis had been on technical and scientific training but he was pleased to hear that it was intended to broaden the facilities to incorporate the humanities and social sciences as well. Future discussions should not lose sight of Mr. Amjad Ali's emphasis on the need for great care in selecting candidates because of the danger of beneficiaries failing to recognize their obligations to their own country. In the past New Zealand had had many students from Southeast Asia in its universities and schools. Although the countries from which these students had come had benefited, New Zealand had also benefited greatly from the contacts which had resulted. New Zealand would do everything within its resources to expand and extend educational facilities.

Mr. Gbedemah (Ghana) welcomed the United Kingdom and Canadian statements. Ghana had been doing all it could to foster education at all levels since it considered education one of the most profitable investments it could make. Large numbers of private and scholarship students were studying abroad and Ghana was grateful for these opportunities. He wished to reiterate Lord Home's suggestion that teaching fellowships be considered in future discussions. One of the best ways of training university personnel was to have them serve as tutors for limited periods in first-class institutions. It would be useful if scholars from under-developed countries could have two or three years in senior Commonwealth universities as tutors before returning to their countries to teach. It was also important that teachers in developed countries should visit under-developed countries so that they would be familiar with conditions in the latter. The provisions to be worked out at the London meeting should allow flexibility so that adjustments could be made to meet the special needs of individual countries.

Sir Henry Lee (Malaya) also welcomed the proposals. Malaya had done much in the field of education and had especially emphasized teacher training. Its educational system was under considerable pressure because of a rapidly rising population and any scheme for extra facilities was welcome.

Mr. Fleming stated that the Conference had had a very useful discussion and that there seemed to be an impressive degree of unanimity of opinion. Proposals had taken fairly clear shape and efforts should be made to bring them to fruition as soon as possible. He had been especially impressed by the United Kingdom's concrete response to the Canadian proposal. In view of this, Canada had decided, on the assumption that there would be about 1,000 scholarships, to offer to contribute one-quarter of the cost of the programme. He suggested that a working party be appointed to explore the proposals which had been made. As Lord Home had stressed, the subject was important and should be well presented to the public. The working party might be mainly concerned with drafting a statement.

It was agreed that a working group of officials should be convened by Mr. LePan (Canada).⁴⁴

The meeting adjourned at 1:35 p.m.

385.

DEA/14020-C-14-2-40

*Note du chef de la 2^{ième} Direction économique
pour le sous-secrétaire d'État adjoint aux Affaires extérieures*

*Memorandum from Head, Economic (2) Division,
to Assistant Under-Secretary of State for External Affairs*

[Ottawa], November 17, 1958

COMMONWEALTH SCHOLARSHIP SCHEME

I had a word about United Kingdom intentions in this matter with Mr. H.E. Davies of Earncliffe at lunch today. He told me that the following recommendations were currently under consideration in London:

(i) The Conference should be at official level, with advisers from Universities and other unofficial bodies.

(ii) The Conference be planned for 200-250 persons including delegates and advisers, and that their expenses during the period of the conference and any associated tour should be borne by the United Kingdom Government.

(iii) It should be held during two weeks in July with a tour of educational establishments during the previous week.

(iv) It should be held preferably in Cambridge, or failing this in Oxford; or failing this in Leeds or London.

(v) A distinguished academic figure should be invited to take the Chair.

2. I told Davies that I would be glad to discuss these recommendations with you after your return to Ottawa later this week. On a purely personal basis I told him that we had been thinking of a date somewhat earlier than July. In this connection it had occurred to us that the final two weeks of the Easter recess might afford us an adequate opportunity for whatever advance preparations remained to be made. I also said that I thought the prospective composition of the meeting to be numerically rather on the high side. In any case it seemed to me that, in accordance with the practice on which agreement had been reached, there would be no need for the United Kingdom to assume financial responsibility for the expenses incurred by visiting delegations.⁴⁵

3. Davies had little to add to the terms of the foregoing recommendations. He did tell me, however, that in thinking of an official rather than a ministerial conference the United

⁴⁴ Un groupe de travail de hauts fonctionnaires s'est réuni les 22 et 23 septembre et a rédigé les portions du communiqué final de la Conférence portant sur les propositions d'échanges du Commonwealth en matière d'éducation.

A working group of officials met on September 22 and 23 and drafted the portions of the final communiqué of the conference relating to the Commonwealth educational exchange proposals.

⁴⁵ Note marginale :/Marginal note:

I agree with all the comments you made. 21 Nov. '58. D.V. LeP[an]

I spoke to Davies today to confirm the comments I made to him previously. 25/xi/58

K. G[oldschlag]

Kingdom had very much had in mind the Canadian Government's position in respect of a conference dealing with education. The only other comment he made was that the authorities in London were actively exploring the possibility of holding the conference in Cambridge and they were thinking in that case of asking Lord Adrian, the Vice-Chancellor of Cambridge, to serve as chairman. Needless to say this was on the assumption that the conference would look to the United Kingdom to provide a chairman.

K. GOLDSCHLAG

386.

DEA/14020-C-14-2-40

*Note du sous-secrétaire d'État aux Affaires extérieures
pour le secrétaire d'État aux Affaires extérieures*

*Memorandum from Under-Secretary of State for External Affairs
to Secretary of State for External Affairs*

[Ottawa], December 29, 1958

COMMONWEALTH SCHOLARSHIP SCHEME

As you will recall, it was decided at Montreal that a conference would be held in the United Kingdom early in 1959 to consider the Canadian proposals for a Commonwealth scholarship scheme and to review the existing co-operation between Commonwealth countries in the educational field.

2. Sir Saville Garner wrote to you on December 8† to let you know that the United Kingdom authorities were planning to hold the proposed conference at the official level with university and other educational advisers and that arrangements were being made for the conference to take place at Oxford from July 15 to 29. The preceding week is being set aside for Commonwealth delegates and advisers to make a tour of various educational establishments of particular interest in the United Kingdom. I understand that you had an opportunity of seeing Sir Saville's letter before your departure for the NATO meetings in Paris.

3. An interdepartmental meeting was held on December 23 to consider the terms of the United Kingdom invitation. Although, it had been our hope that the proposed conference might be held early enough in 1959 to enable the Commonwealth scholarship scheme to come into operation in the 1959-60 academic year, the meeting agreed that this might have proved impossible in any case and that there was a real advantage in moving forward on as broad a Commonwealth front as possible. Accordingly, it was agreed that we should concur in the United Kingdom proposal for a July date which clearly suits the convenience of the university advisers who are likely to be attached to the various Commonwealth delegations. A short reply to Sir Saville's letter accepting the July date is attached† for your signature,⁴⁶ if you agree.⁴⁷

4. The United Kingdom Government have expressed their hope that Commonwealth delegates and advisers could be their guests during the whole period of three weeks covering the conference and the preliminary tour. It was agreed interdepartmentally that this matter

⁴⁶ Note marginale :/Marginal note:
Signed and sent 31/12

⁴⁷ Note marginale :/Marginal note:

See N.A.M. MacKenzie's letter to me about this topic. I sent it to D.V. LePan. [Sidney Smith]

might be reviewed by Commonwealth officials who are due to meet in London some time in the spring under the aegis of the newly established Commonwealth Economic Consultative Council. As you know we have gradually been moving away from the practice where the host government covered the expenses of visiting Commonwealth delegations. The exception made in the case of the Montreal Conference was based on special factors which we do not think should necessarily apply to the proposed conference at Oxford. On the other hand, it may well be that the United Kingdom offer of hospitality was made to enable the under-developed countries of the Commonwealth to send adequate and representative delegations to the conference. In our further consideration of this matter we shall, of course, be guided by any factors that are likely to be relevant to the success of the conference.

5. You might like to know that an interdepartmental group has now been set up to deal with the Commonwealth scholarship scheme. The group has been charged with working out proposals for a pattern of co-operation with outside bodies like the N.C.C.U., the Canada Council and the National Research Council, formulating the elements of a Canadian position at Oxford, and looking into the administrative arrangements we may need on our side to implement the scholarship scheme. I shall, of course, be keeping you informed of the progress of the group's enquiry into these aspects of the Commonwealth scholarship proposals.

N.A. R[OBERTSON]

4^e PARTIE/PART 4

TOUR DU MONDE DU PREMIER MINISTRE
PRIME MINISTER'S WORLD TOUR

387.

DEA/12687-40

*Note de l'adjoint spécial du secrétaire d'État aux Affaires extérieures
pour le sous-secrétaire d'État aux Affaires extérieures*

*Memorandum from Special Assistant to Secretary of State for External Affairs
to Under-Secretary of State for External Affairs*

SECRET

[Ottawa], August 11, 1958

This is to confirm that on Saturday, August 9, the Prime Minister requested the Department to provide him with a tentative plan for a Commonwealth tour between approximately November 1 and December 15.

2. The Prime Minister would propose to begin the tour with a visit to London where he has certain engagements in the first week of November. He would then proceed by air to Karachi, going on to visit New Delhi, Colombo, Saigon, Kuala Lumpur, possibly Singapore, and Australia and New Zealand, returning via the Pacific to Canada.

3. The present status of this plan is preliminary in the extreme. I think the Prime Minister merely wishes to be advised whether a tour such as he has in mind could be accomplished in six weeks and approximately what proportion of the total time we would recommend be

spent in the various countries visited. I do not think we have yet reached the stage where our Missions should be consulted.⁴⁸

H.B. R[OBINSON]

388.

DEA/12687-4-40

*Note de la Direction de l'Information
pour le sous-secrétaire d'État aux Affaires extérieures⁴⁹*

*Memorandum from Information Division
to Under-Secretary of State for External Affairs⁴⁹*

RESTRICTED

[Ottawa], September 11, 1958

PRIME MINISTER'S COMMONWEALTH TOUR — PUBLICITY THEMES

From discussions with Commonwealth Division, we understand that the Prime Minister's view of his tour is that its main purpose is to promote Commonwealth friendship and solidarity and not to discuss specific issues or to attempt to promote definite points of view on Commonwealth problems. A single theme for publicity emphasis would probably not, therefore, be appropriate.

2. Our information efforts in countries to be visited might be designed to focus attention on the following points:

(1) From the time he assumed office, the Prime Minister has continually spoken of the value of the Commonwealth association and has sought to strengthen its ties and to improve relations between its members.

(2) By means of the tour, the Prime Minister wishes to become familiar with the other Commonwealth countries and to renew and establish friendships with their leaders and top officials.

(3) Canada's desire to expand opportunities for mutually profitable trade among Commonwealth countries, as illustrated by its initiative in sponsoring the Commonwealth Trade and Economic Conference.

(4) Canada's interest in the fostering of industrial development in several of the Commonwealth countries.

⁴⁸ Les plans en vue d'un tour du monde ont été achevés par le ministère des Affaires extérieures et approuvés par le premier ministre Diefenbaker, le 19 août 1958. Entre le 29 octobre et le 14 décembre, il était prévu que le premier ministre, après avoir quitté l'Amérique du Nord à partir de New York, se rende au Royaume-Uni, en France, en Allemagne, en Italie, au Saint-Siège, au Pakistan, à Ceylan, en Malaisie, à Singapour, en Australie et en Nouvelle-Zélande. On a ajouté au tour un bref arrêt en Indonésie à une date ultérieure, et la visite en Nouvelle-Zélande a finalement été écourtée de trois jours à la suite d'un rapport sur la maladie de la mère du premier ministre Diefenbaker. Voir Robinson à Smith, le 19 août 1958, MAE/12687-40.

Plans for a world tour were completed by the Department of External Affairs and approved by Prime Minister Diefenbaker by August 19, 1958. Between October 29 and December 14, the Prime Minister, after leaving North America from New York, was scheduled to visit the United Kingdom, France, Germany, Italy, the Holy See, Pakistan, Ceylon, Malaya, Singapore, Australia and New Zealand. A brief stop in Indonesia was added to the tour at a later date and the New Zealand visit was ultimately shortened by three days as a result of a report of the illness of Prime Minister Diefenbaker's mother. See Robinson to Smith, August 19, 1958, DEA/12687-40.

⁴⁹ Note marginale :/Marginal note:

I sent memo to Info Div Sept 13 H.B. R[obinson]

(5) Canada's role as a leading middle power which has advanced from colonial status to a constructive position in world affairs.

(6) The importance of strengthening the Commonwealth idea through political and economic action as a bulwark against the threat of Communist imperialism.

3. In the United Kingdom, Australia and New Zealand, points 1, 2, 3 and 6 might be stressed, with greater emphasis on points 1, 2, 4 and 5 in the Asian countries, but the general information programme in all countries should take all six points into account.

4. Information efforts in the Commonwealth countries not to be visited should also be built around the suggested general programme and aimed at pointing up Canada's firm adherence to the Commonwealth idea and its desire for more points of contact with all members.

5. In West European countries, the Prime Minister's tour might be presented as further evidence of Canada's role as a leading middle power in world affairs, with the Commonwealth emphasis placed in the context of the other international organizations in which Canada is active — particularly NATO and the United Nations.

6. In the United States and in Latin America, the occasion of the visit provides a new opportunity to explain Canada's relationships with the United Kingdom and other Commonwealth countries. Points 5 and 6 might also be emphasized.

7. Following the lines of our memorandum of September 3† (on the *method* of publicizing the visit), these themes would each be supported by suitable reference material which could be used by each mission according to its own estimate of the effectiveness of each available item. Missions would be encouraged to use or rewrite the material as they saw fit, to ensure its maximum effectiveness, following the themes outlined.

8. Commonwealth Division has concurred in these recommendations. Your approval of these lines of approach is now sought, in order that we can prepare the appropriate material and send it out to our posts at an early date.⁵⁰

M. CADIEUX

389.

DEA/12687-M-40

*Le haut-commissaire au Royaume-Uni
au secrétaire d'État aux Affaires extérieures*

*High Commissioner in United Kingdom
to Secretary of State for External Affairs*

TELEGRAM 4104

London, October 30, 1958

SECRET. CANADIAN EYES ONLY. OPIMMEDIATE.

Repeat Washington, Permis New York (OpImmediate), NATO Paris, Paris (Information).

PRIME MINISTER'S CONVERSATION WITH THE SECRETARY GENERAL
OF THE UNITED NATIONS

The Prime Minister's meeting with the Secretary-General on October 29 lasted for 45 minutes. The conversation covered the Mideast, disarmament, China and the UN peace

⁵⁰ Note marginale :/Marginal note:

We are sending a copy to Mr. Robinson for his comments M. C[adieux]

forces. The Secretary-General was alone; the Prime Minister was accompanied by the Honorable W.J. Browne and Robinson.

2. *Mideast.* In reply to the Prime Minister's request for comments on the situation in the Mideast, the Secretary-General said that in general it was surprisingly stable, subject however to two important qualifications: the internal situation in Jordan and the delicate balance of political forces in Cairo. The Secretary-General spoke about the precarious health of the régime in Jordan, both from the point of view of internal security and of the uncertainty of what might happen from outside should the present leadership be overthrown. He thought it was just possible that Hussein and Samir might manoeuvre into more liberal channels, thus taking some of the steam out of latent revolutionary pressures.

3. Speaking of Egypt, the Secretary-General said that — as of this moment — he was "very uncertain" about the political balance in Cairo. Without mentioning names, he implied that Fawzi's position was disturbingly weak, and that the helpful influence which he had been exerting might be in serious danger of being submerged. He thought that this could have most unfortunate repercussions since Nasser was apt to reach conclusions more as a result of pressures and counter-pressures on him rather than on the basis of his own independent political thinking.

4. The Secretary-General did not repeat not think that the Western countries had irrevocably lost the opportunity to improve their standing in Egypt by means of economic or financial assistance, although he fully acknowledged the propaganda success which the Soviet Government had recently achieved over the Aswan Dam Project. He thought that the best hope of making progress with the Egyptians and in the Mideast generally lay through exploitation of the material and mediatory resources of organizations such as the International Bank.

5. *Disarmament.* In reply to the Prime Minister's question, the Secretary-General said that he was frankly pessimistic about the forthcoming round of talks in Geneva. The Russians' aim was to achieve a ban on tests while giving no concessions on production and as little as possible on control. They apparently hoped that they might, assisted by divisions in the Western position and by pressures of public opinion, force the West into accepting cessation rather than the mere suspension of tests. He thought that since the West would not repeat not be prepared to make an unrequited concession of this scope there was little hope of anything more than minor technical agreements related to the control of test suspension.

6. The Secretary-General said that in view of the dim prospects for the success of the Geneva talks it was important to try to foresee the next step. He thought that the most likely Soviet move after Geneva would be to revive the idea of a Summit meeting, this time with the stress on disarmament. If this happened we might easily be catapulted into a Summit meeting in the spring. It was, therefore, very important that as soon as it became clear that the Geneva talks were not repeat not likely to be successful some means be found for the West to take the initiative in establishing contact with Khrushchev. He did not repeat not know how this could be achieved without going through the paraphernalia of a Summit Conference, but he was sure that such a move from the West would be valuable in forestalling a Soviet campaign for a spring Summit meeting. He seemed to be open to such an initiative being channeled through the UN.

7. The Prime Minister asked whether any of these discussions on disarmament were meaningful without the participation of China, and the Secretary-General readily rejoined that Soviet policy was heavily influenced by consideration of China's interests. He thought that this had been the main factor in the change in the Soviet position on the Summit

meeting earlier this year and he thought it likely that if some approach were made to Khrushchev about disarmament, Khrushchev would feel himself in the position of having not repeat not only to consult Mao but to urge Peking's participation in any high-level talks that might be arranged.

8. The Secretary-General's remarks about an approach to Khrushchev were couched in the most oblique language and permitted no clear inference as to the procedural steps which he had in mind. The only conclusion we can draw is that he was telling the Prime Minister that in his view existing machinery for the discussion of disarmament does not repeat not correspond to the requirements of the moment.

9. *China.* On being asked for his views on the recognition issue, the Secretary-General said that as he saw it, the Western world would sooner or later have to accept Communist China; there was no prospect of its de-communization. As the recognition issue came to be "a stronger negative influence" in international affairs, so it became for the USA more and more a question of face. He had no repeat no doubt that it would have been better to recognize Peking three years ago than to do it now; similarly, it would be better to do it now than three years from now. He thought we should get what advantages there were from prompt recognition, while accepting and doing our best to minimize the disadvantages.

10. In response to the Prime Minister's enquiry, the Secretary-General said that there were two sides to the argument about the effect which recognition of Peking would have in Southeast Asia. He was sure that in the majority of cases (excepting the Philippines, South Vietnam and the Chinese Nationalists) Asian Governments would be relieved if recognition of Peking became more widespread. In 1955, the then President of Burma had reacted very strongly when the Secretary-General had suggested to him that Chou En-Lai's talk about recognition and representation in the UN was mainly for propaganda effect. The President had said that the Secretary-General was quite wrong if he thought this; that Chou was extremely sensitive to being regarded and treated as a pariah, and that Burma would sleep more soundly the moment Peking was admitted to the UN. The Secretary-General thought that this was a significant illustration, coming as it did from an Asian source friendly to the West.

11. The Secretary-General gave it as his opinion that this will probably be the last year in which the USA Government manages to keep Peking out of the UN. He thought it was only due to very heavy pressure exerted on the Latin American delegations that the moratorium resolution succeeded at the beginning of the current Assembly.

12. The Prime Minister asked the Secretary-General what solution he saw for the position of Formosa in the event that the Chinese seat in the UN were to be assumed by the Peking Government. The Secretary-General said that if Peking took over the Chinese seat there was a clear-cut moral obligation to do something about Formosa (the "loose piece"). He spoke of a possible referendum leading perhaps to a State called Formosa, but he freely acknowledged that he had no idea of how this procedural problem vis à vis the UN might be solved.

13. *Peace Force.* The Prime Minister enquired about the current discussions in the UN on the peace force. The Secretary-General ran over the reasons why it was necessary to move slowly. He said that in his last talk with Fawzi he had discussed the form of resolution which should be aimed at. Fawzi had said that the Secretary-General must choose between a suit and a straitjacket. Better ask for a suit, or even just a loose shirt this year in anticipation of adding the pants next year. Fawzi had asked the Secretary-General if it was correct that nothing would stop the Secretary-General from pursuing his studies except a

resolution telling him to stop. Hammarskjöld had answered affirmatively and, he said to the Prime Minister, would be perfectly content with a very vague formula which allowed him discretion to pursue his examination with member governments. It was far too much to hope at this time for a formal recognition of the principles in his report.

14. This message has been approved by the Prime Minister.

390.

DEA/12687-M-40

*Le secrétaire d'État aux Affaires extérieures
à l'ambassadeur en France*

*Secretary of State for External Affairs
to Ambassador in France*

TELEGRAM K-287

Ottawa, November 3, 1958

SECRET. OPIMMEDIATE.

Repeat Bonn, Washington, London (Information).

PRIME MINISTER'S CONVERSATION WITH MR. MACMILLAN

At Mr. Macmillan's suggestion the two Prime Ministers met for one hour in private on October 31 at 10 Downing Street. The following notes are based on Mr. Diefenbaker's account immediately following the meeting.

2. *De Gaulle and NATO.* Mr. Macmillan explained that there had been delay in informing the Canadian Government of de Gaulle's letter because in its original form it was a private message which Mr. Macmillan had not at first felt free to communicate to others.⁵¹ The message had consisted, Mr. Macmillan said, of personal observations and should not be construed as a concrete proposal. Mr. Macmillan was uncertain in his mind as to exactly what objective de Gaulle had had in mind in sending the message as he must have been aware that it would arouse strong misgivings in many quarters. The element of prestige was doubtless prominent and if only for this reason it was important that the reaction of France's allies should be tactfully expressed. Mr. Macmillan thought that by placing the emphasis on the desirability of improved methods of political consultation among NATO members it should be possible to smooth over the situation arising from de Gaulle's initiative. Mr. Diefenbaker indicated his intention of raising the matter in his forthcoming talks with de Gaulle.

3. *China.* There was a general discussion of the current situation.⁵² Mr. Macmillan remarked on the growing problem of countries divided by *de facto* boundary lines. He speculated on the advantages of accepting these divisions. Some such solution was essential if the anomaly of the exclusion of, for example, West Germany or mainland China from the UN was to be removed.

4. The Prime Minister gave Mr. Macmillan an account of his discussion with Mr. Hammarskjöld (London telegram 4104 of October 30). Mr. Macmillan said that whatever might be the other arguments regarding recognition the UK's experience indicated that the mere act of recognition was not necessarily a point of departure for increased trade with the mainland.

⁵¹ Voir le chapitre II, 8^e partie./See Chapter II, Part 8.

⁵² Voir le Volume 25, chapitre III./See Volume 25, Chapter III.

5. *Pakistan*. The Prime Minister stated his intention to proceed with his visit to Pakistan as scheduled. Mr. Macmillan admitted uncertainty as to the significance of Mirza's replacement by Ayub Khan. The latter's early background suggested an affinity to the West but the real circumstances of his accession to power and the character of his support in the country could not easily be assessed.⁵³ Mr. Macmillan thought that the possibility of a settlement on Kashmir depended largely on a successful solution of the canal waters problem.

6. *Guinea*. The Prime Minister confirmed to Mr. Macmillan that the Canadian Government had taken the decision to recognize subject only on the point of timing to similar action by the UK and the USA. Mr. Macmillan explained that the UK's position, although not in doubt on the principle of recognition, had been complicated by procedural problems which he expected would be solved very shortly. The exact terms and timing of UK recognition were thus undecided.

7. *Cyprus*. Mr. Macmillan said he was quite satisfied at the prospect of a debate in the General Assembly on the Cyprus question.⁵⁴ An appropriate Assembly resolution might help to bring about a conference on Cyprus.

8. *Royal Visit to Canada 1959*. Although the Prime Minister's main discussion will be with Sir Michael Adeane, he informed Mr. Macmillan in general terms of the plans for the visit, confirming the Canadian Government's approval of a side visit by the Queen to Chicago. (At the Pilgrim's dinner on October 28⁵⁵ the Prime Minister spoke similarly to Mr. Dulles, adding that he hoped that the Queen would not be invited to go elsewhere in the USA). The Prime Minister also informed Mr. Macmillan of the proposal that some fifty ratings and two or three officers from the RCN should form part of the crew of the Royal yacht during the tour in Canadian and American waters.

391.

DEA/12687-M-40

*Le haut-commissaire au Royaume-Uni
au secrétaire d'État aux Affaires extérieures*

*High Commissioner in United Kingdom
to Secretary of State for External Affairs*

TELEGRAM 4171

London, November 4, 1958

SECRET. OPIMMEDIATE.

Repeat NATO Paris, Paris, Washington, Permis New York, Bonn, Rome (OpImmediate)
(Information).

⁵³ Voir 7^e partie, section E.

See Part 7, Section E.

⁵⁴ Voir/See Documents 20-29.

⁵⁵ Avant son départ pour l'Europe et son tour du monde, Diefenbaker a pris la parole devant la *Pilgrim's Society*, à New York, le 28 octobre 1958. Voir Canada, ministère des Affaires extérieures, *Affaires Extérieures*, vol 10, N° 11, novembre 1958, pp. 259-264.

Before departing for Europe on his world tour, Diefenbaker addressed the Pilgrim's Society in New York on October 28, 1958. See Canada, Department of External Affairs, *External Affairs*, Vol. 10, No. 11, November 1958, pp. 259-264.

PRIME MINISTER'S CONVERSATION WITH PRIME MINISTER MACMILLAN, NOVEMBER 3

Following is the agreed record of Prime Minister's conversation with Prime Minister Macmillan on November 3, 1958. This record was prepared by the UK side and has been approved by Mr. Diefenbaker. Supplementary notes on some topics may be forwarded when there has been an opportunity to compare the agreed record with our own notes taken at the time. Mr. Diefenbaker was accompanied by Mr. Drew and Robinson. Mr. Macmillan had with him Lord Home and Messrs. Orme of the Cabinet Office and de Zulueta. The conversation lasted one hour and a quarter.

Text Begins:

Mr. Macmillan, welcoming Mr. Diefenbaker, said that he was sure that the present meeting, at the beginning of Mr. Diefenbaker's tour to many other Commonwealth and foreign countries, would provide a valuable exchange of views on matters of common interest to the Canadian and UK Governments.

1. *Mr. Diefenbaker's Visit to Paris*(i) *General de Gaulle's NATO Proposals*

Mr. Macmillan said that he felt that General de Gaulle, when he saw Mr. Diefenbaker on November 5, while not repeat not perhaps insisting on proposals in the form he had originally outlined, would probably stress the importance which he attached to increased recognition of the part which France, as a world power, should play in the affairs of the free world. The emphasis which General de Gaulle had originally placed on institutional reforms was foreign to the Anglo Saxon mentality, and he felt that there was a danger that, if the original suggestions were pressed, they could have a serious effect on the attitude of several other countries towards NATO. He was increasingly concerned, following the information he had received from the Pay Master General on the recent meetings of the Organization for European Economic Cooperation in Paris, at the prospect that the attitude which the French were now adopting on the FTA might be a least partly due to the idea that this would eventually enable them to drive a bargain on their NATO proposals.⁵⁶ No repeat no doubt General de Gaulle was also influenced by a desire to maintain a firm position pending the forthcoming French elections. However, there was a real danger that if the claim for a special French position in NATO were pressed too far it could have a most serious effect on the Alliance. Without suggesting that it would be desirable, at this stage, to make substantive criticisms of the French proposals, (the exact nature of which was not repeat not clear), he felt that it would be most helpful if Mr. Diefenbaker, when he was in Paris, could endeavour to find out more precisely what was in the General's mind on this important subject. Any such information would be particularly valuable, in view of the visit of M. Couve de Murville, the French Foreign Secretary, to London November 6.

Mr. Diefenbaker said that he would be glad to make soundings on the lines suggested by Mr. Macmillan. Should General de Gaulle refer specifically to proposals for a special French position in NATO, he would be obliged to indicate his objections. Public opinion in Canada would be specially critical on this point, since the Canadian Government had throughout kept all its NATO undertakings, whereas it was felt that the French had withdrawn forces which were committed to the Alliance.

⁵⁶ Les négociations concernant la création d'une Zone de libre-échange en Europe ont été rompues à l'automne 1958. Voir chapitre IV, première partie.
Negotiations concerning the establishment of a Free Trade Area in Europe had broken down in the autumn of 1958. See Chapter IV, Part 1.

(ii) *Algeria*

Mr. Macmillan said that he thought it was probable that, if General de Gaulle were asked about the adverse effect on NATO of the removal of large numbers of French forces to Algeria, he would say that French forces in Algeria were undertaking a role, on the African flank of NATO, that was essential to the security of the Alliance. He might also refer [to] the importance of consolidating the unity and economic strength of the French empire; General de Gaulle was understandably impressed, in his attitude to Algerian problems, by the economic importance of obtaining oil from the Sahara.

2. *The Middle East*

(i) *Armament Supplies to Israel*

Mr. Diefenbaker said that the Israeli Government had recently requested the supply of some aerial torpedoes from Canada and he would be grateful to know, in the present circumstance of the Middle East and in view of the supplies which the UK Government had recently made to Israel, Mr. Macmillan's views on the desirability of these weapons being supplied by Canada.

Mr. Macmillan said that in the changed conditions of the Middle East the UK had felt it desirable, in order to assist in maintaining a balance of armaments in the area, to allow the Israeli Government to take delivery of two submarines which they had ordered some time previously. Certain other small items had been supplied and the Canadian Government would also be aware that an agreement in principle (which was as yet secret) had been reached to supply a regiment of centurion tanks. The view of the UK was that it was preferable for the provision of arms supplies to Israel to be shared as widely as possible amongst friendly governments. He thought that it would be helpful for the Canadian Government to authorize the supply of aerial torpedoes which were probably wanted as equipment for fighter-bombers recently obtained from France.

It would be helpful if the governments concerned could arrange for closer exchanges of information, and for consultation, on future Israeli requests for armament supplies. The Commonwealth Relations Office would consider this with the other departments concerned and would in due course discuss with the Canadian authorities whether any improvements could be made in existing procedures.

(ii) *Pakistan*

Lord Home said it was possible that Pakistan, Iran and Turkey were considering the development of closer relations between their three countries, within the framework of the Baghdad Pact. The UK Government would be grateful for any further information about this possibility which Mr. Diefenbaker might be able to obtain when he met General Ayub Khan in Karachi.

Mr. Macmillan said that the new Iraqi Government had come into power on the strength of revolutionary influences which were nationalist, but not repeat not such as to subordinate its policy either to President Nasser or to Russia. The influence of Pakistan, combined with that of Iran and Turkey, might have a beneficial effect in encouraging the Iraqi Government to maintain an independent position.

(iii) *Jordan*

In reply to a question by Mr. Diefenbaker on possible future developments in Jordan, Mr. Macmillan said that it would have been impossible to leave British troops indefinitely in Jordan without increasing their numbers and laying open the UK to damaging criticisms in the UN and elsewhere. He hoped that an element of stability had been provided as a result of the difficult and delicate operations undertaken by British forces.

Some safeguard was provided by the UN "presence" in Jordan and it was possible that at present the other Arab countries in the Mideast would be unwilling to provoke the risk of intervention by Israel which might follow any attack on Jordan. In the longer term, however, the future of the country seemed problematic, since its economy could not repeat not be sustained without external assistance which the USA and UK were at present providing.

3. *The Situation in the Far East*

Macmillan said that, at the time when USA forces landed in Lebanon and British forces in Jordan, it seemed that the Russian Government had been alarmed at the prospect that these operations were the first stage in an attempt to obtain Anglo-UN military control in the Mideast area generally. This appreciation had probably led the Russians initially to attempt to cause a diversion by encouraging the Chinese Communists in the dispute in the Far East over the offshore islands and Formosa. However, subsequent developments in the Mideast, in particular the withdrawal of British and American forces from Jordan and Lebanon, had probably led the Russians to revise their appreciation and they might wish to exercise a restraining influence on the Chinese Communists; on the other hand, the apparent refusal of the Chinese Communists to consider the possibility of a solution to the problem of the off-shore islands, separately from the question of the future of Formosa, suggested that they had no repeat no particular wish to obtain an early settlement.

4. *Cyprus*

Mr. Macmillan welcomed the suggestion of Mr. Diefenbaker that the Canadian and the UK delegations to the UN should maintain close consultation with regard to the forthcoming discussion of Cyprus in the General Assembly.

5. *Law of the Sea*

Mr. Macmillan said that he hoped that the two governments in co-operation would be able to obtain agreement at the UN to the holding at an early date of a further specialist Conference on the Law of the Sea.

Mr. Diefenbaker agreed. He said that the Canadian Government hoped that it would be possible for the next conference to begin in February or March 1959 and that the Canadian delegations to the UN would continue to do everything possible to assist in obtaining the agreement of the General Assembly to this proposal at an early date.

6. *Civil Aviation BOAC Traffic Rights at Toronto*

Mr. Macmillan said that while Trans-Canada Airlines (TCA) had access to both Prestwick and London, the British Overseas Airways Corporation (BOAC) could at present only serve Montreal and not repeat not Toronto. The UK Government were anxious that negotiations about traffic rights for the corporation at Toronto should be initiated at an early date. In the negotiations, the Minister of Transport would be prepared to consider offering certain extra facilities in the UK to TCA in compensation for granting traffic rights to Toronto to BOAC; details of what might be offered could be given in advance to the High Commissioner's Office. The Minister of Transport felt that delay might make it necessary for the UK to suggest a review of the existing bilateral agreement.

Mr. Diefenbaker said that the Canadian Air Transport Board were at present considering a submission for Canadian Pacific Airlines (CPA) to undertake operations across Canada which would be competitive with the services of TCA. He hoped that it would be possible to reach a decision on this submission before the end of December 1958, and the

Canadian Government would then be able to consider the application for BOAC to have traffic rights at Toronto.

7. Trade

Mr. Macmillan said that he welcomed the progress that had been achieved in the direction of more liberal trade policies. Public opinion in the UK was not repeat not yet fully aware of all that had been accomplished, but the UK Government were most grateful for the assistance which the Canadian Government has given. He hoped that further progress could be made. In general it was essential that trade should increase; this was not repeat not easy in times of adversity, but efforts to capture the imagination, and support, of the uncommitted countries largely depended on the success of economic co-operation between the countries of the free world.

Mr. Diefenbaker warmly welcomed the successful outcome of the Commonwealth Economic Conference at Montreal. He said that up to date during 1958, Canadian imports from the UK had risen by two and one half per cent while their imports from the USA had declined by 14.9 per cent. This trend improved Canada's relationship with both the USA and the UK. In certain respects he knew that recent measures which the Canadian Government had been obliged to take had, at present, adversely affected imports from the UK, but the general aim of his government would be to increase trade with the UK.

A development of considerable significance at the recent Commonwealth Economic Conference was the general recognition of the true nature and dangers of the economic threat to independence posed by Russian aid. As a result there was evidence of a considerable increase of sympathy towards the Commonwealth idea on the part of several member countries.

8. World Food Bank

Mr. Diefenbaker said the Canadian Government felt that a World Food Bank might assist in making arrangements for the constructive use of food surpluses to benefit countries in need of them and that the USA Government was showing an increased interest in obtaining agreement on the disposal of surpluses in certain commodities. They recognized that it might not repeat not be a simple matter to obtain agreement on the functions of a World Food Bank and that recipient countries, in which surpluses could be used to raise a low standard of living, were not repeat not always prepared to welcome even unconditional offers of assistance. The Canadian Government were considering what specific proposals they might put forward and he would arrange for the UK Government to have detailed information, with an indication of the commodity which might be involved, as soon as possible.

Publicity

It was agreed that no repeat no communiqué should be issued at the end of the present meeting, but that the official press advisers would be instructed to say that informal discussions had taken place in a friendly spirit covering matters of common interest to the two governments. There should be no repeat no mention of the subjects which had been discussed.

392.

DEA/12687-M-40

*L'ambassadeur en France
au secrétaire d'État aux Affaires extérieures*

*Ambassador in France
to Secretary of State for External Affairs*

TELEGRAM 1245

Paris, November 6, 1958

SECRET. CANADIAN EYES ONLY. OPIMMEDIATE.

Repeat NATO Paris, London, Bonn (Information).

PRIME MINISTER'S TALKS WITH GENERAL DE GAULLE

Prime Minister met with General de Gaulle for an hour and a quarter at Hotel Matignon with following present: M. Couve de Murville, M. Lacoste, M. Boegner, M. Lebel (interpreter), M. Dupuy, Mr. Crean and Mr. Robinson. General de Gaulle also had a tête-à-tête with Prime Minister for 35 minutes after luncheon. Following record of pre-lunch talks has been approved by Prime Minister.

1. After welcoming Prime Minister, General de Gaulle asked if he would care to start discussion. After saying how pleased he was to be in France again Prime Minister said he felt that there were few things that made difficult relations between France and Canada. There was however one particular matter which he wished to raise with the General. This particular matter concerned NATO and the memorandum which he understood the General had sent to President Eisenhower and Mr. Macmillan. While he had not repeat not seen this memorandum he gathered from various press reports that the General wished to have closer consultation with his allies rather than that he wished to propose a triumvirate. If this was a correct understanding of [the] General's proposals, Prime Minister was in entire agreement. He referred in passing to a remark made to Gladstone on a visit to the Pope in the 1880's when he had enquired how it was that the Church had survived over the centuries. He had been told that the Church had survived for three reasons. The first was consultation, the second was consultation and the final reason was consultation.

2. If on the other hand the General had in mind a triumvirate which would take decisions without consultation with members of the Alliance, and under which members of Alliance would behave like automatons, Canada could not repeat not accept his proposal. Such a proposal would be very hard to sell to the Canadian people. Moreover it would turn the Alliance virtually into an apparent military alliance which would have a bad effect on uncommitted countries and would present dangers to the West in facing communism.

3. General de Gaulle replied by first reviewing briefly the history of NATO. In 1947 there was a direct military threat posed by USSR as demonstrated by the coup d'état in Prague. It was therefore natural that NATO should have been formed in the way it was, and on basis upon which it was in fact founded. The threat at that time seemed primarily confined to Europe. Referring to present day, General de Gaulle said that NATO must remain as an alliance and be ready to defend common interests of its members. There were however particular problems, which faced France today and other countries, and which had not repeat not existed in 1948. In his opinion we must face the following realities: the political decisions were in fact taken by USA; the strategic plans of NATO were carried out by an Anglo-American High Command; the West was in the process of being integrated under USA leadership. General de Gaulle recognized and did not repeat not distrust USA leadership but he did not repeat not consider that the present methods corresponded to

today's requirements. In 1947 it was not repeat not certain whether USSR intended to go to war or not. At present time however we were sure that neither USA nor USSR intended to go to war deliberately against each other. In these circumstances it was necessary to reach a *modus vivendi* between East and West, e.g., in Mideast and in the Far East. What in fact happened however was that problems of East-West relations were broached as though they were USA/USSR problems only e.g. the Mideast and more recently the problem of the offshore islands. He did not repeat not believe that this method of attacking problems could bring useful results. First he felt that France and perhaps other countries had a role to play in East-West relations. Secondly he felt that France's position had changed since 1947; he was hopeful that solutions would be reached of their problems in North Africa and he felt that unity had been re-established internally in France. The referendum held recently was evidence of this. In these circumstances he felt that France had a useful role to play in East-West relations without resulting in breaking-up of NATO. How then could one maintain the present particular working of NATO?

4. General de Gaulle referred to his talks with Mr. Macmillan and Mr. Dulles in Paris early in the summer when both Mr. Dulles and Mr. Macmillan had told him that neither country intended to land troops in Mideast. Troops were landed in Mideast however and France was not repeat not consulted. It was quite inconceivable that France or perhaps other countries could be committed to war without consultation and yet this was the position, when UK and USA took the action they did last summer in Mideast. He felt that the situation in the Far East might equally result in a commitment to war without consultation with USA's allies. It was for these reasons that he had written as he had to the President and Mr. Macmillan.

5. Prime Minister replied that we would certainly encourage better consultation but that he would like to make it clear beyond doubt that Canada could not repeat not accept (if General de Gaulle's proposals meant that) a decision given out by one, two or three powers, without any consultation. What plan did the General have in mind?

6. General de Gaulle rejoined that, so far as Canada was concerned, was it not repeat not true that we accepted decisions of the Great Powers with respect to Mideast, Far East and on disarmament? Was Canada prepared to accept such decisions? France was not repeat not prepared to do so. He said that he had proposed "conversations" to consider how consultations might be best organized. He had not repeat not put forward any detailed programme to the President or Mr. Macmillan. He was aiming to have talks to see how a new system could be organized.

7. Referring to NATO the General stated that it comprised a system of military integration which depended directly on SHAPE, which was in effect an Anglo-American organization. There were two drawbacks from France's point of view to integrated forces and an integrated command system. The first was psychological. The French people did not repeat not realize that they must defend themselves. The present psychology was not repeat not satisfactory. People had to be ready to defend themselves and not repeat not merely think that somebody else would do it for them. The second point was that the integration of France's armed forces in NATO was unsatisfactory, because of France's defence commitments outside NATO area. France had responsibilities in North Africa, the Far East and the Mideast. It was therefore impossible that France's defence policy should be based solely on integration of its forces with her NATO allies in Europe (which is its present policy) and that it should hence not repeat not have a separate national defence policy in collaboration with other powers which had responsibilities outside NATO area. NATO did not repeat not in the General's opinion fit the present requirement and France could not repeat not continue to accept such a system; some transformation must take place.

8. Prime Minister replied that so far as the psychology of the French people was concerned that was of course an internal problem for the French and one which however he fully appreciated. To extend the geographical area of responsibility of NATO would not repeat not however be acceptable to the Canadian Government or to the Canadian people. Such a development might call in question the continuation of Canadian military contribution in Europe which in present circumstances would certainly be maintained. Extension of the treaty area would in his opinion lead to the breakdown of NATO itself. He would go along with the General on question of consultation but was it not repeat not true that there were French commanders and integrated officers at all levels of the command?

9. The General rejoined "It is possible that NATO will not repeat not resist its own integration" (laughter). In a more serious vein, however, the General said what was important for France was that the NATO Alliance had been originally based on USA atomic capability which had subsequently been augmented by a British capability. The French now had all the means leading to an atomic capability, although he recognized that this would not repeat not remotely match USA capability. In light of this the question of consultation should be re-examined. This was one of the chief reasons why he had sent a memorandum to the President and Mr. Macmillan. He had not made specific proposals as to a plan but he had proposed talks and for the French it was the outcome of these talks which were the essential thing. He felt that the President and Mr. Macmillan accepted in principle the proposal for talks.

10. The General said that he had not repeat not given a copy of his memorandum to any other power but had given a copy personally to M. Spaak. It seemed however that everybody had read the memorandum now and that neither the addressees nor M. Spaak had kept the secret very well. In fact Mr. Macmillan had asked General de Gaulle if he could discuss it with Mr. Adenauer and General de Gaulle had agreed. French Government did not repeat not however propose to publish the memorandum nor to give it to other governments but he felt that pretty well everyone knew what was in it.

11. Prime Minister said that we only knew what had been discussed amongst the delegations of NATO. He hoped however that the proposals as he understood them would not repeat not be brought officially to NATO Council when it met in December, since he felt this would have the most adverse effect on the Alliance. General de Gaulle agreed and said that French Government had no repeat no intention of submitting them to NATO officially either now or at December meeting.

12. The General then said he wished to ask a question on quite another matter namely he would like to have Mr. Diefenbaker's views on the Common Market and FTA negotiations. What did the Prime Minister think about them first of all in general terms and second so far as they affected Canada.

13. Prime Minister replied that Canada was glad to see any action taken to draw Europe closer together both economically and politically but that Canada hoped that it would not repeat not be drawn together behind a protective tariff barrier. For our part we did not repeat not want to be denied traditional markets in Europe and we hoped that any arrangements that might be made under Common Market would not repeat not exclude agricultural products. Canada in general was in favour of greater trade amongst countries and while welcoming any action which drew European countries together he hoped it would not repeat not in any way impede the expansion of markets which was vital to the West especially in face of the USSR. He then asked what were the General's hopes with respect to the inauguration of the Common Market on January 1.

14. General de Gaulle rejoined by saying that so far as question of Canadian Government pursuing freer trade was concerned, what had Prime Minister to say about trade restrictions established by Commonwealth at its recent conference? Prime Minister replied that the preferences were not repeat not in fact of great importance. In 1932 the restrictions had been made at a time when we were facing a depression but most of the restrictions in 1932 agreements were now gone. The most important element was more of a sentimental character.

15. General de Gaulle replied by saying that "We are still back in 1932. We do not repeat not move as fast as your new country but perhaps in 26 years we will reach the point you are at now." Mr. Lacoste intervened by referring to the fact that there were still duties on French cars entering Canadian market whereas British cars entered duty-free. Prime Minister rejoined by saying that he realized there might still be matters for discussion such as entry of French cars but that we also could not repeat not disregard the fact that the French had a history of restrictive practices (e.g. import quotas) which we were not repeat not always happy about. He suggested however that we might usefully have talks about these matters.

16. General de Gaulle said that he hoped we would not repeat not forget that some of France's restrictive practices resulted from the exigencies of the economy as had ours in the early 30's.

17. The General then proposed that the meeting adjourn for lunch and that he should continue the talks after lunch if Prime Minister wished. Prime Minister said he would be delighted to continued the talks and that he had found it most useful to have this exchange directly with General de Gaulle in this atmosphere of complete frankness.

18. In Prime Minister's opinion talks went exceedingly well and ended on a very warm note.

19. It is perhaps important to note that nothing the General said could be taken as meaning that he had linked in his own mind his NATO proposals with FTA negotiations as suggested by Mr. Macmillan (see London telegram 4171 November 4).

20. For London — Prime Minister is arranging to inform Mr. Macmillan of general sense of discussion and in particular of the foregoing paragraph.

393.

DEA/12687-M-40

*L'adjoit spécial au premier ministre
au sous-secrétaire d'État aux Affaires extérieures*

*Special Assistant to Prime Minister
to Under-Secretary of State for External Affairs*

SECRET

Soest, November 10, 1958

Dear Mr. Robertson:

THE PRIME MINISTER'S CONVERSATION WITH MR. MACMILLAN,
NOVEMBER 3, 1958

You have already received the agreed record of the Prime Minister's conversation on November 3 with Mr. Macmillan. The draft of that record was prepared in the United Kingdom Cabinet Office and, although in general it was a reliable account, I thought it might be of use to you and to the interested divisions in the Department to see an account

based on the notes which I took at the time. My account does not cover all the subjects which were raised; I have omitted reference to those on which my notes add nothing to the agreed record.

I am sending copies of this letter and its enclosure to the Heads of the European, Economic, Middle Eastern, Legal and Commonwealth Divisions, and I would be grateful if they could be read in relation to London telegram No. 4171 of November 4. I am also sending copies to the High Commissioner in London and to Messrs. Léger, Dupuy, Reid, Mayrand, C.S.A. Ritchie and E.A. Ritchie.

Yours sincerely,
BASIL ROBINSON

[PIÈCE JOINTE/ENCLOSURE]

Note

Memorandum

SECRET

[London], November 3, 1958

CONVERSATION BETWEEN PRIME MINISTER DIEFENBAKER
AND PRIME MINISTER MACMILLAN,
10 DOWNING STREET, LONDON, NOVEMBER 3, 1958

The conversation began at 11 a.m. and lasted for one hour and ten minutes. Mr. Macmillan was accompanied by Lord Home, Secretary of State for Commonwealth Relations, and by Messrs. Orme, of the Cabinet Office, and de Zulueta, Assistant Private Secretary. With Mr. Diefenbaker were the High Commissioner, Mr. Drew, and Mr. Robinson.

De Gaulle's Letter on NATO in Relation to the Free Trade Area

Mr. Macmillan said that there were some indications that de Gaulle intended to use the contents of his letter as a bargaining counter. He thought it possible that on Couve de Murville's visit to London later this week (November 6), the French might offer to take a less rigid position on the Free Trade Area negotiations if the United Kingdom would make some concession in relation to NATO. He did not believe that de Gaulle would insist on an institutional reorganization within NATO, but thought that he would emphasize the global nature of France's overseas commitments with a view perhaps to securing some preferential role for France in the affairs of the free world. The United Kingdom Government were seriously worried about developments in the Free Trade Area and were naturally concerned to find out exactly what type of bargain, if any, the French might have in mind.

Mr. Macmillan, who said he had discussed the Free Trade Area with Maudling the night before, spoke in very critical terms of the French performance in the Free Trade Area negotiations and said that on his last visit to Adenauer he had found the Germans intensely irritated with the French. He went on to say that if the Common Market system, as seemed likely, came into effect on January 1, the United Kingdom Government might have to call a meeting with the Six and with Commonwealth countries, and subsequently Mr. Macmillan himself might have to have meetings with Adenauer and de Gaulle. He recognized, however, that the French position might be to a large extent explained by preoccupation with the forthcoming elections and added that the United Kingdom would await the elections in France before taking any further action.

Mr. Diefenbaker said that in talking to de Gaulle he would have to take a strong stand against any French attempt to achieve a reorganization of NATO. The reaction in Canada would be highly unfavourable to any such outcome, particularly in view of the diminution in the French military contribution to NATO forces in Europe. Mr. Macmillan again made it clear that the United Kingdom was equally opposed to any idea of a political directorate. He asked Mr. Diefenbaker whether, in view of the impending conversations in London with Couve de Murville, Mr. Diefenbaker would probe de Gaulle's intentions. Mr. Diefenbaker undertook to try to find out what de Gaulle had in mind and said he would let the United Kingdom authorities know the result.

Export of Arms to Israel⁵⁷

Mr. Diefenbaker referred to the representations which had been made by the Israeli Foreign Minister recently in Ottawa and to the pressure from Zionist organizations in Canada regarding Israel's application for aerial torpedoes. Mr. Macmillan sent out for advice and then gave a list of the military equipment which the United Kingdom had agreed to make available to Israel. In reply to Mr. Diefenbaker's enquiry about the most suitable course of action for the Canadian Government on the aerial torpedoes, Mr. Macmillan said that the Foreign Office saw no objection to this order being met. Mr. Macmillan remarked that the more the burden of supplying Israel was shared the better. He also said that the Foreign Office believed that the aerial torpedoes requested by Israel were probably required for use on fighter bombers recently supplied by France.

There was some discussion of the desirability of consultation between the United Kingdom and Canadian Governments on arms applications and Lord Home suggested that the objective might be to see that Israel was not supplied with too much equipment at any one time.

Both Mr. Macmillan and Lord Home spoke as if the recent United Kingdom releases had been approved in the interest of keeping the Israelis happy, bearing in mind Egypt's recent acquisition of two Soviet submarines and what they described as a marked increase in arms holdings by the principal Arab states. Mr. Diefenbaker gave no indication of what course of action the Canadian Government would follow.

Algeria

Mr. Diefenbaker's enquiry about the position in Algeria did not elicit a United Kingdom estimate of the prospects for a settlement. Mr. Macmillan said that on the basis of his last talk with de Gaulle the latter would be cold to any suggestion that the French were falling down on their NATO commitments by maintaining a large military force in Algeria. De Gaulle's argument would be that Algeria is an important flank of NATO and that in view of the Soviet challenge in Africa, France was serving NATO by not capitulating to the rebels. Mr. Macmillan also said that de Gaulle could be expected to express full confidence that with the triumph of the referendum behind him, he could settle the Algerian problem.

Guinea

The latest developments have been reported in a separate telegram, No. 4141 of November 3 from London. The only separate point worth recording is Mr. Macmillan's endorsement of the view that despite recognition by the United States, United Kingdom and other countries, it would be unwise to encourage Guinea's candidature in the United Nations at this time. Lord Home remarked in this connection that Guinea "may collapse."

⁵⁷ Voir volume 25, chapitre II./See Volume 25, Chapter II.

Law of the Sea

Mr. Macmillan expressed the United Kingdom Government's desire for a conference as soon as possible in 1959, preferably in February or March. Mr. Diefenbaker confirmed that this was also the objective of the Canadian Government. Mr. Macmillan agreed with Mr. Drew that preparations for fixing the date of the conference ought to be pressed forward. It was understood that consultations on the official level were being undertaken to this end.

Pakistan

Mr. Macmillan referred to the possibility of some closer arrangements being made among Pakistan, Iran and Turkey within the Baghdad Pact, and Lord Home wondered if Mr. Diefenbaker might explore the prospect of such arrangements on his visit to Pakistan. The implication of his remarks was that the United Kingdom Government were not sure of Ayub Khan's attitude towards such arrangements.

Iraq

Lord Home said that the situation in Iraq looked better from the Western point of view. He did not suggest that the Iraqi Government would align itself with any special relationship which might be worked out with Iran, Turkey and Pakistan, but drew comfort from the impression that the Government of Iraq was "nationalist, not Nasser."

Cyprus

Mr. Diefenbaker agreed to the desirability of working in the General Assembly for a resolution which would facilitate the holding of a conference on Cyprus.

BOAC Landing Rights in Toronto

Mr. Macmillan, after reviewing some of the background, said that the United Kingdom Government hoped that negotiations between the United Kingdom and Canada on BOAC landing rights in Toronto could be begun in December or January. Mr. Diefenbaker referred to the current hearings before the Air Transport Board on the application by CPA to compete with TCA on trans-Canada routes. He said that there would be no possibility of negotiations until after these hearings had been concluded. He added that the effect of granting landing rights in Toronto to BOAC would be to place a serious drain on TCA revenues. He said that the question would have to remain in abeyance for the moment. When the current hearings were completed, "we would be in a better position to consider the United Kingdom representations" and to discuss the matter. Lord Home wondered how long the hearings would last and Mr. Diefenbaker said he expected that they would be completed before the beginning of 1959. Lord Home emphasized the hope of the United Kingdom Government that negotiations could be initiated at the beginning of the year. The United Kingdom Government were "prepared to explore compensations in the form of extra facilities for Canada in the United Kingdom." He reported the view of the Minister of Transport, Mr. Watkinson, that the bilateral agreement would have to be "looked at again" unless negotiations could be started very soon.

Trade

Mr. Macmillan reviewed the state of Anglo-Canadian trade relations. He referred to the various measures taken by the Canadian Government in the past year. These were small but significant, and the United Kingdom Government were grateful for them, although their presentation to the public had perhaps not been impressive. He wondered if there were not further steps which could be taken such as "getting out of United States specifications as much as possible" (presumably with respect to defence purchasing). It was too

soon to tell how much more could be done in the way of removing discrimination until the obscurity regarding the Free Trade Area was removed.

Mr. Diefenbaker referred appreciatively to the trade concessions by the United Kingdom and assured Mr. Macmillan that the action taken on valuation was an *ad hoc* measure and did not signify a trend in government policy. Mr. Macmillan said that the next year or two would be decisive. It was easy to go forward in boom conditions, but the effect of a recession was to encourage protectionism, and he was afraid that this in turn would seriously prejudice the efforts now being made by the free world to counter the Soviet trade and aid campaign among the uncommitted countries.

394.

DEA/12687-M-40

*L'adjoint spécial au premier ministre
au sous-secrétaire d'État aux Affaires extérieures
Special Assistant to Prime Minister
to Under-Secretary of State for External Affairs*

SECRET

Soest, November 10, 1958

Dear Mr. Robertson:

Mr. Dupuy has already reported in his telegram No. 1245 of November 6 that the Prime Minister's discussion after lunch on November 5 with General de Gaulle was concerned with Algeria.

During the flight from Paris to Gros Tanquin on November 6, the Prime Minister gave me some details of this discussion and a note based on the Prime Minister's account is attached.

I am sending a copy of this letter to the heads of the European, Commonwealth and Defence Liaison (1) Divisions. I am also sending copies to Messrs. Dupuy, Léger, Drew, Mayrand, Reid, C.S.A. Ritchie and E.A. Ritchie.

Yours sincerely,

BASIL ROBINSON

[PIÈCE JOINTE/ENCLOSURE]

*Note**Memorandum*

SECRET

[Paris], November 6, 1958

THE PRIME MINISTER'S ACCOUNT OF HIS PRIVATE CONVERSATION
WITH GENERAL DE GAULLE, NOVEMBER 5, 1958

The Prime Minister met privately with General de Gaulle after lunch for 35 minutes.

The Prime Minister found the General heavily preoccupied with the problem of Algeria, and the General spoke, according to the Prime Minister, as if he was beset with worries and as if he was answering his own worries in talking about the various aspects of the Algerian problem. There was none of the calm confidence which the General is reported sometimes to feel about his capacity to secure a solution. Repeatedly he said that at least ten years would be required before real order could be established, and he was too old to see it through.

The Prime Minister was impressed with the General's profound sense of mission and with the fullness of his dedication to the service of France.

Although there is nothing specially new about them, it may be worth recording a few of the particular points which the General made in speaking to the Prime Minister about Algeria.

(a) It was a relatively straightforward transition from dependent status to independence in Tunisia and Morocco owing to the existence of an indigenous class of people to run the country. It was not the same in Algeria.

(b) The Arab peoples lack a genuine creative ability (in the sense of national development and organization) and accordingly French assistance in these fields will continue to be required in Algeria no matter what political changes take place.

(c) There was a special position in Algeria related to the presence of more than one million colons.

(d) The nominations from Moslem candidates for the elections in Algeria had not been received, but he was not worried about this because there was still some time to go before the closing date and one could not expect the Moslem candidates to offer themselves for election long in advance. It took great courage to accept such a nomination.

(e) There was a danger of spreading Communist influence if Algeria were torn away from France.

(f) Algeria was the southern flank of the NATO defences. French forces in North Africa were performing a vital service to NATO.

The Prime Minister did not extend an invitation to General de Gaulle to visit Canada. He said "When are you going to come to Canada?" The General said he was afraid it would be a long time; he had so many problems.

General de Gaulle told the Prime Minister that as a result of his first meeting recently with Chancellor Adenauer, he not only admired but liked him. There was no indication, in the General's conversation with the Prime Minister, that he was embarrassed by the fact that he had not informed Chancellor Adenauer at the time of their meeting of his intention to send letters about NATO reorganization to Mr. Macmillan and President Eisenhower. All that the General said was that Adenauer's reaction had been nothing like as strong as that of Fanfani.

The Prime Minister said that the General had often been referred to as cold and arrogant. These descriptions might once have been apt, but neither of them fitted the General now, in Mr. Diefenbaker's estimate.

395.

DEA/12687-M-40

*L'ambassadeur en Italie
au secrétaire d'État aux Affaires extérieures*

*Ambassador in Italy
to Secretary of State for External Affairs*

TELEGRAM 403

Rome, November 12, 1958

SECRET. OPIMMEDIATE.

Repeat London, Bonn, NATO Paris, Paris (Information).

Repeat Washington, Permis New York from Ottawa.

PRIME MINISTER'S OFFICIAL CONVERSATION WITH CHANCELLOR ADENAUER

Following from Prime Minister's party.

The Prime Minister has approved the following record which was prepared by the Embassy in Bonn and checked with the notes of the German interpreter of the official conversation on November 7. We hope to send some supplementary notes† on a private talk between the Chancellor and the Prime Minister.

Herewith repetition of Bonn telegram 545 November 11. Text Begins:

The Prime Minister's conversation with Chancellor Adenauer on the afternoon of November 7 lasted for two hours. With the Chancellor were Dr. Von Brentano, Dr. Globke (State Secretary to the Chancellor), Dr. Van Scherpenberg (State Secretary in Foreign Office), Professor Hallstein (part time), Chairman of the European Economic Commission, Herr Von Etzdorf (part time) and the Official Interpreter Weber. With the Prime Minister were Messrs. Reid, Robinson and Stephens.

2. The meeting began with a short exchange of courtesies after which the Chancellor explained that Professor Hallstein happened to be in Bonn and he had thought that it would be useful both for the Prime Minister and himself to hear directly from the Chairman of the European Economic Commission something of the recent developments and prospects for the Free Trade Area. As Hallstein's time was limited, the Chancellor suggested the conversation begin with this subject. Dr. Van Scherpenberg who had attended recent sessions of the Maudling Committee might wish to add something to Professor Hallstein's exposition.

3. The Prime Minister greeted the opportunity to hear Professor Hallstein's comments and views and said he was conscious of the great importance of the crisis which had arisen from the unsatisfactory results of the negotiations in Paris.

4. Professor Hallstein said that he could not repeat not add anything substantially new about the FTA. A very acute situation had developed in the meetings last week. The European Economic Commission had been giving active support to the FTA negotiations and he would try to indicate how the Commission saw the situation, particularly the apparent Anglo-French impasse. The Prime Minister welcomed this proposal. Dr. Hallstein said that the difficulties which had been encountered were not repeat not unexpected. It had become obvious last March that it would be practically impossible to achieve an FTA treaty by January 1, 1959. He had discussed this probability very frankly with the British and had sought to devise some interim solution, such as providing that the same tariffs would govern for the FTA as for the European Economic Community.

5. At this point Chancellor Adenauer interjected that Mr. Macmillan had told him recently that if the EEC came into effect on January 1 without having made an interim agreement with the UK there was real danger that Europe would be divided into two camps in the economic sphere.

6. Professor Hallstein said that he wished strongly to avoid the necessity after January 1 of treating the imports of the OEEC countries outside the Common Market differently from those of the Six. He thought therefore that there was no repeat no basic difference between the attitude of the UK in this regard and that of the EEC Commission. Professor Hallstein then said that some distinction had to be made between the basic causes of the difficulties which had arisen and the concrete form in which the difficulties had appeared. He recalled that the essential difference between the Common Market and the FTA is that the Six have a unified outside tariff while the FTA countries would be free to maintain their individual national outside tariffs. This difficulty had existed and had been recognized from the start. But latterly there had been a sharpening of the division as the French had stated that FTA countries would be able to change their tariffs capriciously to the detriment

of the Common Market countries. An extreme example of the French apprehension, Professor Hallstein said, was that one of the FTA countries could open its tariff walls to Japanese competition and flood the Common Market area with cheap goods. Therefore the French and others of the Six wanted to check the complete liberty of FTA countries to set their outside tariffs and to subject these to some form of prior control or at least to a system of effective objection after the event.

7. Leaving the concrete and more technical problems, Professor Hallstein turned to the basic difficulty underlying the situation which he considered to be political rather than economic or technical. Favourable feeling for the FTA in France, he said, was extraordinarily slight (a vast understatement, Dr. Hallstein added) and it seemed only too likely that the next French Parliament would be even less favourably inclined toward the FTA. Even the Common Market had had great trouble in being accepted in France but it had been carried through by the devoted advocacy of a group of persons who believed in the political integration of Europe. This group of course did not repeat not advocate a European government but felt that the life of the six countries should be closely bound up together in a common future. This essentially political motivation was not repeat not at hand to assist advocates of the FTA to carry conviction in France. Those who had been the greatest proponents of the EEC did not repeat not support the FTA but even opposed it since they considered that its development might threaten the EEC with dilution or even dissolution. The sober fact was that the "Europeanists" in France were far from a help in developing French public opinion to support the FTA. Dr. Hallstein said that basically most French politicians and bureaucrats were economically illiberal and protectionist and their opposition in the case of the Common Market had only been overcome by those Frenchmen who believed in political integration. Dr. Hallstein said that there had been some serious efforts in France to negotiate for a FTA. The Gaillard Government had certainly negotiated with the intention of reaching positive results but they had been forced, because of the domestic situation, to play for time and the opportunity had been missed. Subsequently a political vacuum in France had made it impossible for the French negotiators to make any real progress. Even since the formation of the de Gaulle Government something of this political vacuum persisted and would persist until General de Gaulle took his decision. The situation had now become critical and it seemed clear that a firm decision by the French Government on the FTA was inevitable and could be expected within a fortnight or so. Dr. Hallstein said that this prediction was the view of the EEC Commission.

8. Dr. Adenauer intervened to ask what the decision of General de Gaulle would be; Dr. Hallstein said that this was really too speculative for a serious opinion but he would nevertheless give his personal views. He said that after the elections de Gaulle would probably find that the rightist parties with their traditional protectionist attitude would be strengthened and this would not repeat not make his task easier. However, Dr. Hallstein was convinced that General de Gaulle was quite aware of the dangers of the situation and would make a real effort to avoid a breakdown of the FTA negotiations. The General certainly had no repeat no wish to increase tension with the UK and the other FTA countries, not repeat not to mention those partners among the Six who are keen that the FTA should come into existence. He thought that the tactics of the French would be to seek changes in the procedures of the FTA negotiations and they would try to proceed by the sector approach, product by product, and would suggest preferential tariffs be extended to the eleven countries, perhaps one at a time, and the eventual attachment of these other European countries to the EEC. Dr. Hallstein thought that these French tactics had become clear at Venice. If the French were successful in this approach a general FTA, of course, would be given up in favour of a series of bilateral agreements with the EEC.

9. At this point, Dr. Adenauer asked whether the French thought that the UK might turn away from negotiations with the Six and carry on separate negotiations with the eleven. Dr. Hallstein said it was perhaps a mistake to speak of the eleven as if they formed an entity similar to the six countries of the Common Market. The eleven OEEC countries were not repeat not a group with common interests. For example, the Turks and Greeks and Portuguese were not repeat not really interested in tariff structure; they wanted money. The eleven countries were not repeat not really equal partners and the less developed of them wanted to form part of the larger economic community to gain the benefit of [corrupt] and subventions. In a sense no repeat no real negotiations had gone on between the Six and the eleven as two separate sides. Most matters under negotiation were not repeat not discussed with all of the eleven of the OEEC countries. For example, the Six were negotiating now on agriculture with the UK and Denmark. The French would almost certainly want to strengthen this tendency to negotiate in small groups.

10. The Chancellor said that he took it from Dr. Hallstein's comments that he thought that the general prospects were bad. Dr. Hallstein said he would not repeat not like to leave that impression. He thought it would take time but it was obvious that a solution had to be found.

11. The Prime Minister at this point said that he had been unable to form any precise conclusions in France on this subject but in the UK he had felt a widespread concern that the FTA agreement was not repeat not likely to be achieved, at least until next April or May. He said that the British were feeling impatient and rather frustrated and that they thought that dialectic exercises and technical excuses had prevented the attainment in Paris of real progress.

12. Professor Hallstein went on to give some reasons for his "non-pessimism." He said that Europe in the long run could not repeat not have a protectionist or autarchic economy. The vital economic interest of Europe lay in a liberal import policy. He thought that the economic situation of the EEC would be comparably on a larger scale to that of the Federal Republic which had benefited greatly by its relatively liberal economic policy. It would take time for the French to realize this but when they did they would take consequent action and would seek a liberal solution.

13. Chancellor Adenauer commented on the very unfortunate political effects which economic rivalry in Europe would cause. He said that already within NATO there was a dispute between the UK and Iceland, a three-way dispute between the UK, Greece and Turkey and that the addition of economic tensions within the alliance might be more than it could bear.

14. Dr. Van Scherpenberg expressed general agreement with what Professor Hallstein had said. He stated with some assurance that the purely technical problem of whether or not repeat not the FTA nations should have tariff autonomy was soluble without damage to the French economy. The political problem in France was basic and more difficult. As Professor Hallstein had said some of the most enlightened French politicians feared the dissolution of EEC if the FTA came into being. Domestic opposition to the FTA could only be overcome by the firmest decision of the French Government. If Monsieur de Gaulle were convinced of the value of the FTA he could certainly carry French public opinion. Bureaucracy in France stood opposed to a positive solution, however. Dr. Van Scherpenberg was convinced that de Gaulle did not repeat not want a rupture of negotiations or conflict with the UK. Dr. Van Scherpenberg gave his opinion that, if a basic decision in principle on the establishment of a FTA could be taken before the end of the year,

then practical measures could be postponed for six months without danger of real discrimination or economic harm to the eleven countries.

15. Chancellor Adenauer said that he was casting around for ideas which might help avoid a particularly dangerous situation. He pointed out that Mr. Macmillan and Monsieur de Gaulle were warm friends. In the next months France would be experiencing serious economic trouble. He wondered if it might not repeat not be wise for Mr. Macmillan to write a personal letter to Monsieur de Gaulle explaining the advantages for Europe, for NATO and for France of the development of an FTA. Both Professor Hallstein and Dr. Van Scherpenberg thought there might indeed be some advantage in this, but they considered that it would be better to wait until after the elections in France. In the meantime the negotiations could continue and at least some technical solutions could be found.

16. Dr. Adenauer wondered whether the right people were negotiating for the various countries involved, including the Federal Republic, and both Dr. Hallstein and Dr. Van Scherpenberg thought that the composition of the delegations did not repeat not lie at the root of the difficulties which had been encountered.

17. Referring to the Chancellor's suggestion, the Prime Minister said that the question of a letter to General de Gaulle would be a rather personal one for Mr. Macmillan and that he could make no repeat no confident suggestion on that score. He spoke of Canadian concern that Europe should not repeat not become inward-looking and exclusive and that Canadian exports should not repeat not be denied access to the European Market. He would not repeat not wish to see European arrangements for economic integration turn into a sort of *Zollverein*. He wondered rather whether Mr. Macmillan would wish to write a letter at this time. The British leaders were concerned and impatient with the negotiations on the FTA which they considered to be dilatory and overly concerned with technical problems. The Prime Minister thought that the current meeting between Mr. Selwyn Lloyd and Monsieur Couve de Murville would take up the problem of the FTA. The Prime Minister mentioned then that, at an earlier stage, the British had been wondering, as a result of the experience in the FTA negotiations, whether the French might not repeat not be thinking in terms of a horse trade, i.e. if the British would agree to a three-power directorate in NATO, the French would accept the substance of a FTA. The Prime Minister thought that perhaps the British no repeat no longer harboured this suspicion and the Chancellor had told him earlier in the day that he thought there was no repeat no truth in this idea. Professor Hallstein thought it unlikely that the French had this in mind.

18. At this point Professor Hallstein left the meeting and Herr Von Etzdorf joined it.

19. The Prime Minister put the question to the Chancellor as to what approach should be made by friendly countries to the proposals which General de Gaulle had made to Mr. Macmillan and President Eisenhower.

20. The Chancellor said that he would like first to say a few general words about Europe and about NATO. He said that since he and Mr. Diefenbaker had talked together in Paris last December⁵⁸ great changes had taken place. If the free peoples of the world remained united and firm, he was not repeat not unoptimistic. He pointed out that the USSR had great inner tensions and difficulties and that Sino-Russian relations were growing worse as China grew stronger. The Chancellor revealed that when he was in Moscow in 1955, Mr. Khrushchev had expressed great and apparently genuine concern about the rise and

⁵⁸ Au mois de décembre 1957, les dirigeants des pays de l'OTAN se sont réunis à Paris. Voir chapitre II, 4^e partie.

In December 1957, leaders of NATO countries had met in Paris. See Chapter II, Part 4.

development of Red China. However the free West, given concrete form in NATO, had had some bad defeats recently. He mentioned the UK-Iceland dispute and said that Iceland was becoming more communistic but that it was absolutely essential to maintain Iceland in the Western Alliance. The Chancellor spoke of the "absolute folly" of this dispute and said that although we obviously could not repeat not recognize the twelve-mile zone claimed by Iceland, a solution had to be found quickly. Perhaps some measure of economic assistance might be the way. The Chancellor went on to mention Cyprus as another sore spot in the Western Alliance. He said that the governments in Greece and in Turkey were so weak that for their political survival they found it impossible to withdraw from the positions they had taken. The Chancellor saw only one solution for Cyprus, which was to preserve the status quo for ten years or so and to compensate Greece and Turkey "with money." At this point the Prime Minister asked whether the Chancellor by status quo meant the restoration of the Crown Colony. The Chancellor replied "yes," but that there should be provision for a reasonable measure of local autonomy on the Island.

21. Chancellor Adenauer went on to discuss the Mideast. He said that in this area the Western powers in recent years had made serious mistakes, one after another. One example was the decision, and the method of announcing it, not repeat not to carry through with the financing of the Aswan Dam. Another was the British decision to leave the canal zone ten years before the treaty requirement to do so and to leave their military equipment behind. Yet another was the interference by the French and British at Suez with the military action undertaken by Israel. A great mistake was not repeat not to have informed the USA in advance of the action intended at Suez and yet a further mistake was the decision by the USA to oppose the British and French action after it had happened. Last summer had been a very critical time and he hoped it was now accepted that the Arabs be left to share their own destiny. Although the Lebanon itself was not repeat not very important, it was a good thing that the USA had demonstrated by landing troops that it held to its pledged word. At this point the Chancellor referred with some amusement to the comic opera appointment of Colonel Aref as Iraqi Ambassador to Bonn and explained that Colonel Aref had arrived at Munich but had apparently then departed for Brussels, had returned to Baghdad and arrest but had never shown his face in Bonn. The Chancellor said that he had some evidence that Colonel Aref had planned a revolt against the Kassem Government with Communist and Nasser support. The Chancellor said that things were relatively quiet in Iran. He had received a few days ago a personal confidential report from a Court Minister of Iran who assured him that the government was firmly in the saddle and that the free western countries could rely on Iran.

22. The Prime Minister pointed out that he would soon be visiting Pakistan and that he would be interested to have any recent information on developments there which the Chancellor might have. The Chancellor said that Professor Erhard was coming back from Pakistan on the weekend and he thought he had better wait until then to get the latest information but he did emphasize the extraordinary importance of Pakistan for the West.

23. Returning to the European scene: the Chancellor mentioned briefly the concern he had felt earlier at the internal division in France which had seemed to him to offer the threat even of civil war. The solution of the Algerian problem was still very difficult and preoccupying for France. It was a blessing for France and for Europe that de Gaulle had taken over and he hoped he would be fully successful in restoring order.

24. Referring to the USA: the Chancellor gave great emphasis to the importance of continued USA leadership and cooperation; without the USA, Europe, including the UK, would soon be lost to the USSR. The Chancellor thought that the democratic landslide in the congressional and gubernatorial elections might presage difficulties in the long run.

He said that he considered that the Democrats criticized Mr. Dulles unjustly. He thought that Mr. Dulles was a man of high principle who acted consistently on principle, although he was not repeat not always wise in the phrasing or tone of his remarks, but in general it was a good thing for all of us that Mr. Dulles was there. For Europeans it was an uncomfortable situation that their fate was dependent on elections in the USA which demonstrated political instability. No repeat no one knew who would gain the presidency in 1960 or 1964 or what foreign policy the USA would pursue. The Chancellor recalled that the North Atlantic Treaty was up for review and renewal or termination in 1967 and that notice of termination would have to be given a year in advance. Unless it were made clear in the several years preceding 1967 that NATO was to be continued, disaster was ahead. The Russians must be saying that the West was not repeat not showing solidarity, (although General de Gaulle's attitude after he assumed power had disappointed them) and the Russians had some right to think that time was working for them. One could make a sad comparison of Western disarray with the fanatical unity and single-minded determination of the USSR and the nations associated with it. Therefore, we would have to strengthen NATO considerably as soon as possible and we must begin work as early as 1960 on plans for the extension and continuance of NATO beyond 1967. Moreover there must be enhanced NATO unity in the propagation of the ideals to which it is dedicated.

25. The only answer to the problem of a world in which East was pitted against West was general controlled disarmament of both nuclear and conventional weapons. Because he believed this, the Chancellor was against the Rapacki plan or various other schemes which were limited in scope and area. He said that the real rivalry and conflict is between the USSR and the free world and that there was no repeat no danger of a war between Poland or Czechoslovakia and Germany. He said with some vigour that the many lengthy comments in various countries on the Rapacki plan or other such plans had had a bad and disunifying effect on Western public opinion.

26. The Prime Minister broke into the translation of the Chancellor's remarks for a moment to refer to the dispute between the UK and Iceland and told the Chancellor that Canada was pressing for the reconvening of the Conference on the Law of the Sea and that the British Government agreed with this proposal. With reference to the Chancellor's suggestion about a solution for Cyprus, the Prime Minister said that it was interesting to note that a very similar suggestion had been made privately to him by the Greeks themselves.

27. After the Chancellor had completed his comments the Prime Minister said that he would not repeat not attempt to review Dr. Adenauer's exposition. He was very strongly in agreement with what the Chancellor had said about the need for NATO unity and thought that we sometimes had only a facade of unity. He said that we sometimes did not repeat not realize that our actions might have adverse effects on our partners in the free world. He assured the Chancellor that he had found no repeat no weakening of Canadian support for NATO and he referred to the very considerable exertions that were being made for the air defence of North America pointing out that this was properly part of the NATO concept. The Prime Minister said that he was not repeat not disturbed by the election results in the USA and that he did not repeat not envisage that there would be any significant change in American foreign policy. As President Eisenhower had taken part rather actively in the latter part of the election campaign it might be expected that he would be subjected to some adverse congressional comment but that he had seen absolutely no repeat no sign that the views of the American people on world issues had altered. The Prime Minister said that he was not repeat not going to comment on the foreign minister of another friendly state, that he recognized Mr. Dulles' sincerity and principle but, however sincere Mr. Dulles was, it did seem that some of his statements had had a bad effect on NATO unity. (This

comment was not repeat not fully translated into German and the interpreter at this point merely said that although Mr. Dulles was sincere the tone of his remarks was sometimes unfortunate.) The Prime Minister said that he had seen Mr. Dulles recently and that he considered that the Secretary of State's visit to Chiang Kai-Shek had been useful. As a result Chiang had given up his plans to reconquer the mainland of China and had decided to withdraw some troops from Quemoy.

28. Chancellor Adenauer made the clarification that he was not repeat not concerned about the result of the recent congressional elections or about the presidential election in 1960 but that he did not repeat not know what might happen in 1964 and he felt concerned that before that time the USA must be bound most firmly to NATO and that the North Atlantic Treaty must be perpetuated. The Chancellor stated with obvious sincerity that Canada was a model NATO partner and was a great influence for good on general world policy. He was most happy that Canadian policy was "so good and straight." The Chancellor urged the Prime Minister to use his considerable influence and Canadian efforts toward the extension of NATO.

29. In conclusion the Prime Minister told the Chancellor how attracted he was by the way the Chancellor was able to take account not repeat not only of the present but to look far into the future. The Prime Minister again assured the Chancellor that there would be no repeat no slackening of Canadian readiness to support NATO. He added that we were all greatly dependent on the USA and must make every effort to prevent that nation from slipping back into semi-isolationism. Text Ends.

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DEA/12687-E-40

*Note**Memorandum*

SECRET

PRIME MINISTER'S CONVERSATION WITH PRESIDENT AYUB KHAN, KARACHI,
NOVEMBER 15, 1958

1. The Prime Minister met with President Ayub Khan for two hours on November 15. The first hour and a half the President had with him the Foreign Minister, Mr. Manzur Qadir, the Secretary General, Mr. Aziz Ahmed, the Foreign Secretary, Mr. M.S.A. Baig, the Secretary of the Ministry of Works, Irrigation and Power, Mr. Mueenuddin, the Secretary of the Ministry of Finance, Mr. Mumtaz Hasan, the Secretary of Economic Affairs, Mr. Hasnie, and the Chairman of the Atomic Energy Commission, Dr. Nazir Ahmed. For the last thirty minutes of the conversation the President asked all the Pakistani members to withdraw except the Foreign Minister and the Secretary General. The High Commissioner and Mr. Robinson accompanied the Prime Minister.

2. The President began by expressing his pleasure at Mr. Diefenbaker's visit. Pakistan had some reservations about the Commonwealth but it had a deep regard for Canada, particularly in view of the assistance which Canada was giving in helping Pakistan to make progress towards the solution of its economic problems. So great were these problems and so serious the military and strategic challenge that it was hard for the Government of Pakistan to know where to start.

Economic

3. The President then said that there were certain of these problems which he would like to review with the Prime Minister. A few weeks ago Mr. Fleming had been given a full outline of Pakistan's economic needs with particular reference to projects which it might be possible for Canada to assist with. He would not, therefore, go over all this ground again but there were certain requirements which had priority in his mind. First among these was Pakistan's need for alternative sources of water.

4. Referring to the forthcoming resumption of talks on the Canal Waters problem, the President was pessimistic about the likelihood of a solution being found through the International Bank. At the request of the President, Mr. Mueenuddin explained the conflicting positions of Pakistan and India on this problem. Pakistan estimated that a sum of \$700 million would be required to undertake the necessary replacement projects. The Indian plan envisaged a figure as low as \$120 million and it was, of course, in the Indian interest to set the replacement cost at as low a figure as possible so as to keep to a minimum the financial responsibility which India would have in the event of an agreement. Pakistan was concerned that in formulating its own plan the International Bank would be influenced by the Indian proposal and that the resultant diversion of water to Pakistan would fall far short of Pakistan's needs. The President said that, in this situation, Pakistan had no choice but to look around for a new source of capital, perhaps in the form of loans, so that work could be started on certain projects which could be undertaken now without prejudice to the outcome of the Canal Waters dispute with India.

5. The Prime Minister then spoke of the serious problem which the Canadian Government faces in finding means of disposing of its surpluses of food products. The effect of these surpluses on the Canadian economy was very much greater than was the case with the United States which was not so dependent on agricultural exports for its economic well being. In considering its programmes of assistance to other countries, the Canadian Government could not disregard this problem of food surpluses. The position was further complicated by the effect of the provisions of P.L. 480 by which the United States disposed of its surpluses on terms very much more favourable to recipient countries. The Canadian Government was gratified that Pakistan had agreed to take wheat to the value of \$2 million under the Colombo Plan and realized that Pakistan had need of other kinds of economic assistance. He strongly urged that the Government of Pakistan consider whether it could not reassess its requirements so that a larger proportion of the Canadian contribution under the Colombo Plan might be in food products. This applied particularly to the additional \$15 million which the Canadian Government had undertaken to make available in the next Colombo Plan year. People in Canada were, he thought, attracted by the concept of Commonwealth cooperation in economic matters but the Government would have difficulty in having this concept accepted if the recipient countries such as Pakistan turned to the United States for wheat and other agricultural supplies. The extent to which Canada could provide other forms of aid would, therefore, depend to a larger extent on the willingness and capacity of the recipient countries to increase the proportion of agricultural products which they accepted under Canadian aid programmes. The Prime Minister also mentioned the heavy surplus of skimmed milk which the Government had on hand as a further illustration of its problem of food surpluses.

6. The President asked Mr. Hasnie to respond to the Prime Minister's remarks. Mr. Hasnie referred to the recent resolution of the Economic and Social Council providing for the establishment of national reserves of food grains. He said that Pakistan was thinking in terms of the eventual creation of such a reserve. He felt obliged, however, to point out that Pakistan could obtain American wheat over and above the normal U.S. aid pro-

gramme whereas for every ton of Canadian wheat accepted there was a corresponding reduction in the amount of Canadian Colombo Plan funds available for other economic purposes. Thus the wheat which Pakistan took from the United States did not affect this country's overall development plan.

7. The Prime Minister intervened to say that, while he appreciated these considerations, the Government of Canada was faced with a growing public feeling that Canada should not be placed in a position of spending money on other forms of external aid when the United States was getting rid of its wheat surpluses. This led Mr. Hasnie to speculate on the possibility of establishing what he called a wheat bank in Pakistan whereby Canadian wheat would be accepted and Pakistan would bear the cost of transport and storage.

8. Mr. Hasnie then recalled the consideration given in the FAO and UNICEF of the establishment of milk centres. The Surplus Commodity Committee of FAO had been cold to the milk centre projects which Pakistan had hoped to undertake. Pakistan still hoped to install in Karachi, Lahore and Dacca, milk processing plants on the model of that established in Calcutta. If these machines could be provided Pakistan could probably accept quantities of Canadian skimmed milk.

9. The Prime Minister then said that the Canadian Government wished to assist Pakistan but that it had to take account of its economic limitations as well as of the state of public opinion. He appealed to the Government of Pakistan to have regard for these limitations and to recognize that the full benefits of the Commonwealth relationship could not be realized unless recipient countries took account of the peculiar circumstances of those countries offering assistance. He urged the President to reconsider the possibility of taking a larger proportion of Canadian agricultural products to which the President rejoined good naturedly that this might be easier for Pakistan to consider if Canada would give capital assistance for plants such as milk centres over and above the aid programmes already contemplated.

10. The Prime Minister then said that he thought that the idea of a wheat bank for Pakistan ought to be considered by the experts, and the President said that it should be possible for the officials to work out such a scheme.

Kashmir

11. The President called on Mr. Baig to introduce the discussion on Kashmir. Mr. Baig recalled the history of the problem briefly concluding that Pakistan and India were as far from agreement as they had been ten years ago. The President said that opinion in Pakistan was "really burning" over the unreasonableness of the Indian attitude. The conflict between Pakistan and India over Kashmir would benefit only Communism which Pakistan was determined to resist. If war came, he could say as a soldier who had been intimately concerned with Pakistan's military planning that Pakistan would either "destroy India or destroy ourselves." A war between India and Pakistan would open the door to Communism with incalculable consequences in Asia, Africa and the Middle East. He spoke of the dangers of the present situation which, unless some progress were made, might make it difficult for the Government to hold the people of Pakistan in check. In his remarks, there was a tone not of threat but of anxious concern lest a failure to move towards a solution might bring on an outbreak of violence.

12. Speaking of the Indian attitude, the President expressed the view that as soon as Nehru's hold was loosened, it was not impossible that India might "break up." In response to the Prime Minister's question on this point, the President professed to believe that India's problems with the caste system and with regional rivalries were such as to threaten India's survival as a unified state. He complained about the size of India's defence budget,

contending that there were no external restraints on India's defence preparations. He concluded his remarks by saying that the Prime Minister would understand that "the Commonwealth does not mean all that [much] to us unless it helps in solving our basic problems; unless it does that, it is a very defective organization."

13. The Prime Minister then asked, making it clear that he was enquiring only for information, what the Commonwealth might do to assist in finding a solution. The recently appointed Foreign Minister, Mr. Qadir, said he was not competent to outline the procedural steps which might be taken by other Commonwealth countries, but what was needed first and foremost was "normal pressure on India to honour its commitment" regarding demilitarization and a plebiscite. The President said he thought that Commonwealth countries should say to Nehru: "You are playing with fire" and that this kind of pressure should be kept up.

Atomic Energy

14. The President asked Dr. Ahmed, the Head of the Pakistan Atomic Energy Commission, to speak. Dr. Ahmed referred to Pakistan's need for an experimental atomic reactor. The United States was offering an old fashioned reactor which was inadequate to Pakistani needs. The Government of Pakistan, after considering the various types of reactors, had decided to try to obtain a CP5 and to place the emphasis in its atomic energy programme on the development of additional reactors not only to train additional personnel, but also as a means of economizing on the transmission of power. (Details of Dr. Ahmed's exposition are not given here in detail since they are contained in material already available in Ottawa.)

15. The Prime Minister said that he would take this matter up with officials and see what they had to say about it. He speculated on the possibility of establishing a connection between the provision of assistance for the construction of a reactor and the willingness of the Pakistani Government to rearrange its requirements so as to accept a larger proportion of Canadian agricultural products.

Change of Régime in Pakistan

16. In the restricted session which followed the main meeting, the President said that he wished to say a few words about the change of régime in Pakistan. He said that for some years it had been clear that the politicians who had been running the affairs of the country were failing to make democracy work. The required standards of integrity and leadership had not been forthcoming, and Pakistan, surrounded as it was by enemies and plagued by economic weakness, had declined to a desperate state of demoralization. The army itself had been affected and it had become essential for a completely new start to be made. In response to the Prime Minister's question as to what had provoked the decision to act on October 7, the President said that the action had not been in response to a particular provocation, but rather as a means of forestalling bloodshed. There had been growing signs of disintegration: violence in the Parliament of East Pakistan, openness and prevalence of corruption, the increasing clamour of the neutralists led by Bashani and Qayyam's talk of bloody revolution. All these factors had had their place as the climax was reached.

17. The President spoke as if he himself had been from the beginning the effective force behind the plan to put an end to the old régime. He spoke in regretfully critical terms of Mirza. He had hoped that Mirza would rise to the real requirements of the presidency (he seemed here to be looking back to the time of Mirza's original appointment), but he had not. When the time came for action to be taken, he (Ayub Khan) had gone against the view of many loyal Pakistanis — he pointed to the Foreign Minister — in undertaking the assumption of power with Mirza as Head of State. He had hoped that Mirza would collabo-

rate with him in putting an end to the iniquities of the old régime. Unfortunately Mirza had very soon shown that he was not prepared to restrict himself to the duties of the Head of State and that he could not refrain from political manipulation. At the outset of their brief partnership in power, he had told Mirza that it was essential that they speak with one voice so that there would be no doubt in the country or in political circles as to their joint objectives. Mirza agreed to this but it had soon come to President Ayub's attention that Mirza was up to his old tricks, obstructing Government orders against corruption and even interfering in the military services. The President had thus been obliged to take the supreme power himself although, as the High Commissioner has already reported, he made it clear that he had done this only with reluctance and as a last resort.

18. Speaking of the martial law administration the President described it as "the alternative to the sovereign power" and as "existing to support the civil power." He said that martial law had been instituted as a precaution but in fact no military action except for the presence of troops in key centres for a few days had been necessary. Now military force has been virtually withdrawn although some of his advisers, including the Foreign Minister, were not sure that it had been wise to effect the withdrawal with such speed. In any case, the President felt encouraged by the smoothness of the transition and by the fact that some hard decisions in the economic and commercial sphere were being cheerfully accepted by the people.

19. The President and the Foreign Minister emphasized repeatedly both in this conversation and in private conversations at other times that the new Government is determined with the least possible delay to rebuild the constitution on democratic lines. The Foreign Minister, who is a constitutional and criminal lawyer of distinction, is personally engaged in this task and he said that he hoped that within a few months it might be possible to create the beginnings of representative political institutions.

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*Le haut-commissaire en Inde
au secrétaire d'État aux Affaires extérieures*

*High Commissioner in India
to Secretary of State for External Affairs*

DESPATCH NO.1014

New Delhi, November 29, 1958

SECRET

PRIME MINISTER'S TOUR — DISCUSSIONS WITH MR. NEHRU⁵⁹

I am attaching two copies of a record of the conversation between Mr. Diefenbaker and Mr. Nehru on November 19th, 1958. Mr. Robinson and I were present at this meeting and

⁵⁹ Une note jointe à ce document contenait ce qui suit :/A note attached to this document contained the following:

Note for file: changes in record of Nov. 19 inserted on instructions of Prime Minister H.B. R[obinson]. Robinson a modifié à neuf endroits l'enregistrement de la conversation du 19 novembre 1958 entre Diefenbaker et Nehru. Les modifications ne sont pas importantes, et l'enregistrement de la conversation imprimé ici incorpore les corrections de Robinson.

Robinson amended the record of the November 19, 1958 conversation between Diefenbaker and Nehru in nine places. The alterations are not significant, and the record of the conversation printed here incorporates Robinson's corrections.

Mr. Robinson prepared the record, in which I have made only one or two minor changes. On the Indian side there were present the Foreign Secretary, Mr. Dutt, the Chief of Protocol, Mr. Tandon, and Mr. S. Sen, Joint Secretary in the Ministry of External Affairs.

Also attached is a brief note on a conversation between Mr. Diefenbaker and Mr. Nehru at dinner at my residence on November 23, 1958. Present at this dinner, in addition to Mr. Nehru and my wife and I, were Mr. Elmer Diefenbaker, the Secretary-General and Mrs. Pillai, the Mayoress of Delhi and Mr. Carter, Counsellor of this mission.

These two memoranda provide a record of all the significant discussion that took place, as far as I am aware, between Mr. Diefenbaker and Mr. Nehru on world affairs. The two Prime Ministers were, of course, together on many other occasions during Mr. Diefenbaker's five-day stay in India. Most of these were public functions where extended conversation was not possible but where the time spent in one another's company all went to foster that greater degree of intimacy between Mr. Diefenbaker and Mr. Nehru which was one of the objectives of the visit. The small informal luncheon which Mr. Nehru gave for Mr. and Mrs. Diefenbaker on November 23rd was a friendly social affair at which no serious matters were discussed.

One occasion when Mr. Nehru took the opportunity to talk about India's domestic problems to Mr. Diefenbaker was during an unscheduled visit to the "India 1958" Exhibition on the evening of November 18th. Within an hour of the Prime Minister's arrival Mr. Nehru suggested that they pay a visit to the Exhibition and Mr. Diefenbaker willingly agreed. Mr. Nehru gave a brief, lucid account of India's problems, plans and accomplishments during the time it took to drive to the Exhibition and look at one or two displays and Mr. Diefenbaker showed much interest in what the Indian Prime Minister had to say.

As I said in my telegram No. 658 of November 25th, † I believe Mr. Diefenbaker and Mr. Nehru hit it off very well together. Mr. Nehru was at his friendly and charming best and there is no doubt that he was taking pains to establish a good personal relationship with Mr. Diefenbaker. In their conversation on November 19th Mr. Nehru took a reasonable, moderate attitude on the various questions that came up and made no attempt to press a particular viewpoint on Mr. Diefenbaker. Mr. Diefenbaker adopted much the same course and, as a result, the conversation proceeded very amicably without approaching anything that could be called disagreement. Some difference of approach to world problems is discernible in the record of the conversation but it was muted. I thought this was a most useful discussion.

C.A. RONNING

[PIÈCE JOINTE 1/ENCLOSURE 1]

Note

Memorandum

SECRET

RECORD OF PRIME MINISTER'S CONVERSATION WITH MR. NEHRU,
NEW DELHI, NOVEMBER 19, 1958

The Prime Minister's conversation on November 19 with Mr. Nehru occupied one hour and a half, including a few opening minutes for photographs and five minutes at the close for inspection of objets d'art in Mr. Nehru's sitting room. The atmosphere was relaxed and informal. Mr. Nehru was accompanied by Messrs. Dutt, Sen and Tandon (Chief of

Protocol). The Prime Minister was accompanied by the High Commissioner and Mr. Robinson.

When Mr. Diefenbaker opened the conversation by remarking on the coup d'état in the Sudan, which had had a prominent place in the morning newspapers, Mr. Nehru disclaimed any detailed understanding of the circumstances. All he knew was that the coup had taken the Egyptian Government by surprise. It was too early to comment on its significance.

Pakistan

Mr. Nehru was clearly more interested in securing Mr. Diefenbaker's view on the new régime in Pakistan. The gossip he had heard, which of course he should not pass on, was that people were speculating on who had put Ayub Khan up to it. Ayub, he said, had never been accused of too much intelligence and there must have been someone behind it. Everyone knew that conditions had been deteriorating in Pakistan, but it was not clear how the revolution itself had actually come about. He did not know if it was an army coup, but the sudden and efficiently conducted banishment of Mirza suggested careful planning and organization.

When Mr. Diefenbaker referred to the recent announcement by the Pakistan Government of the return of martial law administration to the civil power, Mr. Nehru rejoined that, nevertheless, the sanction of martial law remained. He admitted, however, that the original coup of October 7 had been "in a sense popular." Mr. Diefenbaker said that on the basis of his talks in Pakistan, he had the impression that the need for a change was very widely felt.

Returning to the theme of the hidden hand, Mr. Nehru said that in the period immediately after the coup, the press which had been critical of Mirza, changed its tune but had reverted to open criticism again on the eve of Mirza's removal. These changes of line suggested to him that there had been control of the press.

Mr. Nehru did not see how the new Government of Pakistan would lift themselves out of the emergency. They were faced with almost insuperable economic problems and, from a constitutional point of view, he could see no hope of elections taking place. Mr. Diefenbaker did not offer a view on these points.

Soviet Intentions and Sino-Soviet Relations

Mr. Diefenbaker turned the conversation to Khrushchev's recent speech about Berlin, and wondered about its significance. Mr. Nehru said that he was sure that Khrushchev did not want big trouble, but he liked taking initiatives and putting other people off balance. Khrushchev's speech about Berlin, Mr. Nehru thought, was part of this pattern and he did not think it was related to, for example, the Far East.

Mr. Diefenbaker inquired to what extent Khrushchev and his Government were in fear or under the influence of the Peking régime. He noted that there was evidence to show that Khrushchev had been privately expressing concern about Communist China's policy. Mr. Nehru agreed that Khrushchev had "a certain apprehension" — not now but applied to the more distant future — about the intentions of the communist Chinese. He referred to population pressure and industrial advancement as factors in Khrushchev's thinking, added to which he remarked that no country likes an ally to become stronger than itself. Nevertheless, Khrushchev was bound to help China, even though with mixed feelings. He agreed with Mr. Diefenbaker that Soviet policy had been influenced in recent months by the Communist Chinese. This was, he said, "perhaps responsible" for the switch of Soviet policy with regard to a summit meeting earlier this year. He did not think that this was the whole

story, however. There was always a tussle going on in the Soviet hierarchy with different interests competing for influence on Khrushchev. At the same time, he had no doubt that Khrushchev was by far the most popular man in the Soviet Union; he was a real politician — bluff, capable, and always meeting the people. Mr. Nehru concluded by repeating that, in his view, Khrushchev did have “certain apprehensions” about the Communist Chinese. Mr. Ronning observed that the Russians had not given the Peking Government unreserved support for a period after Stalin’s death when they had suffered a lack of confidence in their own internal situation.

Questions Relating to China

Mr. Diefenbaker said that he could understand the Communist Chinese making an all-out attack from the mainland on Quemoy and Matsu, but that he was at a loss to understand what their purpose was in such tactics as shelling the islands every other day. This led Mr. Nehru to recall a statement by Sir Anthony Eden in 1955 that Quemoy and Matsu should go to the mainland.⁶⁰ Mr. Diefenbaker said that he believed that Sir Anthony had added “providing that no force was used.” Mr. Nehru continued that if Sir Anthony Eden’s opinion had been carried out, Formosa would have become a more distant issue. The Chinese would have gone on talking about it, but in effect you could have put Formosa in cold storage. As things had turned out, however, the Americans had simply played into the hands of the Communist Chinese. He did not think that they were too keen now on taking Quemoy and Matsu; they would rather have the issue hanging there all the time. Otherwise, they would be under a certain popular pressure to prepare to tackle Formosa.

Mr. Diefenbaker, referring to the United States position, underlined how strongly the United States administration would resent it if Canada were to take a stand against the American position, either by publicly favouring a Chinese Nationalist withdrawal from the islands or by advocating recognition of the Peking régime. He did not think that the United States view regarding Quemoy and Matsu was as strong as it was three months ago but on recognition the United States feeling was unyielding, and he was afraid that if countries such as Canada exerted pressure there might be a strong current of isolationism. The problem was to discover a means of saving face.

Mr. Nehru agreed that in a situation of this kind someone would have to lose face. He returned to the point that the Dulles policy suited the Communist Chinese perfectly. He was sure that the Peking Government attached more value to building up an inner strength within the country than to taking Quemoy and Matsu or even Formosa. American policy enabled them to push people to work harder.

Mr. Diefenbaker said that he was sure that the United States would welcome some solution. Speaking of Canadian opinion, he said that the feeling in favour of recognition was stronger than at any time.

Mr. Nehru concluded the discussion on China by saying that the Communist Chinese, in the near future, would not dream of attacking Formosa and thereby precipitating a war with the United States. The Chinese had an infinite capacity for patience. The Peking Government expected that Formosa would fall into their hands eventually.

Relations with the United States

Mr. Diefenbaker, recalling the course of Canadian-American relations, said that there had been times in the past when disputes could have led to United States aggression

⁶⁰ Voir volume 21, chapitre VII, 3^e partie.
See Volume 21, Chapter VII, Part 3.

against Canada. In the past 60 years, however, relations had steadily improved and any thought of United States territorial expansion at Canada's expense was of course out of the question. He had been on occasion critical of United States policy towards Canada, but his experience since coming into office had been that the Americans were going out of their way to remove unreasonable causes of friction. He mentioned, as an example, the understanding arrived at in July during the Eisenhower-Dulles visit to Ottawa regarding exports to mainland China by Canadian subsidiaries of United States firms.

Mr. Nehru said that he presumed that any policy for Canada must be based on "friendly approaches to the United States." Mr. Diefenbaker remarked on the extent of American generosity, and this led Mr. Nehru to observe that two years ago he had frankly told President Eisenhower that the effect of pouring out American treasure was not what the United States intended it to be. Mr. Diefenbaker agreed and said that the attachment of strings to aid was suspect. Mr. Nehru said that it was more than that. Too frequently, help failed to reach the people in any significant degree. A United States committee sent to investigate aid programmes in Pakistan had found a great deal of waste connected with the administration of aid programmes; it had also been true that there had been profiteering by Pakistanis. An equally important failing in aid programmes — and this applied to the United Kingdom as well as to the United States — was that help was given to the government of the day, so that if that government happened to be unpopular or reactionary, the donor country inevitably lost credit.

Mr. Diefenbaker said that he had spoken in similar terms to President Eisenhower last July. In particular, he had commended the idea of creating greater liquidity through the International Bank. He had suggested that this was the sort of channel through which the Americans might give aid without strings. To this Mr. Nehru rejoined that people don't like to be bossed by large numbers of foreigners, no matter how generous.

There was a short discussion about the balance which had to be observed in the implementation of economic aid projects between the use on the one hand of indigenous employees and on the other of experts from outside. Mr. Nehru said that at the Bhakra Dam some 2000 to 3000 Indian engineers were employed against only 15 Americans.

Middle East

In response to Mr. Diefenbaker's invitation, Mr. Nehru reviewed the situation in the Middle East. Things were relatively quiet at present but this might be misleading. In Iraq, the aftermath of revolution revealed that there was still inner conflicts. Lebanon was slowly finding an equilibrium. In Iran, the Shah was fairly capable and much more liberal, i.e. in land reform than his ministers. The idea of a monarchy was fairly well accepted and, in the short run, the Shah's position seemed safe. The U.A.R. was the most stable of all the Middle Eastern governments. Nasser had enormous prestige, largely because he had come to represent Arab nationalism. The best formula for these countries was to leave them to themselves as much as possible, since interference aroused antagonism and extreme nationalist feeling. If he might say so, the United Kingdom had a habit of dealing with the wrong kind of people. They never got beyond the landlords who now had no influence. Their sources were less reliable for this reason, although he was not sure if this was still true today.

Mr. Nehru asked himself if Iraq would join the U.A.R. For all its friendship with the U.S.S.R., the U.A.R. had no intention of allowing communism to creep in. "(There is no doubt about that.)" He thought that some of those in Iraq who opposed Iraqi-U.A.R. union did so because they thought communist or extreme left-wing parties in Iraq would be banned as they were in the U.A.R.

When Mr. Diefenbaker asked if Mr. Nasser could keep communism out of the U.A.R., Mr. Nehru said that, strictly speaking, the conditions in which communism would thrive were not present in the relatively backward agrarian societies of the Middle East. Communism in countries not industrially advanced was not really communism. The agrarian masses could be brought to revolt, but this was not communism. It was possible for a government to be *favourable to communism* but even such a government could not impose communism if the conditions were not ready.

Mr. Diefenbaker asked how it was that there was a not inconsiderable communist minority element in the Indian Parliament. Mr. Nehru said that this was chiefly attributable to local causes. He did not fear expansion of communist representation on the national level, but would not exclude the possibility of such expansion in state legislatures. Communist representatives in the National Parliament did not stand for the communist order as such, but were opportunists, exploiting local grievances and complaining against the system.

Disarmament

Mr. Nehru asked whether Mr. Diefenbaker saw much hope of progress on disarmament, referring, in particular, to Mr. Dulles' recent statement that the position of the technical talks on test suspension in Geneva was a little better now.⁶¹ What he was worried about was that disarmament talks always seemed to lag behind developments in armament. Mr. Diefenbaker agreed and cited the Government's decision on the AVRO "Arrow" as a case in point. Mr. Nehru said that he had been reading Walter Lippman's articles on his talks with Khrushchev.⁶² He thought that the stress laid on the Soviet Union's possession of short-and middle-range missiles illustrated the change in the nature of the disarmament problem. It was important to avoid a disarmament agreement which was bogus in that it involved meaningless concessions by one side or the other, i.e. agreement to give up weapons which nobody wanted.

France

Mr. Diefenbaker referred to the French position with regard to the production of atomic weapons and said that he was sure that the French Government was not so much interested in owning nuclear weapons for military use as for their prestige value to France. Mr. Nehru said: "Let them send a rocket to the moon."

Talking more generally of France, Mr. Diefenbaker said that his meeting with General de Gaulle had given a favourable impression somewhat different from an earlier reaction he had formed to the general. He had not found him truculent, petulant or arrogant. He was convinced of the General's ardent desire for peace and particularly of his dedication to the solution of the Algerian problem. Mr. Diefenbaker spoke of Chancellor Adenauer's relations with General de Gaulle, indicating that de Gaulle had convinced Adenauer of his sincerity, and that Adenauer was not unduly disturbed by de Gaulle's private letters to Eisenhower and Macmillan.

Mr. Nehru returned to the importance of a new psychological approach to the problem of disarmament. The basis of the arms race — the urge to arm — was the fear of others. If we could lessen that fear, the urge to arm would itself lessen. No country could afford to take a major risk (it would be politically foolish), but today it is a major risk that the arms race is going on. Mr. Diefenbaker agreed that this was a fundamental dilemma, and

⁶¹ Voir/See United States, Department of State, *Bulletin*, Volume XXXIX, No. 1016, December 15, 1958, p. 952.

⁶² Voir/See Walter Lippmann, *The Communist World and Ours*, Boston: Little, Brown, 1959.

Mr. Nehru asked how it could be circumvented and whether a continuing hostile attitude was a necessary concomitant of a strong military position. He instanced Khrushchev's unpleasant remarks regarding the United Kingdom in Burma and said that he had asked Khrushchev, in reply to the latter's question as to how he could improve the Soviet Union's relations with the United States and the United Kingdom, why he spoke in these hostile terms. Khrushchev had admitted that there was something in what Mr. Nehru had said but justified himself by adding that the Soviet Union had lived for forty years in a state of siege and encirclement, and that this caused Russians, including himself, to react rapidly to what they believed to be interference.

Thus it was, Mr. Nehru said, that statements made in the United States created anger and fear in the U.S.S.R. At this stage, Mr. Nehru added that in his opinion the Soviet people were more afraid of Germany's rearmament than of the United States. He said that if, while holding on to their armaments, nations could make a deliberate attempt not to curse each other, this would perhaps have a psychological impact on the disarmament problem.

Mr. Diefenbaker then asked Mr. Nehru about the size of India's defence budget. Mr. Nehru said that he thought it was some 22% to 23% of the national budget. In relation to revenue, this was not a very big figure, especially when one considered the size of the country and the length of the frontier. India's whole policy was a policy of defence. It could not afford the latest types of arms; it relied on second-rate arms that could be made in India. It did not attempt to get long-distance offensive weapons such as bombers.

[PIÈCE JOINTE 2/ENCLOSURE 2]

Note

Memorandum

SECRET

PRIME MINISTER DIEFENBAKER'S CONVERSATION WITH MR. NEHRU
ON OFFSHORE ISLANDS, NEW DELHI, NOVEMBER 23, 1958

At dinner on November 23 at Canada House Mr. Diefenbaker reverted to the subject of Communist China and the offshore islands. He suggested to Mr. Nehru that if the United States were forced to lose face in the Pacific the results could be disastrous. He thought there was a danger that, unless there was some understanding of the United States position in the Pacific, people in the United States who were advocating the complete withdrawal of the United States from the Pacific "back to California" might gain sufficient influence to bring about the results they hoped to achieve. If the United States withdrew, Mr. Diefenbaker said, American aid to all of the countries in the area would cease. Without American support it would probably not be long before Japan would fall to the Communists. The same thing could happen in Indochina, Indonesia and Burma. Mr. Diefenbaker implied that he hoped India might use its influence with China to adopt a less aggressive and more conciliatory attitude calculated to ease tensions and prevent the situation from worsening.

Mr. Nehru agreed that if such a development occurred it would "upset" the whole situation, and that it was important to avoid a situation of this type developing. He then said that surely it was not necessary for the United States, in reverting from its present inflexible and rigid policy, to go to the other extreme of complete withdrawal. He felt that there must be some satisfactory compromise between these two extreme positions. Some sort of

modus vivendi would be advisable which would be satisfactory to both the United States and Communist China, and which would enable the United States to continue giving support to the countries in Asia whose economic development was still dependent upon receiving such aid.

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DEA/12687-40

*Note du sous-secrétaire d'État aux Affaires extérieures
pour le secrétaire d'État aux Affaires extérieures*

*Memorandum from Under-Secretary of State for External Affairs
to Secretary of State for External Affairs*

CONFIDENTIAL

[Ottawa], December 4, 1958

RELATIONS WITH COMMUNIST CHINA

There has been considerable public and diplomatic interest in the position of the Canadian Government on the question of recognition of Communist China because of various statements which have been made on this subject recently. Enquiries have been made as to whether a change of Canadian policy on recognition is imminent. We have been informed that you will be questioned on this matter at your forthcoming press conference.

Interest has been stimulated by Mr. Fleming's observation in Tokyo on November 7, that the Canadian Government has not given any indication of recognizing Communist China; your own remarks on the subject at Seattle; and statements made by the Prime Minister at Karachi, New Delhi and Kuala Lumpur.

The texts of the Prime Minister's statements on the question were forwarded to the posts which you visited on your South American tour. They are also attached† to this memorandum in case you may wish to refer to them. These statements make the following points:

- (a) China is a country of 600,000,000 people which cannot be ignored.
- (b) Canada in the past has had a long and friendly relationship with the Chinese people and our interest in them has been demonstrated by the Canadian names associated with religious, educational, commercial and other activities in China.
- (c) We should like a proper relationship to be restored. Trade and other contacts should be encouraged.
- (d) The normal legal requirements for recognition, the most important of which is effective control of the country, are complicated in this case by other factors. Because of the impact of the Korean War, the danger has to be taken into consideration that recognition might be regarded as an approval of communism rather than a purely legalistic act, which could have harmful political and psychological effects in the area.
- (e) The Canadian Government is keeping the question under constant review; "it is not inflexible in its stand but no finality of decision has been made."

N.A. R[OBERTSON]

399.

DEA/12687-K-40

*Le haut-commissaire en Australie
au sous-secrétaire d'État aux Affaires extérieures*

*High Commissioner in Australia
to Under-Secretary of State for External Affairs*

LETTER NO. 856

Canberra, December 23, 1958

RESTRICTED

VISIT OF PRIME MINISTER DIEFENBAKER — DECEMBER 3-8

Prime Minister Diefenbaker and his party arrived in Canberra as scheduled Wednesday morning, December 3 and departed from Sydney for New Zealand Monday morning, December 8. While here he visited Melbourne and Sydney as planned. Just prior to Mr. Diefenbaker's arrival Prime Minister Menzies informed us that he and Dame Pattie planned to stay with Mr. and Mrs. Diefenbaker at Kirribilli House in Sydney on the weekend of December 6/7. This did not seriously affect the proposed itinerary and in fact provided additional time for informal discussions between the two Prime Ministers.

2. I think it is safe to say that the visit went without incident. Mr. and Mrs. Diefenbaker met with a warm and sincere welcome that was reflected in the attempts of all concerned, political leaders and government officials alike, to ensure that everything possible was done to make their stay in Australia an enjoyable and interesting one.

Official Programme

3. The official programme, agreed to in its broad outline by the Department, was carefully adhered to throughout. Two copies of a handsome booklet, issued by the Prime Minister's Department here, outlining it in detail are attached for your records. There were several minor additions that Mr. Diefenbaker agreed to after arrival. As provisionally planned he and Mrs. Diefenbaker visited the Mission Wednesday afternoon December 3 and afterwards went on an informal tour of Canberra including a brief stop at the official residence. In Melbourne Mr. Diefenbaker met a small group of influential members of the press at Government House immediately on arrival and in the afternoon laid a wreath at the War Memorial and planted a tree in the Botanical gardens. In Sydney he and Mrs. Diefenbaker attended a church service at the Central Baptist Church on Sunday morning and also went on several informal sightseeing tours of the city.

4. You will recall that one of the principal difficulties in formulating a mutually acceptable programme was the inclination of the Australians to overload what already appeared to be a busy schedule. I think however, that the final programme as eventually agreed upon provided as much opportunity for relaxation and rest as possible under the circumstances. Coming at the end of the more arduous Asian part of their tour, at least from the climatic point of view, I think that Mr. and Mrs. Diefenbaker both felt that they had an opportunity to catch their breath here and relax, particularly over the weekend at Kirribilli House. Australians generally realized that the Prime Minister must be fatigued after his long trip and acted accordingly. A number of special invitations to him were disposed of without difficulty, on this account.

5. The administrative arrangements for the visit, which were in the hands of the Prime Minister's Department, can only be described as excellent. Mr. Scholtens, the Ceremonial and Hospitality Officer accompanied the official party throughout the visit. In Melbourne

and Sydney he was ably assisted by the State Government Hospitality Officers who were primarily responsible for the detailed programmes in those two cities. I was most impressed, as I believe also were members of Mr. Diefenbaker's party, with the close planning and foresight that obviously went into the programme. Little, if anything, was left to chance, and I have made a special point of thanking Mr. Menzies for all this and complimenting his officers.

Press Conference and Public Addresses

6. Copies of the transcript of the press conference on December 3 have already been sent to you.† It was decided after consultation with Mr. Robinson that as there did not appear to be anything unduly contentious in the questions and answers it was not necessary to send a telegraphic summary to you.

7. One of the main interests of the press was in a report that Mr. Diefenbaker intended to approach Mr. Menzies concerning the Governor-Generalship of Canada. Mr. Diefenbaker explained of course that this was based only on conjecture. There were also questions concerning recognition of Communist China, in reply to which Mr. Diefenbaker repeated the statement he had made in Kuala Lumpur. Other questions concerned West New Guinea and Indonesia; the disposal of surplus agricultural products; the future of the Commonwealth; racial policies such as those in South Africa; the impact of Australia on Asian members of the Commonwealth; and the effects on Canada of the United States' recession.

8. There were also two questions on the situation in Pakistan. We only learned after Mr. Diefenbaker had left that these were asked by a Mr. Watt, who apparently is a Public Relations Officer attached to the Pakistan High Commissioner's Office in Australia. He had inadvertently been admitted to the press conference as a bona fide journalist. No harm appears to have been done but needless to say it is the general impression here that Mr. Watt had not acted with "propriety."

9. Immediately after the press conference Mr. Diefenbaker granted a short interview to a representative from one of the commercial radio stations. This request was completely unanticipated and no provision had been made for it at the press conference. Mr. Diefenbaker did not appear to have any objections, however, to it, though the intruder had to be choked off before he liked it.

10. The major speech as planned was in Melbourne on Thursday, December 4, at the business men's luncheon given by the Deputy Prime Minister and Minister for Trade, Mr. McEwen. Copies of the transcript are being sent to you under separate cover.† This address was particularly well received as it dealt with a number of subjects of current interest to Australians, such as Canadian policy concerning the disposal of surplus agricultural products and the proposed trade negotiations between Australia and Canada.

11. Of almost equal importance was Mr. Diefenbaker's address at Prime Minister Menzies' Parliamentary luncheon in Canberra on December 4. Copies of this have been sent to you. At one time this had been planned as an "en famille" luncheon at which the press in general would be excluded. Just prior to Mr. Diefenbaker's arrival, however, Mr. Menzies decided that the press should be invited. There were many favourable comments concerning Mr. Diefenbaker's remarks on the Commonwealth.

12. Mr. Diefenbaker also made short addresses at the State Government reception in Melbourne on December 5 and the State Government luncheon, Sydney on December 6. Transcripts of these are being forwarded under separate cover.† I think that possibly the one in Sydney struck the most responsive chord of all. Although this was not scheduled as

a major speech it rivalled that in Melbourne (to the delight of the Sydney audience.) The response was most gratifying.

13. The Guest of Honour broadcast was recorded as planned and broadcast on Sunday evening December 7. A copy of the tape recording is being sent to Mr. Diefenbaker at his request and we are also forwarding copies of the transcript under separate cover.†

14. All of Mr. Diefenbaker's addresses as well as the press conference were widely reported in the local press. A large part of the press conference was also televised as well as his speech in Melbourne. The Australian Broadcasting Corporation carried excerpts from his speeches.

Discussions with Prime Minister Menzies and Others

15. A short summary of the principal items discussed at Mr. Diefenbaker's meeting with Mr. Menzies and his Cabinet colleagues on Thursday morning, December 4, was sent in our telegram #179 of December 6.† Mr. Robinson was present at these discussions and I understand will provide you with a full record of the meeting.† Apart from the specific items mentioned in the above telegram — the desirability of discussions in Ottawa prior to the review of the International Wheat Agreement in February; further discussions on lead and zinc before the meeting of the study group in January; and the urgency which Australia attaches to attempting to find a mutually acceptable Western formula concerning the Law of the Sea before the conference is called — the discussions tended to be confined to a wide exchange of views on matters of mutual interest to Australia and Canada, such as the Colombo Plan, the Commonwealth, the problem of commodity prices and related matters. Following the meeting a joint communiqué was issued by the two Prime Ministers. Copies in duplicate are attached.†

16. I have already reported (my despatch #825 of December 10†) on Mr. Diefenbaker's discussions with the Leader of the Opposition, Dr. Evatt, and his colleagues.

17. The two Prime Ministers, of course, had ample opportunity for discussions at Kirribilli House in Sydney over the weekend December 6/7. As far as I know, however, no detailed problems were discussed except that Mr. Diefenbaker at our request briefly raised the matter of Canadian/Australian Trans-Pacific Air Services. Mr. Menzies, I am told by his closest advisers, was primarily concerned in getting to know Mr. Diefenbaker personally rather than embarking on serious national or international problems. The talks, therefore, could probably be described more as social than political and more as a "meeting of minds" than as an exchange of views.

18. I did not have any opportunity of discussing the trend of the conversations with Mr. Diefenbaker and must rely therefore in this report on what I have been able to find out from Mr. Menzies and his advisers. The general consensus seems to be that no important decisions were taken or discussed and that the value of the interchange was more the opportunity provided for the two Prime Ministers to meet each other informally on common ground than an attempt to reach agreement on current problems and possible courses of action.

19. I might mention here that a number of senior members of the government and officials remarked to me after the visit that they regretted more ample opportunities had not existed for an exchange of views between members of the official party and the Australian Government departments concerned. They thought that a unique opportunity existed for this during a visit of this nature. They had in mind their experience with Prime Minister Macmillan who was accompanied by a number of senior officials including Sir Norman Brooks, Secretary to the Cabinet, and senior officials in the Commonwealth Relations

Office. It was obviously impossible, of course, for Mr. Robinson with his other multitudinous duties to embark on discussions of the type desired.

Publicity

20. We are forwarding a selection of representative press clippings under separate cover along with a summary of editorial opinion.† As far as is possible the suggestions contained in your Circular Document No. R23/58 of September 25† were followed in arranging the public programme. A press release with background material was issued just prior to Mr. Diefenbaker's arrival.† This was carried extensively in the local press.

21. The Australian press, of course, normally tends to be concerned more with the spectacular and the unusual than with the details of the itineraries of visiting dignitaries. Nevertheless details of Mr. Diefenbaker's programme and excerpts from his speeches were carried extensively in the press. There were several front page headlines and photographs. We have discussed publicity accorded to the visit with some of our closer press contacts and they assured us that on the whole the results should be regarded as gratifying.

22. Mention should be made of the co-operation of the Australian Broadcasting Commission and its television outlets. I understand that the Australian Broadcasting Commission television shot a number of sequences that are to be made available to the Canadian Broadcasting Corporation. Also at the request of the National Film Board the Film Division of the Australian Department of the Interior undertook to provide coverage of the Prime Minister's visit primarily for domestic use in Canada. Cinesound News Reel, a commercial firm, also covered the Prime Minister's visit. I understand that this coverage was offered on a world wide basis.

23. There were of course, as you are aware, several offers for Mr. Diefenbaker to appear on TV and also for him to grant individual press interviews. In accordance with your instructions all of these were firmly resisted.

24. We have had very little experience with TV at this Mission and therefore are not in a good position to judge whether or not undue demands were made on Mr. Diefenbaker. Nevertheless I was concerned at the press conference in Canberra and at the speech in Melbourne at the insistence of the TV operators in attempting to record the full conference and address. This was contrary to their original undertaking and I am afraid this must have resulted in some undue strain on Mr. Diefenbaker. In future consideration might be given therefore to the drawing up of detailed instructions for Missions on this type of thing that can be used for their guidance.

Conclusions

25. There is no doubt that the visit was a very useful one. Mr. Diefenbaker's comments on the Commonwealth in general and in particular on the role of the Asian members were well received here. On the whole Australians, realizing that the visit to Australia came at the end of a long and arduous Asian trip, were not unduly demanding on Mr. Diefenbaker's time and energies. As the first Prime Minister of Canada to visit Australia he obtained probably better press coverage than would normally be expected. The value of his contacts with the members of the government was probably not so much in the fields of problems discussed or solved as in the close personal relationship that developed.

26. In conclusion I should like to mention how pleased all of us at the Mission were to meet Mr. and Mrs. Diefenbaker and their party and how gratified we are that they took

opportunity, despite a very busy schedule, to the visit the Mission and meet all members of the staff.

T.W.L. MACDERMOT

400.

PCO

Extrait des conclusions du Cabinet

Extract from Cabinet Conclusions

SECRET

[Ottawa], December 15, 1958

Present

The Prime Minister (Mr. Diefenbaker) in the Chair,
 The Minister of Public Works (Mr. Green),
 The Minister of Veterans Affairs (Mr. Brooks),
 The Solicitor General (Mr. Balcer),
 The Minister of Trade and Commerce (Mr. Churchill),
 The Minister of Justice
 and Acting Secretary of State for External Affairs (Mr. Fulton),
 The Minister of Agriculture (Mr. Harkness),
 The Minister of Fisheries (Mr. MacLean),
 The Minister of Labour (Mr. Starr),
 The Postmaster General (Mr. William Hamilton),
 The Minister without Portfolio (Mr. Macdonnell),
 The Minister without Portfolio (Mr. Browne),
 The Minister of Mines and Technical Surveys (Mr. Comtois),
 The Minister of National Health and Welfare (Mr. Monteith),
 The Minister of Northern Affairs and National Resources (Mr. Alvin Hamilton),
 The Secretary of State (Mr. Courtemanche).
 The Secretary to the Cabinet (Mr. Bryce),
 The Assistant Secretaries to the Cabinet (Mr. Fournier), (Mr. Martin).

REPORT BY PRIME MINISTER ON HIS WORLD TOUR

2. *The Prime Minister* reported on the highlights of his world tour, particularly on the impressions he had gained in Asia concerning the Colombo Plan and recognition of Communist China, and on his conversations with leaders in Europe.

In Ceylon, he felt that Colombo Plan aid had been of little advantage. The people of Ceylon were, of course, happy to receive aid and Canada was held in high regard for what had been done. But the Prime Minister, Mr. Bandaranaike, had told him that he did not care from where assistance came as long as it arrived. At the moment they looked to the United States for what they needed most and were inclined to treat offers of Canadian help airily. However, Mr. Bandaranaike had said that if Ceylon could not get what it wanted from the West they would turn to the U.S.S.R. There seemed to be a complete lack of principle in Ceylon not only in public, but also in private affairs.

Mr. Bandaranaike had abandoned Christianity to become a Buddhist because this appeared to be politically advantageous. The riots of last March were rooted in religious differences between the Buddhists and Hindus and most of those killed had been Hindus. The Buddhists wanted to eliminate the Hindus and many more would have been killed had not the police stepped in. Now Mr. Bandaranaike was trying to undermine the police. As a result, if there were further riots, killing might be on a much larger scale.

The Sinhalese authorities thought Canada and the United States should recognize Communist China.

In Pakistan he had found the President General Ayoub Khan, an affable and charming man. General Khan had told him that he had had to abolish the constitution because the Cabinet was corrupt. Unfortunately this seemed to be true. Most of those who sought office apparently did so to increase their personal fortunes. Contracts were let in a way which would never be allowed for a moment in western democracies. Some ministers had controlled food stocks and had let prices rise to their own advantage; prices were very high. Once this corruption had started to undermine the Army, General Khan, who had been Commander-in-Chief, decided to make President Mirza abolish the constitution to preserve the integrity of the Army, whose morale and condition it was necessary to maintain in the event of war with India over Kashmir. Subsequently, he ordered Mirza to resign and took over the Presidency himself. Khan had given instructions that martial law should be applied only where it was absolutely necessary. He said he would re-establish constitutional government just as soon as public morality had been restored. Meanwhile, food prices had come down and a large housing plan had been started. The Pakistanis were against the U.S. and Canada giving any form of recognition to Communist China.

In India there were strong feelings over Kashmir. Another vivid impression he had gained was the unifying force and contribution to stability provided by British law and of the use of the English language. The Montreal Trade and Economic Conference had done much to strengthen the Commonwealth connection in India. The difference in Mr. Nehru's attitude towards the Commonwealth between the Prime Ministers' Conference of eighteen months ago and now was quite marked. He realized more than before the value of the Commonwealth in maintaining freedom and in providing security for the individual. The Colombo Plan had bolstered the position of those, both in India and Pakistan, who were trying to withstand the incursions of communism. As regards mainland China, Mr. Nehru felt that the U.S. and Canada should have granted recognition years ago anyway, and that the longer this was delayed the worse the situation became. In fact, they felt in India that Mao didn't want recognition now. However, Nehru seemed to understand the U.S. position better now than he did before. Nehru's main concern over Communist China was not in regard to propaganda but with its trade offensive, which was definitely hurting India. It was difficult to point to the virtues of democracy when prices of Communist Chinese goods were far below those of U.K. or Japanese goods in the South Asian area. If the government excluded Chinese imports, the people complained that their standard of living was being maintained at an artificially low level. If they were allowed in, it was immediately said that communism, with its low prices, was a better way of life than democracy whose cost of living was so high.

In Malaya, the terrorists had been all but eliminated. Like Mr. Nehru, the Malayan authorities were very concerned about the Communist Chinese trade offensive which was having a real effect, particularly on the Malayan Chinese. No Chinese commercial representatives were allowed in Malaya and trading was done on the basis of a few bulk transactions. In order to prevent the Chinese from gaining control of their banks, Malaya required 50 per cent of a bank's directors to be Malaysians and a significant portion of the capital to be Malayan. This had been patterned after Canadian legislation. The Sun Life and Metropolitan Life did a lot of insurance business in Malaya but they refused to invest in the country. The Prime Minister had told him this was not a nice attitude and he intended to restrict these companies from doing business if they did not change their ways. As regards Colombo Plan aid, Mr. Rahman said that it seemed that the wheel that growled got the

most grease. Finally, he was strongly of the view that Canada and the U.S. should not recognize Communist China.

In Singapore, the communists were in a strong position. Now they only had four members in a fifty-member legislature but they would be the next ruling party. Colombo Plan aid was of no use and was just a waste. The present administration felt China should be recognized.

Turning to Europe, Mr. Diefenbaker said that the U.K. Prime Minister had asked him to find out from M. de Gaulle what the latter had in mind when he had suggested a kind of governing board for N.A.T.O. composed of France, the U.S., and the U.K. M. de Gaulle had changed greatly since 1944. He seemed reasonable and friendly and he certainly was a dedicated man — thinking of himself as a modern Joan of Arc. Mr. Diefenbaker told him that Canada would not remain a member of N.A.T.O. if three of its nations became the alliance's ruling group. M. de Gaulle said he had no such triumvirate in mind and his letter had been misinterpreted. What he was concerned about were such incidents as the U.K. acting in Jordan without consultation and the U.S. moving into Lebanon and giving its allies only two hours notice. De Gaulle hoped his letter would not be raised at the N.A.T.O. Council meeting, and he had said that Mr. Diefenbaker was free to tell Chancellor Adenauer and Premier Fanfani what he had said about this matter.

Algeria was naturally de Gaulle's main concern. He would never agree to self-government there for at least ten years, and until the Algerians were able to apply democratic government and not go the way of Pakistan and other new eastern countries.

In Germany, Mr. Adenauer had told him how much he liked de Gaulle, who had launched their acquaintanceship in a frank way by saying unequivocally that he had been wrong to suggest the dismemberment of Germany after the war and in advocating an alliance between France and Russia to contain Germany. Mr. Adenauer was worried about the possibility of the U.S. withdrawing from Europe, as the U.S. public became more and more annoyed at the lack of appreciation for their generosity over so many years.

3. *Mr. Diefenbaker* said Mr. Khrushchev had certainly impressed Mr. Adenauer. Khrushchev had emphasized to Adenauer in their Moscow meeting that the logical area for Chinese expansion was northeast into the U.S.S.R. and had asked more than once what he could do "to trim Mao's wings." It was Mr. Adenauer's feeling that Khrushchev did not want the U.S. to recognize China because, in non-recognition, China was bound more closely to the U.S.S.R. but, once recognized, China would be more independent. By 1980, China would have a population of 800 million and be much stronger industrially. This was Khrushchev's worry. Adenauer said Khrushchev was one of the ablest men he had ever met. It was true he had an uncouth exterior but he was brilliant and a man of considerable humanity. Adenauer had met no one to compare with him in intelligence except Seyss-Inquart. The very nature of the Soviet system made it necessary for him to be stirring up something all the time.

He said he had noted that the Russian ambassadors in the Colombo Plan countries were first class men, extroverts and back slappers, who entertained a great deal and drank freely, but were great workers.

In Australia, and more particularly in New Zealand, Mr. Diefenbaker said it was quite noticeable how much importance the leaders of the two governments attached to maintaining good relations with the U.S.A. The New Zealand authorities now spoke of the U.S. as their saviour and New Zealand was leaning more now on the U.S. than it ever did on the U.K. Mr. Menzies had told him that he had opposed the idea of the Commonwealth Trade

Conference originally, because he had feared it might alienate the U.S. In the end, he was pleased and relieved with the outcome of the Montreal meeting.

4. *The Cabinet* noted the report of the Prime Minister on some highlights of his recent world tour.

...

401.

DTC/20E-2-N1

*Le secrétaire commercial du haut-commissariat en Nouvelle-Zélande
au sous-ministre adjoint du ministère du Commerce*

*Commercial Secretary, High Commission in New Zealand,
to Assistant Deputy Minister, Department of Trade and Commerce*

CONFIDENTIAL

Wellington, December 18, 1958

CONVERSATIONS BETWEEN NEW ZEALAND AND CANADIAN PRIME MINISTERS

1. The Right Hon. J.D. Diefenbaker was, during his visit here, closeted for approximately four hours with Mr. Nash, but as there were no officials present, I can give only the following general account of these discussions. The points mentioned below were picked up by the High Commissioner in conversation with various New Zealand Ministers who were called in from time to time and are therefore third hand.

2. Reportedly, Mr. Diefenbaker asked Mr. Nash if the New Zealand Government would be interested in discussions leading towards a bilateral Trade Agreement (presumably this would be a review of the present Trade Agreement which covers tariffs and would not take the form of a barter agreement). Mr. Nash replied that the New Zealand Government would, indeed, be interested but as officials concerned were committed to discussions with various other countries, those with Canada would take rather a low priority.

3. Mr. Diefenbaker then asked the Prime Minister what Canadian commodities New Zealand would be interested in discussing and the reply was wallpaper, cedar and canned salmon, all of which could be sold in much greater quantities here and would not be competitive with New Zealand products.

4. Mr. Nash then said that New Zealand would naturally be interested in selling dairy products to Canada, but our Prime Minister is reported to have replied that it was politically impossible at the present time to allow even limited imports of butter, cheese or condensed milk.⁶³ He then went on to remind Mr. Nash that Canada had bound the duty on New Zealand lamb and mutton. Mr. Nash asked for an assurance that no quota would be placed on imports of mutton and lamb and Mr. Diefenbaker is reported to have assured him that the Canadian Government would not limit the imports of these meats from New Zealand.

5. As Mr. Diefenbaker's visit to this country was cut short by the news of his Mother's illness, no one here has had an opportunity of querying either him or members of his party about discussions with the New Zealanders. Presumably in due course you may receive some account of these talks and I do hope that you will be able to inform us of any interesting conclusions that were reached.

J.H. STONE

⁶³ Voir la 7^e partie, section B./See Part 7, Section B.

402.

DEA/12687-40

*Note de l'adjoint spécial au secrétaire d'État aux Affaires extérieures
pour le sous-secrétaire d'État aux Affaires extérieures*⁶⁴

*Memorandum from Special Assistant to Secretary of State for External Affairs
to Under-Secretary of State for External Affairs*⁶⁴

SECRET

[Ottawa], January 29, 1959

PRIME MINISTER'S TOUR — SOME THOUGHTS ON ADMINISTRATIVE
ARRANGEMENTS, BRIEFING, ETC.

Preparations

Considering the short time which the Department had to make preparations for the tour, the administrative arrangements went remarkably smoothly. Much of the credit for this must go to the Commonwealth Division, which carried out a difficult coordinating role under extremely heavy pressure. The performance of missions in the early planning was uneven but improved as the preparations progressed. The advance party did its work very well.

2. Mr. Glazebrook has been good enough to show me his memorandum of January 13th on this subject and I am in agreement with all his main points. In particular, I agree with him that if and when the Prime Minister undertakes another extended tour, (and he has given notice of his intention to visit Africa), the preparations should be placed from the beginning under the direction of an Assistant Under-Secretary. Such an arrangement was not possible prior to the recent tour owing to Mr. Holmes' absence at the United Nations and to Mr. Léger's impending departure. Direction from the Under-Secretarial level in future, however, would avoid the difficulties of coordination which were experienced on this occasion and which placed a disproportionate share of the preparatory work on the Commonwealth Division.

3. I also believe that since extended tours by Ministers seem likely to become more rather than less frequent, it will be necessary for the Department as a whole to give a higher priority to the work, not only of administrative preparation, but also to briefing and speech drafting.

Scope of Tour

4. On the basis of the recent tour, I would be inclined to suggest that future ministerial journeys might better be confined to one major area. The decision to include the United Kingdom, Germany, France and Italy was admittedly taken by the Prime Minister himself. He might have been better advised however to have deferred these visits, and to have begun the tour, say, at Karachi. This would have enabled him to see more of the Asian countries and to be exposed more than he was to the real problems they are facing. As it

⁶⁴ La feuille de route jointe à ce document contenait le message suivant dactylographié du secrétaire de Norman Robertson :/The routing slip attached to this document contained the following typed message from Norman Robertson's secretary:

Mr. Robertson: Mr. Robinson mentioned that he would like this memorandum to be returned to him when you are finished with it. P. S[abourin]

Les annotations suivantes ont été ajoutées en marge de la feuille de route :/The following margin notations were added to the routing slip:

This is very helpful — have you a copy for the Minister? [N.A.] R[obertson] No. [auteur inconnu/author unknown]

was, the psychological impact of Asia was not really felt since, in the short time available, it was not possible to free the Prime Minister and his party from the luxury of presidential palaces and all the pomp associated with brief official visits. Apart from a visit to Warsak, the Prime Minister saw virtually nothing of the operation of the Colombo Plan and he had only the briefest glimpse of such Asian realities as refugee camps, villages, and slums. It is the natural desire of Asian governments, when time is short, to put on as brave a front as possible, and only a longer visit would encourage them to give a visitor a glimpse of the seamy side. I am very much afraid that the educative value of the Asian part of the tour was largely lost because of the short duration and formal nature of each visit.

5. To have omitted Europe would also have avoided the slights which I believe both the French and Italian authorities felt at the ricochet visits paid to Paris and Rome.

6. Finally, there was the problem of the refuelling stop at Djakarta. In the end, this worked out pretty well but only at the cost of much anguish to our Mission, which found the Indonesians highly sensitive at the Prime Minister's inability to pay a longer visit. There was no logic in this since the Indonesian Embassy here had themselves suggested a refuelling stop, but if we had it to do again, it might not be worth risking a misunderstanding.

Advance Run

7. Much credit for the preparatory work is due to Messrs. Barker, McWilliam and Sweeny, who represented External Affairs, the RCAF and the RCMP respectively on the advance run. From beginning to end of the tour itself there was no major administrative mistake attributable to faulty planning, and there is no doubt that this degree of administrative efficiency could not have been achieved without the preparatory work done on the advance run.

8. Of the three members of the advance party, the External Affairs representative had by far the biggest load to carry, and this will certainly be the case in any future extended tours of this kind. We should, I believe, regard it as an essential element in our preparation for such tours that the officer selected from External Affairs for the advance run should also be a member of the main touring party. The personal acquaintance which Barker had with local conditions and officials was invaluable.

9. I also believe that in future tours the RCAF and RCMP should be represented on the advance party, even although their work at each stop can be completed in very much less time than that of the External Affairs representative. So far as I could judge, G/C McWilliam and Inspector Sweeny had both prepared the ground efficiently.

10. The police aspect was somewhat overdone in certain places, notably in Pakistan. The reception which Mr. and Mrs. Moran held in the gardens of their residence was marred by the presence in the surrounding bushes of what must have been between fifty and one hundred uniformed policemen who kept moving soundlessly about in the half light. The whole effect was unfortunate and I doubt very much, even though martial law was in force, that it was justified by existing conditions. Although Pakistan was conspicuous in this respect, I think the security escort was overdone in some other places. We cannot of course control the security precautions of host countries, which is strictly their own affair, but a word from us might avoid an exaggerated outlay of protective power.

Composition of the Party

11. I believe that the main criticism which can be made of the conduct of the tour lay in the composition of the party. The manpower was very badly balanced. It is true, of course, that to a large extent this was beyond the Department's control. Leaving aside the Prime

Minister's wife and brother and Dr. Rynard, there were eleven members in the party. Two of these were journalists, one a photographer, one an RCAF Conducting Officer, one an RCMP Security Officer, one an External Affairs adviser, one an External Affairs Administrative Officer, one a Private Secretary, one a Press Secretary, one a personal stenographer and one a personal steward.

12. Before we left, it was strongly urged that the party should include a senior External Affairs officer of the rank of Assistant Under-Secretary. I have no doubt that if representation on such a level had been feasible, and if one additional External Affairs adviser had been included (plus the Administrative Officer), the problem of advising the Prime Minister and preparing his speeches would have been met much more satisfactorily. The main External Affairs jobs to be done were: briefing the Prime Minister for his talks, attending the talks, recording them, doing any necessary reporting to Ottawa, preparing him for press conferences and drafting speeches. If these various tasks are to be adequately done on tour, the full time attention of two experienced officers is required. A further point is that there are a number of important peripheral benefits to be derived from these tours. In particular, talks with ministers and senior officials of other governments could easily be arranged independent of the Prime Minister's schedule. It was seldom possible on the recent tour to find time to exploit these excellent opportunities.

13. It is worth considering whether any of the officials attached to the Prime Minister's party could have been left out. Much depends on the abilities and personalities of individuals, but on the experience of this tour it was not essential to have an RCAF Conducting Officer. His functions could readily have been discharged by the Captain of the aircraft in cooperation with either the Private Secretary or the Administrative Officer. There may be some justification for a Conducting Officer if the Prime Minister or Minister in question wishes to have a Military Aide to accompany him on inspections, etc., but this is an expensive use of space on the aircraft.

14. I also doubt the necessity of taking a Security Officer when space is limited. On this tour Inspector Sweeny's sole function (although at first we sought to assign other duties to him, such as the security of documents) was to look after the personal protection of the Prime Minister. In fact, Inspector Sweeny was seldom able to perform this task since security precautions were very efficiently undertaken by local authorities and since it was on nearly all occasions not possible to arrange for the RCMP Officer to ride in the same car or in that following the Prime Minister.

15. These remarks concerning the Conducting Officer and the Security Officer do not prejudice the point made earlier that these officials have a place on the advance party. There is, however, little justification in my view for their inclusion in the main tour party, although it is conceivable that a case could be made for a Security Officer if the Prime Minister went behind the Iron Curtain or to some difficult area elsewhere. It is also true that there are now strong precedents for taking a Conducting Officer and a Security Officer and we might encounter resistance if in future we sought to dispense with them.

16. The exclusion of these officials, if it were feasible, would free two places, one of which might be given to the second External Affairs adviser and the other to an additional stenographer. We had not been twenty-four hours away from Ottawa before it became clear that we could not possibly operate without at least two full-time stenographers. We had good help from stenographers assigned on a temporary basis from missions abroad and perhaps this formula could be adopted in future so long as the individuals in question were assigned to the party for a substantial period. Continuity is, however, all-important since a

touring party develops its own methods of production and since the conditions under which stenographers must work frequently involve some discomfort and adjustment.

17. One further point which bears keeping in mind concerns the relative position of the Prime Minister's Private Secretary and the senior External Affairs adviser. On this trip there was a minimum of difficulty over such questions of precedence and access to the Prime Minister. There were, however, situations in which minor friction might have occurred. There were other occasions when the presence of an official of unquestioned seniority would have been desirable. I would therefore recommend that in future tours of such scope the Department should be represented, if not by the Under-Secretary himself, at least by an Assistant Under-Secretary. I have no doubt that this would greatly increase the cohesion and efficiency of the touring party. Moreover, it should mean that contrary advice could more easily be offered to the Prime Minister.

18. Finally, I would emphasize the importance of selecting people who are likely to wear well under the stress of travel, changes of climate, a heavy social programme, and pressure of work. Despite advice from others who had experienced these tours in previous years, I had not fully realized the physical and psychological strains involved. This factor is all-important.

Briefing

19. The briefing supplied to the Prime Minister took the form of a series of "country chapters," supplemented by short papers on special subjects. This book was supplied to the Prime Minister some two weeks before the tour began and it was, I think, as good a method of briefing him as could have been devised. I do not think that the Prime Minister found time to read his book before the tour began. Even during the tour he tended to rely on having particular sections fed to him from the duplicate copy with which I was supplied. I was also provided with a considerable quantity of supplementary material organized by country and by subject, with a set of J.I.B. papers and a collection of maps.

20. For future reference, I am inclined to think that it might be better for the External Affairs advisers to be supplied with a series of files, country by country, each one to contain not only material relating to the country concerned but also containing copies of any supplementary material which could conceivably be required. The advantage of this would be that at stops along the route briefing material could be jettisoned by sea or air bag to Ottawa. The problem of organizing papers and disposing of what was no longer needed took up a lot of valuable time.

21. I had not realized how little time there would be for the Prime Minister to be briefed in the course of the tour. The best opportunity usually arose in flight, prior to arrival in a new country. Sometimes there was as much as half an hour and sometimes not more than fifteen minutes owing to the Prime Minister's habit of sleeping through as many flights as possible. This meant that one was obliged to select and place in order of priority the most important papers, including any recent telegrams received. It also meant that the Prime Minister was not always fully briefed before arrival in each country despite the remarkable capacity he has for quick reading and absorbing of written material. Once the party had arrived in a new capital, the pace of official functions was such that there was seldom time for further briefing although the practice grew up of a short meeting of some 15 or 20 minutes where possible immediately prior to conversations and press conferences. In addition, I supplied the Prime Minister before each conversation and press conference with a short outline of the topics which would probably arise and brief suggestions as to the line he might take.

22. In general, the Prime Minister showed appreciation of the briefs prepared in the Department. They had the merit of brevity and with only a few exceptions they told what he needed to know. Physically, they were also satisfactory, being done neatly and in double space with a suitable number of sub-titles.

Press Conferences

23. The press conferences proved to be somewhat more exacting than I had foreseen. This was true particularly in Karachi, New Delhi, Colombo and Canberra, where the level of questioning was remarkably high and where no effort was made to accommodate the visitor by the avoidance of loaded questions. The draft notes† prepared in the Department proved to be very valuable indeed since they provided a base from which to operate. There would not have been time to prepare such notes in advance of each press conference had they not been supplied from Ottawa. The missions were of course very helpful in providing up-to-date advice on questions likely to be asked.

24. One peculiarity of the press conferences which gave rise to some comment was that the Prime Minister was frequently unable to hear the questions directed at him, especially by Asian questioners. As a result, he asked either the Head of Mission or myself to repeat the questions to him and on occasion he sought advice in the process. Experience showed that the best means of assisting the Prime Minister was to have ready the draft notes on any subject that might arise and slip them to him as the question was asked.

25. One further point regarding press conferences is that it would be advisable in future to arrange them for the later part of the programme in each country rather than as soon as possible after arrival. Our experience was that the Prime Minister was too frequently pitchforked into a press conference before he had had time to sniff the atmosphere and become familiar with the problems which preoccupied the press.

Arrival Statements

26. The arrival statements prepared in the Department were by and large used by the Prime Minister as the basis for his tarmac utterances. On nearly every occasion he preferred not to speak from notes and my impression was that his opening remarks generally hit the right note and were well received. We should, I think, continue in future tours to prepare arrival drafts.

Speeches

27. Unfortunately it was the speeches which gave rise to the greatest difficulty, mainly because it was seldom if ever possible to look at drafts sufficiently in advance to present them in a form which would be acceptable to the Prime Minister. This is not to say that the drafts prepared in the Department were in themselves inadequate; rather, it was that there was never time to incorporate in those drafts new points which deserved inclusion either by reason of new developments or because of some indication one might have had of the Prime Minister's views. Frequently we were obliged to hand the Prime Minister the speech draft prepared in Ottawa with little or no attempt to bring it up to date or to fashion it to his special needs or inclinations.

28. The result of this was that the Prime Minister several times expressed impatience with speech drafts submitted to him and could not understand why it was that they failed to fit the occasion. At various times he asked other members of the party (notably Mr. Guest) to improve the Department's drafts, but more often he took them himself, gleaned an idea or two and then discarded them in favour of material he had accumulated himself.

29. I am afraid that because we were unable to make a better show on the speeches, the Department's reputation suffered considerably. It is of course true that we have not man-

aged in the Department to attune ourselves to the Prime Minister's wave length for speeches, but it should not be beyond our capacity to find a way of satisfying his requirements.

30. As a general rule, we must, I think, accept the fact that the Prime Minister's habit with speeches is to produce his own out of raw material supplied from as many sources as will produce. He does not like to feel tied to someone else's plan or wording. Nor is it his normal habit to give anything more than the most general indication of what each speech is to contain. Efforts to draw him out have been unsuccessful, I think, because the subject matter and structure of his speeches do not crystallize in his mind until a very late stage in the preparation.

31. The requirements for speeches on tour will of course always vary with the Minister concerned and one hesitates, therefore, to be categorical in suggesting a general formula. The first thing which seems to me clear, however, is that with Mr. Diefenbaker, public statements deserve a very high priority, certainly as high as the briefs to which we have normally devoted our main attention. On this tour Mr. Diefenbaker went from major speech to major speech rather than from one official conversation to another and I sometimes had the feeling that he could not understand why so much trouble had been gone to in telling him what to say to other Prime Ministers when what he really needed was some meat to put into his speeches. This seems to suggest therefore (and it applies as well to our operations in Ottawa) that the Department might consider devoting much greater attention to the preparation of speeches for the Prime Minister even though this may require some considerable re-allocation of Departmental priorities.

32. So far as future tours are concerned, we should, I think, avoid repeating the experience of last October when three officers of the Commonwealth Division were assigned the task of producing some fifteen or twenty speeches, most of them major, in two weeks. It seems to me that a greater part of the burden of speech preparation for tours might well be placed on the missions, who should be informed of their obligation at the earliest possible moment and told to submit texts to Ottawa in time for consideration and any necessary amendment here. I also believe that having once submitted speeches to Ottawa, missions should be instructed to keep thinking about them and submitting new material as often as appropriate so that the speech can be gradually built up as the time for it approaches. We had some help in this regard from the missions in New Delhi, Kuala Lumpur, Canberra and Wellington, but their suggestions came rather late in the day and were in many cases unrelated to the drafts which we had brought with us from Ottawa.

33. Another point which should be borne in mind in preparing material for Mr. Diefenbaker is that he does not normally accept and use other people's high-flown or even artistic language. He prefers a text to a series of headings (although a combination of the two is often useful to him) and the language of the text is often more acceptable if it is straightforward. In other words, he is more interested in substance and ideas than in the wrapping. He has his own very personal style of composition and delivery and to succeed in equipping him we should, I think, not hope to change these.

While Mr. Diefenbaker is not given to the detailed use of statistics in speeches, he often likes to see some broad figures on trade, population, economic growth, etc., included in speech drafts. He also likes references to distinguished figures of the past where these are appropriate. Apt quotations are appreciated. One thing he cannot abide is reference to Canada's cold climate, a point which irritated him more than once in the departmental drafts for the tour.

5^e PARTIE/PART 5LA POLITIQUE DU GOUVERNEMENT EN MATIÈRE D'ACHAT
GOVERNMENT PURCHASING POLICY

403.

PCO

*Note du ministre des Finances
pour le Cabinet**Memorandum from Minister of Finance
to Cabinet*

CABINET DOCUMENT NO. 239-58

[Ottawa], August 15, 1958

CONFIDENTIAL

GOVERNMENT PURCHASING POLICY

On May 22nd Cabinet had before it a memorandum from the Minister of Finance dealing with Government Purchasing Policy. Among other things this memorandum drew attention to the fact that in the communiqué⁶⁵ issued after the U.K.-Canada economic talks in October, 1957 Canadian Ministers had undertaken "to call for a review of the purchasing arrangements of Crown Corporations and other Government agencies with a view to encouraging purchases from the United Kingdom whenever this is practical and economical of goods imported from non-Commonwealth sources." After considering this memorandum Cabinet agreed that the Department of Finance be directed:

(1) to prepare, as quickly as possible, in consultation with other departments concerned, a redraft of the directive of 1950 on Government Purchasing Policy with recommendations as to its effective implementation; and

(2) to advise, with respect to Crown corporations, on ways and means of giving emphasis, short of direction, to the desirability of purchasing goods produced in Canada, the United Kingdom and other Commonwealth countries.

2. Pursuant to these instructions, meetings were held on May 27th and June 25th, attended by officials of the Departments of Public Works, Defence Production, Trade and Commerce, Transport, External Affairs, Finance, and the Privy Council Office, to discuss the question of redrafting the 1950 directive. The attached draft was prepared in the light of these discussions. Copy of the 1950 directive is also attached.

3. The revisions which have been made to the previous directive are designed to:

- (1) make the intent of the directive as clear and precise as possible;
- (2) classify countries as "Commonwealth" and "non-Commonwealth" rather than "soft currency" and "hard currency";
- (3) establish a clear preference in favour of Commonwealth as against non-Commonwealth countries;
- (4) reduce, as much as possible, the disadvantages in matters related to tendering which are experienced by overseas Commonwealth suppliers because of the fact that they are not as conveniently located as their competitors in North America;

⁶⁵ Voir/See Document 361.

(5) include Crown Corporations within the terms of the directive, with the exception of those engaged in competitive activities;

(6) recognize that with respect to purchases made for the defence programme other directives based on strategic considerations may take precedence over this directive;

(7) include Korean war veterans within the terms of the standard clause applicable to government contracts.

4. Under the terms of the 1950 directive (see Appendix I) Canadian suppliers were given a 10 per cent preference over suppliers from "hard currency" countries, e.g., United States, but were put on a basis of equality with suppliers from "soft currency," countries, e.g., United Kingdom, European countries and Japan. In redrafting the directive it was generally agreed that the "soft currency," "hard currency" classification which had been introduced as a means of helping to alleviate the serious exchange crisis which had arisen in 1949 was now more or less obsolete. It seemed appropriate, therefore, in view of the Government's policy of encouraging the expansion of trade within the Commonwealth to have the preference apply in favour of "Commonwealth" countries rather than "soft currency" countries and against "non-Commonwealth" countries rather than "hard currency" countries.

5. In short, the directive has been redrafted so as to put Canadian and Commonwealth suppliers on a basis of equality; all others would be at a 10 per cent discount. As compared with the intent of the 1950 directive this would improve the position of Canadian and Commonwealth suppliers vis-à-vis the soft currency countries outside the Commonwealth and demote the latter into a position of equality with the United States. It leaves Canada-U.K.-U.S. relationships unchanged. The draft new directive appears as Appendix II.

6. During the discussions which preceded the redrafting of the directive it has been apparent that, in addition to the percentage preference, there are a number of other factors which exert an influence on government purchasing policy. For example, delivery problems, specification differences, etc. affect adversely the ability of U.K. suppliers to tender successfully in competition with American. Other circumstances, such as Canadian-U.S. joint defence strategy, the general convenience of doing business in North America rather than overseas, and domestic unemployment problems also affect purchasing policies and often produce a situation in which U.K. suppliers although formally on an equal footing with Canadian (and with a 10 per cent preference over American) are in reality at a substantial disadvantage. While it was recognized that many of these factors are outside the range of influence of a government directive it was felt that in some respects, particularly on matters related to tendering, the position of U.K. suppliers might be improved. A paragraph to this effect has, therefore, been included in the draft of the new directive.

7. It does not appear that the 1950 directive was intended to apply to Crown Corporations. With a few exceptions, however, there would seem to be no good reason for not having the terms of a government directive on purchasing policy encompass the operations of these corporations. Even in the case of such proprietary corporations as C.N.R., T.C.A., Polymer and possibly one or two others it would be appropriate for the Ministers concerned to point out to them that the directive represents government policy with respect to purchasing and that in so far as it is commercially practicable they should take it into consideration in making purchases.

8. In connection with purchases for the defence programme it is apparent that in certain cases there must be taken into account strategic considerations which do not come within the scope of this directive. The concept of continental defence has, for example, necessitated the adoption of many United States type weapons for the Canadian armed forces and as a result almost three-quarters of all defence procurement abroad since April 1, 1951 —

some \$600 million — has been in the United States. It is, of course, not the intention of the revised directive to interfere with a pattern of government defence purchasing based upon strategic considerations. This fact is made clear by the last sentence of the directive which recognizes the priority of these factors.

9. Finally, it is proposed that the new directive, as did the former one, carry a confidential classification and be given a very limited circulation. The chief reason for this is the fact that the policy involves discrimination against the United States, and publication of it might involve undesirable reactions in Washington. It is probable that the United States authorities are aware that some discrimination exists; but it seems undesirable to give the matter unnecessary publicity.

10. In conclusion, I recommend

(1) that the new directive (Appendix II) be accepted in place of the earlier one (Appendix I);

(2) that Ministers chiefly concerned should bring the new directive to the attention of senior officials in the departments and Crown Corporations for which they are responsible.

DONALD M. FLEMING

[PIÈCE JOINTE 1/ENCLOSURE 1]

Appendice I/Appendix I

CIRCULAR NO. 16

[Ottawa] May 20, 1950

CONFIDENTIAL

CABINET DIRECTIVE
CANADIAN GOVERNMENT CONTRACTS; CONDITIONS REQUIRING THE USE OF
CANADIAN MATERIALS

The Cabinet on May 18th, 1950 agreed that the following be adopted as a standard clause in general conditions applicable to government contracts and specifications issued in future:

"Canadian Labour and Materials. To the full extent to which the same are procurable, consistent with proper economy and the expeditious carrying out of this contract, Canadian labour, parts and materials shall be used in the work. In the execution of the work, the Contractor shall employ reasonable proportions of men who have been demobilized or honourably discharged from the fighting services (Navy, Army and Air Force) of the war of 1914-1918 and the second world war, where such men are available and competent;"

In interpreting this clause the Cabinet agreed that, at present, it was not deemed to be consistent with proper economy for government departments or agencies:

(i) to pay for Canadian goods any premium whatsoever over the laid-down, duty-paid cost of similar goods imported from the United Kingdom or other soft currency country;

(ii) to pay for goods produced in Canada a premium exceeding 10 per cent of the laid-down duty-paid cost of similar goods imported from the United States or other hard-currency country (in making a choice between items of which one or both has Canadian content and United States dollar content, preference should be given to the one with higher

Canadian content, but any premium which is paid should not exceed 10 per cent of the difference in United States dollar content).

N.A. ROBERTSON
Secretary to Cabinet

[PIÈCE JOINTE 2/ENCLOSURE 2]

Appendice II/Appendix II

CONFIDENTIAL

[Ottawa], August 1, 1958

CABINET DIRECTIVE
CANADIAN GOVERNMENT CONTRACTS; CONDITIONS REGARDING
THE USE OF CANADIAN MATERIALS

Cabinet has agreed that the standard clause applicable to government contracts and specifications should be modified so as to include Korean war veterans within its terms as well as veterans from the war of 1914-1918 and the Second World War. The standard clause, therefore, should read as follows:

"Canadian Labour and Materials. To the full extent to which the same are procurable, consistent with proper economy and the expeditious carrying out of this contract, Canadian labour, parts and materials shall be used in the work. In the execution of the work, the Contractor shall employ reasonable proportions of men who have been demobilized or honourably discharged from the fighting services (Navy, Army and Air Force) of the war of 1914-1918, the second world war and the Korean theatre of operations, where such men are available and competent;"

It is the general intent of government purchasing policy to encourage departments and agencies to purchase goods produced in Canada and other Commonwealth countries rather than elsewhere. At the same time, regard for proper economy requires that government purchasing should be guided by the following conditions relating to price.

1. The price paid for Canadian produced goods should include no premium whatsoever over the laid down, duty paid cost in Canada of similar goods produced in other Commonwealth countries.
2. The price paid for Canadian produced goods should include no more than a 10 per cent premium over the laid down, duty paid cost in Canada of similar goods produced in countries outside of the Commonwealth.
3. In the event that paragraphs 1 and 2 above are not applicable because Canadian produced goods are not available, the price paid for goods produced in other Commonwealth countries should include no more than a 10 per cent premium over goods produced in countries outside the Commonwealth.

Government departments and agencies are requested to render every assistance to United Kingdom and other Commonwealth suppliers on matters related to tendering with a view to removing where possible the disadvantages in this respect which overseas suppliers may experience in competition with those who are more conveniently located.

This directive shall apply to all government departments and agencies, including Crown Corporations with the exception of those proprietary corporations having a commercial character and operating under competitive conditions, e.g., C.N.R., T.C.A., and Polymer. Furthermore, in connection with goods for the defence programme, Ministerial directions

issued from time to time affecting their purchase and relating to strategic considerations shall take precedence over the requirements of this directive.

404.

PCO

*Extrait des conclusions du Cabinet**Extract from Cabinet Conclusions*

SECRET

[Ottawa], August 29, 1958

Present

The Prime Minister (Mr. Diefenbaker) in the Chair,
 The Minister of Public Works (Mr. Green),
 The Minister of Finance (Mr. Fleming),
 The Solicitor General (Mr. Balcer),
 The Minister of National Defence (Mr. Pearkes),
 The Minister of Trade and Commerce (Mr. Churchill),
 The Minister of Justice (Mr. Fulton),
 The Minister of National Revenue (Mr. Nowlan),
 The Minister of Agriculture (Mr. Harkness),
 The Minister of Citizenship and Immigration (Mrs. Fairclough),
 The Minister of Labour (Mr. Starr),
 The Postmaster General (Mr. William Hamilton),
 The Minister without Portfolio (Mr. Macdonnell),
 The Minister without Portfolio (Mr. Brown),
 The Minister of Mines and Technical Surveys (Mr. Comtois),
 The Secretary of State for External Affairs (Mr. Smith),
 The Minister of Defence Production (Mr. O'Hurley),
 The Secretary of State (Mr. Courtemanche),
 The Secretary to the Cabinet (Mr. Bryce),
 The Assistant Secretary to the Cabinet (Mr. Martin).

GOVERNMENT PURCHASING POLICY
 (PREVIOUS REFERENCE MAY 22†)

11. *The Minister of Finance* said that, following instructions, officials had now redrafted the 1950 directive on government purchasing policy. The revisions proposed were designed to make the new directive as clear as possible, to classify countries as "Commonwealth" and "non-Commonwealth" rather than "soft currency" and "hard currency," to establish a clear preference in favour of Commonwealth countries as against non-Commonwealth countries, to reduce the disadvantages in tendering experienced by overseas Commonwealth suppliers, to include crown corporations within the terms of the directive, except for those engaged in competitive activities, to recognize that, in defence purchases, other directives based on strategic considerations might take precedence over this directive, and to include Korean war veterans within the terms of the standard clause applicable to government contracts.

The directive had been redrafted so as to put Canadian and Commonwealth suppliers on a basis of equality; all others would be at a 10 per cent discount. Canada-U.K.-U.S. relationships would be unchanged. In addition to the percentage preference there were a number of other factors which exerted an influence on government purchasing policy. For example, delivery problems, specification differences, etc., affected the ability of U.K. suppliers to tender successfully. Other circumstances, such as Canadian-U.S. joint defence

strategy, the convenience of doing business in North America, and domestic employment problems also affected purchasing and often placed U.K. suppliers at a substantial disadvantage. A paragraph has been included in the redraft with a view to improving their position. Although the new directive would not apply to such proprietary corporations as the C.N.R., T.C.A., or Polymer, it would be appropriate for ministers to point out to them that, so far as possible, they should take it into consideration in making their purchases. The new directive, as in the case of the former one, should be classified as confidential and given only a limited circulation.

The Minister submitted the revised directive and recommended that it be accepted in place of the earlier one. He also proposed that ministers chiefly concerned bring the new directive to the attention of senior officials and crown corporations for which they were responsible.

An explanatory memorandum had been circulated, (Minister's memorandum, Aug. 15, 1958 - Cab. Doc. 239-58).

12. *Mr. Fleming* added that the policy now being applied was the same as that of the previous administration. Although the outstanding directive placed Canadian and U.K. suppliers on an even footing, in fact Canadian suppliers enjoyed the same preference as they did over U.S. suppliers. A number of combinations of premiums had been considered but they appeared to be unworkable because most involved raising the premium against non-Commonwealth sources of supply, and this was bound to bring an adverse reaction from the U.S.

13. *During the discussion* it was suggested that, if the Cabinet agreed, the new directive might be put to good use at the forthcoming Commonwealth Conference in Montreal. It should be remembered, however, that the government, as long ago as last autumn, had told the U.K. that it would reconsider its purchasing policies and that this was only the result of that study. The problem was an exceedingly difficult one. To put U.K. suppliers on the same basis as Canadians might be going too far, despite what had been said to U.K. ministers. Perhaps the matter might best be settled by giving Canadians a 10 per cent premium over everyone abroad and Commonwealth suppliers 10 per cent over all others.

14. *The Cabinet* deferred decision on a new directive on government purchasing policy as submitted by the Minister of Finance.

...

405.

PCO

*Extrait des conclusions du Cabinet**Extract from Cabinet Conclusions*

SECRET

[Ottawa], September 7, 1958

Present

The Prime Minister (Mr. Diefenbaker) in the Chair,
 The Minister of Public Works (Mr. Green),
 The Minister of Finance (Mr. Fleming),
 The Minister of Veterans Affairs (Mr. Brooks),
 The Minister of Transport (Mr. Hees),
 The Solicitor General (Mr. Balcer),
 The Minister of National Defence (Mr. Pearkes),
 The Minister of Trade and Commerce (Mr. Churchill),
 The Minister of Justice (Mr. Fulton),
 The Minister of Agriculture (Mr. Harkness),
 The Minister of Citizenship and Immigration (Mrs. Fairclough),
 The Minister of Fisheries (Mr. MacLean),
 The Postmaster General (Mr. William Hamilton),
 The Minister without Portfolio (Mr. Macdonnell),
 The Minister without Portfolio (Mr. Browne),
 The Minister of National Health and Welfare (Mr. Monteith),
 The Secretary of State for External Affairs (Mr. Smith),
 The Secretary of State (Mr. Courtemanche),
 The Secretary to the Cabinet (Mr. Bryce),
 The Assistant Secretary to the Cabinet (Mr. Martin),
 The Registrar of the Cabinet (Mr. Halliday).

...

GOVERNMENT PURCHASING POLICY
 (PREVIOUS REFERENCE AUGUST 29)

13. *The Minister of Finance* said that, in accordance with the previous decision, a revision of conditions 1 and 2 of the draft Cabinet Directive on Canadian government contracts had been prepared. This revision provided that the price paid for Canadian produced goods should include no more than a 10 per cent premium over the laid down, duty paid cost in Canada of similar goods produced elsewhere and that, in the event that this was not applicable either because Canadian produced goods did not qualify under its terms or because Canadian produced goods were not available, the price paid for goods produced in other Commonwealth countries should include no more than a 10 per cent premium over goods produced in countries outside the Commonwealth.

(Revisions, directive on government purchasing policy, Sept. 7, 1958)†

14. *During the discussion* it was indicated that the degree of Canadian content in any goods to qualify them for the premium was a matter that could not be specified precisely and would have to be settled in important cases by the Treasury Board. It was considered, however, that there should be substantial Canadian content to qualify.

15. *The Cabinet* agreed that a Cabinet Directive, regarding the use of Canadian materials for Canadian government contracts, as attached to the memorandum of the Minister of Finance which had been circulated (Cab. Doc. 239-58), and as revised for conditions 1 and 2 in accordance with the wording submitted by the Minister be approved, and be circu-

lated, on a confidential basis, to departments, agencies, and to crown corporations not engaged in commercial activities.

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406.

PCO

Extrait des conclusions du Cabinet

Extract from Cabinet Conclusions

SECRET

[Ottawa], September 21, 1958

Present

The Prime Minister (Mr. Diefenbaker) in the Chair,
 The Minister of Finance (Mr. Fleming),
 The Minister of Veterans Affairs (Mr. Brooks),
 The Minister of Transport (Mr. Hees),
 The Solicitor General (Mr. Balcer),
 The Minister of National Defence (Mr. Pearkes),
 The Minister of Trade and Commerce (Mr. Churchill),
 The Minister of Justice (Mr. Fulton),
 The Minister of National Revenue (Mr. Nowlan),
 The Minister of Agriculture (Mr. Harkness),
 The Minister of Citizenship and Immigration (Mrs. Fairclough),
 The Minister of Fisheries (Mr. MacLean),
 The Minister of Labour (Mr. Starr),
 The Postmaster General (Mr. William Hamilton),
 The Minister without Portfolio (Mr. Macdonnell),
 The Minister without Portfolio (Mr. Browne) (for afternoon meeting only),
 The Minister of Mines and Technical Surveys (Mr. Comtois),
 The Minister of National Health and Welfare (Mr. Monteith),
 The Secretary of State for External Affairs (Mr. Smith),
 The Minister of Defence Production (Mr. O'Hurley),
 The Secretary of State (Mr. Courtemanche),
 The Secretary to the Cabinet (Mr. Bryce),
 The Assistant Secretary to the Cabinet (Mr. Fournier).

...

GOVERNMENT PURCHASING POLICY; PURCHASE FOR DEFENCE PROGRAMME

(PREVIOUS REFERENCE SEPTEMBER 7)

6. *The Minister of Finance* said he had now had a chance to discuss the implications of the new government purchasing policy directive, which had been approved by Cabinet, with the Minister of Defence Production who had not been able to be present when it was considered. The Deputy Minister of Defence Production would be in Washington shortly to carry out negotiations and it would be desirable that he be in a position to explain that the new directive did not affect the pattern of government defence purchases based upon strategic consideration.⁶⁶

He hoped to be able to say something on this subject privately to the United Kingdom and to ask them not to press the Canadian government on this matter. The British had

⁶⁶ Pour les négociations sur la production de défense entre le Canada et les États-Unis, consulter le Volume 25, chapitre premier.

For defence production negotiations between Canada and the United States, see Volume 25, Chapter I.

expressed some concern about the "buy in America" policy of the United States. He thought it preferable to soft-pedal the purchasing directive rather than jeopardize negotiations with the United States. Mr. O'Hurley was also of this opinion.

7. *The Cabinet* noted the report of the Minister of Finance on the recent government purchasing policy directive and agreed that it be withheld for some time.

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407.

PCO

Extrait des conclusions du Cabinet

Extract from Cabinet Conclusions

SECRET

[Ottawa], December 3, 1958

Present

The Minister of Public Works, and Acting Prime Minister (Mr. Green) in the Chair,
 The Minister of Veterans Affairs (Mr. Brooks),
 The Minister of Transport (Mr. Hees),
 The Minister of Trade and Commerce (Mr. Churchill),
 The Minister of Justice
 and Acting Secretary of State for External Affairs (Mr. Fulton),
 The Minister of National Revenue (Mr. Nowlan),
 The Minister of Citizenship and Immigration (Mrs. Fairclough),
 The Minister of Fisheries (Mr. MacLean),
 The Minister of Labour (Mr. Starr),
 The Postmaster General (Mr. William Hamilton),
 The Minister without Portfolio and Acting Minister of Finance (Mr. Macdonnell),
 The Minister of Mines and Technical Surveys (Mr. Comtois),
 The Minister of National Health and Welfare (Mr. Monteith),
 The Minister of Northern Affairs and National Resources (Mr. Alvin Hamilton),
 The Minister of Defence Production (Mr. O'Hurley),
 The Secretary of State (Mr. Courtemanche),
 The Secretary to the Cabinet (Mr. Bryce),
 The Assistant Secretary to the Cabinet (Mr. Martin).

...

GOVERNMENT PURCHASING POLICY;
 STEEL TOWERS FOR NEW BRUNSWICK POWER COMMISSION
 (PREVIOUS REFERENCE OCTOBER 29†)

7. *The Minister of Labour* said he had raised the question of the purchase of steel towers for the New Brunswick Power Commission because a Canadian firm in Niagara Falls might have to close down if it did not obtain the business. Departments should use their discretion in purchasing matters. Even though equipment might cost more if purchased in Canada, the government would save money in the long run because unemployment insurance benefits would be less.

8. *The Minister of Northern Affairs and National Resources* said that the Italian firm which had obtained the last contract for steel towers was sound and reliable. Its quotation had been over 18 per cent lower than any other bid and the government purchasing directive, which had been approved but not yet issued, proposed only a 10 per cent preference for Canadian goods. If the order had been placed with the Niagara Falls company the extra cost, which ultimately would have to be borne by New Brunswick, would have been \$85,000. The purpose of federal participation in the maritime power programme was to

reduce power costs. For these reasons the contract had been given to the Italian firm. The Niagara Falls company seemed to have understood the situation once it was explained to them and had also been told that its bids on future contracts would be given every possible consideration.

9. *During the discussion* the following points emerged:

(a) The Department of Public Works had recently given an order for steel to the United Kingdom in preference to a Belgian company which had resulted in a Belgian note of protest. The National Harbours Board had received bids on conveyor belting from Canadian and British firms, with the British price being 6 per cent lower than the Canadian. These and other cases like them were always giving rise to trouble and the sooner a clear understanding on government purchasing policy could be reached the better.

(b) Purchases of equipment for the Colombo Plan should normally be made in Canada. If, however, this were to be government policy, some of Canada's best customers were bound to be antagonized at losing business. Colombo Plan equipment items were relatively insignificant compared to the amount of wheat sold to the United Kingdom or Belgium, for example. Even so, in the past some Colombo items and defence orders had been placed in Canada regardless of the difference in cost.

(c) The Department of Defence Production had recently recommended that generators be purchased in Canada notwithstanding a bid some 14 per cent lower from the United Kingdom, but the Treasury Board had ruled that the purchase must be made in the U.K.

10. *The Cabinet* deferred further consideration of government purchasing policy to a meeting at which the Minister of Finance was present.

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408.

PCO

Extrait des conclusions du Cabinet
Extract from Cabinet Conclusions

SECRET

[Ottawa], December 22, 1958

Present

The Prime Minister (Mr. Diefenbaker) in the Chair,
 The Minister of Finance (Mr. Fleming),
 The Minister of Transport (Mr. Hees),
 The Solicitor General (Mr. Balcer),
 The Minister of National Defence (Mr. Pearkes),
 The Minister of Trade and Commerce (Mr. Churchill),
 The Minister of Justice (Mr. Fulton),
 The Minister of Agriculture (Mr. Harkness),
 The Minister of Citizenship and Immigration (Mrs. Fairclough),
 The Minister of Fisheries (Mr. MacLean),
 The Minister of Labour (Mr. Starr),
 The Postmaster General (Mr. William Hamilton),
 The Minister without Portfolio (Mr. Macdonnell),
 The Minister without Portfolio (Mr. Browne),
 The Minister of Mines and Technical Surveys (Mr. Comtois),
 The Minister of National Health and Welfare (Mr. Monteith),
 The Minister of Northern Affairs and National Resources (Mr. Alvin Hamilton),
 The Secretary of State for External Affairs (Mr. Smith),
 The Minister of Defence Production (Mr. O'Hurley),
 The Secretary of State (Mr. Courtemanche),
 The Secretary to the Cabinet (Mr. Bryce),
 The Assistant Secretary to the Cabinet (Mr. Fournier), (Mr. Martin).

GOVERNMENT PURCHASING POLICY;
 RELATION TO U.S. DEFENCE PRODUCTION NEGOTIATIONS
 (PREVIOUS REFERENCE SEPTEMBER 7)

21. *The Minister of Defence Production* said negotiations with the United States on production sharing were going well. Senior U.S. authorities had given the assurance that Canadian representations would be sympathetically considered. To come out now with a directive discriminating against the U.S. could only jeopardize discussions which seemed to hold out a good deal of promise. Perhaps defence procurement should be exempted from the directive.

22. *The Minister of Finance* added that he had spoken quietly to U.K. ministers who understood the situation and would not press for a preferred position at this time.

23. *The Cabinet* noted the report of the Minister of Defence Production on the relationship of the proposed new government purchasing policy directive to the production sharing negotiations with the United States, and deferred for several weeks a decision as to when a directive might be issued.

6^e PARTIE/PART 6
 PLAN DE COLOMBO
 COLOMBO PLAN

SECTION A
 POLITIQUE GÉNÉRALE
 GENERAL POLICY

409.

PCO

*Note du secrétaire d'État aux Affaires extérieures
 pour le Cabinet*

*Memorandum from Secretary of State for External Affairs
 to Cabinet*

CABINET DOCUMENT NO. 250-57

[Ottawa], October 8, 1957

CONFIDENTIAL

CANADA'S CONTRIBUTION TO THE COLOMBO PLAN
 FOR THE FINANCIAL YEAR 1958-1959

The annual meeting of Ministers from Colombo Plan countries will take place in Saigon, Vietnam, beginning October 21. The Canadian Delegation is to be led by the Honourable W.J. Browne, Minister without Portfolio. At the Saigon meeting the representatives of participating countries will be expected to indicate their support for the continuation of the Colombo Plan. To the best of our knowledge, the donor countries of the Plan intend to continue their assistance to the under-developed countries of the Plan on at least the present scale. In line with practice in past years it would be expected that the Canadian representative at the Conference would be able to indicate the size of Canada's contribution for the next financial year in the course of his major statement to the Conference. A Cabinet decision is also required on this matter so that an item may be included in the Main Estimates for 1958-1959.

In the light of the present political situation in South and Southeast Asia, the Colombo Plan has taken on considerable significance as a means of preserving the ties of friendship and mutual interest, not only among Commonwealth countries, but also among the Asian and Western members of the Plan generally. The Colombo Plan presents to the world at large an example of successful co-operation in the field of economic development, despite recurring political strains. There is no question that if economic development is to continue at a pace which will offer some hope to the people of South and Southeast Asia, the countries of the area will need continuing outside assistance. There is no question, too, that there are worthwhile development projects in all of the Colombo Plan countries to which Canada can make an effective contribution.

The Canadian contribution to the Colombo Plan financial year 1956-1957 was \$34.4 million. This was an increase over the amounts previously voted, the additional money being provided to meet expenditures in connection with the Warsak project in Pakistan, the Canada-India atomic reactor near Bombay, and for the beginning of a modest programme of assistance to the non-Commonwealth countries of Southeast Asia. At the

Colombo Plan Conference last year the Leader of the Canadian Delegation stated that for 1957-1958 Canada would again contribute \$34.4 million.

It is proposed, therefore, that, in line with the suggestion above that the Canadian contribution for 1958-1959 should not be reduced, the Leader of the Canadian Delegation to the Saigon Conference should be authorized to say that the Canadian Government will be prepared, subject to Parliamentary approval, to contribute \$35 million to development programmes under the Colombo Plan.

It would be difficult at this early stage to attempt to make a precise division of the \$35 million among the various countries receiving Canadian assistance. A precise division of such an appropriation should be made only after proposed projects in the various countries have been examined in considerable detail. It seems desirable to avoid giving the impression to any country in the region that it is entitled to a specified scale of Canadian aid, whether or not it puts forward projects appropriate for Canadian assistance. Cabinet approval will, as in the past, be sought for the expenditure of this sum in terms of allocations to particular projects in particular countries, as these projects are investigated and firm proposals developed.

However, in giving authority to the leader of the Canadian Delegation to state that \$35 million could be made available, Cabinet might wish to consider at this time the following broad allocation of funds amongst recipient countries so that officials may have some guidance in considering the number and type of projects which might be put forward before Cabinet in due course.

Capital Aid

India: In 1956-1957 slightly over \$18 million was made available to India; in 1957-1958 over \$16 million was made available to India. It is suggested that \$16 million of the \$35 million should be tentatively allocated to India.

Pakistan: In 1956-1957 slightly over \$11 million was made available to Pakistan; in 1957-1958 the figure was slightly over \$15 million. It is suggested that \$11 million should be tentatively allocated to Pakistan.

Ceylon: For the past several years \$2 million has been made available to Ceylon annually. In terms of Ceylon's economic development and need for foreign assistance this is a rather more generous scale of aid than that made available to India and Pakistan. However, it would seem undesirable at this time to make any reduction in the scale of aid to Ceylon and, therefore, \$2 million might be tentatively allocated for aid to that country.

Other Countries in South and Southeast Asia: In the past there has been no separate allocation by Cabinet to the individual countries of the Plan other than to India, Pakistan and Ceylon. The scale of Canadian aid to other countries, such as Burma, Malaya, Indonesia, Vietnam, Cambodia, and Laos, is too small to make annual programming feasible. It is suggested that this year a specific sum should again be set aside for capital aid to the countries of Southeast Asia as a group but that of that sum a certain amount should be tentatively allotted to the new Federation of Malaya. In view of its new independence, it would be desirable for Canada to set up an annual programme of this sort in the same fashion as for India, Ceylon, and Pakistan. It is suggested that \$3.5 million should be allotted to capital aid to the countries of the Plan other than India, Ceylon, Pakistan, and that of this sum one-half million dollars should be tentatively allocated for capital aid to Malaya.

Technical Assistance: The above allocations refer to capital aid only. Experts and trainee programmes have been financed out of one lump sum for the whole of the Colombo Plan region. It would be well nigh impossible to work out a detailed budget for

such technical assistance to each country in the region. Therefore, the practice of maintaining a global figure for technical assistance should be continued. In 1957-1958 it is anticipated that technical assistance will use about \$2 million of the total of \$2.4 million made available for this purpose. Technical assistance expenditures tend to increase about ten per cent per year. Therefore, it is proposed that \$2.5 (the balance of the proposed \$35 million) should be set aside for technical assistance for the whole of the Colombo Plan area.

While, as suggested above, detailed recommendations will be put before Cabinet as to the allocation of these sums to particular projects, it may be useful to indicate some of the proposals which may emerge after discussion with the Asian countries. One allocation which can be foreseen for India is a sum of possibly \$1 million to meet the further costs of the Canada-India Reactor; at present it is known that at least between \$500,000 and \$600,000 will be required to meet additional costs which Canada agreed to undertake at the time the project was approved. The bulk of the sum made available for Pakistan will be required to meet the costs of the Warsak project. In Ceylon it is anticipated that a number of small projects in the educational field and in the development of new agricultural settlement areas will be proposed, some of which may involve the establishment of counterpart funds through the provision of Canadian flour. In Malaya preliminary consideration is being given to the provision of a refrigeration plant like the one already provided for Ceylon. In Burma and Indonesia there are a variety of projects under consideration by the authorities of those two countries involving the supply of Canadian-made equipment.

I recommend⁶⁷ that:

(a) Parliament be asked to approved a contribution in 1958-1959 to the Colombo Plan of \$35 million; and

(b) The Canadian representative at the Colombo Plan meeting in Saigon be authorized to announce that, subject to the appropriation of funds by Parliament, Canada will make a contribution of this amount.

[SIDNEY SMITH]

410.

PCO

*Note du secrétaire d'État aux Affaires extérieures
pour le Cabinet*

*Memorandum from Secretary of State for External Affairs
to Cabinet*

CABINET DOCUMENT NO. 306-57

[Ottawa], November 27, 1957

CONFIDENTIAL

COLOMBO PLAN PROJECTS

This memorandum recommends for approval Canadian aid projects under the regular Colombo Plan in India, Pakistan and Ceylon. These projects will be financed from funds already voted by Parliament or provided for in the Main Estimates for the current financial year.

⁶⁷ Approuvé par le Cabinet le 12 octobre 1957./Approved by Cabinet on October 12, 1957.

INDIA

Discussions have been under way since January last between Canadian and Indian officials as to the allocation of \$21 million earmarked by Cabinet for Colombo Plan capital assistance in India. This \$21 million is made up as follows: \$6,000,000 remaining from the funds made available for 1956-1957; \$13,000,000 from the Main Estimates for 1957-1958; and an additional \$2,000,000 from the Main Estimates for 1957-1958 earmarked for the further costs of the Canada-India Reactor.

Canadian and Indian officials have now examined together an extensive number of development projects in various parts of India with a view to finding out what India needs most and what Canada could most effectively supply. The Indian Government has the ablest Civil Service in South and South-East Asia; they have been able to put before Canadian officials a number of detailed and well-thought-out proposals. Of course they know more about their own needs and priorities than anyone else; there has been the fullest and frankest review with the Indians of their development plans and their particular proposals for the use of Canadian aid.

These discussions have now been concluded; as has been the practice under the Colombo Plan, the programme formally proposed by India and approved by Indian Ministers has been transmitted to us through our High Commissioner. The projects proposed by the Indian Government for the Indian programme are as set out below; the great bulk of these goods would, of course, come from Canadian sources.

(a) *Canada-India Reactor* — It is proposed that of the \$21 million now available, \$2 million should be set aside to meet further costs of this Reactor. When the Canadian-Indian Reactor agreement was signed two years ago, it was stated that the external costs of the reactor would be approximately \$7,544,000, and it was agreed between Governments that the bulk of these costs which were to be financed by Canada would be met without affecting the regular Canadian aid programme in India. \$5 million of these external costs were met out of 1956-1957 funds. In order to keep pace with the project a further \$2 million should now be made available; an additional sum to complete the Reactor should be a priority charge on any sums made available for India in 1958-1959.

(b) *Kundah-Madras Transmission Line* — The Kundah Project is a substantial hydro-electric development in Madras State in South India. It is designed to bring power to a rapidly developing industrial area around the major seaport of Madras.

Canadian participation up to \$20 million for engineering services and electric generating equipment and auxiliary equipment was approved by Cabinet on March 21, 1956. \$13 million was allocated for this project out of money made available in 1955-1956. The balance of \$7 million was provided out of sums made available in 1956-1957. It is now proposed that Canada should undertake to meet up to \$5 million out of the external costs of the transmission line which will link this hydro-electric project with the electricity distribution system of Madras State. The Indian view, as put forward by the Minister of Finance, is that unless Canada is prepared to take on this project it may well be that the Kundah scheme will be completed without there being any way of getting the power to the industrialized area where it is needed. The fact that India finds itself unable to build the transmission line is a measure of India's present foreign exchange difficulty.

A firm of Canadian consulting engineers has investigated the project and states that the foreign exchange costs of the transmission line will be \$5 million. It should be noted that the agreement covering this project between Canada and India had envisaged that any money that Canada could make available for this project which was not required for the generating plant and engineering services would be allocated to the transmission lines; it

was foreseen that the Indians might find it difficult to make sufficient funds available to have the line constructed as soon as desirable. Material for the transmission line would come almost completely from Canadian manufacturers.

(c) *Railway Ties* — There is general agreement that one of the basic economic problems of India is the lack of transportation facilities. Goods are available in one part of India which cannot be transported to places where they are needed. The World Bank Mission, which visited India, put the highest priority on expansion and modernization of the railway system. The Indians are in full agreement with the World Bank's recommendations and have, therefore, asked Canada to give aid to the Indian railway system in the quickest way possible, this is by the provision of treated wooden railway ties which are available immediately from Canadian suppliers. They suggest that \$3 million should be allocated to this project. It will be recalled that Canada has already given some assistance to the Indian railway system by providing locomotives and boilers. There is no doubt that aid given to the railways is one of the most effective ways of giving assistance to India.

(d) *Cobalt Beam Therapy Units* — There has been prolonged discussions with the Indian authorities by Colombo Plan officials and by representatives of Atomic Energy of Canada Limited as to the possibility of the Indians establishing certain cancer treatment centres at which Canadian cobalt beam therapy units could be used. The Indians originally asked Canada for five of these units but in view of the critical foreign exchange situation they would prefer to have only three. They would be used at Calcutta, Bombay and Ludhiana. These would cost \$120,000.

(e) On September 24 Cabinet approved the provision of up to \$65,000 worth of audio visual equipment and educational material for co-operative training centres in India; this would be a charge on the \$21 million available.

(f) The Indians would like to have the balance of the \$21 million available spent on metals for their industrial system: aluminum, copper and nickel. The Indians have told us that their foreign exchange situation is so critical that if they cannot get metals some Indian factories will have to close and that their metal-working industries would be cut back to about seventy per cent of normal output. This would be a dramatic and public setback to India's development plans, which place great emphasis on the development and modernization of industry, particularly the metal-working factories; indeed, in political terms it might be one of the most serious reversals suffered by the Second Five Year Plan so far. The Indians have commented to us that in India's current foreign exchange situation there were "priorities higher than the full satisfaction of the demands for food."

Canada has been supplying metals to India for some time out of funds previously allocated; the last shipment of aluminum which could be provided out of funds already allocated by Cabinet was despatched to India in June. For the reasons stated above, it is now a matter of urgency that a decision be taken as to whether or not Canada is prepared to continue with this metal programme. \$10,815,000 is available for this programme. The Indians are fully aware that in asking for such a substantial portion of their programme to be met in the form of metals that they are making a somewhat unusual request.

If Cabinet approves this proposal officials would discuss with the Indians the use of the rupees resulting from the sale by the Indian Government of the aluminum, copper and nickel for various development projects in India. Cabinet would be asked in due course to consider recommendations for the use of such counterpart funds.

The six items above total \$21 million; this is the amount of money earmarked by Cabinet for India out of 1956-1957 and 1957-1958 funds. However, it is considered that only \$18 million of this sum may actually be required during the current financial year, if

Cabinet agreed to this programme, actual commitments by the Colombo Plan Administration would not be allowed to exceed \$18 million until further sums have been made available by Parliament for the financial year 1958-1959. The additional \$3 million which would thus, in a sense, be available, might be used to finance wheat shipments as discussed below.

PAKISTAN

Bheramara-Kushtia Power Transmission Line

The Ganges-Kobadak irrigation scheme is the first of seven components of a multi-purpose project for the irrigation and development of the Brahmaputra-Ganges delta in East Pakistan. The project was first proposed by the Food and Agriculture Organization of the United Nations; it is the only large project which we have undertaken in which the coordinating role has been taken on by a United Nations agency. Under the F.A.O. scheme, Canada was to provide a power station, Pakistan a pumphouse and irrigation works, and the United States the pumps. This project would provide for the irrigation of a substantial area now arid by pumping water from the River Ganges into certain drying rivers of the delta which are to become irrigation canals.

On April 29, 1954, Cabinet authorized the allocation of \$1.8 million for the provision of a steam power plant at Bheramara as a part of the scheme. A suitable plant has been purchased and erected. Although Canada's contribution has thus been completed, progress on some other aspects of the scheme has been rather slow — the pumphouse which East Pakistan undertook to provide has not yet been erected and thus the pumps, which have been provided by the United States and which are to be driven by power from the Canadian powerhouse, cannot be installed for the present. The United States is now considering financing the pumphouse; though if they decide to do so, it will be some time before the pumphouse is complete, the pumps installed, and power required from the Bheramara plant. In the interim, since there is an acute need for power in the Kushtia area, about twenty miles from Bheramara, Pakistan has suggested that Canada help in building a transmission line between these points. It is estimated that the foreign exchange costs would be \$1 million. To finance this there is \$500,000 remaining from funds previously allocated for the purchase and installation of the Bheramara power plant; a further \$500,000 is available from funds already voted and earmarked for Pakistan. This money would be spent almost entirely on goods made in Canada.

Dacca-Chittagong Power Transmission Line

On April 29, 1954, Cabinet authorized the allocation of \$4 million to provide equipment and engineering services for the construction of an electricity transmission line between Dacca and Chittagong in East Pakistan. The line was designed to carry power from Dacca, where a steam plant is under construction, to Chittagong some 153 miles away and where there is an urgent need for power.

At the time of the Cabinet decision it was appreciated that a surplus of power would be created in the Chittagong area when the Karnafuli hydro-electric plant near Chittagong was completed by the United States. The Canadian transmission towers were therefore designed to carry two circuits, with a view to the ultimate reversal of flow from Chittagong to Dacca and an increase in the amount of power transmitted, but Canada did not undertake to supply the second circuit. It did not appear likely at that time that the Karnafuli scheme would be undertaken in the near future. However, the United States is now proceeding to construct the hydro-electric plant at Karnafuli and it is apparent that a second circuit will soon be required. The Government of Pakistan has proposed that Canada provide a second circuit; there is no doubt that this would be a valuable and efficient contribution to the

economic advancement of East Pakistan. The cost of this second circuit is estimated at \$1,600,000 providing it is erected at the same time as the first circuit; funds are available from sums already voted by Parliament and earmarked for Pakistan.

The equipment for this project, as for the one above, would come almost completely from Canadian sources.

CEYLON

Discussions have recently taken place in Ottawa between representatives of the Government of Ceylon and officials from the various Departments concerned as to the allocation of \$2 million earmarked by Cabinet for the 1957-1958 Canadian Colombo Plan capital aid programme in Ceylon. At that meeting the Ceylon representative proposed that \$1 million of this programme be supplied in flour. This was brought to Cabinet attention and Cabinet gave authority for provision of such flour on October 4. Under the terms of the Colombo Plan Vote, the funds resulting from the sale by Ceylon of this flour will have to be used for development projects. To this end, the Ceylonese Government has voluntarily undertaken to purchase two diesel locomotives worth \$370,000, one Cobalt beam therapy unit valued at \$50,000 and certain port equipment from Canada. \$100,000 of the funds to be generated by the sale of flour would be allocated to meet the local costs of building a technical institute to which Canada has already given support, and the balance would be spend on port equipment from the United Kingdom.

The Ceylon authorities have now put forward proposals for the use of the other \$1 million made available by Cabinet. These are set out below:

A crane to assist in the erection of harbour cranes supplied by Canada — \$13,000. This was approved as a matter of urgency by Cabinet on September 24 last.

Further Transmission Lines in the Gal Oya Valley — \$200,000. This is the third stage in the provision of an electric power transmission system for the multi-purpose river development scheme in eastern Ceylon. Last year \$400,000 was made available to connect an irrigation system distribution station and other units with the existing lines. Further extensions of the transmission system are now proposed. The work is under the immediate direction of a Canadian engineering company and Canadian supplies are used almost exclusively. The additional sum here proposed would enable the distribution system in the Gal Oya Valley to be connected with the steam power plant at the paper mill at Valaichenai.

Remedial Equipment for the Rehabilitation Centre at the University of Ceylon — The physical education and health programme at the University of Ceylon is under the direction of a Canadian, a Mr. Bryant Little. He has persuaded the Ceylonese Government to give him an airplane hangar which he has erected on the campus and made into a modern gymnasium. However, he lacks equipment for this gymnasium and has sought our help. Officials have made it plain that the Colombo Plan could hardly be expected to provide sports equipment. However, there is a more pressing need for equipment to help in training workers who deal with the rehabilitation of crippled and deformed people. Mr. Little hopes that the University could, if it had some such equipment, do a good deal to make Ceylon university graduates familiar with what can be done in this field. It is proposed that \$12,500 be made available for remedial equipment for this purpose.

Continuation of Aerial Survey — One of the major Canadian projects in Ceylon is the carrying out of an aerial photographic survey. A good deal of Ceylon's development programme rests on the development of more accurate information as to land use and distribution of resources which can be most cheaply provided by aerial survey techniques. It is now proposed that this aerial survey should be carried a stage further by beginning a

geophysical programme to investigate land and water resources. The geophysical programme would be completely carried out by Canada. Ceylon would carry out \$126,000 of the land and water resources programme.

The American aid programme in Ceylon is in part now premised on the possibility that Canada will continue the aerial survey programme; the Americans elaborating the details of development programmes for the Walawe Ganga and the Mahaweli Ganga bases on the assumption that certain detailed information will be made available by a Canadian survey programme. It is estimated that at current prices about \$750,000 would be required to complete the Canadian operation of the programme. It is suggested that \$640,000 might be set aside this year and the balance next year.

Pest Control Units — A number of pest control units have already been supplied to Ceylon by Canada, initially as a pilot project, and then as a continuing project. These units are thoroughly successful. The Ceylonese authorities request that an additional four be provided this year, at a cost of \$14,000.

Standby Radio Unit for Colombo Airport — In 1954 Cabinet approved of the provision of \$205,000 worth of telecommunication equipment for use at the Colombo Airport. This equipment, largely of Canadian manufacture, is being installed under the direction of a Canadian telecommunications firm. The Ceylonese Government has accepted the recommendation of this firm that there should be a standby radio unit for use at the airport and has asked that Canada provide this unit at a cost of \$17,500.

X-ray Maintenance Equipment — A Canadian Colombo Plan expert on Ceylon, Mr. Hopps, is teaching the use and maintenance of x-ray equipment in Colombo. He needs certain maintenance equipment which is not obtainable in Ceylon; in order to get full value from this expert the necessary equipment should be provided as soon as possible. \$3,000 worth of equipment is needed.

Equipment for Technical Institute — A Canadian Colombo Plan expert has made detailed proposals as to the final instalment of training equipment needed by the Technical Institute which is being built in the main through the use of counterpart funds generated by the sale of Canadian flour and being equipped almost completely by Canada. The Institute, when completed, will be virtually an entirely Canadian project, and a monument to Canadian support for technical education in the Colombo Plan area. An additional \$100,000 is required for equipment, about 40% of which will have to be spent offshore; however, about 80 per cent of the total equipment being provided will have come from Canadian suppliers.

Financing Programming of Wheat Already Authorized

On October 4 Cabinet approved the provision of certain amounts of wheat and flour under the Colombo Plan.⁶⁸ Recommendations (d) (f) and (g) are merely designed to formalize the decisions already taken, in line with statutory requirements. In regard to the financing of these wheat shipments, it should be noted that there is a total of \$38 million in the Colombo Plan Fund to finance the projects proposed above, to meet existing commitments, and other anticipated expenditures during the current financial year, and to finance wheat shipments as authorized by Cabinet. The total of these calls on the Colombo Plan Fund would exceed funds in hand; however, it can be assumed that only \$18 million cash will be required to finance the \$21 million Indian programme before additional monies are paid into the Fund when interim supply is voted for 1958-1959. Thus, in effect, there is \$10,386,000 available to finance \$9 million wheat purchases leaving a reserve of \$1,386,000. For a programme running at an annual level of \$34.4 million, a reserve of this

⁶⁸ Voir/See Document 415.

size would be inadequate. The reserve against unforeseen contingencies should be at least 10 per cent of the annual programme — that is, between \$3 million and \$4 million. It is, therefore, proposed that \$2 million should be repaid to the reserve when funds are voted next year.

Recommendations

I recommend:⁶⁹

- (a) that \$500,000 out of the sums already made available for the Ganges-Kobadak project and \$500,000 of money already voted by Parliament should be allotted to the construction of a transmission line from Bheramara to Kushtia in East Pakistan, subject to a suitable agreement being reached with the Government of Pakistan, the additional \$500,000 to be a charge against the 1957-1958 programme for Pakistan;
- (b) that \$1,600,000 be made available for the doubling of the circuit on the transmission line being built by Canada from Dacca to Chittagong, in East Pakistan, subject to a suitable agreement being reached with the Government of Pakistan; the \$1,600,000 to be a charge against the 1957-1958 programme for Pakistan;
- (c) that the following projects be approved for Ceylon: for additional transmission lines in the Gal Oya Valley—\$200,000; for remedial equipment for the University of Ceylon—\$12,500; for the continuation of the aerial survey project—\$640,000; for pest control units—\$14,000; for a standby radio link for Colombo Airport—\$17,500; for equipment for the Technical Institute — \$100,000; for x-ray maintenance equipment—\$3,000; these sums to be a charge against the 1957-1958 programme for Ceylon;
- (d) that the Government of Ceylon be asked to agree that the proceeds of the sale of the \$1 million worth of flour previously authorized by Cabinet be used for economic development purposes;
- (e) that the following projects be approved for India — for the Canada-India Reactor—\$2 million; for transmission lines in connection with the Kundah Project—\$5,000,000 subject to a suitable agreement being reached with the Government of India; for railway ties—\$3 million; for three cobalt beam therapy units—\$120,000; for aluminum, copper and nickel—\$10,815,000; the use of the resulting counterpart funds from the sale of these commodities to be considered later. All the above sums are to be a charge against the balance of funds made available for the 1956-1957 programme for India and against the 1957-1958 programme for India;
- (f) that the \$2 million worth of wheat which Cabinet agreed be offered to Pakistan be a charge against the balances of the 1956-1957 programme and the 1957-1958 programme for Pakistan, and that the Government of Pakistan be asked to agree that the proceeds of the sale of such wheat be spent for agreed economic development purposes;
- (g) that the \$7 million worth of wheat which Cabinet agreed be made available to India be subject to the Indian Government agreeing that a first charge on the 1958-1959 programme shall be \$5 million for such wheat, and that the proceeds of the sale of such wheat shall be spent on agreed economic development purposes.

S.E. SMITH

⁶⁹ Le Cabinet a approuvé la dépense de 640 000 \$ pour le projet de relevé aérien à Ceylan, le 3 décembre 1957. Le reste des projets dont la liste figure dans le mémoire au Cabinet a été approuvé le 5 décembre 1957.

Cabinet approved the \$640,000 expenditure for the aerial survey project in Ceylon on December 3, 1957. The remainder of the projects listed in the memorandum to Cabinet were approved on December 5, 1957.

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PCO

Extrait des conclusions du Cabinet
Extract from Cabinet Conclusions

SECRET

[Ottawa], May 22, 1958

Present

The Prime Minister (Mr. Diefenbaker) in the Chair,
 The Minister of Public Works (Mr. Green), (for morning and noon meeting only)
 The Minister of Finance (Mr. Fleming),
 The Minister of Veterans Affairs (Mr. Brooks),
 The Minister of Transport (Mr. Hees), (for morning and noon meeting only)
 The Solicitor General (Mr. Balcer),
 The Minister of National Defence (Mr. Pearkes),
 The Minister of Trade and Commerce (Mr. Churchill),
 The Minister of Justice (Mr. Fulton),
 The Minister of National Revenue (Mr. Nowlan), (for morning and noon meeting only)
 The Minister of Agriculture (Mr. Harkness),
 The Minister of Citizenship and Immigration (Mrs. Fairclough),
 The Minister of Fisheries (Mr. MacLean), (for morning and noon meeting only)
 The Minister of Labour (Mr. Starr),
 The Postmaster General (Mr. William Hamilton),
 The Minister without Portfolio (Mr. Macdonnell),
 The Minister without Portfolio (Mr. Browne),
 The Minister of Mines and Technical Surveys (Mr. Comtois),
 The Minister of National Health and Welfare (Mr. Monteith),
 The Minister of Northern Affairs and National Resources (Mr. Alvin Hamilton),
 The Secretary of State for External Affairs (Mr. Smith),
 The Minister of Defence Production (Mr. O'Hurley),
 The Secretary of State (Mr. Courtemanche),
 The Secretary to the Cabinet (Mr. Bryce),
 The Assistant Secretary to the Cabinet (Mr. Fournier),
 The Registrar of the Cabinet (Mr. Halliday).

COLOMBO PLAN PROGRAMME; ADDITIONAL PROJECTS
(PREVIOUS REFERENCE DECEMBER 5, 1957)†

22. *The Secretary of State for External Affairs* explained that a further allocation of available funds to various development projects under the Canadian Colombo Plan programme was needed. All the proposals had been discussed with the beneficiaries. Allocations recommended were:

| | |
|--|-----------|
| A. <i>Burma</i> | |
| 1. A survey of the highway system | \$160,000 |
| 2. Provision for purchase, in Canada, of 10 Geiger counters for prospecting for uranium and other radioactive minerals | 7,000 |
| B. <i>Cambodia</i> | |
| Partial costs of a fish drier unit and auxiliary cooling room | 50,000 |
| C. <i>Ceylon</i> | |
| Provision of funds from the allocation to the fisheries development project for the Colombo Harbour crane project to send Canadian engineers to Colombo to complete the erection of the harbour cranes | 40,000 |

D. *Indonesia*

Provision of airport telecommunications equipment for Djakarta Airport, provided the Secretary of State for External Affairs was satisfied the equipment would be installed and used for the purpose intended without delay 275,000

E. *India*

1. Provision of a stronger source for the cobalt beam therapy unit purchased by the Cancer Institute in Madras from Atomic Energy of Canada 8,000

2. Reimbursement to cover the balance of cost of the Biological Control Station in Bangalore 7,668

F. *Pakistan*

1. Additional amount for the Shadiwal Hydro-electric project \$1,000,000

2. Additional amount to complete the aerial resources survey in West Pakistan 155,000

3. Provision of equipment and material for establishment of a subcritical atomic reactor in Pakistan 100,000

4. Reimbursement to cover the balance of cost of the Biological Control Station at Rawalpindi 9,228

The Minister explained that, in respect of the Shadiwal hydro-electric project, the Canadian engineering company working on the project had put forward estimates of additional amounts that would be needed to meet the cost of equipment and engineering supervision which Canada had undertaken to provide. In the main, this resulted from a rise in prices since the original estimates were prepared and a more precise assessment of the total cost. These estimates had been considered by the Colombo Plan Administration and by Defence Construction Limited, and it was considered that \$1 million would be required.

An explanatory memorandum had been circulated, (Minister's memorandum, April 28, 1958-Cab. Doc. 123-58)†

23. *The Prime Minister* questioned the necessity of assistance to countries outside the Commonwealth. In the case of Indonesia, substantial assistance was being proposed to a country where the chances of turning to communism seemed a possibility. It would be hard to justify politically, when so much needed to be done in Canada at this time. This question should be discussed at some length at a later date.

24. *Mr. Smith* said he had reservations himself on the Indonesian project and that was why the proviso had been put in that he be satisfied the material was used for the purpose intended. However, it was felt that Canadian action might help to further what appeared to be a stabilizing situation there with the Central government gaining control. If this was not accomplished, it was feared President Sukarno might take steps to seize the Dutch possession of West New Guinea.

25. *During the discussion* the following points arose:

(a) It was highly desirable to do something for Pakistan. The new Prime Minister there had indicated that he did not feel his country was getting much support from the western nations.

(b) Canada's name stood high with all those countries, with the possible exception of Indonesia which had shown an intransigent attitude at the last Colombo Plan conference. There had been quite a change in the position of Burma, who wished to be recognized as friendly to the west.

26. *The Cabinet* noted the recommendations of the Secretary of State for External Affairs for additional allocation of funds to various development projects under the Colombo Plan, as set out in the circulated document (Cab. Doc. 123-58) and,

(a) approved the proposals in so far as the Commonwealth countries were concerned; and,

(b) reserved any decision on the non-Commonwealth countries for further discussion at a later date.

...

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DEA/11038-H-40

*Note du sous-secrétaire d'État aux Affaires extérieures
pour le secrétaire d'État aux Affaires extérieures*

*Memorandum from Under-Secretary of State for External Affairs
to Secretary of State for External Affairs*

CONFIDENTIAL

[Ottawa], September 4, 1958

ALLOCATION OF COLOMBO PLAN FUNDS

Attached for your signature, if you agree, is a Memorandum to the Cabinet concerning the allocation of 1958-59 Colombo Plan funds. This has become a matter of considerable urgency, in view of the critical financial situation in India and of the long delay in getting the few small projects in non-Commonwealth countries underway. There is the further point that Mr. Fleming and Mr. Churchill should be in a position to advise representatives of the recipient countries at the Montreal Conference as to the Colombo Plan aid which will be made available to them this year.

2. There are some important questions in connections with this Memorandum on which I should comment. First, the allocation to India: the \$17 million figure for which formal Cabinet approval is now sought, is, of course, the amount which Mr. Plumptre indicated he would recommend to the Canadian Government, during the meetings in Washington which considered the Indian financial crisis. On the basis of the approval given by Ministers concerned to this figure, we have re-opened discussions with India on the ways in which this sum might be used. I would hope we could put proposals before you within the next few weeks as to the various commodities and projects requested by Indian Ministers.

3. Second, this Memorandum proposes that our small economic aid programme in the non-Commonwealth countries should no longer be deferred. In the past, with full Cabinet authority, we have given these countries to understand that a certain amount of Canadian aid would be forthcoming. We must now honour these commitments or run the risk of a very serious loss of goodwill. That Canada should allocate a small amount of capital aid to the non-Commonwealth countries is, in my view, very much in Canada's broad interest. There is, of course, a significant Canadian interest in the non-Commonwealth states. These countries play an increasingly important role in world politics. All of them are in varying degrees subject to both internal and external pressures designed to draw them more and more into the Communist orbit. The absence of Western assistance increases the likelihood that their Governments may consider themselves forced, however unwillingly, to seek help from the Soviet Bloc. On the other hand, carefully selected projects designed to strengthen their economies and administration contribute to the strength of existing régimes and give tangible evidence of the interest of the Western world in their well-being. This has been

recognized from the beginning of their association with the Colombo Plan, and indeed recognition of these facts lay behind the positive affirmation of Canada's willingness to give help by Canadian Ministers visiting these countries and by Canadian Ministers at annual Colombo Plan Conferences.

4. Third, there is the question of whether all or any of the Colombo Plan Vote should be used permanently or temporarily for wheat. I would very strongly recommend that the regular Colombo Plan Vote should be used only for our regular Colombo Plan programme, that is, for technical assistance, economic development projects and such commodities as the recipient countries ask us to provide. The recipient countries have made it clear that they do not want wheat as part of the Colombo Plan programme; they attach higher priorities to industrial metals for their factories and to basic development projects. The fund of goodwill which our Colombo Plan operations has built up will be very rapidly dissipated if we force these countries to accept aid they do not want. Any gifts of wheat should be provided for out of new funds made available for that purpose. As you know, Mr. Churchill shares this view very strongly.

5. As for financing wheat exports to these countries *temporarily* from the Colombo Plan Fund, there is first the very serious problem of doing this without having to hold back on other forms of aid. In the case of India, this would not be in line with the pledge given by Mr. Fleming in the House recently that we would help that country by accelerating the flow of Canadian aid;⁷⁰ the Indian Government have asked us urgently to agree to a substantial increase in the rate of shipment of such goods, industrial metals and railroad ties, all of which we are now supplying. To increase our rate of supply of these goods will require most of the cash available for our Indian programme. As for Pakistan, we need to keep in hand all the funds we can make available for that country in case it becomes clear that we should build a transmission line to carry power from our Warsak Dam to the consuming areas. It is very important that we should keep our freedom of manoeuvre in these matters. Even if these considerations did not apply, there is the practical problem that the Auditor-General has formally censured the previous administration for using Colombo Plan funds in this temporary fashion. The Auditor-General's criticism appears to me to be well founded. In any case the Wheat Board would be prepared to finance substantial shipments of wheat against reimbursement in the future; I understand that Mr. Churchill's Memorandum to Cabinet will recommend this course of action.

D.V. LEP[AN]
for Under-Secretary of State
for External Affairs

⁷⁰ Voir Canada, Chambre des Communes, *Débats*, 1958, volume IV, pp. 4425 à 4426.
See Canada, House of Commons, *Debates*, 1958, volume IV, pp. 4213-4214.

[PIÈCE JOINTE/ENCLOSURE]

*Note du secrétaire d'État aux Affaires extérieures
pour le Cabinet*

*Memorandum from Secretary of State for External Affairs
to Cabinet*

CABINET DOCUMENT NO. 257-58

[Ottawa], September 3, 1958

CONFIDENTIAL

ALLOCATION OF 1958-59 COLOMBO PLAN FUNDS

The purpose of this Memorandum is to seek Cabinet authority for the allocation of the 1958-59 Colombo Plan Vote between various recipient countries and between the economic development programme and the technical assistance programme. Discussions are now underway with the recipient countries as to particular projects which might be put before governments for the use of 1958-59 funds. These discussions have now reached the stage at which authority is required from Cabinet as to the amounts to be made available for each country and for the two programmes so that the recommendations as to projects can be guided by Cabinet authority as to allocations.

This matter is now of some urgency; first, the needs of recipient countries, particularly India, are acute and they would welcome early decisions so that they can take Canadian aid into account in their planning and allow it to move to projects as rapidly as possible; second, because at the Commonwealth Conference and at the Colombo Plan Conference, Ministers should be able to assure their Malayan, Ceylonese, Pakistani and Indian colleagues as to the scale of Canadian aid to those countries for the current year.

TOTAL SUM AVAILABLE

The Main Estimates provide for a contribution this year to the Canadian Colombo Plan Fund of \$35 million. In addition, sums previously authorized for projects which are now completed or nearly completed have been or will shortly be returned to the Colombo Plan Fund and become available for re-allocation. Taking these unspent balances into account, a sum of \$43,368,854 would be available for allocation this year. However, an amount of \$5 million is required for wheat shipments to India which Cabinet authorized last year as part of this year's programme.⁷¹ The total sum available this year for allocation is thus \$38,368,854.

PROPOSED ALLOCATION

| | | |
|---|---------------|----------------------|
| <i>Technical Assistance</i> (programme for whole Colombo Plan area) | | \$2,000,000. |
| <i>Economic Assistance</i> | | |
| India | \$17,000,000. | |
| Pakistan | 13,000,000. | |
| Ceylon | 2,000,000. | |
| Malaya | 500,000. | |
| Non-Commonwealth countries, i.e. Burma, Indonesia, Indochina, etc. | 2,000,000. | |
| Reserve against contingencies | 868,854. | |
| Total Economic Programme | | <u>\$35,368,854.</u> |
| | | <u>\$37,368,854.</u> |

⁷¹ Voir/See Document 415.

TECHNICAL ASSISTANCE

Expenditures under the Canadian Colombo Plan technical assistance programme are limited by Canada's capacity to provide experts or to provide training places in Canada, and by the ability of the recipient country to use experts or to nominate acceptable trainees. No worthwhile requests from the recipient countries have been rejected because of lack of money. During 1957-58, total technical assistance expenditures for the whole of the Colombo Plan area by Canada were approximately \$1,700,000. The technical assistance programme has been increasing at a rate of ten per cent each year; it would, therefore, be appropriate to set aside approximately \$2,000,000 for this purpose. Considering the number of small countries in the area, and the variation from year to year in their requests for technical assistance, it would be quite impractical to budget for each individual recipient country.

ECONOMIC ASSISTANCE

India

From the beginning of the Canadian Colombo Plan, about half of the sums made available for the total economic programme has been allocated to India. It is my view that, given the critical political and economic importance of India's development programme, we should continue to make available to India as large a proportion as realistically possible of our Colombo Plan aid. Excluding \$5 million worth of wheat authorized last year against this year's programme, an allocation of \$17 million seems appropriate.

The Indian Government has emphasized that India wants practically all of Canada's aid for this year in the forms of industrial metals, railway ties and fertilizers, which give immediate relief to India's foreign exchange position and enables its factories to keep in production. Discussions are now underway between India and Canadian officials and as soon as possible a detailed Indian programme will be put before Cabinet for consideration.

Pakistan

The suggested provision of \$13 million of economic assistance for 1958-59 for Pakistan, is much more generous on a per capita basis than \$16 million for India. However, since the beginning of the Colombo Plan, Canada has provided about two-thirds as much aid to Pakistan as to India. It would be difficult to depart substantially from this pattern.

The first charge against the \$13 million allocation should be such additional monies as are required to complete the Warsak project. A detailed memorandum on the Warsak project, which is now proceeding very satisfactorily, will be put to Cabinet shortly.

Our High Commissioner in Pakistan suggests that one new project to which we should give early consideration is the building of a transmission line from the American hydro-electric project at Karnaphuli to the port of Chittagong in East Pakistan. This project is of considerable economic importance; the power to be produced by the American dam would be useless unless a transmission line is constructed. However, the project should be investigated by a firm of consulting engineers before any detailed recommendations are submitted to Cabinet.

This project is not likely to use all of the money available to Pakistan this year. Other projects will, therefore, be investigated by officials with a view to preparing recommendations as soon as possible for Ministers. The possibility of undertaking further projects will be determined as soon as we know whether the United States and Pakistan have agreed to build sufficient transmission lines in West Pakistan to make possible effective use of the power from the Warsak project. Until we are certain that satisfactory arrangements have

been made between the U.S. and Pakistan it would be wise to retain funds in case Canada is called upon to assist in providing some portion of this transmission system.

Ceylon

The usual Canadian annual allocation of economic aid to Ceylon has been \$2 million. Ceylon is the wealthiest country in the area and has a very small population. Although this sum is out of proportion to Ceylon's needs relative to the needs of other countries, it would be undesirable to cut back the Ceylon programme at present. There is, perhaps, more to be said for giving Ceylon only a nominal share of any future increase in the Colombo Plan programme.

One commitment against the suggested allocation of \$2 million has already been approved by Cabinet, i.e., the provision of \$110 thousand for the Ceylon aerial survey.⁷²

Detailed proposals have not yet been put forward by Ceylon for further projects this year, although it can be anticipated that the financing for further stages in the aerial survey will be requested.

It has been the usual practice to supply about one-half of the Ceylon programme in the form of Canadian flour, which generates counterpart funds for projects which require local expenditures. However, during the course of the recent negotiations between Ceylon and Canada, which resulted in agreement for the provision by Canada of \$2 million worth of flour on a loan basis, and \$400 thousand on a grant basis, it became apparent that Canada could not provide Ceylon with flour over and above these amounts without very seriously affecting Australia's interests. Officials will, therefore, explore with Ceylon the possibility of using this sum for the provision of other Canadian goods and services.

It is suggested that the \$400 thousand grant of flour, which Cabinet approved as a result of the recent negotiation,⁷³ should be met out of the reserve against contingencies in order to emphasize that it was offered to Ceylon as a grant over and above the regular Canadian aid programme to Ceylon.

Malaya

Now that Malaya has become a full member of the Colombo Plan and an independent member of the Commonwealth, it would be desirable to establish a regular annual programme for Malaya. Canadian assistance under the Plan has, of course, been going to Malaya in the form of technical assistance, and there has been one capital project, an aerial survey, to which Canada contributed \$200 thousand. Malaya is, by Colombo Plan standards, a relatively wealthy country, with a good foreign exchange position. While a programme of only \$1/2 million seems meagre as compared to what Canada is doing for other Colombo Plan countries, it would be prudent to start at the relatively low level and to inaugurate a few worthwhile small projects before we contemplate any large expenditures.

Non-Commonwealth Countries

It will be recalled that on May 22 Cabinet deferred consideration of a number of small capital projects in the non-Commonwealth countries, members of the Colombo Plan — Burma, Cambodia, Indonesia — until further consideration had been given to the question of the allocation of Canadian aid funds to Commonwealth, as against non-Commonwealth countries. It is now urgent to consider and decide the scale of Canadian aid to the non-Commonwealth countries, and to authorize appropriate projects.

⁷² Approuvé par le Cabinet le 1^{er} août 1958./Approved by Cabinet on August 1, 1958.

⁷³ Approuvé par le Cabinet le 15 juillet 1958./Approved by Cabinet on July 15, 1958.

Since the beginning of the Colombo Plan, only about three-quarters of one per cent of Canadian Colombo Plan aid has been given to the non-Commonwealth countries. There is no doubt that Commonwealth countries should receive the bulk of Canadian aid under the Colombo Plan. However, this low percentage does not seem to give adequate weight to Canadian interest in the non-Commonwealth countries; nor, indeed, to the broader interest of the West, and of other Commonwealth countries.

For several years Cabinet has made annual allocations of small sums for assistance to the non-Commonwealth countries. This sum was used for a number of quite small projects, particularly in Burma. Eighteen months ago, the position of the Colombo Plan Fund was reviewed and it was established that, of the sums allocated by Cabinet to the non-Commonwealth countries, \$1.4 million remained available for projects. Officials, therefore, informed certain non-Commonwealth countries that the Canadian Government had authorized the use of a sum of this magnitude for projects in non-Commonwealth countries. A preliminary allocation was made between the countries concerned. It would, therefore, be consistent with positions taken in the past to set aside for the non-Commonwealth countries a small portion of the accumulated sums available in the Colombo Plan Fund and to charge against these the cost of projects which Cabinet deferred, and to make the balance available for such projects as Cabinet may later approve.

I would, therefore, propose that the projects recommended for the non-Commonwealth countries in my Memorandum of April 28[†] should now be approved (for Burma, \$7 thousand for Geiger Counters and \$160 thousand for a highway survey team; for Cambodia, \$50 thousand for a fish dryer; for Indonesia, \$275 thousand for telecommunications equipment for the ICAO project of Djakarta Airport). These projects, if now undertaken, together with the provision of \$60 thousand for wheat for Nepal agreed to by Cabinet on August 8,⁷⁴ will give modest but tangible evidence of Canada's interest in the non-Commonwealth members of the Colombo Plan. (The scale of aid contemplated is, of course, much smaller than that given to our Commonwealth partners, e.g., the Kundah project in South India, to which Canada has contributed \$23.5 million, and the Warsak project in Pakistan to which Canada has contributed \$36.6 million. If these projects (in non-Commonwealth countries) recommended above are approved, a balance of approximately one and one half million dollars would remain available for other projects in 1958-59 in these countries; officials would investigate such projects with a view to submitting proposals to Ministers. I have in mind that Canada may be asked to undertake a survey of the Mekong River Valley in Indochina, as planned by the United Nations, which might cost about \$750 thousand, and a second highway survey and demonstration project in Burma, which may cost upwards of \$300 thousand. By retaining this amount suggested it would be possible to undertake these two projects or others of comparable magnitude; these, with projects already recommended, would constitute an adequate Canadian aid programme in these countries.

⁷⁴ Voir/See Document 420.

RECOMMENDATIONS

In the light of the above consideration, I recommend

(1) that the Canadian contribution to the Colombo Plan Fund for 1958-59, together with the sums available or which can be made available from the Colombo Plan Fund, should be allocated in the following fashion:

| | | |
|---|--------------|---------------------|
| <i>Technical Assistance</i> (programme for whole Colombo Plan area) | | \$2,000,000 |
| <i>Economic Assistance</i> | | |
| India | \$17,000,000 | |
| Pakistan | 13,000,000 | |
| Ceylon | 2,000,000 | |
| Malaya | 500,000 | |
| Non-Commonwealth countries, i.e. Burma, Indonesia, Indochina, etc. | 2,000,000 | |
| Balance against contingencies | 868,854 | |
| Total Economic Programme | | <u>\$35,368,854</u> |
| | | <u>\$37,368,854</u> |

and that officials be authorized to enter into discussions with the countries concerned to prepare recommendations for projects in these countries for the use of these sums;

(2) that the projects for the non-Commonwealth countries, as set out in the Memorandum to Cabinet on the Colombo Plan of April 28[†] last, should now be authorized.

[SIDNEY SMITH]

413.

PCO

Extrait des conclusions du Cabinet

Extract from Cabinet Conclusions

SECRET

[Ottawa], September 7, 1958

Present

The Prime Minister (Mr. Diefenbaker) in the Chair,
 The Minister of Public Works (Mr. Green),
 The Minister of Finance (Mr. Fleming),
 The Minister of Veterans Affairs (Mr. Brooks),
 The Minister of Transport (Mr. Hees),
 The Solicitor General (Mr. Balcer),
 The Minister of National Defence (Mr. Pearkes),
 The Minister of Trade and Commerce (Mr. Churchill),
 The Minister of Justice (Mr. Fulton),
 The Minister of Agriculture (Mr. Harkness),
 The Minister of Citizenship and Immigration (Mrs. Fairclough),
 The Minister of Fisheries (Mr. MacLean),
 The Postmaster General (Mr. William Hamilton),
 The Minister without Portfolio (Mr. Macdonnell),
 The Minister without Portfolio (Mr. Browne),
 The Minister of National Health and Welfare (Mr. Monteith),
 The Secretary of State for External Affairs (Mr. Smith),
 The Secretary of State (Mr. Courtemanche),
 The Secretary to the Cabinet (Mr. Bryce),
 The Assistant Secretary to the Cabinet (Mr. Martin),
 The Registrar of the Cabinet (Mr. Halliday).

1958-59 COLOMBO PLAN FUNDS; ALLOCATION

1. *The Secretary of State for External Affairs* said authority was sought for the allocation of the 1958-59 Colombo Plan Vote between the various recipient countries and between the economic development and the technical assistance programmes. It was not a question of allocating funds for specific projects on which recommendations would be made later.

The main estimates provided for a contribution of \$35 million, which, with unspent balances, came to around \$42 million. Of this, \$5 million was required for wheat shipments to India, leaving a total of \$37,368,854. The proposed allocation was:

| | |
|---|---------------------|
| <i>Technical Assistance</i> (for whole Colombo Plan area) | \$2,000,000 |
| <i>Economic Assistance</i> | |
| India | \$17,000,000 |
| Pakistan | 13,000,000 |
| Ceylon | 2,000,000 |
| Malaya | 500,000 |
| Non-Commonwealth countries, (i.e. Burma, Indonesia, Indochina, etc.) | 2,000,000 |
| Reserve | 868,854 |
| TOTAL | <u>\$37,368,854</u> |

Projects for non-Commonwealth countries, decision on which had been deferred previously were \$7,000 on Geiger counters for Burma; \$160,000 for a highway survey team for Burma; \$50,000 for a fish dryer for Cambodia, and \$275,000 for telecommunications equipment for the I.C.A.O. project at Djakarta Airport, Indonesia. Together with \$60,000 for wheat for Nepal, this would give a modest but tangible evidence of Canada's interest in the non-Commonwealth members. Since the plan was started, the scale of this aid had been very much smaller than with Commonwealth countries, in fact, about 3/4 of 1 per cent.

From the beginning of the plan about half of the sums available had been allocated to India. Excluding the \$5 million worth of wheat authorized last year against this year's programme, an allocation of \$17 million seemed appropriate.

An explanatory memorandum had been circulated, (Minister's memorandum, Sept. 3, 1958 - Cab. Doc. 257-58).

2. *Mr. Smith* added that the telecommunications equipment for Djakarta Airport was not military in nature but was to enable planes to land easily. As for the Geiger counters for Burma, if Canada did not supply them, the U.K. would.

3. *During the discussion* the following points emerged:

(a) It would seem difficult to justify this type of aid to Indonesia where there was a government likely to go over to the communist side and, even though it was said the equipment was non-military in nature, it could be used just as well by military aircraft. In fact, it was reported that Indonesia was "loaded up" with Russian planes. Why should Indonesia be provided with equipment which could be used against the west? The External Affairs Minister of Australia, on his recent visit to Ottawa, had been most concerned about events in Indonesia and their possible repercussions on New Guinea. The Dutch had asked for assurances that there would be immediate military action by Australia should that large island be invaded by forces from Indonesia. Australia was very worried by the military aid the United States was giving Indonesia. On the other hand, a Canadian contribution of substantially non-military equipment might be helpful in keeping Indonesia away from communism.

(b) It seemed unrealistic to provide aid of the above nature when the basic problem facing Canada was to dispose of surplus agricultural products. It was said that the non-Commonwealth countries within the Colombo Plan were badly in need of flour and dried milk. Surely efforts should be made to try to give assistance first in the form of food products.

(c) The proposed allocations for Pakistan looked very high in relation to India, taking into account the relative magnitudes of the two countries and their needs, but this pattern was traditional and to cut back now on the share for Pakistan whose government was so weak would be a political error. When the total was increased this imbalance would be corrected.

4. *The Cabinet* approved the recommendations of the Secretary of State for External Affairs for the allocation between countries of the Canadian contribution to the Colombo Plan, as outlined in the circulated document (Cab. Doc. 257-58); it being understood, however, that full consideration would be given to the possibility of providing aid in a form that would reduce the surplus of Canada's agricultural products, and in particular that the aid to the group of non-Commonwealth countries would be mainly in the form of such foodstuffs.⁷⁵

SECTION B

PROVISION DE BLÉ AUX PAYS MEMBRES DU PLAN DE COLOMBO
PROVISION OF WHEAT TO COLOMBO PLAN COUNTRIES

414.

DEA/11270-40

*Note des Directions du Commonwealth et européenne
pour la Direction économique*

*Memorandum from Commonwealth and European Divisions
to Economic Division*

CONFIDENTIAL

[Ottawa], September 11, 1957

RESPECTIVE MERITS OF EASTERN EUROPEAN COUNTRIES
AND THE COMMONWEALTH COUNTRIES IN SOUTH EAST ASIA
AS RECIPIENTS OF CANADIAN SURPLUS WHEAT*Commonwealth Countries in South East Asia*

1. India and Pakistan would welcome surplus wheat because there is in both countries a shortage of food grains and an understandable reluctance to utilize their very limited foreign exchange resources to pay for imported grain. There is relatively little hunger in Ceylon, which grows most of its own food, usually has a favourable balance of trade, and is in a relatively better economic position than India or Pakistan to purchase its own needs. Ceylon imports flour rather than wheat and lacks handling facilities for wheat. Malaya is a cash importer of wheat and although we have sold small amounts in the Malayan market, most of it is supplied by the Australians. It might well be disadvantageous to our own

⁷⁵ Voir la pièce jointe au document précédent./See enclosure to previous document.

interests, and to those of the Australians particularly, to dispose of surplus wheat in Malaya.

2. In India and Pakistan there is always an actual need for food grains. There have been constant shortages of grain in India and Pakistan and substantial emergency shipments of wheat to avert famine have been made to both countries by Canada, Australia and the United States. Both countries suffer from chronic shortages of foreign exchange with which to buy commodities like wheat so that any shipment of surplus Canadian wheat would tend to ease their foreign exchange position. Agricultural production has been declining in India and Pakistan for the past two or three years. This lag in agricultural production has had, and is having, a critical impact upon industrial development planning in both countries. Crop failures and poor harvests have often made it necessary to divert badly needed funds from important development projects to purchase from abroad large supplies of food grains to feed people in famine-stricken areas.

3. For India any shipment of surplus wheat this year would be a very timely gift. The economic situation has been slowly worsening for the past year and one of the reasons behind this deterioration has been the failure of agricultural production to increase. The less India has to spend on food imports, the more will be available for projects of the Second Five Year Plan, upon the success of which may hinge the future of India as a democratic state. If the Indians should become convinced that democratic government cannot provide quickly enough the vital economic development to raise the standard of living, they may move toward the totalitarian experiment of nearby Communist China. It is in our interest that the Indian leaders should not lose heart and that they realize they can expect from the Western democracies sympathetic understanding of their enormous economic problems. Indian leaders are becoming very concerned about the economic situation (and with good reason), when the pace of their industrial development seems to be threatened and would welcome any foreign aid which comes without strings, particularly if it should come unsolicited.

4. In recent years there has been an almost constant shortage of wheat in Pakistan so that Canadian surplus wheat would always be very useful. Pakistan's foreign policy has always called for firm friendship with the Western nations despite the difficulty of elucidating this policy in poverty-stricken East Pakistan where many people have strong neutralist sentiments. The very slow rise in the standard of living has made the position of the Pakistani Government increasingly difficult. It is in our interests to do what we can to bolster up the Pakistani economy so that the neutralist forces of disunity in the country will find the economic climate less propitious for the growth of their organizations.

5. Our conclusion would be that, because of the serious economic crisis it is passing through, India should have the major share of the surplus wheat disposed of in the area, that Pakistan should have a substantial share. Ceylon has no requirement for wheat. We think Malaya would benefit most from other forms of aid, but if it were decided to dispose of some of the surplus wheat in Malaya then we might find it useful to consult first with the Australians.

Eastern European Countries

(1) Poland

There are important political advantages to be gained from offering some surplus Canadian wheat to Poland. Though Poland remains under Communist leadership, political changes have taken place there since last October which justify Western support. These changes have resulted in greater liberty of personal opinion, in the exercise of religion and to travel abroad. There has also been an effort to achieve a significant increase in the

standard of living. Internationally, the changes have ended the Soviet Union's complete domination of the country.

2. While these changes, both domestic and international, do not fully satisfy either the Polish people or the Western nations, it is in our interest to encourage such developments. This is especially true of Poland's new measure of independence from the Soviet Union. This independence is probably more significant than the break between the Soviet Union and Yugoslavia in 1948. Poland, since it remains within the Communist bloc, is forcing the Soviet Union to modify its conduct, i.e. not to treat Poland simply as a dependency. When Yugoslavia broke with the Soviet Union, the Soviet leaders were able to cut all contact and treat Yugoslavia as an outcast. Poland's independence is also important because it is a path which could become attractive to Communist leaders in other satellites.

3. The Gomulka régime cannot be regarded as stable. The immediate danger of Soviet intervention appears to be over. Both sides have made adjustments and have reached a temporary *modus vivendi*. But Poland's economic problems, which are still increasing, constitute a major threat to the Gomulka régime. These difficulties might lead to trouble through a strike getting out of control, which would give the U.S.S.R. an opportunity for intervention on the Hungarian model. Alternatively Gomulka might be forced to turn to the Soviet Union for additional economic aid. The Soviet Union would only provide such aid if Gomulka were to undertake to modify the present régime. This would mean the end of the Gomulka experiment of a freer communism and of the most hopeful heresy which has occurred in the communist bloc.

4. Although Poland is a country with considerable potential wealth, Communist mismanagement and Soviet exploitation have caused distortions in the economy and left the standard of living at a desperately low level. The reforms of the present government will not have any significant effect for a couple of years. Indeed the freeing of the economy has led to an immediate worsening of the situation owing to inflation, absenteeism, speculation and general disorganization. In the interval before the Polish people get used to exercising economic self-discipline and the reforms take effect, Poland must look to the West for aid to fill the gap and prevent economic collapse.

5. Poland has already received some aid from the United States and other Western countries, but it has hoped for more. At the time it was argued in the West that the Western countries should be cautious in extending aid, for fear that it might provoke the U.S.S.R. It now appears that the Poles have correctly decided that they can safely accept considerably more Western aid than has been offered.

(2) Yugoslavia

6. Yugoslavia is the only other country in Eastern Europe to which it might be politically desirable to offer surplus Canadian wheat. Her position is quite different from Poland's. The domestic policy of the régime is probably less worthy of Western support than Poland's, and it is a fully independent state without the same divisive effect on the Soviet bloc. The major reason for giving aid to Poland, therefore, does not apply in the Yugoslav case.

7. An additional reason is the present orientation of the Yugoslav Government which is now responding to Soviet overtures for better relations. Yugoslavia over the past few years has followed a pattern of oscillating from appealing to the East to appealing to the West. As soon as one side has confirmed its friendship, Yugoslavia has immediately concentrated on appealing to the other, to make sure it would not become dependent. In the present circumstance, it would seem unnecessary for Western nations to go out of their way to give exceptional assistance to the Yugoslav Government.

8. A further argument against granting wheat to Yugoslavia is that this year she has had a first class crop.

9. The conclusion of this section is that Poland should have absolute priority over Yugoslavia if there is a question of offering surplus grain to Eastern Europe.

Conclusion

It would be almost impossible, and perhaps unsatisfactory as well, to try to make a definitive reply to this question without relating it specifically to the amount of surplus wheat which will be available for disposal. We suggest, therefore, that the problem might be broken up into three parts as follows:

A. 5-10 Million Dollars Worth of Surplus Wheat

This amount of wheat would not go very far if divided between India and Pakistan. Both countries would welcome such a shipment and would find it useful but it would be too small a quantity to lessen their foreign exchange difficulties very much or to make the kind of favourable impression we might wish to create. In contrast this quantity of surplus wheat would be a very valuable contribution to the Polish economy during this critical period.

We suggest that the entire quantity, if this amount of wheat is being disposed of, might be offered to Poland.

B. 10-20 Million Dollars Worth of Surplus Wheat

This amount of wheat is large enough to make a valuable contribution to the economies of India and Pakistan. It would be desirable, in view of its larger size and its economic difficulties that India should, at this time, have the larger portion of such a shipment.

In weighing the claims of India and Pakistan against those of Poland we have been swayed principally by the fact that India's and Pakistan's size, importance in Asia and membership in the Commonwealth make it necessary that our contribution be a significant one. We suggest, therefore, that this amount of surplus wheat could best be disposed in the Commonwealth countries of South East Asia.

This would not leave sufficient wheat to make a substantial contribution to Poland as well. Nevertheless, it would be beneficial if a million dollars worth could be allocated to Poland. This would have a valuable psychological effect, indicating Western interest in Poland, and should also have the advantage of attracting Polish commercial purchases of Canadian wheat.

C. More than 20 Million Dollars Worth of Surplus Wheat

If this amount of wheat is to be made available, it would be desirable to allot the greater part to India and Pakistan, but to offer about five million dollars worth to Poland.

415.

PCO

*Extrait des conclusions du Cabinet**Extract from Cabinet Conclusions*

SECRET

[Ottawa], October 4, 1957

Present

The Prime Minister (Mr. Diefenbaker) in the Chair,
 The Minister of Public Works and
 Acting Minister of Defence Production (Mr. Green),
 The Minister of Finance (Mr. Fleming),
 The Minister of Veterans Affairs (Mr. Brooks),
 The Minister of Transport (Mr. Hees),
 The Solicitor General (Mr. Balcer),
 The Minister of Trade and Commerce (Mr. Churchill),
 The Minister of Justice and
 Acting Minister of Citizenship and Immigration (Mr. Fulton),
 The Secretary of State (Mrs. Fairclough),
 The Minister of Fisheries (Mr. MacLean),
 The Minister of Labour (Mr. Starr),
 The Postmaster General (Mr. William Hamilton),
 The Minister without Portfolio (Mr. Macdonnell),
 The Minister without Portfolio (Mr. Browne),
 The Minister of Mines and Technical Surveys (Mr. Comtois),
 The Minister of National Health and Welfare (Mr. Monteith),
 The Secretary of State for External Affairs (Mr. Smith).
 The Secretary to the Cabinet (Mr. Bryce),
 The Assistant Secretaries to the Cabinet (Mr. Fournier), (Mr. Martin).

WHEAT AS COLOMBO PLAN AID

14. *The Minister of Trade and Commerce* recalled that the government had indicated it was prepared to consider the use of a portion of the present wheat surplus to make contributions to Commonwealth countries under the Colombo Plan. He was now seeking authority to negotiate with India and Pakistan in this matter. There was \$9 million available for allocation under the plan (\$7 million for India, \$2 million for Pakistan). This money had been tentatively intended for other forms of assistance, but India and Pakistan had had short wheat crops this year. He was hoping that it would be possible to increase the total Canadian allocation to the Colombo Plan but, pending a decision on this, he recommended that the \$9 million be utilized to purchase wheat (6 million bushels) to be shipped at the expense of India and Pakistan via the St. Lawrence River. A prompt decision was necessary since navigation would close probably around the 15th of December.

15. *The Prime Minister* stated that when he had suggested to Pakistan that they accept wheat as Colombo Plan aid they had replied that they could get wheat elsewhere. They had been reasonable, however, and had understood Canada's problem in connection with the wheat surplus. He thought, that Pakistan would have no objection to a \$2 million allocation of wheat. The situation, however, was different with India, whose Minister of Finance had not received the suggestion of a wheat allocation with much enthusiasm. However, Mr. Diefenbaker had the impression that, after he had explained the Canadian situation, the Minister had expressed general approval for an allocation of Canadian wheat.

An explanatory memorandum had been circulated, (Minister's memorandum, Sept 13, 1957 - Cab. Doc. 209-57)†

16. *During the discussion* it was pointed out that:

(a) The recommendation of the Minister of Trade and Commerce did not conflict with the purposes of the Colombo Plan. Substitution of wheat would not seriously dislocate actual arrangements for the construction of projects. Adequate funds would be available next year for projects now in mind if the Canadian contribution were increased.

(b) There was antagonism in some parts of the country to giving too much to Asiatic countries. The donor country should have some say in what its contribution should be.

(c) India had been able to raise its food production 20 per cent and its government had plainly stated that it did not want food assistance.

17. *The Cabinet* approved the recommendation of the Minister of Trade and Commerce that sums available under the Colombo Plan appropriation for the current year might be used for the purchase of wheat, and that detailed negotiations should be undertaken immediately with India and Pakistan to arrange that they take wheat as part of the Colombo Plan programme this year.

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416.

PCO

Extrait des conclusions du Cabinet

Extract from Cabinet Conclusions

SECRET

[Ottawa], December 6, 1957

Present

The Minister of Public Works and
 Acting Minister of Defence Production and
 Acting Prime Minister (Mr. Green) in the Chair,
 The Minister of Finance (Mr. Fleming),
 The Minister of Veterans Affairs (Mr. Brooks),
 The Minister of Transport (Mr. Hees),
 The Solicitor General (Mr. Balcer),
 The Minister of National Defence (Mr. Pearkes),
 The Minister of Trade and Commerce (Mr. Churchill),
 The Minister of Justice and
 Acting Minister of Citizenship and Immigration (Mr. Fulton),
 The Minister of National Revenue (Mr. Nowlan),
 The Minister of Agriculture (Mr. Harkness),
 The Secretary of State (Mrs. Fairclough),
 The Minister of Fisheries (Mr. MacLean),
 The Minister of Labour (Mr. Starr),
 The Postmaster General (Mr. William Hamilton),
 The Minister without Portfolio (Mr. Macdonnell),
 The Minister without Portfolio (Mr. Browne),
 The Minister of Mines and Technical Surveys (Mr. Comtois),
 The Minister of National Health and Welfare (Mr. Monteith),
 The Secretary of State for External Affairs (Mr. Smith),
 The Leader of the Government in the Senate (Senator Haig).
 The Secretary to the Cabinet (Mr. Bryce),
 The Assistant Secretaries to the Cabinet (Mr. Fournier), (Mr. Martin).

...

WHEAT POSITION; SPECIAL COLOMBO PLAN ARRANGEMENTS FOR WHEAT
AND OTHER SURPLUS COMMODITIES

(PREVIOUS REFERENCE, NOVEMBER 21†)

4. *The Minister of Trade and Commerce* in reviewing the wheat situation, reported that, before the 1957 wheat crop came in, there was a carry over of 700 million bushels. The 1957 crop had been 350 million bushels. Internal consumption at 150 million bushels and export transactions of 300 million bushels would account for the disposal of 450 million bushels during the period 1st August 1956 to 31st July 1958. The carry over to next year would be 600 million bushels, of which 380 were in good storage. If the amount of the 1958 crop were the same as in 1957, there would be a further reduction of 100 million bushels and, provided there was no surplus crop within the next five years, the wheat surplus could be disposed of. Bumper crops, of course, were always a possibility. His present plans call for an increase in the storage capacity for 50 million bushels. These storage facilities would be ready in a few months. This would leave 430 million bushels in storage and 170 million bushels on farms. It was important to get the wheat off the farms to storage places in order to avoid pressure from farmers for cash advances and deliveries. When in England recently, he had discussed with Mr. Heathcoat Amory and Sir David Eccles the possibility of stockpiling 50 million bushels of wheat in England. This would bring down to 120 million bushels the wheat on farms. It was essential to protect Canada's cash markets in Germany, Japan, and the United Kingdom. Any requests of long term credit would have to be considered with care in order that no discrimination be exercised against cash customers.

The decision taken the preceding day on the sales of wheat to Roumania, Egypt, Israel, Poland, Czechoslovakia, and Spain, if brought to a successful conclusion would mean a further disposal of 45 million bushels.

Among the proposals which he was considering was that of disposing of wheat to India, Pakistan, and Ceylon in large quantities through a loan system incorporated in some way into the Colombo Plan. This would avoid objections on the part of cash customers and prospective credit buyers outside the Commonwealth. The problem was whether Canada could undertake to lend money for this purpose up to an amount of \$75 million. An early agreement in this matter would mean the immediate disposal of 50 million bushels through Atlantic and Pacific ports. He thought that, in fact, Canada could get rid of all the surplus over the years to India.

During recent conversations in Rome between himself and the Minister of Agriculture of India, the latter had been disposed to purchase a considerable amount of wheat from Canada, preferably on a 10-year credit term. Canada, however, had indicated that it preferred a 5-year credit term. The matter had been referred to Cabinet and it had not been possible to give the Indians an immediate answer. Satisfactory negotiations were, of course, impossible if reference had to be made continuously to Cabinet as a whole. Negotiators had to be in a position to give immediate answers. He had proposed a revolving fund a few weeks ago and the matter had not been discussed since.

In so far as India was concerned there would be a gap in the U.S. deliveries of wheat there in the early spring of 1958. Australia had had a short crop in 1957, and could not supply wheat to India. There was, therefore, an opportunity for Canada to sell wheat by a loan to India. This would be in a good cause since India, in order to avoid starvation, would require 2 million tons of cereal grains.

He thought that, if Cabinet gave approval in principle to a long term loan up to the amount of \$75 million, officials could then start negotiations and get wheat moving. The

question was whether Canada wanted to enter into any loans on a government to government basis.

It should be pointed out that storage costs could mount up rapidly and that storage charges in Canada last year had been in the vicinity of \$30 million. There was no reason why the approval in principle could not be extended to cover other agricultural surplus commodities (skim milk, etc.).

His other plans included additional storage capacity built over the next two years providing for an additional 50 million bushels. There should be some protection against a 1958 bumper crop. There was really no objection to carrying over a surplus providing it was well stored. Difficulties came from farm stored wheat, and any help to the farmers in this respect would tie in well with the government's overall agricultural policy.

5. *The Secretary of State for External Affairs* urged that every possible help should be extended to India for international political reasons. As long as Nehru was in power, it could be expected that India could resist communist influences, otherwise, it could easily become a seed bed for local communism. It seemed to him that the Departments of Transport, Trade and Commerce, Agriculture, and External Affairs had a direct interest in the proposals for long term sales to India, Ceylon, and Pakistan.

6. *The Minister of Finance* reiterated his misgivings about long term loans. He was opposed to the government committing itself to a sum of \$75 million and suggested that the negotiators refer the result of their negotiations to Cabinet before any final decision were taken. The control of any such sums would have to be held in the Cabinet. He was in favour, however, with the proposal of tying in wheat sales with the Colombo Plan.

7. *During the discussion* the following points emerged:

(a) Any shipment of wheat to India, Ceylon, and Pakistan was bound to have incidental benefits. Freight traffic of the railways had been falling off because of the reduction in grain shipments. Accelerated grain shipments would provide employment on the railways and in the ports.

(b) The High Commissioner for India, in his conversations with the Minister of Agriculture, had indicated that India would be willing to purchase immediately 215 tons of Manitoba grade 4 wheat to be paid for in seven equal installments. The first payment would be made at the end of two years. He had more or less indicated that India would get its wheat elsewhere if Canada was unwilling to proceed with this transaction, which would in fact amount to a 7-year loan.

(c) Sale of wheat to India, Ceylon, and Pakistan would have strong appeal in some sections of the public in that it would be a way of providing assistance for the Commonwealth. Canada should sell its wheat for what it could get. The United States had refused to do this and had had to give it away.

8. *The Cabinet* noted the report of the Minister of Trade and Commerce concerning special Colombo Plan arrangements for disposal of wheat and, possibly, other agricultural surplus commodities and agreed,

(a) that in principle the Minister be authorized to negotiate for long term sales of wheat and other surplus agricultural commodities to India, Pakistan, and Ceylon; and,

(b) that the Minister of Trade and Commerce and the Minister of Finance discuss together the details of proposed negotiations.

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417.

PCO

*Extrait des conclusions du Cabinet**Extract from Cabinet Conclusions*

SECRET

[Ottawa], January 7, 1958

Present

The Prime Minister (Mr. Diefenbaker) in the Chair,
 The Minister of Public Works and
 Acting Minister of Defence Production (Mr. Green),
 The Minister of Finance (Mr. Fleming),
 The Minister of Veterans Affairs (Mr. Brooks),
 The Minister of Transport (Mr. Hees),
 The Solicitor General (Mr. Balcer),
 The Minister of National Defence (Mr. Pearkes),
 The Minister of Trade and Commerce (Mr. Churchill),
 The Minister of Justice and
 Acting Minister of Citizenship and Immigration (Mr. Fulton),
 The Minister of Fisheries (Mr. MacLean),
 The Minister of Labour (Mr. Starr),
 The Postmaster General (Mr. William Hamilton),
 The Minister without Portfolio (Mr. Macdonnell),
 The Minister without Portfolio (Mr. Browne),
 The Minister of Mines and Technical Surveys (Mr. Comtois),
 The Minister of National Health and Welfare (Mr. Monteith),
 The Minister of Northern Affairs and National Resources (Mr. Alvin Hamilton),
 The Secretary of State for External Affairs (Mr. Smith),
 The Leader of the Government in the Senate (Senator Haig).
 The Secretary to the Cabinet (Mr. Bryce),
 The Assistant Secretaries to the Cabinet (Mr. Fournier), (Mr. Martin).

WHEAT FOR INDIA AND PAKISTAN
 (PREVIOUS REFERENCE DECEMBER 21†)

12. *The Minister of Trade and Commerce* recalled that his recommendation to provide \$15 million worth of wheat to Colombo Plan countries during the present and forthcoming fiscal years, in addition to the annual \$35 million in general aid, had not been acted upon. Negotiations for the sale of 400,000 tons to India on a long term credit basis had been completed and final arrangements were now being made for delivery. Pakistan had been told that the same terms would be available up to an amount of about \$5 million. The necessary legislation was in the course of preparation.

The United States had been informed of the negotiations in order to avoid conflict with the U.S. aid programme to India under Public Law 480. The U.S. had pointed out that when they had agreed to co-operate in co-ordinating the supply of wheat to India, which was apparently in desperate need of food, they had been under the impression that Canada was providing wheat as a gift to India and Pakistan and not selling on deferred payment terms.

India could be expected to seek more wheat from the U.S. for local currency and the U.S. would no doubt endeavour to supply some of her needs. Prospects for further Canadian sales were therefore not good. Accordingly, he recommended that \$15 million be added to the Colombo Plan vote this fiscal year for the supply of wheat and flour. Apart

from the inherent worth of this plan, the shipments of wheat would help to attain a reasonable level of total wheat exports without having to entertain proposals from various European countries which, if accepted, would undermine Canada's position in commercial markets.

An explanatory memorandum had been circulated, (Minister's memorandum, Jan. 6, 1958-Cab. Doc. 4-58)†

13. *Mr. Churchill* reviewed again the stock position. He pointed out that crop prospects for winter wheat in the U.S. were good. If these continued to be good the U.S. crop would be 200 million more bushels than they had last year and the pressure for increased disposal would be intensified. This reinforced the case for giving \$15 million worth of Canadian wheat to the Colombo Plan countries. It was intended that this would be divided between India, Pakistan and Ceylon.

Final approval for the 400,000 ton sale was required immediately to get the wheat moving. Shipments would start from Atlantic ports but later they would be made from Vancouver.

14. *The Secretary of State for External Affairs* added that Ceylon had now said that flour was probably the best form of aid Canada could provide in the long term for flood relief. He was glad to note, therefore, that the Minister's proposal included Ceylon. As regards the Colombo Plan aspects, it would be desirable to indicate that the additional \$15 million was for relief and not for economic development purposes.

15. *The Minister of Finance* recalled his concern over the risks attached to making 400,000 tons of wheat available on such favourable terms. The new proposal was, of course, an outright gift. He questioned whether it was desirable to attempt a solution to the wheat surplus problem by transferring it from the Department of Trade and Commerce to the Department of Finance.

16. *During the discussion* the following points emerged:

(a) Originally it had been proposed that wheat and flour be disposed of to Colombo Plan countries both as a gift and on long term credit. This present submission was therefore not new.

(b) This year the objective had been set of disposing of 300 million bushels in Canada's export markets, which was approximately the traditional 30 per cent of the world trade in wheat which Canada had enjoyed in the past. At the moment, it appeared as if the objective could be attained. The long term prospects for markets abroad were good. But over the next five years or so, until tastes for wheat had been developed in new markets, the position was not very bright. The important point, domestically was to get the wheat off the farms and into terminal and country elevators.

(c) The political and humanitarian arguments for making gifts were unanswerable. Every bushel that reached India helped to keep her uncommitted. India had not as yet been informed that she might receive an outright gift of wheat.

(d) In order to avoid undermining Canada's cash market, it should be made clear that the special terms now offered to India would be available only to countries in receipt of assistance under the Colombo Plan and that the additional gift of \$15 million was for famine relief. This fact might be emphasized if both the special credit terms and gift were provided through the Department of External Affairs and if the announcement were made by the Secretary of State for External Affairs.

(e) Any proposal to sell the surplus wheat on the open market would not be worthy of consideration. A possible barter deal with India with the eventual result that the govern-

ment would find itself in the position of selling whatever goods were received from India in exchange for Canadian wheat, should also be discounted.

(f) The Wheat Board could start the wheat moving as soon as an announcement had been made in the House. This announcement could appropriately be made on the following day.

17. *The Cabinet* noted the report of the Minister of Trade and Commerce concerning the sale of wheat to India, Pakistan and Ceylon and agreed,

(a) that 400,000 tons of wheat be sold to India subject to the conclusion of financial arrangements between the two governments to provide for the payment being made in seven equal annual instalments, beginning three years after shipment; the interest being payable annually at a rate equal to the borrowing cost to the Canadian government plus a small charge for overhead;

(b) that a sum of \$15 million be added to the Colombo Plan vote this fiscal year, specifically for the supply, as an outright gift, of wheat or wheat flour for India, Pakistan and Ceylon; and,

(c) that the Secretary of State for External Affairs and the Minister of Trade and Commerce prepare, in consultation, an announcement to be made in the House on the following day.⁷⁶

...

418.

PCO

*Note du secrétaire d'État aux Affaires extérieures
pour le Cabinet*

*Memorandum from Secretary of State for External Affairs
to Cabinet*

CABINET DOCUMENT NO. 13-58

[Ottawa], January 13, 1958

CONFIDENTIAL

ALLOCATION OF WHEAT AND FLOUR TO INDIA, CEYLON AND PAKISTAN

On January 7 Cabinet approved a proposal to seek Parliamentary authority for \$15 million worth of wheat and flour to be used to meet acute food shortages in Ceylon, India and Pakistan. On January 8 this decision was announced by the Minister of Trade and Commerce. He indicated that a part of this \$15 million would be used to meet Ceylon's request for flood relief. On January 10 Cabinet authorized the provision of 38,000 tons of flour (worth \$3 million) to Ceylon.

The following allocation of the remaining \$12 million might be considered:

| | |
|--------------|-------------|
| for India | \$8 million |
| for Pakistan | \$4 million |

The allocation of the \$15 million would thus differ from the usual allocation under the regular Canadian Colombo Plan programme — \$13 million to India, \$9 million to Pakistan and \$2 million to Ceylon. However, the proposed allocation is intended to reflect a number of varied considerations, such as the fact that though India will be purchasing a substantial quantity of Canadian wheat on special credit terms, and may be asking for additional

⁷⁶ Voir Canada, Chambre des Communes, *Debats*, 1957-58, volume III, pp. 3123 à 3124.

See Canada, House of Commons, *Debates*, 1957-58, Volume III, pp. 2979-2980.

credit, there is a continuing and critical food shortage in India which India cannot meet from her own resources; that Pakistan had serious floods a few months ago and has asked Canada for free wheat over and above the wheat made available under the Colombo Plan; and that in view of the extent of the recent floods a substantial amount of relief is being offered Ceylon, even though that country is, of course, much smaller than India or Pakistan.

The setting up of counterpart funds should also be considered. Ceylon officials have suggested that counterpart funds be set up equal to the value of relief flour to be used to finance reconstruction works. It would be useful to make similar arrangements with India and Pakistan, as was done in 1956 when Canada supplied relief wheat to Pakistan, as the use of counterpart funds not only enables Canadian aid to be turned into permanent works, which give permanent evidence of Canadian interest and support for these Asian countries, but also makes it possible to proceed somewhat more quickly with joint Colombo Plan projects in these countries, which may otherwise be held back for lack of local finance.

I recommend:⁷⁷

(a) that the \$12 million worth of wheat which it was decided would be available for India and Pakistan, subject to Parliament voting the necessary funds, be allocated as follows:

\$8 million for India

\$4 million for Pakistan

(b) that the governments of India, Pakistan and Ceylon be asked to set up counterpart funds to the value of the wheat and flour provided, to be used for purposes to be agreed between each of these countries and Canada.

(c) that India and Pakistan not be advised of the allocations to them until the wheat loan negotiations are further advanced.

SIDNEY SMITH

419.

PCO

Extrait des conclusions du Cabinet

Extract from Cabinet Conclusions

SECRET

[Ottawa], February 11, 1958

Present

The Minister of Finance and Acting Prime Minister (Mr. Fleming) in the Chair,

The Minister of Justice and

Acting Minister of Citizenship and Immigration (Mr. Fulton),

The Minister of National Revenue (Mr. Nowlan),

The Minister of Agriculture (Mr. Harkness),

The Secretary of State (Mrs. Fairclough),

The Minister of Fisheries (Mr. MacLean),

The Minister of Labour (Mr. Starr),

The Postmaster General (Mr. William Hamilton),

The Minister without Portfolio (Mr. Macdonnell),

The Minister without Portfolio (Mr. Browne).

The Secretary to the Cabinet (Mr. Bryce),

The Assistant Secretaries to the Cabinet (Mr. Fournier).

...

⁷⁷ Approuvé par le Cabinet le 16 janvier 1958./Approved by Cabinet on January 16, 1958.

SALE OF WHEAT TO INDIA; AUTHORIZATION FOR AGREEMENT
(PREVIOUS REFERENCE JANUARY 7)

5. *The Minister of Finance* reported that the form of the agreement for the sale of wheat to India had been settled between the Indian High Commissioner in Ottawa and the Canadian ministers concerned. By its terms, the government of India would be advanced a sum not exceeding \$25 million for the purpose of purchasing Canadian wheat and flour. These advances would be repayable to Canada by March 31st, 1967, together with interest at 4 1/4 per cent per annum. There would be seven annual payments, the first on March 31st, 1961. The advances to be made had been authorized in the Governor General's Warrant issued on February 7th, 1958.

Mr. Fleming recommended that he be authorized to enter, on behalf of the government of Canada, into the agreement with the government of India. Such an agreement would be substantially in the form of the draft submitted.

6. *The Cabinet* approved the recommendation of the Minister of Finance that he be authorized to enter into an agreement on behalf of Canada with the government of India, to lend India \$25 million for the purchase of wheat, on the terms and conditions outlined.⁷⁸

...

⁷⁸ Cet accord entre le Canada et l'Inde a été signé le 20 février 1958. Voir Canada, *Recueil des Traités*, 1958, N° 4, 20 février 1958.
This agreement between Canada and India was signed on February 20, 1958. See Canada, *Treaty Series*, 1958, No. 4, February 20, 1958.

420.

PCO

Extrait des conclusions du Cabinet
Extract from Cabinet Conclusions

SECRET

[Ottawa], August 8, 1958

Present

The Prime Minister (Mr. Diefenbaker) in the Chair,
 The Minister of Public Works (Mr. Green),
 The Minister of Finance (Mr. Fleming),
 The Minister of Veterans Affairs (Mr. Brooks),
 The Minister of Transport (Mr. Hees),
 The Solicitor General (Mr. Balcer),
 The Minister of National Defence (Mr. Pearkes),
 The Minister of Trade and Commerce (Mr. Churchill),
 The Minister of Justice (Mr. Fulton),
 The Minister of Agriculture (Mr. Harkness),
 The Minister of Citizenship and Immigration (Mrs. Fairclough),
 The Minister of Labour (Mr. Starr),
 The Postmaster General (Mr. William Hamilton),
 The Minister without Portfolio (Mr. Browne),
 The Minister of Mines and Technical Surveys (Mr. Comtois),
 The Minister of National Health and Welfare (Mr. Monteith),
 The Minister of Northern Affairs and National Resources (Mr. Alvin Hamilton),
 The Secretary of State for External Affairs (Mr. Smith),
 The Secretary of State (Mr. Courtemanche).
 The Assistant Secretaries to the Cabinet (Mr. Fournier),
 The Registrar of the Cabinet (Mr. Halliday),
 Privy Council Office (Mr. M.W. Cunningham).

...

COLOMBO PLAN; GRANT OF WHEAT TO NEPAL

28. *The Secretary of State for External Affairs* explained that Nepal had asked Canada some months ago to supply wheat to help relieve a food shortage resulting from last year's crop failure. Although Nepal had been a member of the Colombo Plan for many years, Canada, as yet, had given no technical or capital aid to the country. He felt that a small amount of Canadian aid would be useful in resisting Chinese penetration. A figure of \$60,000 had been used in discussions and it was understood that wheat from Canada to this value would be welcomed by the Nepalese. India was prepared to take care of the shipment and he recommended that arrangements be made to add 1,000 tons of wheat for Nepal to the last shipment of wheat to India which was expected to take place in the next few days.

An explanatory memorandum had been circulated, (Minister's memorandum, August 1, 1958 - Cab. Doc. 230-58).†

29. *The Cabinet* agreed that \$60,000 worth of wheat be made available to Nepal, to be financed from monies already voted for the Colombo Plan and that in conformity with the terms of the vote, Nepal be asked to set aside local currency equal to the value of the wheat, for use in economic development purposes as agreed between the two countries.

...

421.

DF/8341-01

*Note du sous-ministre adjoint des Finances
pour le ministre des Finances*

*Memorandum from Assistant Deputy Minister of Finance
to Minister of Finance*

[Ottawa], September 4, 1958

WHEAT DISPOSAL

We have learned from officials of Trade and Commerce that their Minister will present a memorandum to Cabinet proposing that approval be given to gifts of wheat (and flour?) to Colombo Plan countries to the amount of \$25 million. Funds would not be provided for this current session of Parliament but the Wheat Board would be given a Cabinet undertaking that funds in that amount would be voted at the next session of Parliament and authority to proceed immediately with gifts of up to \$10 million, in anticipation of payment by the Government in the early months of next year. Quite apart from the fact that a Cabinet undertaking of this kind has certain disadvantages, there are other considerations which weigh against the proposal.

The proposal appears to be based on the argument that wheat exports should be maintained at something approaching the 300 million bushel mark and is precipitated by information from the United States advising us that they are now making their plans for wheat disposal to India for the next 18 months and asking us if we have any plans for wheat disposal in that area. Trade and Commerce will argue that unless we act now American surplus disposal will fill the entire Indian requirements and that we will have no possibility of disposal there during the present crop year.

The much lighter wheat crop this year — now estimated at 338 million bushels — means that our wheat carry-over will be reduced by 75 to 100 million bushels during the coming year even if our exports drop from last year's 315 million bushels to little more than 250 million bushels. This reduction in carry-over will naturally greatly reduce the farm storage problem and hence the agitation for wheat disposal. On this basis our carry-over at the end of the crop year next July 31st would be down to something more than 500 million bushels — a reduction of 200 million bushels from the peak of 729 million bushels reached July 31st, 1957. Not more than 100 million bushels of this carry-over will be on farms — and less than one-quarter of the farms will have any carry-over. This is not intended to suggest that a carry-over of 500 million bushels is small or that our carry-over problem is solved. But the wheat carry-over problem in this country is less acute than it has been for three years and although a large crop next year would again place us in a difficult position, another small crop would further reduce the carry-over and could result in the complete disappearance of the farm storage problem.

In view of the above, I do not think it necessary at this time to make arrangements for further gifts of wheat to Colombo Plan countries during the next few months. The Wheat Board must, of course, use every effort to maintain commercial sales of wheat and we must be vigilant in protecting our access to commercial markets since, whatever the extent of wheat stocks in Canada, there can be little doubt that the general problem of world wheat surplus will be with us for some years to come.

If, in the context of the Commonwealth Conference, you felt you could and should provide funds for additional exports of wheat and flour to the amount of \$10 or even

\$25 millions I would suggest that this could be announced at the Conference but that the actual exports be delayed until Parliament has voted the funds in the normal way. I do not like the expedient of forcing the Wheat Board to provide temporary financing. Further, may I reiterate my own grave doubts about the desirability of trying to dispose of wheat to needy countries on a loan basis? Long term loans are really not appropriate in relation to consumable goods; the U.S. is willing to supply wheat on what amounts to a gift basis; and I could not help but be impressed by the fact that, in the meetings on India in Washington last week, the U.S. stated its intention to postpone for nine years interest and principal payments on their 1950 wheat-loan to India.⁷⁹

A.F.W. PLUMPTRE

422.

DEA/11038-1-1A-40

*Note du sous-secrétaire d'État aux Affaires extérieures
pour le secrétaire d'État aux Affaires extérieures*

*Memorandum from Under-Secretary of State for External Affairs
to Secretary of State for External Affairs*

CONFIDENTIAL

[Ottawa], September 5, 1958

WHEAT GRANTS

Attached is a copy of the Memorandum to Cabinet which Mr. Churchill is putting forward seeking authority for \$20 million this year for wheat grants to Commonwealth countries in the Colombo Plan. It proposes that the Wheat Board be directed to arrange such interim finance as may be required, and that India be offered up to 15 million bushels.

These proposals are fully in line with the views put before you in my memorandum on the allocation of Colombo Plan funds, which was sent to you this morning.⁸⁰ I am somewhat concerned, however, that Mr. Churchill's memorandum does not make reference to the need to consult with Australia, whose interests could well be adversely affected by the wheat grants contemplated. You may wish to consider mentioning this problem to your Colleagues in Cabinet. I feel sure that it would be in our interests to consult Australia on the terms of any offer of wheat or flour to Colombo Plan countries.

D.V. LEP[AN]
for Under-Secretary of State
for External Affairs

⁷⁹ Note marginale :/Marginal note:
Noted. D.M. F[leming]

⁸⁰ Voir/See Document 412.

[PIÈCE JOINTE/ENCLOSURE]

*Note du ministre du Commerce
pour le Cabinet**Memorandum from Minister of Commerce
to Cabinet*

CABINET DOCUMENT NO. 256-58

[Ottawa], September 4, 1958

GOVERNMENT ASSISTANCE — WHEAT EXPORT PROGRAMME 1958-59

1. The Prime Minister in his statement on Government Policy pertaining to agriculture on Saturday, August 30, 1958, stated:

"The government proposes, subject to approval by parliament at the next session, to continue the fund to assist in the export of surplus wheat stocks to non-commercial markets under the Colombo Plan so as to assure the continuance of the full scale sales promotion and market development programme which has been in effect during the past year."

2. Although Canadian wheat and flour exports for the crop year 1957-58 were 317 million bushels, of which 285 million bushels were bona fide commercial sales and 32 million were gifts or on special credit terms, there is reason to believe that commercial wheat exports may not exceed 250 million bushels in 1958-59 and may be still further reduced in 1959-60.

3. Factors contributing to a decrease in exports are:

(a) Increasing European wheat production resulting in declining imports of wheat and increased exports of flour;

(b) Increased wheat production in Russia and Eastern European countries with possible increased exports from Russia to Western Europe and Japan;

(c) Favourable crop prospects in Australia will remove the possibility of export outlets in that country and increase export competition;

(d) Record crop in United States will increase competition for exports;

(e) Possibility that agreements calling for export of 400,000 tons of wheat to Russia and 150,000 tons to Poland may not be renewed following their expiration during the current year.

4. Commercial exports of 250 million bushels and domestic requirements of 160 million bushels against an estimated production of 338 million bushels for 1958 would have the effect of reducing Canada's wheat stocks by about 70 million bushels between August 1, 1958 and August 1, 1959, as compared with 115 million bushels between 1957 and 1958.

5. Although Canada's current and projected wheat stocks reflect a substantial improvement as compared with the all-time high of 729 million bushels at July 31, 1957, this improvement can be completely wiped out by one large crop. Furthermore, the imbalance between world production and consumption is likely to continue, with the result that we shall have a chronic surplus situation for some time in the future. It is, therefore, important, in line with the Prime Minister's statement, that provision be made for assisted exports on a continuing basis in order that Canada's exports of wheat may be programmed effectively and that stocks may be reduced in an orderly manner to manageable proportions. This may be done most effectively by establishing a fund to which contributions may be made annually by the Government and from which funds may be drawn to pay for regular gifts of

wheat and flour in accordance with the Canadian stock situation and the needs in recipient countries. Such a measure would go a long way in giving effect to the principle of a "Food Bank," to which the Government has given support, and would provide a basis for the development of a co-ordinated approach to surplus disposal with the United States. It can also provide some assurance that Canada may secure a proper share of the potential market for wheat which will result from the use of surpluses in promoting economic development of underdeveloped areas.

6. An announcement of a "third tier" covering food products, to Canada's Colombo Plan contribution, in addition to the established tiers covering capital and technical assistance, at the Commonwealth Economic Conference would be opportune and bring credit and prestige to Canada.

7. An enquiry has been received through the Canadian Embassy in Washington from the United States Government asking Canada what part, if any, of the 3.5 million tons of wheat requested by India from the United States under P.L. 480 Canada wishes to have reserved for her. It would seem that this quantity would cover India's import needs over an 18-month period.

I, therefore, recommend:

(i) That, at the next session, Parliament be asked to provide funds to supplement the capital and technical assistance being made available to Commonwealth countries under the Colombo Plan to establish a continuing Fund for the purpose of providing gifts of wheat and flour to such countries in the following amounts:

(a) 1958-59 fiscal year - \$20,000,000.

(b) 1959-60 fiscal year - \$50,000,000.

(ii) That, pending the above funds becoming available, the Canadian Wheat Board be authorized to finance shipments of wheat which may be arranged to India and Pakistan to the amount of \$10 million, such sum, together with carrying charges, to be reimbursed following the approval of the above sum by Parliament.

(iii) That the United States Government be advised that Canada may supply 15 million bushels of wheat to India up to July 31, 1959.

GORDON CHURCHILL

423.

PCO

Extrait des conclusions du Cabinet
Extract from Cabinet Conclusions

SECRET

[Ottawa], September 8, 1958

Present

The Prime Minister (Mr. Diefenbaker) in the Chair,
 The Minister of Public Works (Mr. Green),
 The Minister of Finance (Mr. Fleming),
 The Minister of Veterans Affairs (Mr. Brooks),
 The Minister of National Defence (Mr. Pearkes),
 The Minister of Trade and Commerce (Mr. Churchill),
 The Minister of Justice (Mr. Fulton),
 The Minister of Citizenship and Immigration
 and Acting Secretary of State (Mrs. Fairclough),
 The Postmaster General (Mr. William Hamilton),
 The Minister without Portfolio (Mr. Macdonnell),
 The Minister without Portfolio (Mr. Browne),
 The Minister of National Health and Welfare (Mr. Monteith),
 The Minister of Northern Affairs and National Resources (Mr. Alvin Hamilton),
 The Secretary of State for External Affairs (Mr. Smith).
 The Secretary to the Cabinet (Mr. Bryce),
 The Registrar of the Cabinet (Mr. Halliday),
 Privy Council Office (Mr. M.W. Cunningham).

WHEAT EXPORT PROGRAMME, 1958-59
 (PREVIOUS REFERENCE AUGUST 29)†

4. *The Minister of Trade and Commerce* referred to the statement by the Prime Minister on the agricultural policy of the government, in which was indicated the intention of the government, subject to approval by Parliament at the next session, to continue to assist in financing the export of surplus wheat stocks to non-commercial markets under the Colombo Plan. Before the statement had been finally settled, the Cabinet had approved a sum of \$75 million for this export assistance but, after consultation with finance officials, it was found that a vote for a "loans and investments" item, as decided by Cabinet, could not serve the purpose intended. The vote had therefore been dropped at the eleventh hour. Consequently there were no funds available for any further disposal of the surplus wheat stocks.

However, in order to assist wheat exports on a continuing basis and work out a programme to reduce stocks in an orderly manner to manageable proportions, a suggestion had been made which might enable further movement to take place in 1958-59. This was to establish a fund to which contributions would be made annually by the government and from which monies might be drawn to pay for regular gifts of wheat and flour, in accordance with the Canadian stock situation and needs of recipient countries. This would go a long way in giving effect to the principle of a "Food Bank" to which the government had given support, and would provide a basis for the development of a co-ordinated approach to surplus disposal with the United States. It would also provide some assurance that Canada might secure a proper share of the potential market for wheat from the use of surpluses in promoting economic development of underdeveloped areas. The Minister recommended:

(a) That, at the next session, Parliament be asked to provide funds to supplement the capital and technical assistance being made available to Commonwealth countries under the Colombo Plan to establish a continuing fund for the purpose of providing gifts of wheat and flour to such countries in the following amounts:

- (i) 1958-59 fiscal year - \$20,000,000
- (ii) 1959-60 fiscal year - \$50,000,000

(b) That, pending the above funds becoming available, the Canadian Wheat Board be authorized to finance shipments of wheat which may be arranged to India and Pakistan to the amount of \$10 million, such sum, together with carrying charges, to be reimbursed following the approval of the above sum by Parliament.

(c) That the United States government be advised that Canada might supply 15 million bushels of wheat to India up to July 31st, 1959.

An explanatory memorandum had been circulated, (Minister's memorandum, Sept. 4 — Cab. Doc. 256-58).

5. *Mr. Churchill* said he hoped agreement could be reached on this proposal so that it could be used at the coming Commonwealth Trade and Economic Conference, as it was the beginning of the food bank principle and might persuade other countries to take similar action. It would enable the Wheat Board to plan for a continuing programme in the summer of 1959. The need of India was very strong. It had been indicated in Parliament in Delhi that India would need to import at least 5 million tons of food grains and that the U.S. would give substantial aid.

The surplus disposal programme had already got rid of 32 million bushels and cash sales had been good. It must be continued, as there was too great a danger from the expanding production of wheat in Europe under subsidization. Canada's exports to Europe were likely to fall off by 20 million bushels this year. France was the largest producer and insisted that French millers use wheat grown in France or Algeria. So did the Belgians. Immediate funds were needed for shipment of wheat this fall which could be moved out of the St. Lawrence. The \$10 million was required for this purpose. If it were not directly available, the Wheat Board could be authorized to advance the amount, or non-committed funds under the Colombo Plan might be used temporarily.

6. *The Minister of Finance* pointed out that the problem was not clearly defined. What was wanted was the right to make gifts or failing that, terms that would be the equivalent, that is, acceptance of local currency in making loans. This brought up the question of parliamentary authority. The government had no power to make gifts unless the amounts were approved specifically by Parliament. A grant was a budgetary expenditure item but a loan was different as it created an asset. If any gifts were to be made to India they should be approved by Parliament.

There was a question if the surplus problem was really as acute as suggested. There had been a substantial reduction, there might be a small crop next year, and was there a need to look so far ahead? When export assistance had been discussed previously, considerably more attention had been given than warranted to the U.S. consulting Canada about disposal to India. This was nothing new. It was improper to direct the Canadian Wheat Board to make payments for which the government undertook to ask Parliament's approval later. The Conservatives in opposition had criticized the previous government for doing this.

However, there were some funds available this year under which aid could be given. Parliament had approved the amount of \$35 million for assistance under the Colombo Plan and there was still \$10 million left for gifts of wheat as Pakistan had not taken up its share. Subject to the concurrence of the Secretary of State for External Affairs this could be used.

Certainly no steps should be taken now on any approval of expenditures in 1959-60. The whole question should be studied in four or five months. As far as 1958-59 was concerned, there was no power to establish a continuing fund, but the money could be included in the final supplementary estimates for that year. To obtain funds for further movements later in the fiscal year, it might be possible to divert Colombo Plan votes already approved as contributions to specific projects and get the money replaced in the final supplementaries. India would have to agree, however, to hold back Colombo Plan aid on capital projects and take it now in the form of wheat. Actually she was in the greatest need for capital goods to bolster the second 5-year plan and would need the \$17 million allotted.

7. *During the discussion* the following points emerged:

(a) Although by the end of next July all the wheat surplus would be off the farms, the elevators would be crammed and while the carry-over would be down by 200 million bushels, there would still be a stockpile of more than 500 million bushels before the addition of the 1959 crop. It was most essential to get the wheat surplus down to 200 million bushels and the present proposition allowed for long range planning and room to manoeuvre. It was a question of either paying storage, on which \$100 million had been spent in the last three years, or getting the wheat out.

(b) It was impossible to commit a specific amount of \$50 million in gifts. The whole question must be looked at carefully and there must be no tying of hands. On the other hand, what could be done in 1958-59 could be used at the Commonwealth Trade and Economic Conference and discussions initiated with India.

8. *The Cabinet* approved in principle the recommendations of the Minister of Trade and Commerce as to assistance for the export of wheat to Commonwealth countries under the Colombo Plan by some form of grants or gifts and agreed that,

(a) the sum of \$10 million be made available immediately from unused appropriations for assisting wheat export under the Colombo Plan;

(b) that, if possible, another \$10 million be made available in 1958-59, by arrangement with Commonwealth countries in the plan to hold back expenditures on capital projects and use the amounts for gifts of wheat;

(c) that authority from Parliament for reimbursement of the second \$10 million be sought in the Final Supplementary Estimates, 1958-59;

(d) that no commitments be made at this time as to the degree of any aid of this nature in 1959-60, but that talks could be instituted with the Commonwealth countries concerned as to the possible programme; and,

(e) that the whole matter be reviewed early in the coming year.

...

424.

DEA/11038-2-1A-40

*Le secrétaire d'État aux Affaires extérieures
au ministre des Finances*

*Secretary of State for External Affairs
to Minister of Finance*

SECRET

Ottawa, September 15, 1958

My dear Colleague,

After the discussions in Cabinet on Sunday and Monday last on the allocation of existing Colombo Plan funds, and on the desirability of making wheat available as aid to the Commonwealth countries in the Colombo Plan, I asked my officials to review these questions and to prepare proposals after consultation with officials in your Department.

I have now had an opportunity to consider these matters further, and I would propose that Cabinet's decisions be implemented in the following fashion. As far as the provision of wheat under the regular Colombo Plan programme, the only possibility is the programme for *Pakistan*. Out of the \$13 million allocated by Cabinet for Pakistan from the Colombo Plan Fund this year (1957-58), as much as \$8 million is available for purposes other than for existing projects to which Canada is already committed. I would, therefore, be prepared to recommend to Cabinet that a portion of this \$8 million be used to finance shipments of wheat to Pakistan, as part of our Colombo Plan programme in that country in the current fiscal year. Pakistan would, of course, be asked to set up counterpart funds equal to the value of the wheat, and subsequently to use these funds for mutually agreed development projects; as you know, the establishment of counterpart funds is required in order to meet the requirements of the Colombo Plan vote. We lack up-to-date information on the needs in the next six months of Pakistan for wheat. As I understand our position, it is over this period that our need to move wheat out of the St. Lawrence is most critical. In the light of past experience, however, I would doubt that it would be practical for Pakistan to accept more than about \$4 million worth of wheat over the next few months; Pakistan has limited storage and docking facilities, and, again in the light of past experience, is unlikely to be able to make shipping arrangements expeditiously. It would be my view, therefore, that although we should try to move as much wheat as possible, we would be unwise to press Pakistan to take more wheat at this time than they are willing and able to accept in the near future.

As for *India*, I believe it would be very much against our interests to ask the Indians to use for wheat any of the \$17 million, which Cabinet has now allocated to them under the Colombo Plan this year. The Indian Government had made it emphatically clear that India strongly desires, in pursuance of their carefully considered development plans, to use these funds for imports from Canada of non-ferrous metals, fertilizers, and wooden railway ties. They attach the highest priority to obtaining these commodities from Canada. I am sure you will agree that normally, and as a general rule, we should continue to adhere to the long-standing policy of being guided by the requests of the recipient countries in the Colombo Plan. Furthermore, we have given pretty firm assurances to the Indians that we will meet their priorities. We should, therefore, as we have already agreed, press on with purchasing and shipping these materials which the Indian Government considers essential.

As for *Ceylon*, there seems to me to be no possibility of the provision of Canadian flour over the 30,000 tons recently agreed to for shipment before March 31, 1959. That amount of flour was intended to be all that Ceylon could absorb from Canada prior to that date

without adversely affecting Australia's interest. I would think that the Australians would be most disturbed if we even suggested that this matter be re-opened. It is quite possible, of course, that some flour can be shipped to Ceylon in the next fiscal year, but within the current crop year. This question, I think, should be re-examined with Ceylon and with Australia in 1959.

As for the provision of wheat over and above the Colombo Plan programme, it might be possible to make available some money on a temporary basis from our Colombo Plan Fund for such a purpose, if no other source of funds exists.

I believe that up to \$10 million would be available from the Fund, subject to reimbursement by mid-February at the latest. A certain amount of cash from the Indian allocation will not be required until that time, and there will be uncommitted funds allocated to Pakistan, the non-Commonwealth countries, and Ceylon, which are not as yet required to meet commitments.

As you know, there has been an enquiry from the Indian authorities about the amount which might still be available for a wheat loan to India. This enquiry will be followed up, but India's needs are certainly in excess of the \$8 million available under the loan vote. I would propose that, in view of the food situation in India and in view of India's financial crisis, we might consider using the \$10 million which could be temporarily borrowed from the Colombo Plan Fund for the provision of wheat to India.

This proposal depends, as I have emphasized above, on the decision being taken that at least this amount of money would be sought from Parliament as a matter of priority early in the next session. There is, of course, the additional point that the Auditor-General has commented on the propriety of borrowing from the Colombo Plan Fund and seeking reimbursement subsequently from Parliament under a different Vote. The question of whether or not the Government should proceed with this device, or whether the Auditor-General's comment is conclusive, is, in my view, primarily a matter for your consideration. However, I would point out that the Auditor-General could have no objection to Parliament being asked to make an equivalent additional contribution to the Colombo Plan Fund. This would raise none of the difficulties to which he has drawn attention. An alternate method of finance would be to instruct the Canadian Wheat Board to borrow whatever amount it is decided to give India, subject to later reimbursement by a vote of Parliament. I recognize that this also raises some questions of financial policy, which again seem to me to be primarily matters for your consideration. However, if we decide to use Colombo Plan funds for the provision of wheat to India, we should be able to assure the Indians that there will be no resulting delay in the provision of those goods to which they attach a higher priority. For that reason I would not think that the temporary diversion to wheat purchases of more than \$10 million could be contemplated.

I should be grateful for your comments on these proposals. If you agree with these suggestions, they might be discussed with representatives of the two countries concerned at the Montreal Conference, and at the same time our Missions in Karachi and New Delhi advised. Depending upon the outcome of discussions with these countries, we would put firm proposals before Cabinet, which would enable us to give precise form to the directions given by Cabinet during the discussions last week. In view of the fact that talks are now underway between India and the United States for the provision of wheat for the next twelve months, I feel that we should treat the Indian case, at least, as a matter of urgency.

I am writing in similar terms to our Colleague the Minister of Trade and Commerce.

Yours faithfully,

SIDNEY SMITH

425.

DEA/11038-40

*Le ministre des Finances
au secrétaire d'État aux Affaires extérieures*

*Minister of Finance
to Secretary of State for External Affairs*

SECRET

Montreal, September 20, 1958

My dear Colleague:

I acknowledge receipt of your letter of the 15th instant concerning the desirability of making wheat available as aid to the Commonwealth countries in the Colombo Plan.

I enclose herewith a copy of a memorandum prepared for me on this subject by Mr. Plumptre which closely parallels the views expressed in your letter. With the concurrence of our colleague Mr. Churchill I have approved the course of action proposed in this memorandum, and Mr. Plumptre is now engaged in negotiations with the officials of the Government of India on the subject. It seems likely that India will take up the remaining \$8.8 million for purchase of wheat on loan. It is my hope that these negotiations will be concluded next week.⁸¹ They are proceeding simultaneously in Washington.

Concerning further gifts of wheat to India, I enclose herewith a copy of a letter dated the 18th instant which I have written to our colleague Mr. Churchill confirming certain understandings arrived at between us in conference earlier this week.

Yours sincerely,

DONALD M. FLEMING

[PIÈCE JOINTE 1/ENCLOSURE 1]

*Note du sous-ministre adjoint des Finances
pour le ministre des Finances*

*Memorandum from Assistant Deputy Minister of Finance
to Minister of Finance*

CONFIDENTIAL

Montreal, September 16, 1958

WHEAT DISPOSAL

1. I understand that in the course of meetings last week Cabinet decided:
 - (i) to make wheat available as aid to Colombo Plan countries during the current year;
 - (ii) to aim at a target of special wheat disposal up to \$20 million, although no firm figure was decided;
 - (iii) to explore methods for financing such wheat disposal within the framework of the Colombo Plan programme or other funds authorized by Parliament for wheat.
2. Officials of the various Departments concerned have reviewed this matter for the past week and have developed a number of possibilities. The Department of External Affairs

⁸¹ Cet accord entre le Canada et l'Inde a été signé le 22 octobre 1958. Voir Canada, *Recueil des Traités*, 1958, N° 24, 22 octobre 1958.

This agreement between Canada and India was signed on October 22, 1958. See Canada, *Treaty Series*, 1958, No. 24, October 22, 1958.

has been particularly active and Mr. Sidney Smith will shortly be putting forward proposals for implementing the Cabinet decision. Meanwhile the discussions which I have had with Indian officials in the past few days have uncovered several important new considerations which bear directly on the choice of methods which may be used for financing wheat disposal.

3. India's position is central to the problem since that country will be expected to take a large proportion of any wheat made available. As you know, Cabinet has allocated to India \$17 million of this year's \$35 million Colombo Vote. The Indian Government has made it clear to us that India wants to use the whole of this amount to finance certain essential commodities required for her development programme and definitely does not want any part of this \$17 million in the form of wheat. I understand that Cabinet has agreed not to allow the problem of wheat disposal to disturb in any way the normal Indian programme under the Colombo Plan.

4. Leaving aside the normal Colombo Plan allocation, India is interested in getting some wheat from Canada this year. I have had exploratory conversations with B.K. Nehru to see whether India is interested in taking up the balance of the loan fund which we have available to finance wheat sales to Colombo countries (\$8.8 million available). Without any pressure whatever on my part, Nehru indicated that India was definitely interested in a loan for wheat this year. The main reason for this renewed interest in a loan stems from the terms of the United States very large wheat grant which requires India to purchase certain quantities in the commercial market. Wheat purchases from Canada would apparently qualify under the terms and fortunately for us India would like to buy some wheat from Canada in these circumstances.

5. If agreement can be reached of making the \$8.8 million loan fund available to India it will probably be necessary to extend the terms of payment beyond the 9-year schedule under the wheat loan negotiated last February. The present financial crisis in India and the likelihood of continued balance of payments difficulties for some years to come would seem to make a longer term loan desirable from India's point of view as well as from our own. The details of a wheat loan to India would, of course, have to be negotiated, keeping in mind the terms imposed on India by the United States disposal programme. I would like to suggest a schedule of payments under any loan whereby the annual payments would be of the same order of magnitude as under the present loan and running on after the present 9-year loan. The question of rates of interest and whether interest charges might be waived for the 9-year interval would also have to be considered.

6. The position of Pakistan is quite different from that of India. Of the \$13 million allocated by Cabinet for Pakistan out of this year's Colombo Fund, \$8 million is available for purposes other than existing projects to which Canada is already committed. Part of this \$8 million can be used to finance wheat shipments to Pakistan but it is unlikely that it would be practical for Pakistan to take more than \$4 million in the form of wheat. We have not yet explored this possibility with Pakistan. Clearly, if they were, themselves, willing to take \$4 million in the form of wheat, no problem would arise. On the other hand, should Pakistan show reluctance I would have grave doubts as to the desirability of pressing wheat on Pakistan under the normal Colombo Plan programme this year. Their balance of payments position is also very difficult and the Pakistani are especially sensitive about getting treatment from Canada no less favourable than we give India. In this connection I should remind you that Mr. Moran, our High Commissioner in Pakistan, explored with Amjad Ali the possibility of Pakistan taking up part of our wheat loan fund but they were not interested.

[7]. I will not go into the question of other Colombo Plan countries because the figures involved are small and could not make a significant difference to the problem.

[8]. The possibility has also been raised of making wheat grants to Colombo countries over and above the normal Colombo Plan programme. Parliament has not voted funds for this purpose but a number of alternative methods of financing grant wheat have been explored. One possible method would be to borrow some money from the Colombo Plan fund on a temporary basis. It is estimated that about \$10 million of Colombo funds will not be needed for actual payments during the next few months. If this were done it would be absolutely essential, however, to replace such funds by mid-February at the latest, if normal Colombo shipments, particularly to India, are not to be interfered with. If it is decided to proceed in this way it will be necessary to ask Parliament to replenish the Colombo funds early in the next Session. This raises the question of the reimbursement under a new Vote. You know, of course, that the Auditor General has been critical of such a procedure on several past occasions and you will no doubt want to take this factor into account in reaching a decision.

[9]. It has been suggested that a further possible method for financing grant wheat would be to instruct the Canadian Wheat Board to borrow whatever amount it may be decided to give India, subject to later reimbursement by Parliamentary Vote. The Wheat Board would, of course, need to be assured that such reimbursement would be forthcoming. Such an assurance, I expect would have to take the form of a letter from the Minister of Trade and Commerce to the effect that Parliament would be requested to vote the necessary funds at the next Session. Since a Minister does not have the power to authorize expenditures which have not been approved by Parliament, such a procedure would likely be open to the same kind of criticism that was made by the Auditor General in connection with the use of Colombo Plan funds for financing gifts of wheat for relief. For these reasons neither Mr. Taylor nor I is enamoured of this method of financing wheat gifts.

Summary

[10]. It would appear that there are the following possible methods for implementing the Cabinet decision to make wheat available to Colombo countries this year:

- (i) a wheat loan to India financed under the existing loan fund of \$8.8 million;
- (ii) shipments to Pakistan in the amount of \$4 million under the normal Colombo Plan programme;
- (iii) grant aid for wheat gifts over and above the normal Colombo Plan programme by borrowing temporarily from the Colombo Fund (maximum \$10 million to be replenished no later than mid-February 1959) or by asking the Wheat Board to borrow from the banks, in some appropriate amount, to be reimbursed subsequently by a separate Vote of Parliament.

Conclusion

[11]. I am not entirely clear on the precise nature of the Cabinet decision. However, if there is flexibility on the amount of wheat to be made available it would seem to me that the prospect of India taking up an \$8.8 million loan, and Pakistan taking \$4 million in wheat under the normal Colombo programme, would together make up adequate wheat disposal for this year. In taking this view I have in mind the points I made to you some weeks ago about the present wheat situation in Canada. The carryover has been reduced significantly during the past year and there is every prospect that with a short crop the carry-over will be reduced further during the coming year. Given the present outlook for normal commercial sales, a declining carryover is likely even without special disposal

measures. It is also relevant that the problem of wheat stored on the farm, which was so troublesome a year or so ago, is now a much less serious matter.

A.F.W. PLUMPTRE

[PIÈCE JOINTE 2/ENCLOSURE 2]

*Le ministre des Finances
au ministre du Commerce*

*Minister of Finance
to Minister of Trade and Commerce*

CONFIDENTIAL

Montreal, September 18, 1958

My dear Colleague:

I acknowledge receipt of your letter of the 13th instant. I was glad we had an opportunity of discussing at last evening's meeting of the Canadian delegation the subject of provision of wheat to India and Pakistan on a loan and grant basis.

As I understand it, we reached agreement last night on the following three points:

1. Officials should negotiate immediately with the Indian Delegation a loan up to \$8.8 million to finance the purchase of wheat by India. This loan would be financed from the balance of the \$25 million loan fund authorized by Parliament for this purpose. The wheat to be purchased under this loan is to be shipped out of Montreal before the freeze-up.
2. Officials should endeavour to reach agreement with Pakistan on the provision of \$4 million worth of wheat to be financed out of Pakistan's allocation from the Colombo Plan Fund. This wheat is also to be shipped out of Montreal before the freeze-up.
3. In the course of discussions with the United States authorities on wheat for India, officials are authorized to indicate that Canada would be prepared to provide, on a grant basis, 250,000 tons of wheat to India between January 1, 1959 and July 31, 1959. It will be necessary to finance payment for this wheat out of a new special parliamentary vote or votes. I wish to reserve as much freedom as possible to decide whether this financing should be done in the fiscal year 1958-1959 or the fiscal year 1959-1960, or both.

I would appreciate it if you would confirm that the foregoing accurately reflects the decisions reached last night.

Yours sincerely,

DONALD M. FLEMING

Extrait des conclusions du Cabinet
Extract from Cabinet Conclusions

SECRET

[Ottawa], October 1, 1958

Present

The Prime Minister (Mr. Diefenbaker) in the Chair,
 The Solicitor General (Mr. Balcer),
 The Minister of Justice (Mr. Fulton),
 The Minister of Fisheries and
 Acting Minister of Agriculture (Mr. MacLean),
 The Minister of Labour (Mr. Starr),
 The Postmaster General (Mr. William Hamilton),
 The Minister without Portfolio, Acting Minister of Finance and
 Acting Minister of Trade and Commerce (Mr. Macdonnell),
 The Minister of Mines and Technical Surveys (Mr. Comtois),
 The Minister of National Health and Welfare (Mr. Monteith),
 The Secretary of State (Mr. Courtemanche).
 The Secretary to the Cabinet (Mr. Bryce),
 The Assistant Secretaries to the Cabinet (Mr. Fournier) (Mr. Martin).

...

WHEAT; DONATION TO INDIA

17. *The Prime Minister* said that all of the funds provided by Parliament for assisting Colombo Plan countries to finance purchases of wheat or flour had been committed. The Minister of Trade and Commerce was anxious to move more wheat as soon as possible and had suggested that the Wheat Board be directed to make shipments to India, on the understanding that Parliament would be asked to provide the authority and the money to pay for such shipments at its next session.

18. *During the discussion* it was pointed out that the action proposed was identical with a similar move by the previous government, which the Conservative Party had vehemently criticized. The present government was in power more for its attitude towards Parliament than for any other reason. To agree to the proposal would mean the loss of a lot of support. Moreover, the Prime Minister on August 31st, in Parliament had stated that funds were available to finance what would be shipped before the next session began.

19. *The Cabinet* decided not to make a donation of wheat to India, the authority and appropriation for which would have been sought at the next session of Parliament.

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PCO

*Extrait des conclusions du Cabinet**Extract from Cabinet Conclusions*

SECRET

[Ottawa], November 5, 1958

Present

The Minister of Public Works and

Acting Prime Minister (Mr. Green) in the Chair,

The Minister of Veterans Affairs (Mr. Brooks),

The Minister of Transport (Mr. Hees) (for morning meeting only),

The Minister of National Defence (Mr. Pearkes),

The Minister of Trade and Commerce (Mr. Churchill),

The Minister of Justice (Mr. Fulton),

The Minister of National Revenue (Mr. Nowlan),

The Minister of Agriculture (Mr. Harkness),

The Minister of Citizenship and Immigration
and Acting Secretary of State (Mrs. Fairclough),

The Postmaster General (Mr. William Hamilton),

The Minister without Portfolio (Mr. Macdonnell),

The Minister of Mines and Technical Surveys (Mr. Comtois),

The Minister of National Health and Welfare (Mr. Monteith),

The Secretary of State for External Affairs (Mr. Smith),

The Minister of Defence Production (Mr. O'Hurley),

The Secretary of State (Mr. Courtemanche).

The Secretary to the Cabinet (Mr. Bryce),

The Assistant Secretaries to the Cabinet (Mr. Fournier), (Mr. Martin).

COLOMBO PLAN; WHEAT FOR PAKISTAN
(PREVIOUS REFERENCE SEPTEMBER 7†)

27. *The Secretary of State for External Affairs* recalled that Cabinet had approved a total appropriation of \$37,356,000 for the operation of the Canadian Colombo Plan programme in the fiscal year 1958. It had also been agreed that, wherever possible, aid should be provided in the form that would help reduce the surplus of Canada's agricultural products.

Within the total, \$2 million was to be allocated to the Canadian Colombo Plan technical assistance, leaving a balance of \$35.3 million to be divided among various countries to finance capital aid projects to be undertaken by Canada. Of this sum, an allocation of \$13 million was approved for Pakistan. Some of this amount would be required to finance capital development projects. The balance would be available for purchases of Canadian industrial raw materials and of wheat.

Canada had now been formally requested by Pakistan to make available the sum of \$2 million from Colombo Plan funds to finance the purchase of wheat required as a matter of urgency to meet various food shortages. In accordance with the normal practice, the government of Pakistan had agreed to meet the shipping charges and to establish local counterpart funds equivalent to \$2 million to be used for economic development purposes agreed upon by the two governments.

There was some urgency in reaching a decision on this matter since the government of Pakistan had expressed the hope that the wheat could be shipped from Montreal before the St. Lawrence freeze-up. The Department of Finance had indicated its approval for this allocation.

An explanatory memorandum had been circulated, (Minister's memorandum, Oct. 31 — Cab. Doc. 313-58)†

28. *During the brief discussion* it was stated that possibly the Minister of Finance, on his return, might know whether Pakistan would be prepared to purchase a larger quantity of wheat. It was also thought that publicity should be given to this allocation of wheat and that this would have beneficial effects within Canada and also with regard to the existing domestic situation in Pakistan.

29. *The Cabinet* approved the recommendation of the Secretary of State for External Affairs, that \$2 million of the funds allocated to Pakistan under the Colombo Plan be made available for the purchase of wheat, and that Pakistan be requested to establish counterpart funds equivalent to this amount to be used for economic development projects agreed on by the two governments.

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428.

PCO

*Note du secrétaire d'État aux Affaires extérieures
pour le Cabinet*

*Memorandum from Secretary of State for External Affairs
to Cabinet*

CABINET DOCUMENT NO. 361-58

[Ottawa], December 10, 1958

RESTRICTED

ALLOCATION OF A FURTHER \$2 MILLION TO PAKISTAN
FOR THE PROVISION OF WHEAT UNDER THE COLOMBO PLAN

At its meeting of September 7, 1958, Cabinet approved the allocation of a total of \$37,368,854 for the operation of the Canadian Colombo Plan programme in the fiscal year 1958-59. It was further agreed that, in working out the detailed programmes for each country, full consideration should be given to the possibility of providing aid in a form that would help to reduce the surplus of Canada's agricultural products.

Within the total of \$37.3 million appropriation, the sum of \$2 million was to be allocated to the Canadian Colombo Plan Technical Assistance Programme and the balance of \$35.3 million was to be divided among various countries to finance capital aid projects to be undertaken by Canada. Of this sum an allocation of \$13 million was approved for Pakistan.

In a memorandum dated October 31, 1958, which Cabinet considered on November 5, it was noted that some of this \$13 million allocation to Pakistan will be required to finance capital development projects, and that the balance would be available for the purchase of Canadian industrial raw materials and of wheat. As an initial and urgent request, the Memorandum recommended, and Cabinet approved, an immediate allocation of \$2 million from these funds for the purchase of wheat.

During the Prime Minister's recent visit to Karachi, the President of Pakistan agreed that a further \$2 million out of the Canadian allocation to Pakistan for 1958-59 be used for the purchase of Canadian wheat. A formal request in this sense has now been submitted to us. In their submission the Government of Pakistan asked that the wheat be shipped as

soon as possible in order to meet food shortages which it is anticipated may occur in Pakistan next February.

At the Commonwealth Trade and Economic Conference Canada reiterated its undertaking that, in providing aid in the form of food to the less-developed countries, the legitimate trading interests of third countries would be taken into account. In accordance with this undertaking and with previous practice, the Australian authorities have been informed of Pakistan's request for a further \$2 million worth of wheat as part of the Canadian Colombo Plan programme for 1958-59. In passing this information to the Australian authorities it was pointed out that Pakistan had recently committed itself under a PL480 agreement with the United States to import at least 75,000 tons of wheat on a commercial basis in each of the U.S. fiscal years 1959 and 1960. This commitment had been arrived at on the basis of consultations in which Canada and Australia had been closely involved and it appeared to leave adequate room for such commercial imports as Pakistan was likely to make in a period when its foreign exchange position continued to be under strain.

In the light of these considerations I recommend⁸² that approval be given to the allocation of a further \$2 million worth of wheat to Pakistan to be charged against the Colombo Plan appropriation for 1958-59, and that the Government of Pakistan be requested to establish counterpart funds equivalent to this amount to be used for economic development purposes agreed upon by the two Governments.

[SIDNEY SMITH]

SECTION C

RÉUNION DU COMITÉ CONSULTATIF À SAIGON,
21-24 OCTOBRE 1957
CONSULTATIVE COMMITTEE MEETING, SAIGON
OCTOBER 21-24, 1957

429.

PCO

*Note de la Direction économique
pour le Cabinet*

*Memorandum by Economic Division
for Cabinet*

CABINET DOCUMENT NO. 252-57

[Ottawa], October 9, 1957

CONFIDENTIAL

INSTRUCTIONS TO THE CANADIAN DELEGATION TO THE COLOMBO PLAN
CONSULTATIVE COMMITTEE MEETING, SAIGON, 1957

General Guidance

The Canadian Delegation to the Colombo Plan Conference should be guided by two general considerations:

(1) that the Colombo Plan is a *co-operative* effort to improve the well-being of South and Southeast Asia; the main effort is being put forward by the countries of that region them-

⁸² Approuvé par le Cabinet le 16 décembre 1958./Approved by Cabinet on December 16, 1958.

selves. In general the Delegation should try to ensure that initiatives have broad backing from the major Asian delegations. It is not appropriate for the countries outside the region who contribute to this co-operative economic effort to describe themselves as "donor" countries and to speak of others as "recipients."

(2) It is undesirable to make any reference to the fact that one of the reasons for Canada participating in the Colombo Plan is our wish to help counter the threat of Communist subversion. Two of the most important countries of the Plan are avowedly neutral in this struggle — India and Indonesia — and it has, therefore, become an almost unwritten rule at the meeting that no reference be made to this issue.

Item 1 of the Agenda — Speeches by Leaders of the Delegation

As will be apparent from the comments against Item 5 below, the nature of the opening speech to be made by the Leader of the Canadian Delegation is not yet clear. It may or may not be the occasion for the major speech by the Leader of the Delegation; it may be merely an occasion to make a general statement expressing our thanks to the host government. However, the major speech should cover

(a) What Canada is accomplishing under the Colombo Plan and how much it will contribute next year. It is hoped that a memorandum on this latter point will be put before Ministers⁸³ and a decision from Cabinet obtained in time to advise the Delegation before the Ministerial Meeting beginning October 21. Canada's willingness to work with and along side our Asian friends should be emphasized. Any Canadian statement should, of course, be moderate in tone and underline humanitarian rather than political considerations for our participation in the Colombo Plan. It might also indicate the benefit of a broader international understanding which we derive from our participation.

Item 2 of the Agenda — Presentation of the Draft of the Annual Report

The Canadian Delegation should seek to ensure that the report is an objective and analytical in tone as possible under the circumstances. (It has been customary for the major Canadian statement to be made when the Contributions Chapter is being considered under this item).

Item 3 of the Agenda — Technical Assistance

Canada may be elected a member of the Subcommittee on Technical Assistance of the Officials Meeting. It would be expected that Mr. Mills, our Colombo Plan Attaché in Karachi, would be the Canadian representative. There are a number of points of detail on which it may be appropriate for our representative to comment, as set out in the detailed commentary on this item prepared by the Technical Co-operation Service. The Delegation should make it clear that in the Canadian view the technical assistance scheme is working well and that we continue to find it an effective and useful means of giving aid and of making the best use of the resources that are available in the Colombo Plan area.

Item 4 of the Agenda — Colombo Plan Information Unit

Mr. Mills or Mr. Nutting might be the Canadian representative on the Subcommittee on Information at the Officials Meeting. (Mr. Mills attended the last policy meeting of the Council for Technical Co-operation in Colombo which considered information matters.) In the event that Canada is elected to this Committee it would be appropriate for the Canadian representative to make any points of detail suggested in the commentary on this item prepared by the Information Division of the Department of External Affairs. The Canadian

⁸³ Voir/See Document 409.

Delegation should be aware that some of Canada's information objectives are served by the Information Unit and we should approve any modest expansion of its activities; however, the Delegation should resist any undue expansion of the work of the Unit, particularly if such expansion would call for an increased contribution from Canada. Though no doubt additional information activity is required about the Colombo Plan in South and Southeast Asia, this task can best be served by national governments rather than by the Colombo Plan Information Unit which is better adapted to give assistance to national information organizations.

Item 5 of the Agenda — Arrangements Relating to the Next Meeting

The Leader of the Canadian Delegation at last year's meeting expressed the view that the Colombo Plan Conference should be held less frequently and should deal with more matters of substance. This view is widely shared, and, therefore, the Canadian Delegation should give support to any initiative by Asian countries to hold these meetings less frequently. The Delegation should not, however, take any initiative in this matter. As to the detailed conduct of meetings, the Delegation should give support, along the lines indicated in the commentary articles, to proposals to improve the organization of the Meeting of Ministers and to streamline the work of the various committees and working groups. The Delegation should give support to any initiative by the Asian Governments in this direction if it is in line with the detailed suggestions in the commentary, but should not take the lead in pressing for changes at this stage.

Item 6 of the Agenda — Other Business

There may be a number of topics raised in the meeting or brought up informally between delegations. A list of such possible topics is set out below with brief indications of what attitude the Delegation should adopt.

- (a) *Asian Nuclear Centre*—The Delegation should be guided by paragraphs 2, 3, and 4 of telegram E-926 of June 25† to Washington which contained instructions to the Canadian Delegation to the Working Group which considered the United States proposals. Canadian attitudes to this proposal have not altered significantly since that time.
- (b) *Asian Development Fund*—The preliminary views of Departments on the Japanese proposal (as contained in the attached papers)† is that it is most unlikely that Canada would ever be prepared to participate in such a fund. The Japanese proposal conflicts with the basic Canadian policy of handling Colombo Plan capital aid bilaterally.
- (c) *Possible Membership of Afghanistan*—The Delegation should be prepared to agree to the membership of Afghanistan if it is sponsored by Pakistan or if Pakistan approves. The Delegation may find it necessary to make clear that for the present, Canada will find it possible to offer only limited technical assistance to Afghanistan.
- (d) *Possible Membership of Korea*—The Delegation should be guided by the attitudes of the major Asian countries in the Plan. In any event, the possibility of Canada offering assistance would be limited to technical assistance.
- (e) *Membership of Federation of Malaya*—The Canadian Delegation should welcome the Federation of Malaya as a full member of the Plan.
- (f) *Mekong River Project*—The Delegation should hold informal discussions with the other Delegations concerned as to the suitability of this project for Canadian aid, without making any commitment on behalf of Canada.
- (g) *University of Dalat*—The Delegation should hold informal conversations on this subject with Vietnamese representatives, without making any commitment on Canada's behalf.

(h) *Programme of Aid for Malaya*—The Canadian Delegation should indicate to the Delegation of Malaya, if appropriate, that Canada has under study the possibility of a somewhat expanded programme of aid to that country.

(i) *Other Questions of Aid to Indo-Chinese States*—The Delegation should indicate, if required, that as far as further technical assistance to the Indo-Chinese states is concerned our limitations are physical, rather than financial; they should bear in mind that the institutional and administrative arrangements affecting technical assistance in Indo-China are not as effective as in areas in which we have missions, or in which the local administrations are more highly organized. As to capital aid for Indo-China, the only projects which are under consideration at present are covered in [f] and [g] above.⁸⁴

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DEA/11038-5-C-40

*Le chef de la délégation à la réunion du Comité consultatif à Saïgon
au secrétaire d'État aux Affaires extérieures*

*Head, Delegation to Consultative Committee Meeting, Saigon,
to Secretary of State for External Affairs*

CONFIDENTIAL

Colombo, October 31, 1957

My Dear Colleague:

COLOMBO PLAN CONFERENCE, SAIGON — 21-24 OCTOBER 1957

I am attaching a report on the Ninth Meeting of the Colombo Plan Consultative Committee held in Saigon from October 21-24, 1957. This report is sent in amplification of the telegraphic report† which I sent from Saigon. I hope that it will give you and the officials who are dealing with Colombo Plan matters some further impression of the Conference and the principal items dealt with there.

I should like to take this occasion to tell you that on arrival in Saigon I found that, in fact, a fine job of preparation had been completed by our Canadian officials who had gone ahead to the Meeting of the Preparatory Group and the Meeting of Officials. The leader at the Meeting of Officials was Mr. D. Cornett, who came up from our High Commissioner's Office in Canberra, Australia, for the meeting. He was assisted by Mr. Denis Hudon of the Department of Finance, Ottawa, Mr. W. Mills of the Office of the High Commissioner for Canada in Pakistan, and Mr. C. Nutting of the Commonwealth Division of your Department. These four officials carried the main part of the drafting work and in addition held a number of useful exploratory discussions with other Delegations there.

⁸⁴ Il n'y a pas de référence directe à ce document dans les conclusions du Cabinet. Le 12 octobre 1957, le Cabinet a noté que le ministre sans portefeuille, W.J. Browne, dirigerait la délégation canadienne à la réunion de Saïgon, au lieu du secrétaire d'État aux Affaires extérieures récemment nommé, Sidney Smith, qui se préparait à disputer des élections partielles dans la circonscription de Hastings-Frontenac, en Ontario. Le Cabinet a autorisé M. Browne à annoncer que le Canada, en attente de l'approbation du Parlement, apporterait une contribution de 35 millions \$ au Plan Colombo en 1958-1959.

There is no direct reference to this document in the Cabinet Conclusions. On October 12, 1957, Cabinet noted that the Minister without Portfolio, W.J. Browne, would lead the Canadian delegation to the Saigon meeting in place of the newly-appointed Secretary of State for External Affairs, Sidney Smith, who was preparing to contest a by-election in the Ontario riding of Hastings-Frontenac. Cabinet authorized Browne to announce that Canada, pending the approval of Parliament, would contribute 35 million dollars to the Colombo Plan in 1958-1959.

I should also like to mention here that Mr. H.O. Moran, our newly appointed High Commissioner to Pakistan, arrived in Saigon a few days before we did, and because he is a senior and experienced member of your Department was able to advise me helpfully in connection with the Meeting of Ministers. Mr. Menzies, who accompanied me from Ottawa, also sat in on the meetings.

While members of the Canadian Delegation on the International Supervisory Commission in Vietnam did not form part of the Canadian Delegation to the Colombo Plan Conference, they were of considerable assistance in making arrangements. I am particularly indebted to Mr. T.L. Carter, our Commissioner in Vietnam, for the hospitality which he enabled me to extend to the leaders of the various Delegations at two luncheons given at the Canadian villa.

When I return to Ottawa I shall look forward to some occasion when we may be able to have a chat about the Conference and when I may be able to add some personal impressions.

Yours sincerely,
W.J. BROWNE

[PIÈCE JOINTE/ENCLOSURE]

*Rapport du chef de la délégation
à la réunion du Comité consultatif à Saïgon*

*Report by Head, Delegation
to Consultative Committee Meeting, Saïgon*

CONFIDENTIAL

[Colombo], October 27, 1957

NINTH MEETING OF COLOMBO PLAN CONSULTATIVE COMMITTEE, SAIGON
OCTOBER 21-24, 1957

1. The ninth meeting of the Colombo Plan Consultative Committee took place in the usual atmosphere of co-operation, goodwill and friendly interest in the programmes of national economic development of the countries of South and Southeast Asia. The Government of the Republic of Vietnam made a great effort to provide an attractive and effective setting for the first full-scale international conference to be held in its territory. It was my impression that the air-conditioned Conference Hall in what was formerly the French Chamber of Commerce building and the other arrangements for the meeting exceeded the expectation of most delegations and reflected credit on the Vietnamese Government. Vietnam's determination to do a good job in the right way was also shown by the manner in which the Government and the police handled an attempt by subversive elements to cause trouble on the morning of October 23. There were three bombing attacks on American personnel and buildings including one against U.S. MAAG personnel outside the Metropole Hotel in which some delegates and two of our stenographers were staying. Apart from some strengthening of police forces in the environs of the Conference Hall and rerouting of traffic away from hotels housing delegates, both of which were handled unobtrusively, the Vietnamese officials took these disorders in their stride and the Conference continued without interruption.
2. A good deal of the success of the Conference was due to the effective teamwork displayed by the Secretariat to which many member Governments contributed personnel.

The five Canadian bilingual translators were kept busy serving committees during the meetings of officials but were not so busy during the Ministerial sessions.

3. The predominant atmosphere at the Conference was that of friendliness and informality. It was clear from the outset that a good many delegations, notably the Americans and Indians, were anxious to avoid controversial issues which might disrupt the smooth course of the proceedings. In a large measure this attitude contributed to the general atmosphere of sweetness and light, but it also made the meetings somewhat uninspired. In the main, issues of substance were avoided and the few occasions on which the Conference was fired by a spark of enthusiasm occurred by accident rather than design.

Preliminary Working Groups

4. Members of our delegation tell me that last year considerable attention was devoted to the organization of the officials meetings and the new arrangements were first tried at this year's Conference. While many ideas have been put forward for improving the drafting of the report, it was the view of most delegations, including our own, that the Preliminary Working Groups meeting this year for a week in advance of the full officials meeting functioned reasonably smoothly and were able to make a real contribution to the orderly conduct of business later in the conference. In fact, the new arrangements worked sufficiently well that New Zealand subsequently withdrew its proposal to amalgamate the Preliminary Working Groups and the Country Chapter Groups. Three weaknesses noted by the Canadian delegation were:

- (a) The failure of two countries (Ceylon and Nepal) to send representatives to the Preliminary Working Groups;
- (b) The inflexibility of some delegations; and
- (c) A lack of understanding by some delegations of the functions of the Preliminary Working Groups.

5. Changes introduced this year are intended to distribute the load more evenly among the member nations and to lay down broad terms of reference for the guidance of officials working in the preliminary stages of the Conference.

Officials Meeting

6. The main work of the Conference was carried on in four Committees, the Drafting Committee chaired by Mr. J.J. Moriarty of New Zealand, the Business Committee comprising heads of delegations chaired by Mr. Hyunh Van Diem of Vietnam, and sub-committees on Technical Assistance and Information. Canada was not this year a member of the Drafting Committee but was represented on the other three committees. Because of the better organization at this year's meeting and also because of Mr. Moriarty's efficient direction, the Drafting Committee was, I understand, able to get through its work without the last minute pressures which have been characteristic of previous conferences. There was a good deal of discussion on substantive issues in the Drafting Committee in which the Indian, Pakistani and Ceylonese delegations played a prominent role.

7. The Business Committee dealt with three substantive issues:

(a) The United Kingdom proposal to make public the first stages of the Ministerial Meeting during which the major speeches would be made;

(b) The New Zealand proposal to amalgamate the Preliminary Working Groups and the Country Chapter working groups;

(c) The question of getting more publicity for the Conference.

8. The United Kingdom proposal which was designed to give greater publicity to the Conference called for an initial public session during which Ministers might cover whatever ground they wished within the scope of the Colombo Plan followed by private sessions during which the usual items of business would be considered and discussions could be held on special agreed topics. Opinion was about equally divided on the merits of this suggestion. On one hand increased publicity, more orderly conduct of business, and more enthusiastic discussions would result: on the other hand, some delegations feared that it would detract from the friendly informality of the present system and might result in the introduction of controversial topics. Because agreement could not be reached, a report setting out the arguments for and against was prepared and noted by Ministers.

9. The first meeting of the Business Committee was enlivened by a proposal from the Pakistan leader that at the 1958 meeting the Committee might consider the impact on the countries of the Colombo Plan area of the European Common Market and the proposed free trade area. He suggested a group of experts should be set up to observe discussions on these matters at GATT and other organizations and to report to the Committee next year. This suggestion was not well received because the Colombo Plan has no permanent Secretariat to undertake studies of this kind, and there are opportunities for members to keep in touch with European developments through their membership in other international organizations.

Technical Assistance

10. The United Kingdom chaired the Sub-Committee on Technical Assistance and it was agreed to recommend to the Ministers that the integration of the Bureau and Information Unit as proposed by the Council be approved. The Sub-Committee considered an Australian proposal that the Ministers should discuss the desirability of undertaking a survey of the growth and extent of training facilities in South and Southeast Asia and likely future demands for training facilities in the donor countries. There was a good deal of discussion of the overall benefits of a survey of this kind and the Sub-Committee recommended that the Colombo Plan Bureau be asked to provide data on training facilities offered by countries in the area and ascertain from them what further facilities they could offer in the next year or two. I am informed that the meetings of the Sub-Committee were on the whole rather perfunctory and the discussions uninspired. The meetings were not productive of any new ideas or any spontaneous exchange of views. The Asian countries had very little to say. Most of the member countries seem to share our view that the Technical Assistance Programme is going very well and that no major changes in policy or procedures are necessary. Our delegation got the impression that if the Chairman had not been so strict and formal in the conduct of the meetings more exchanges of views and active discussion might have taken place. Our delegation was able to make reference in the report to most of the points it was instructed to raise.

Ministerial Meetings

11. Most of the major set speeches made by Ministers were concentrated in the first two days of the Conference. President Diem's opening address was an impressive 'tour de force' delivered in the English language, which he does not use conversationally. He spoke of the great need for Colombo Plan aid in Southeast Asia and of the friendly co-operative spirit in which it was administered.

12. The speeches given in reply to the President's address were confined to broad general statements on the value of the Colombo Plan and the acknowledgments suitable to such occasions. The main policy speeches dealt in detail with the activities in the Colombo Plan

of each member nation and I was particularly impressed with the able speech given by the Indian leader, Mr. Bhagat.

13. As to the personalities involved, the Australian leader, Mr. Casey, who took a very active part in the Conference, Lord Reading, the United Kingdom leader, and Mr. Macdonald, the New Zealand leader, all played important roles. The United States delegation purposely played a quiet part in the Conference.

14. The discussion in the meetings was devoted largely to the advisability of having a survey of technical assistance training facilities in South and Southeast Asia and to the press arrangements at this, and the next Colombo Plan Conference. The leader of the Pakistani Delegation suggested that as the Conference provided the best opportunity for Colombo Plan publicity, the press should be given much more material, including copies of the report. Several delegates opposed this suggestion on the grounds that the report was a restricted document and its contents should not be disclosed until it had been received by the various member governments. It was also pointed out that the press did receive the most important sections of the report, including chapter 2 and were able to attend the public sessions at the beginning and end of the Conference. In addition to this delegation leaders could and usually did make available to the press the contents of their major policy speeches.

15. I was called upon to make the second reply to President Diem's opening address. I tried in a short speech to touch on basic values of the Plan as a unique co-operative enterprise. On October 22 I delivered our major policy speech in which I emphasized that our attitude toward the Colombo Plan remained unchanged, made the announcements about our future projects contained in the Ottawa draft of the speech and reviewed the Canadian Colombo Plan programme. Copies of both speeches are attached.†

Other Business

16. (a) *New Members.* Nearly every delegation welcomed Malaya as a full member of the Plan. No reference was made in any of the meetings to the entry of either South Korea or Afghanistan.

(b) *Asian Nuclear Centre.* The only reference to this subject was made by the United States leader who mentioned that, as a result of the July meetings in Washington, his Government was re-examining the proposal because most countries were not prepared to give substantive support to the Centre. The United States is now considering to what extent a Centre based on more limited co-operation would be feasible and will communicate its views to member governments through diplomatic channels.

(c) *Asian Development Fund.* The Japanese Delegate referred to the proposed fund briefly in his main speech, emphasizing its importance and suggesting that contributions should be made by countries both in and outside South and Southeast Asia. The fund would be complementary to the Colombo Plan and United Nations aid programme. Rumour has it that West Germany is so far the only other nation prepared to contribute to the fund. There was no further reference to this proposal.

(d) *Burmese Proposal.* The Burmese leader attempted to make a formal motion that the agenda for next year's meeting should include two special items, the co-ordination of development plans within the area and inflationary trends and their control. The business committee pointed out that it is not usual to put a formal motion to the Committee and in any event, without a permanent secretariat, it would be difficult to prepare the necessary studies. It was agreed that the host government for next year's conference should enquire whether member governments wished to have these items on next year's agenda.

Discussions with other Delegations

17. Discussions were held during the officials meetings with the delegations from Indonesia, Laos, Cambodia, Vietnam, Thailand, Sarawak, North Borneo and Singapore. During the Ministerial Meeting I met with the leaders of the Indonesian, Burmese and Nepalese delegations. In addition to these discussions (which I thought useful), I discussed the Mekong River Project with the officials of ECAFE. You will be interested to know that one of the delegation members paid a visit to the project suggested by the Vietnamese at the proposed site of Dalat University. I also visited this place and was impressed by its potentialities.

Information Report

18. The report of the Sub-Committee on Information did not contain any proposals which recommended additional expenditure by the Unit nor did it recommend any substantive changes. There was virtually no discussion of the report at the Ministerial Meeting. I understand the general attitude of most member countries was that the Unit was now doing a competent job and should this year consolidate its achievements before embarking on any "significant expansion or reorientation." In compliance with your wishes in this matter, I announced that our Government was again prepared to produce for member countries a French language version of the report of the Consultative Committee.

Arrangements for Next Year's Meeting

19. Members of our delegation tell me that during most of the Conference it was feared by some delegations that Tokyo would be the site of the next Colombo Plan Conference. I understand the Japanese delegation was authorized to invite the member nations to Japan for the 1958 meeting and in fact lobbied with a number of delegations. Two days before the Conference closed the United States delegation was authorized by its Government to say that if the member nations wished the next meeting to be held in the United States it would be glad to extend invitations. The Japanese and United States delegations then met together and the United States delegate persuaded the Japanese that after only two years of membership it was premature for Japan to invite members to Japan, and on October 24 the United States leader issued the invitation. Most delegates with whom I spoke seemed to regard favourably the prospect of a Conference in the United States. It is still unknown whether the Conference will be held in Washington; San Francisco had been mentioned as a possible alternative.

20. The Report is to be released in national capitals on December 3, 1957.⁸⁵ One copy of the draft report and the principal conference documents are being sent under separate cover. Copies of the report will be forwarded to Colombo Plan countries by the Canadian Delegation to the ICSC, Saigon.

W.J. B[ROWNE]

⁸⁵ Voir/See Colombo Plan Bureau, *The Colombo Plan for Co-operative Economic Development in South-East Asia: Sixth Annual Report of the Consultative Committee*, London: Her Majesty's Stationery Office, 1957.

SECTION D

RÉUNION DU COMITÉ CONSULTATIF À SEATTLE
10-13 NOVEMBRE 1958
CONSULTATIVE COMMITTEE MEETING, SEATTLE
NOVEMBER 10-13, 1958

431.

DEA/11038-5-D-40

*Note du sous-secrétaire d'État aux Affaires extérieures
pour le secrétaire d'État aux Affaires extérieures*

*Memorandum from Under-Secretary of State for External Affairs
to Secretary of State for External Affairs*

CONFIDENTIAL

[Ottawa], October 24, 1958

INSTRUCTIONS FOR THE CANADIAN DELEGATION
TO THE SEATTLE COLOMBO PLAN CONFERENCE

I attach for your approval a memorandum of instructions to the Canadian Delegation to the forthcoming meeting of the Colombo Plan Consultative Committee. The purpose of the memorandum is to summarize in convenient form the more detailed conclusions set out in a series of commentary articles.†⁸⁶

The instructions cover not only subjects included in the formal agenda for the meeting but also a number of issues that may be raised either in the context of the meeting or in informal discussions with other delegations.

Many of these issues are less substantial than they are sensitive, stemming as they do from the nature of the Colombo Plan as an association between donor and recipient countries from different areas (i.e. the admission of potential new members, the appointment of a Director of the Colombo Plan Bureau, and the venue of the next Consultative Committee meeting). The only issue affecting Canada's programme directly arises from the decisions taken by Ministers last month concerning the nature of our aid to non-Commonwealth members of the Colombo Plan.⁸⁷ This is the subject of a separate commentary article, a copy of which is also attached.†

D.V. LEP[AN]
for Under-Secretary of State
for External Affairs

⁸⁶ Note marginale :/Marginal note:
approved S.E. S[mith]

⁸⁷ Voir/See Document 413.

[PIÈCE JOINTE/ENCLOSURE]

*Note des instructions à la délégation
à la réunion du Comité consultatif du Plan de Colombo à Seattle, 1958**Memorandum of Instructions to Delegation
to the Colombo Plan Consultative Committee Meeting, Seattle, 1958*

CONFIDENTIAL

General Guidance

The Canadian Delegation to the Colombo Plan Conference should be guided by two general considerations:

(1) The Colombo Plan is a *co-operative* effort to improve the well-being of South and South-east Asia. The main effort is being put forward by the countries of that region themselves. It is not desirable, therefore, for the countries outside the region who contribute to this co-operative economic effort to describe themselves as "donor" countries and to speak of others as "recipients." It also follows that any initiatives put forward in the Colombo Plan context should have broad backing from the major Asian delegations.

(2) It would be undesirable to make any reference to the fact that one of the reasons for Canada participating in the Colombo Plan is our wish to help counter the threat of Communist subversion. A number of important members of the Plan, such as India and Indonesia, are avowedly neutral in this struggle, and it has, therefore, become an almost unwritten rule at meetings of the Consultative Committee that no reference is made to this issue. Moreover, the extent to which rising standards of living consequent upon economic development hinder or help Communist efforts in these countries has never been clearly determined.

Item 1 of the Agenda — Speeches by Leaders of Delegations

Depending on the order of business agreed upon by Ministers, it is possible that leaders of delegations will address the Conference twice. The opening speech would normally be the major one; observations on the special theme selected for this year's Conference, "Regional Impact of National Development Programmes; Experience and Problems," may either be part of it or may have to be made the subject of a separate speech. Speeches by Ministers representing donor countries invariably incorporate some record of the contributions made by the country concerned over the preceding year, coupled with some reference to the prospects and scope of further contributions to be made in the year to come. This portion of the Minister's speech at Seattle might with advantage be expanded to include some reference to the very important developments that have taken place this year in the general realm of economic assistance to under-developed countries, notably the results of the Montreal Conference, the decisions taken at New Delhi⁸⁸ and the creation of the new Special Fund by a resolution of the General Assembly of the United Nations.

Thought is being given to developing two themes in the context of the opening speech. One of these would revolve around the mutual benefit which both donor and recipient countries derive from the operation of the Colombo Plan. The second theme would relate to the impact on the South and Southeast Asian region as a whole of national development

⁸⁸ Le Fonds monétaire international a tenu sa réunion annuelle à New Delhi en 1958, et les nations membres ont résolu d'accroître leurs contributions au Fonds. Voir le document 175.

The International Monetary Fund held its annual meeting in New Delhi in 1958 and member nations resolved to increase their contributions to the Fund. See Document 175.

programmes in the area. This is a matter of interest to several member countries and has been placed on the agenda as a separate item. Other themes may emerge in the course of the preliminary discussions at the official level. Canadian officials attending these meetings should take on the responsibility of preparing final drafts for one or two speeches, as the case may be.

Item 2 of the Agenda — Presentation of the Draft of the Annual Report

The Canadian Delegation should seek to ensure that the report is as objective and analytical in tone as possible.

Item 3 of the Agenda — Regional Impact of National Development Programmes; Experience and Problems

This is a theme which might be developed in the Canadian speech to the Conference. The fact is that resources available for economic development are limited and this suggests the desirability of using such resources as are available to maximum advantage. So far many countries in South and Southeast Asia have evolved development programmes largely in the context of their own national economies. There may be a case, therefore, for having a look at the development of the region as a whole to see whether there are instances where closer co-operation between countries in their national planning would serve the interests of some overall economy in the commitment of resources for economic development. Indeed, some aspects of this problem are already under consideration in ECAFE.

Item 4 of the Agenda — Technical Assistance; Report of the Sub-Committee on Technical Assistance

As far as Canada is concerned, the Technical Co-operation scheme is operating reasonably well, principles and procedures are basically satisfactory and generally understood, and no major changes are contemplated. We are, of course, prepared to accommodate, as far as possible, minor procedural changes generally agreed by other participants in the Technical Assistance Programme.

It seems likely that funds will be available over the next year or two to finance our Technical Co-operation Programme on the current scale, and probably to provide for some modest expansion. While avoiding commitments, the Delegation can, therefore, feel reasonably free in encouraging representatives of other countries to put forward sound, practicable requests for technical assistance from Canada.

Item 5 of the Agenda — Colombo Plan Information Unit; Report of the Sub-Committee on Information

We are satisfied with the work of the Colombo Plan Information Unit as reflected in its 1957-58 report. We are also prepared to endorse the conclusions and recommendations agreed upon at the Conference of Information Officers which was held in Singapore from September 9-12 to review Colombo Plan publicity. These recommendations are set out in the attached report of the Conference† and will be presented to the Seattle Consultative Committee meeting for approval.

Item 6 of the Agenda — Arrangements Relating to the Next Meeting

Malaya has indicated its intention of issuing an invitation to hold the 1959 Colombo Plan Conference in Kuala Lumpur. It seems likely that Indonesia also will make a bid for the Conference. There are substantial reasons for supporting both Indonesia and Malaya and either country would appear to be suitable. The Delegation should not take the initiative in discussions on this matter (particularly as the 1959 host probably will be a recipient

country) and in the final analysis, the Canadian Delegation should fall in line with the wishes of the majority of the Asian nations.

Item 7 of the Agenda — Other Business

There may be a number of topics raised at the meetings or brought up informally between delegations. A list of such possible topics is set out below, with brief indications as to what attitude the Canadian Delegation should adopt:

(i) *Canadian Capital Aid Programmes for 1958-59.* The 1958-59 capital aid programmes have not as yet been agreed upon. Two memoranda, dealing with Commonwealth and non-Commonwealth countries respectively, are included† in this briefing; they describe the progress which has been made to date in working out programmes for each country, and suggest the line which should be adopted by the Delegation in informal conversations at Seattle.

(ii) *Scholarship Programme in India, Pakistan and Ceylon.* In the light of developments that have taken place at the Commonwealth Trade and Economic Conference, it would seem desirable to delay taking any further action on the scheme which Canada had earlier proposed to India, Pakistan and Ceylon until such time as the broader Commonwealth programme has been established. Although it is perhaps too early to say definitely, there appears to be no reason why it should not incorporate some of the features we had envisaged in the more limited scheme for India, Pakistan and Ceylon. These views may be used in any discussions you may have with members of other delegations.

(iii) *Asian Nuclear Centre.* The United States have informed us that their Delegation does not intend to raise this matter at the Seattle meeting. Notes have been prepared and are attached† for your information.

(iv) *Asian Development Fund.* Japan proposed last year the establishment of a \$700 million Southeast Asian development [fund] intended to harness substantial amounts of United States, and possibly Canadian, foreign aid to a Japanese programme for assisting Southeast Asian countries. In order to keep the idea alive, a modified plan may be proposed by Japan this year. These Japanese proposals are clearly not the type of proposals which Canada could support and, in response to any inquiries, the Delegation should hold out no hope of Canadian participation.

(v) *Mekong River Project.* If your views are sought on possible Canadian participation in the Mekong survey, you should indicate that we expect to receive shortly the final report of the Canadian expert who visited the Mekong Basin during the summer and that his report will be given careful consideration. You should be careful to avoid giving the impression that Canada is committed to participate in any phase of this project.

(vi) *Colombo Plan Bureau Director.* This question is likely to come up for discussion during the Conference, although elections for the new Director will be held by the Council only at the beginning of 1959. In informal discussions, you should oppose the nomination of a Japanese Director, for the reasons given in the attached memorandum,† unless there is a fairly strong move on the part of the Asian delegations for such an election. If the Asians were to argue that the Directorship should be open to nominations on the basis of merit, regardless of recipient or donor status, we should accept a suitable candidate put forward by them.

(vii) *Possible New Western European Members.* If the question of the accession of Germany, France, the Netherlands or Italy to the Colombo Plan were to be discussed at Seattle, the Delegation should point out that enlargement of the Colombo Plan membership by accession of members outside the area has traditionally been regarded as a matter for

the Asian members themselves to decide. Would-be members might discuss the subject first directly with the Asians. We would welcome the accession of any of these countries to the Plan if they secured the unanimous support of the Asian members, and if their membership held out the prospect of additional resources becoming available for economic development in the area. We would not consider it appropriate for us, however, to take the initiative in proposing new members nor to solicit support for them from the Asians.

(viii) In the event that the Soviet Union were to apply for membership in the Colombo Plan or seek any other form of association with the Plan, the Delegation should sound out the views of other member countries at Seattle (in particular the views of delegations representing the Asian countries) and seek further instructions from Ottawa.

(ix) *Possible Membership of Afghanistan.* On balance, we would welcome the entry of Afghanistan into the Colombo Plan. Because of our traditional attitude concerning the accession of new Asian members and because of the limit to a potential contribution by Canada to Afghanistan under the Colombo Plan, the Delegation should, however, refrain from playing a leading part in discussions of this matter.

(x) *Possible Membership of Korea.* If the question of Korean membership should arise, the attitude of the Canadian Delegation should be one of reserve. Its official attitude should be that it will be happy to accept the decision of the Asian recipient participants in the Plan. If its informal opinions are sought by other member countries, however, the Delegation might point out some of the drawbacks outlined in the attached brief,[†] while making it plain that it is lobbying neither for nor against Korean participation.

432.

DEA/11038-5-D-40

*Extrait du rapport de la dixième réunion
du Comité consultatif du Plan de Colombo
à Seattle, 10-13 novembre 1958*

*Extract from Report on Tenth Meeting
of Consultative Committee of the Colombo Plan,
Seattle, November 10-13, 1958*

The tenth meeting of the Consultative Committee on Economic Development in South and Southeast Asia was held at Seattle, Washington, from November 10 to 13, 1958. It was attended by Ministerial representatives of the eighteen member countries and three dependent territories, as well as by observers from the United Nations Technical Assistance Board, the International Bank for Reconstruction and Development, the Economic Commission for Asia and the Far East, and the Colombo Plan Bureau. The Canadian representative was Mr. Sidney Smith, Secretary of State for External Affairs.

2. In accordance with the normal procedure at these Colombo Plan annual conferences, the Consultative Committee devoted most of its time and attention to a consideration of its Annual Report, which had been drafted at a preparatory meeting of officials from October 20 to November 7.⁸⁹ This provided an opportunity for judging the progress in economic development and assessing the tasks ahead. The Consultative Committee also considered matters relating to technical assistance and information activities under the Colombo Plan. In a departure from the normal procedure, it devoted one session to the discussion of a

⁸⁹ Voir/See Colombo Plan Bureau, *The Colombo Plan for Co-operative Economic Development in South and South-East Asia: Seventh Annual Report of the Consultative Committee* London: Her Majesty's Stationery Office, 1958).

special topic, the regional impact of national development programmes. All the discussions of the Committee were conducted in the informal and friendly atmosphere and with the avoidance of sharp controversy which have become characteristic of Colombo Plan meetings.

3. This was the first Colombo Plan conference to be held in the United States. Perhaps the chief political interest of the conference was in whether the United States government would seek to take advantage of this fact to associate its own substantial aid programmes in South and Southeast Asia more closely with the consultative and advisory procedures of the Colombo Plan. The impression of most delegations was that there was a distinct trend in this direction, and that the flexibility and informality of Colombo Plan procedures, as well as the political advantages of such association in many countries of the area, were inclining the United States to take a more active interest in the Colombo Plan than it had taken in the past. This impression was no doubt largely based on the presence of President Eisenhower at the inaugural session of the Consultative Committee and on the statements made by him⁹⁰ and by Mr. Dulles,⁹¹ who acted as chairman; but it seemed to be borne out by the active and purposeful part played by the United States official delegation, as well as by the efforts which were made to publicize the conference in a manner calculated to appeal to the Congress and to public opinion in the United States.

4. Strong national positions are not generally adopted during the drafting and consideration of the Annual Report. A marked difference of approach was apparent at the officials' meeting in Seattle, however, between the United States delegation, which sought to emphasize in the report the forward movement of economic development as a whole, and the Asian (particularly the Indian) delegates, who wished to draw attention to the serious difficulties encountered by many countries of the region during the period under review. These differences of emphasis were again evident in the Consultative Committee's discussion of commodity problems and financing, although the five-point programme outlined by President Eisenhower in his inaugural speech was generally welcomed by the Asian representatives.

5. In looking to the tasks ahead, the Annual Report placed emphasis on an increase in agricultural output, flexibility in planning, the development of technical and managerial skills, internal financial stability, the continued need for external financial assistance from both public and private sources, greater efforts to promote export earnings, and the encouragement of private initiative in the countries of the region.

6. There had been some expectation before the conference that the question of accession by Germany, France, the Netherlands and Italy might be discussed at Seattle. This question did not arise, however, nor was there any discussion of possible Soviet or Korean applications for membership. The chairman was able to announce that all member governments had agreed to a representative of Afghanistan attending the meetings of the Consultative Committee as an observer. An invitation was sent and accepted, but no Afghan representative appeared.

7. The Consultative Committee agreed that, as a result of improvements in the quality of national contributions to the Annual Report, the length of the preparatory meeting of officials could in future be reduced from three weeks to two weeks. It agreed to hold the next conference in Indonesia in 1959.

⁹⁰ Voir/See United States, Department of State, *Bulletin*, Volume XXXIX, No. 1014, December 1, 1958, pp. 853-857.

⁹¹ Voir/See United States, Department of State, *Bulletin*, Volume XXXIX, No. 1014, December 1, 1958, pp. 857-858.

8. Mr. Dulles was chairman of the Consultative Committee and presided over all its sessions. The leader of the United States officials delegation, Mr. Charles W. Adair (Director, Office of International Financial and Development Affairs, Department of State) was an able and tactful chairman of the preparatory meeting of officials. As host government, the United States also provided secretarial and technical services for the conference.

9. The balance of this report reviews the work of the conference in more detail under the following heads:

| | |
|--|--------------|
| The Annual Report | paras. 10-31 |
| Technical Assistance | 32-40 |
| Information Activities | 41-43 |
| Regional Impact of National Programmes | 44-48 |
| Organization and Working Arrangements | 49-69 |
| Other Business | 70-77 |
| Arrangements for 1959 Meeting | 77-85 |

Appended to the report are the texts of Mr. Smith's speech in reply to President Eisenhower's inaugural address (annex A),[†] of his main speech on consideration of the Annual Report (annex B),⁹² and of the communiqué issued at the close of the conference by the Consultative Committee (annex C).[†]

THE ANNUAL REPORT

10. The focal point for discussions at the Colombo Plan conferences, both in the ministerial meetings and in the preparatory meetings of officials, is the Annual Report of the Consultative Committee. The drafting and consideration of this report provide ample opportunities for an informal and frank exchange of views about the course of economic development in South and Southeast Asia, the progress made and the difficulties encountered during the year, and the directions in which effort needs to be intensified. Fuller advantage is taken of these opportunities than might be suggested by a text which, in its final form, must carry the assent of all eighteen member countries.

Drafting of the Annual Report

(a) *Preliminary Working Groups*

11. The Preliminary Working Groups met for one week before the full Meeting of Officials, in order to undertake a first revision of the country chapters submitted to the conference by governments. Each group revises the chapters of its own members. Again this year there was some difficulty owing to tardy submission of chapters. Canada was represented on Group B. Other members of this group were Ceylon (which, with Nepal, was not represented at this stage of the conference), Indonesia, Japan, Malaya and Vietnam. The group went through its work more easily and rapidly than last year. This improvement was possible because the addition of Malaya to Group B strengthened it considerably and because the submissions were of better quality.

12. In reporting to the Officials Meeting on the Preliminary Working Groups, the Secretary General of the conference noted that as the country chapters improve in quality there is correspondingly less need to provide for the initial review and editing of the original submissions.

⁹² Voir Canada, ministère des Affaires extérieures, *Affaires Extérieures*, vol. 11, Nos 1-2, janvier-février 1959, pp. 20 à 23.

See Canada, Department of External Affairs, *External Affairs*, Vol. 11, Nos. 1-2, January-February 1959, pp. 20-23.

(b) *Formal Presentation of Chapters*

13. Each delegation then formally presents its chapter, as revised by the Preliminary Working Groups, to the plenary Officials Meeting. This is a time-consuming exercise — it took one day and a half — and not a very useful one. The Business Committee considered an Australian proposal to do away with these formal presentations entirely, but the Indian and several other Asian delegates opposed this on the ground that the speeches were useful for drawing attention to points which each government might wish to emphasize in its chapter. As a compromise, the Business Committee agreed that leaders of delegations, when presenting their country chapters to the Officials Meeting, would be restricted to five minutes. Under this ruling the formal presentations should not take more than one half day.

(c) *Country Chapter Working Groups*

14. These are groups, each representing three countries, set up to review the country chapters as revised by the Preliminary Working Groups. Our delegation was a member of the Indian and Laotian Chapter Groups and chaired the Singapore, Sarawak and North Borneo Chapter Group. The Laotian chapter required extensive revisions; the other two were approved by the working groups almost in the form in which they were presented.

(d) *Drafting Committee*

15. Most of the work of the Officials Meeting is done in the Drafting Committee. It has ten members. In 1958 these included five from the region (Burma, Ceylon, India, Indonesia and Pakistan) and five from outside the region (Australia, Canada, Japan, the United Kingdom and the United States). It considers the country chapters submitted to it by the Country Chapter Working Groups and the chapter on technical assistance submitted by the Subcommittee on Technical Assistance; it is also responsible for the preparation of Chapter I ("Review of Economic Progress") and Chapter II ("The Task Ahead"). Chapters which have been approved by this committee are almost never questioned in the plenary Officials Meeting.

16. We have an informal agreement with Australia and New Zealand under which each country foregoes representation on the Drafting Committee every third year. Last year we were not on the committee, and this year New Zealand was not a member. The purpose of this arrangement is to limit the membership of the committee to ten and at the same time to ensure a reasonable balance between countries of the region and countries outside the region.

17. Under this arrangement, the United States, the United Kingdom and Japan have permanent seats on the Drafting Committee. This is reasonable enough in the case of the United States and probably the United Kingdom, but not in the case of Japan. The Canadian contribution under the Colombo Plan is greater than Japan's. At Seattle the Japanese delegate on the Drafting Committee (and on the Preliminary Working Group) contributed little, if anything, to the work of the conference. Our delegation therefore recommends that Japan should be brought in under the arrangement that we have with Australia and New Zealand. There is good reason to believe that both these countries would be in favour of such an arrangement.

18. The Drafting Committee was presided over by the leader of the Indian delegation to the Meeting of Officials, Mr. N.C. Sen Gupta, (Joint Secretary, Economic Affairs Department, Finance Ministry). Mr. Sen Gupta was an efficient and genial chairman. He was inclined at times to impose his way on the Committee, but did so in such a manner as to retain the goodwill of the committee and to preserve an atmosphere of friendliness and informality throughout the meetings.

19. The United States delegation was the most active one on the committee. It had definite objectives: these appeared to be to understate in the Annual Report the substantial

difficulties encountered by the countries of South and Southeast Asia during the period under review, while stressing the achievements, and to emphasize wherever possible the importance of encouraging private investment, both domestic and foreign. Two reasons appeared to underlie this approach. In the first place, the conference was being held in the United States. Consequently the Report would be more widely publicized than in the past. It was important, therefore, from the point of view of continued Congressional and public support of United States aid programmes, that the Report should show that encouraging progress had been made and that government policies in the region were soundly based. Secondly, there was doubtless a realization that the admission of major difficulties would almost inevitably lead to demands for more aid and hence further pressures on the United States Treasury.

20. The United States approach, particularly as put forward during the early meetings of the committee, encountered considerable resistance, notably from the chairman and the Indian delegate. The committee did not gloss over the difficulties to quite the extent the United States delegation might have liked; but on the whole the United States view prevailed, and both the Report and the communiqué reflect this fact.

21. In general, however, the Drafting Committee is not one where strong national positions are taken and held. The countries of the region, with the exception of India and to some extent Pakistan, did not as a rule take an active part in the proceedings except when their own chapters were being considered. Among the countries outside the region, Japan contributed virtually nothing; the United Kingdom changed its representation on the committee too often to make a consistently effective contribution; the Australians and ourselves were able at times to help in bridging some of the differences arising between the United States delegation and the Asians.

(e) Working Groups on Chapters I and II

22. The first two chapters of the Annual Report, which review progress in the region as a whole and indicate the tasks ahead, were, as usual, the most contentious and difficult to draft. Their preparation was assigned by the Drafting Committee to two working groups of its own members. The chairman of these two working groups were the leaders of the United Kingdom delegation and of our delegation. Observers from the International Bank and ECAFE made a major contribution to the drafting of Chapter I. The Drafting Committee spent more time on it than on any other chapter. The working group on Chapter II included delegates from Ceylon, Indonesia and the United States as well as from Canada. It was clear that the United States delegation had come to the conference with definite instructions as to what this chapter should contain.

Discussion of the Report in the Consultative Committee

23. In his inaugural address to the Consultative Committee, President Eisenhower said that the United States expected "to take increasing advantage of your cooperative activities in shaping its own financing of development programmes" in the area. He then referred to five measures which the United States would press energetically. Three of these measures — for the expansion of international trade, the increase of technical assistance, and the provision of public loans on normal bankable terms — were, he said, already charted or underway. Two vital measures, however, remained to be carried out: the stimulation of private investment and the expansion of development financing on flexible terms of repayment. These themes of trade, training and capital dominated the discussion of the Annual Report which followed. There were also references to the desirability of a degree of regional coordination.

(a) *Trade Problems*

24. The very heavy trade deficits incurred in 1957-58 by most countries of the region were mentioned in many speeches. The Asian representatives were particularly anxious to draw attention to the adverse shift in their terms of trade, which, as the Report noted, was as much as 9 percent in 1957 for the region as a whole. Several speakers pointed out that a shift of this magnitude neutralizes the value of practically all the aid given by outside countries. There were repeated references to the desirability of limiting fluctuations in the prices of particular primary commodities.

25. A number of the Asians welcomed the agreement of Commonwealth countries at the Montreal conference — to which Mr. Smith and several other speakers referred — to take part in whatever commodity-by-commodity examination of price fluctuations might be required. They also expressed appreciation of President Eisenhower's cautious assurance that, where special difficulties might arise with respect to particular primary commodities, the United States was prepared to join in a discussion of such problems "to see whether or not a solution can promptly be found." But there was no disposition by anyone to minimize the difficulties of securing effective international action; and the Malayan representative, with the experience of the International Tin Agreement in mind, referred pointedly to the vital importance of cooperation by the major consuming countries.

(b) *Technical Training*

26. The emphasis in the Report on the urgency of giving greater attention to the development of technical and managerial skills was reflected in several speeches. The Burmese representative, U Win, laid particular stress on the importance of bringing in foreign teachers to train nationals at national or regional centres of training, a method he considered superior to either bringing in experts or sending out trainees. Prince Wan of Thailand said that hitherto technical assistance had been for the public sector; in his view insufficient attention had been given by recipient and donor countries alike to this problem in the private sector.

(c) *External Finance*

27. It was, however, the problems of investment and external capital to which most speakers devoted their principal attention. The Report had noted the increasingly important role of public investment in almost all countries of the region, the heavy budgetary deficits owing mainly to the acceleration of development programmes, and the high level of deficit financing despite considerably enlarged foreign assistance. It recognized that some of the difficulties of the past year were outside the control of the countries concerned, but commented that the adverse effects would probably have been mitigated further had some of the countries reacted more rapidly and more strongly to adjust their monetary, fiscal and development policies to the changed circumstances.

28. While not contesting the validity of this comment, almost all the Asian representatives laid great stress on the long-term need for additional capital. About 80 percent of all development expenditures in the region was being financed internally, they said, but without a substantial inflow of investable resources it would be virtually impossible for many of the countries to reach a rate of development which would be more or less self-sustaining. The Ceylonese representative said that grants had made and were making a useful contribution, but that what was urgently needed now was for the more developed countries to facilitate the raising of loans in their money markets, to provide for government-to-government loans on comparatively easy terms, and to encourage and induce private capital in their countries to flow into the underdeveloped ones.

29. The Asian representatives generally welcomed both the steps which had been taken towards augmenting the resources of the International Bank and the International Monetary Fund and the hope expressed by President Eisenhower that additional funds would be provided by the United States Congress for the Development Loan Fund. Dr. Soebandrio of Indonesia stressed the particular importance of ability to borrow on flexible terms of repayment, and expressed the hope that this initiative by the United States would be strengthened by other countries. Mr. Mohammed Ali of Pakistan said that the faculty of repaying loans from the Development Loan Fund in local currency was of great value to all countries in the area. Mr. Vu Van Mau of Vietnam said that there was no doubt that the formula of long-term loans repayable in local currency met with unanimous approval. The Ceylonese representative and several others also referred to the United States suggestion that an International Development Association be established as an affiliate of the International Bank. No specific reference was made, even by the Japanese representative, to the proposal for an Asian development fund.

30. The Report had noted that the net inflow of foreign private investment to the countries of the region continued to be relatively small, but that it could resume or take on a more important role if afforded greater opportunities and attracted in sufficient volume. Mr. Dillon's statement that the United States government was intensifying its search for ways and means by which it could facilitate and encourage United States private investment in the less developed areas was welcomed by several speakers. For the United Kingdom, Commander Noble said that his country was once more in a better position to lend; it was not yet able, however, to commit its resources too far in advance. He added that sound financial standards should be applied in making capital available, and that private capital could only be expected to flow at an adequate rate in a context of relative stability. Dr. Soebandrio and several other Asian representatives referred to the inducements to foreign investors offered by their governments. Dr. Soebandrio said that this had not been easy in Indonesia since suspicion was rampant that foreign investment meant a drain on the national wealth.

(d) *Regional Considerations*

31. U Win of Burma was the first to speak of the need for regional coordination of national plans in order to avoid dislocations. The Ceylonese representative spoke of each country reappraising its own development plans and programmes in the light of others as outlined at meetings of the Consultative Committee. Dr. Sinco of the Philippines referred to the urgency of "planning on somewhat regional lines." Prince Wan of Thailand drew attention to the regional aspect of many projects and the need for coordinating these projects. Mr. Vu Van Mau of Vietnam spoke of concerted action by the countries of the region "to harmonize production plans and stabilize the prices of raw materials," and said that no international institution was better qualified for this task than the Colombo Plan. Other representatives reserved their comments about regional coordination for the special item on this subject (paras. 40-44).

TECHNICAL ASSISTANCE

32. The Technical Cooperation Scheme received more emphasis and attention at the Seattle meetings than was apparently usual at earlier Colombo Plan conferences. Evidence of this is the importance attached to training in several country chapters of the Annual Report, in the chapter on "The Task Ahead" and in the remarks of Ministers and official delegates. This emphasis was also reflected in the discussions of the Subcommittee on Technical Assistance, which were apparently broader and more active than in previous years.

Subcommittee on Technical Assistance

33. The Subcommittee on Technical Assistance, set up by the Officials Meeting, included delegates from ten countries. Four were from countries of the Colombo Plan region (Cambodia, India, Indonesia and Pakistan) and six were from outside countries (Australia, Canada, Japan, New Zealand, the United Kingdom and the United States). It prepared a draft chapter on technical assistance for the Annual Report, reviewed the working of the Technical Cooperation Scheme and submitted a report on the working of the Scheme and related matters.

34. The chairman of the subcommittee (Mr. Shepherd of New Zealand) tried with considerable success to make the discussions as broad and useful as possible. All delegations were invited to send observers to its meetings; almost all took advantage of this invitation and participated fully in the discussions. Since most countries had included in their delegations one or more members with direct experience and interest in the operations of the Technical Cooperation Scheme, an informed exchange of views was possible which probably had considerably more value for the persons participating than the report and chapter prepared by the subcommittee would, in themselves, indicate. The value of the discussions was less in restating principles and policies than in explaining and resolving practical administrative and programming difficulties in the operation of the Scheme.

35. It appeared to be the feeling of most delegations that this way of dealing with technical assistance at the annual meetings was more satisfactory than the earlier and more limited discussions, and it seems likely that the procedure adopted in 1958 will be followed in future years. The subcommittee did indeed agree to recommend that, in view of the interest in technical assistance at this year's meetings and the useful contributions made by those delegates who were nominally observers, future discussions should be in a committee of the whole. This recommendation was not accepted by the Business Committee for reasons indicated in paragraphs 68-69.

Report of the Subcommittee

36. No wide divergence of opinion on the principles of the Scheme were apparent in the subcommittee's discussions. Canadian views on the matters discussed were on the whole consistent with those held by the United Kingdom, New Zealand and Australian representatives, and were acceptable to the Asian members. As a result, the conclusions and recommendations of the subcommittee reflected our delegation's instructions and should not give rise to any serious difficulties in practice.

37. The report recommended *inter alia*:

(a) that member governments requiring technical assistance might periodically submit information about their requirements to the Council for Technical Cooperation, for circulation to other governments, without the Council attempting however to draw up a balance sheet of needs and availabilities;

(b) that the trend toward providing more training facilities within the area should be encouraged, and that the survey of such facilities should be completed as soon as possible;

(c) that member governments might initiate requests, whenever appropriate and practicable, for the services of experts already in the area, or for their trainees to observe the operation of projects in other member countries.

Discussions in the Consultative Committee

38. Seven Ministerial representatives spoke in the Consultative Committee on the technical assistance item. Four were representatives of countries outside the region (Australia, the United Kingdom, New Zealand and the United States); and each of these took the

opportunity to announce a substantial increase in his country's technical assistance programme. Mr. Dillon, speaking for the United States, also said that his government intended to apply in the very near future for full membership in the Council for Technical Cooperation. Our delegation had thought of announcing the medical book scheme, but information that it had been approved by Cabinet arrived too late to be used.

39. Only three representatives of countries in the area (Malaya, Pakistan and Cambodia) participated in the discussion on this item. Mr. Mohammed Ali of Pakistan stressed the need for greater coordination of the various agencies' programmes and suggested that a regional centre for advanced studies in irrigation and flood control would be of general benefit. Another specific suggestion (made by Mr. Jumabhoy of Singapore on an earlier item) was that member countries might consider giving some training in the field of tourism.

40. All those who spoke on technical assistance — including the Director of the Colombo Plan Bureau and the Executive Chairman of the United Nations Technical Assistance Board, who spoke as observers — endorsed the view expressed in the Annual Report that the need for technical assistance in the region is greater than ever. The Consultative Committee concluded its discussion of the subject by noting the report of the Subcommittee on Technical Assistance and commending its recommendations to member governments and to the Council for Technical Cooperation.

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REGIONAL IMPACT OF NATIONAL PROGRAMMES

44. This special item appeared on the agenda as a result of a suggestion at the 1957 meeting by the representative of Burma. Some aspects of regional coordination had been discussed at the annual working parties on economic development and planning, convened by ECAFE since 1955. These were reviewed by ECAFE in a paper circulated to the Consultative Committee. It concluded that the general tendency appeared to be to favour coordination in respect of specific projects or programmes rather than to embark on more ambitious regional coordination of plans; so far there had not even been discussion about coordination with a view to ensuring that industries are selected, priorities determined and targets fixed in the most economical manner, although coordination in these wider fields could, in the opinion of the ECAFE secretariat, be profitable.

45. Mr. Michael Hoffman (Director, Economic Development Institute, International Bank for Reconstruction and Development), who had been invited by the host government to introduce the discussion, took a more critical view of the possibilities. He thought that economic relationships within a region become less predictable and more complicated as a result of national economic programming, and that it would be futile, probably undesirable and even dangerous to attempt regional planning of industry, for example. However, he agreed with ECAFE that there was likely to be increasing advantage for the countries of the area in undertaking regional programmes of trade liberalization. Within certain limited fields, moreover, (such as the control of waterways, technical education, scientific research and health), the creation and growth of regional institutions was, in his opinion, desirable and probably inevitable. At a later stage, he thought it possible that regional financial institutions could serve a useful purpose.

46. Seven Ministerial representatives spoke on this item. (As indicates in para. 31, a number had referred to regional problems when discussing the Annual Report). U Win of Burma said that the countries of the region must plan together to avoid dislocations and waste; he did not agree that regional planning was more difficult or complex than national planning. Mr. Bhagat of India, on the other hand, doubted whether discussion of these

problems was realistic at the present tempo of development, or whether the Consultative Committee was the most suitable forum. The Vietnamese representative was in favour of proceeding by stages, beginning with the exchange of information about national development plans, commodity markets, and the national resources in particular products. For Pakistan, Mr. Mohammed Ali emphasized the basic diversity of the region, and said that coordinated planning must necessarily be restricted in scope and limited in its possibilities. The Singapore representative thought that something along the lines of the European common market should be attempted in South and Southeast Asia.

47. Only two representatives of countries outside the region participated in this discussion. Mr. Nash of New Zealand referred to the "magnificent concept" of the Mekong river scheme as an example of what could be done through regional cooperation. Mr. Dillon, for the United States, stressed the importance of avoiding regional restrictions on trade, and said that great mutual benefit could result from step by step cooperation in specific fields.

48. Finally, Mr. C.V. Narasimhan, Executive Secretary of ECAFE, said that the thinking of some member governments had advanced to the point where it might be possible to develop common markets in the region for particular products. There was also some reason to hope that greater exchange of information, in ECAFE and in the Colombo Plan, would enable governments to take the industrialization plans of other countries into account when deciding on their own plans.

OTHER BUSINESS

Site of 1959 Conference

70. When the conference opened in Seattle, both Indonesia and Malaya had made it known that they were willing to act as hosts for the 1959 conference. The Indonesian delegation lost no time in emphasizing to other delegations the importance which its government attached to this matter. The Malaysians, on the other hand, apparently concluded within two or three days, from such informal discussions as they had or as the United Kingdom delegation had on their behalf, that their offer was perhaps premature and had less support than the Indonesian offer. The general expectation that Malaya would withdraw its bid was not confirmed, however, until the second last day of the conference, when the Malayan delegate told the Business Committee that, in view of Indonesia's intention to offer Indonesia as the site, and the fact that Indonesia had indicated its desires in this respect two years ago, Malaya had decided not to extend an offer from the next conference. The formal offer was then made in and accepted by the Consultative Committee. No attempt was made to reach an understanding, either formal or informal, about the site for 1961, when the host will again be a country of the region.

The Communiqué

71. The Business Committee assigned the drafting of the communiqué to a subcommittee of its members, comprising delegates from five countries of the region (Ceylon, India, Indonesia, Pakistan and Vietnam) and four outside countries (Australia, Canada, the United Kingdom and the United States). In its final form the communiqué represented a compromise between the desire of the United States delegation for a short and "not too gloomy" text, frankly directed at Congressional and public opinion in the United States, and the Indian insistence that it must not fail to recognize that the year had been a difficult one for the region as a whole.

72. After some further discussion on whether to append Chapter I as well as Chapter II of the Annual Report to the communiqué, the subcommittee agreed to an Indian suggestion

that the first eleven paragraphs of Chapter I (essentially a summary of the review) be appended. In doing so it agreed also, at the insistence of the United States delegation, to a last-minute revision of the first paragraph of the Report in order to correct what they regarded as its excessively gloomy character. The compromise text was then approved by the Consultative Committee without substantive change.

Director of the Colombo Plan Bureau

73. There was some informal discussion between delegations on the question of a successor to Mr. R.H. Wade as Director of the Colombo Plan Bureau. The Japanese had been expected to press a claim, but the Japanese delegation gave no indication of any special interest in the matter. It was the impression of our delegation that the election of a Japanese to the post of Director at this time would be unwelcome to a number of delegations, including some Asians; certainly there was no indication of a strong move on the part of the Asian delegation for such an election. In these circumstances it appeared that the United Kingdom might consider nominating one of its nationals, thus starting the cycle anew. Our delegation, in accordance with its instructions, indicated informally that we would probably be prepared to agree to any good and generally acceptable candidate, regardless of origin, but that we thought it was still too soon for a Japanese to take over the Directorship.

Previous Proposals

74. No direct reference was made during the conference by any delegation to the earlier Japanese proposal for an Asian Development Fund. When speaking on the Annual Report, Mr. Ikeda said only that his government had recently set aside a sum of 5,000 million yen "to be put into such channel as to further promote our economic assistance to those countries."

75. Nothing was said by the United States delegation or by any other delegation about the earlier United States proposal for an Asian nuclear centre. Mr. Dillon and several other speakers referred in a general way to the benefits to be derived from cooperation in scientific research.

76. The Mekong River project was mentioned in several speeches to the Consultative Committee. The Canadian representative did not refer to it publicly. Mr. Narasimhan (Executive Director of ECAFE) expressed to Mr. Smith privately his strong hope that Canada would find it possible to participate. Mr. Smith told him that it was one of a number of possibilities that would be given careful consideration.

Discussions with Other Delegations

77. Mr. Smith had private discussions at Seattle with the Foreign Ministers of Vietnam, Indonesia and Nepal regarding our Colombo Plan programmes and other matters. Members of our delegation had discussions during the Officials Meeting with delegates of Indonesia, Malaya, Vietnam, Burma, North Borneo and Sarawak, Cambodia, Laos, Nepal and Singapore. These discussions were mainly concerned with technical assistance.

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7^e PARTIE/PART 7

RELATIONS AVEC DES PAYS PARTICULIERS
RELATIONS WITH INDIVIDUAL COUNTRIES

SECTION A

ROYAUME-UNI
UNITED KINGDOM

SUBDIVISION I/SUB-SECTION I

MISSION COMMERCIALE AU ROYAUME-UNI
TRADE MISSION TO THE UNITED KINGDOM

433.

DTC/7-1536

Extrait du livre des instructions

Briefing Book Extract

[Ottawa, n.d.]

THE PURPOSE AND OBJECTIVES OF THE CANADIAN TRADE MISSION
TO THE UNITED KINGDOM

The official statement issued in Ottawa on October 4, 1957,⁹³ at the conclusion of the bilateral talks between Canadian and United Kingdom Ministers, records that an expansion in Anglo-Canadian trade is a primary object of policy of both Governments.

It was agreed that one way to encourage the desired expansion was to arrange a visit of a high-level trade delegation from Canada to the United Kingdom with the purpose of stimulating purchases, from United Kingdom sources, of goods now imported from non-Commonwealth countries.

Accordingly, the Canadian Trade Mission to the United Kingdom has been organized.

Its immediate objectives are to provide a favourable climate, and to seek specific opportunities, for the expansion of British exports to Canada so that Canada may take full advantage of sources of supply in the United Kingdom and British exporters may participate increasingly in Canada's growing import requirements.

In particular, the aims are:

1. To demonstrate to Canadian industrialists, importers and others, the great ability and potentialities of the United Kingdom to meet to a greater extent the import requirements of Canada;
2. To make British industrialists more aware of Canada's growing and diversified market, and to encourage them to sell more in Canada and to provide the services which are so necessary in the Canadian market;

⁹³ Voir/See Document 361.

3. To develop further friendly and close cooperation between British and Canadian businessmen and government representatives.⁹⁴

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PCO

Extrait des conclusions du Cabinet

Extract from Cabinet Conclusions

SECRET

[Ottawa], December 3, 1957

Present

The Minister of Public Works,
 Acting Minister of Defence Production and
 Acting Prime Minister (Mr. Green) in the Chair,
 The Minister of Finance (Mr. Fleming),
 The Minister of Veterans Affairs (Mr. Brooks),
 The Minister of Transport (Mr. Hees),
 The Solicitor General (Mr. Balcer),
 The Minister of Trade and Commerce (Mr. Churchill),
 The Minister of Justice and
 Acting Minister of Citizenship and Immigration (Mr. Fulton),
 The Minister of National Revenue (Mr. Nowlan),
 The Minister of Agriculture (Mr. Harkness),
 The Minister of Fisheries (Mr. MacLean),
 The Postmaster General (Mr. William Hamilton),
 The Minister without Portfolio (Mr. Macdonnell),
 The Minister without Portfolio (Mr. Browne),
 The Minister of Mines and Technical Surveys (Mr. Comtois),
 The Minister of National Health and Welfare (Mr. Monteith),
 The Minister of Northern Affairs and National Resources (Mr. Alvin Hamilton),
 The Leader of the Government in the Senate (Senator Haig),
 The Secretary to the Cabinet (Mr. Bryce),
 The Assistant Secretaries to the Cabinet (Mr. Fournier), (Mr. Martin).

CANADIAN MISSION TO UNITED KINGDOM; REPORT BY THE MINISTER
 OF TRADE AND COMMERCE

1. *The Minister of Trade and Commerce* reported on the Canadian mission to the United Kingdom and stated that it was an unqualified success. There was now no reason to believe that the purposes of the mission could not be entirely fulfilled. The reception by the people of the British Isles, according to members of the British press, had surpassed anything since World War II, except perhaps a Royal visit. Canada had received the greatest publicity and the best advertising from this mission. So much interest had been created that 700 British firms, other than those which the mission was visiting, had asked for an opportunity to meet the members of the Canadian delegation. Arrangements had been made for

⁹⁴ Entre le 21 novembre et le 18 décembre 1957, le ministre du Commerce, M. Gordon Churchill, et M. James S. Duncan, président de l'Hydro-Electric Power Commission of Ontario, ont pris la tête d'une délégation commerciale de 57 personnes au Royaume-Uni. La délégation a visité plus de 100 sociétés individuelles dans l'ensemble du pays, et a tenu de larges consultations avec les gens d'affaires et les hauts fonctionnaires britanniques.

Between November 21 and December 18, 1957, Minister of Trade and Commerce Gordon Churchill and James S. Duncan, Chairman of the Hydro-Electric Power Commission of Ontario, led a 57 person trade delegation to the United Kingdom. The delegation visited more than 100 individual firms located throughout the country and consulted widely with British businessmen and government officials.

members of the delegation to meet representatives of these firms during the last three days in London. Misunderstandings relating to delivery and sales programmes had been ironed out. The British had been found open to suggestions. They were now in a position to enter into the export market with vigour. The President of the Board of Trade, Sir David Eccles, and Sir William Rootes of the Dollar Exports Council were responsible for the excellent preparations made in the United Kingdom for the mission.

He had stressed that the two main purposes of the mission were — one, to assess the productivity, efficiency, and progress of the British industry and two, to inform the British businessmen of the great opportunities awaiting them in Canada. The British had assured the Canadian delegation that their advertising and sales promotion would be improved. Since British goods were now less in short supply than they were in recent years, they would be in a better position to meet delivery dates.

The Minister said that, whereas diversion of 15 per cent of Canadian imports from the United States to the United Kingdom might have appeared impossible at times, he now felt more confident that this could ultimately be achieved. The mission in the United Kingdom had been more than a trade mission and should influence the relations between Great Britain and Canada and also strengthen the Commonwealth.

He had been able to visit a number of industrial plants and had been impressed by the progress which had been made in British industry. It appeared that a full recovery had been achieved in England from the war damage and from the difficulties of the early post war years. Factories were in full production, were efficient and well managed; considerable amount of automation had been introduced. Members of the Canadian mission had been most impressed by the housekeeping of the British factories.

He thought that the mission might also result in the establishment of British branch plants in Canada and would also create more immigration for Canada. When the mission arrived in Glasgow, they were met at the station by a pipe-band and 500 people who had not been invited but who knew about the mission through the publicity given it by the press, radio and television. He would propose to make a brief statement that afternoon in the House along the above lines.

2. *The Cabinet* noted with satisfaction the report of the Minister of Trade and Commerce concerning the Canadian trade mission to the United Kingdom and his intention to make a brief statement about it to the House of Commons that day.⁹⁵

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G.C. Vol. 60

*Le sous-ministre adjoint du Commerce
au ministre du Commerce*

*Assistant Deputy Minister of Trade and Commerce
to Minister of Trade and Commerce*

[Ottawa], January 6, 1958

There is no question but that the Trade Mission to the United Kingdom was a tremendous success. From a purely trade point of view, it created the interest amongst British

⁹⁵ Voir *Chambre des Communes, Débats*, volume II, 1957-1958, pp. 1849 à 1850.
See House of Commons, *Debates*, Volume II, 1957-1958, pp. 1763-1764.

producers in the Canadian market which in the past has been so sadly lacking. The extensive favourable press coverage in both the United Kingdom and Canada is evidence of this as are the hundreds of enquiries from British and Canadian firms which have followed. The meeting which is to be held on January 20th between members of the Mission and the principal British Trade Commissioners in Canada, coupled with the issuance of the Mission's report, will be the culminating stage of this successful project.

It is evident from dispatches from London that, in certain sections at least, further action is expected by the Canadian Government as a follow-up to the Trade Mission. It is important therefore that careful consideration be given to the next stage in order to avoid anything resembling an anti-climax.

In this there seem to be several important considerations. In the first place, it is essential that the Canadian Government undertake some measure of follow-up to the work that has already been done. There are two distinct fields of action open. The Canadian Government, if it desired, could set up a sales promotion organization in Canada for the purpose of promoting the export and sale of British products to Canada and the processing of numerous enquiries which will arise as a direct result of the Mission's visit to the United Kingdom. There would be three dangers in following such an approach. In the first place, by long custom and practice, responsibility for promoting British sales in this country rests on the very extensive Trade Commissioner service which the British Government maintains in Canada — some 24 officers. It would be undesirable for a Canadian Government agency to assume the responsibilities which properly belong to this organization. In the same way, it would be inconceivable for the British Government to set up an organization in the United Kingdom to take over from our own Trade Commissioners in that country responsibility for the promotion and sale of Canadian products in the United Kingdom.

Perhaps even more important would be the reaction of other foreign governments such as Germany, France, Japan, etc., each of which is an important market for Canadian products and, in turn, an important supplier of goods and materials to Canada. While these countries would not be expected to object to a limited amount of discrimination in favour of the United Kingdom in the Canadian market, they certainly would view with concern any steps taken by the Canadian Government in the direct promotion of British sales in Canada which would adversely affect their own business. In other words, if the Canadian Government established a branch for the promotion of imports from the United Kingdom, then other countries which have equally important balance of trade problems with Canada would properly expect the same measure of assistance for their own products on the Canadian market.

Finally, with the levelling off in the Canadian economy, there is real danger that Canadian manufacturers and producers, who are at the same time large tax payers, would be certain to resent Canadian money being used to create more competition from imports on their own market and would demand similar efforts on their behalf to sell in the Canadian market. There has already been an indication of criticism in this respect and it is feared that this would grow appreciably if the Canadian Government entered into the active promotion of British imports into Canada.

It is essential, therefore, that a good deal of care be exercised in deciding what further should be done to ensure a satisfactory follow-up of the work of the Trade Mission and, at the same time, avoiding any situation which might prove embarrassing to the Government.

Within this framework, there are several steps which could be usefully taken which would be helpful to British trade and which would be unlikely to cause any resentment either by Canadian manufacturers or by our other good customers abroad:

(1) *Meeting between the Trade Mission Members and the British Trade Commissioners.* This has already been decided on for January 20th and it will provide an opportunity for the presentation of the Mission's report and for additional desirable publicity in Canada and the United Kingdom.

(2) *The Dollar Sterling Board in Toronto.* This body should be revitalized by adding to it some members of the Trade Mission to the United Kingdom; by arranging regular and more frequent meetings with adequate publicity; and, most important, by the appointment of a press or publicity relations officer with adequate Canadian experience. The main function of the Board as well as of the British Trade Centre should be the creation and maintenance of favourable trade publicity rather than the processing of individual trade enquiries. For this purpose, an outstanding public relations officer of Canadian experience is essential.

(3) *The Magazine "Canadian Trends".* This should be revived and enlivened as it could serve a useful purpose in the field of British publicity.

(4) *Local Advisory Committees.* In each centre where a British Trade Commissioner is located in Canada, a local advisory committee should be set up comprising such members of the Trade Mission who live in that area. It would be the purpose of this advisory committee to keep alive the interest in British trade and assist the British Trade Commissioner by their sound business advice.

(5) *"Board of Trade Journal".* As many British manufacturers and exporters seem to be unaware of the existence of a British Trade Commissioner service in Canada, the *Board of Trade Journal* should be brightened up and made more attractive so that it would be read far more widely by British industrialists. This is important because the Journal should carry reports from British Trade Commissioners abroad as well as the names of all British trade representatives overseas. To brighten the Journal, it should have a more attractive format, use better paper, and perhaps an attractive cover.

(6) *Positive Action by the Canadian Government.* The following matters, each of which has its importance in British trade with Canada, should be enquired into:

- (a) tourist exemptions
- (b) Standards Association procedures
- (c) dumping
- (d) samples
- (e) government purchase*
- (f) D.B.S. statistics.

Memoranda on each of these items are being prepared and will be sent to you as quickly as possible. Most of these items require a good deal of investigation by departments other than Trade and Commerce. Steps should be taken to have a Cabinet directive issued with respect to each.

This has been discussed with Mr. Sharp, the Deputy Minister, and he concurs.

JOHN H. ENGLISH

* Voir la 5^e partie de ce chapitre./See Part 5 of this chapter.

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DTC/7-1536

*Note pour le ministre du Commerce**Memorandum for Minister of Trade and Commerce*

CONFIDENTIAL

Ottawa, June 16, 1958

Following the successful visits of the Dollar Exports Council delegation to Canada and the Canadian Trade Mission to the United Kingdom, the question arises as to what sort of continuing endeavour there should be?

It is generally agreed that it would be a pity if the great efforts put forward up to now should simply "fizzle out"; yet, there is a danger of that happening.

The general public would seem to have accepted the need for a greater diversification of imports in order to realize a better balance of trade (see editorial attached),[†] and many Canadians assume that the government, as a matter of policy, is actively promoting such a change. During the recent DEC delegation tour of Canada, suggestions were made as to how the government might realize its objective. These varied from a public relations campaign of personal contacts with businessmen to direct action by the use of discriminatory tariffs. I.H. Macdonald, the general manager of the Canadian Daily Newspaper Proprietors Association, advocated a large scale government advertising campaign to acquaint people with the serious situation arising from the imbalance of trade.

While the Department of Trade and Commerce is concerned primarily with exports, it is, as Hon. J.M. Macdonnell told the DEC delegation, "conscious of the importance to Canada's trade of assisting the U.K. to supply a larger share of our import requirements." Just after the war, an import division was set up and performed a valuable function in helping Canadian industry find sources of supply abroad. The department's 1947 annual report says that the division received 3,251 inquiries, and "through its efforts 963 Canadian firms were able to enter into direct negotiation with foreign suppliers." The division provided information and liaison for Canadian industry and tried to solve some of the difficult post-war problems of shortages and government restrictions. It compiled and kept up to date a list of Canadian importers and a handbook of commercial information.

In 1948, the Dollar Exports Board (fore-runner of the DEC) was formed in the United Kingdom, and shortly afterwards James Duncan was persuaded to head the Dollar Sterling Trade Board which the Government of that time sponsored and actively supported. An Ottawa office for the DSTB, manned by a government official as secretary-liaison officer was opened. It is generally acknowledged that this body did an effective job during the period of direct government aid.

Within time, the British established a strong trade commissioner service in Canada, and the work of the import division declined and was finally suspended. The DSTB as the Dollar Sterling Trade Council remained in existence but was a Council largely in name.

The situation has changed considerably since then, and it could be said that a **NEW PHASE IN CANADA'S TRADE RELATIONS BEGAN LAST YEAR**. The government then expressed grave concern over the serious trade deficit with the United States which had reached the proportions of a billion dollars a year, and announced its intention of righting this. The Canadian Trade Mission to the United Kingdom was the first step in a long range program to bring about a greater diversification of imports.

At the Mission's final conference in Ottawa on January 21 and 22 of this year, an attempt was made to revitalize the DSTC. However, a government offer to aid this body and provide it with an office and a secretariat, as had been done in 1948, was turned down.

There is general regret now, among those concerned with increasing Anglo-Canadian trade, that this move failed. Sir William Rootes would have much preferred to see the Canadian Government closely associated with DSTC as the British Government is with the DEC. The Dollar Sterling Trade Council has been reorganized and has acquired a full time secretary, but the question is whether it will be truly effective without government collaboration. The Regional Committees have been formed and acted as hosts to the DEC delegation; they are new and their contribution will depend on the guidance and leadership they receive.

There would seem to be no doubt that the DSTC represents the best means for continuing the efforts to increase Anglo-Canadian trade — that is the opinion of almost everyone concerned.

A return to the direct government action of the immediate post-war period might produce quicker results. Perhaps an import division would not be necessary, but an assistant director for imports in the Commodity division might be appointed. Officially, the functions of such an officer would be non-discriminatory — he would be concerned with imports from anywhere — but actually the main emphasis of his work would be on Anglo-Canadian trade. However, any suggestion that the government was encouraging imports, even though these imports were not competing against goods produced in Canada, might not be wise politically at a time of unemployment and recession.

On the other hand, a liaison officer, who would work closely with the DSTC and serve as a link between it and the government, should not arouse any criticism. Such a person would be concerned with the whole broad subject of imports and would keep the Minister informed on any trends and developments. There would be a public relations side to this job as he would be expected to advise on any statements or information furthering the government's efforts to bring about a better balance of trade. He would keep in touch with the large purchasing agents in the country, but his main task would be to cooperate with the DSTC. He should try to obtain from this body a monthly report on its activities. Another duty would be liaison with the DEC in the U.K. (for instance, he might well find out from the DEC how many of the hundreds of firms whose representatives saw the Canadian Trade Mission have followed up these interviews with action).

While the DSTC may insist on its independence, it must work closely with the government as it is engaged in the same endeavour. In any case, the government is going to be held responsible for any failure on the part of the DSTC to produce results. No tangible signs of increased imports from the U.K. could eventually prove to be embarrassing.

It has been said that "for an effective balance against the weight of the U.S. we need an enlarged counterweight across the Atlantic." An attempt is being made to bring this about

with the efforts to increase trade with the United Kingdom. These are surely of the greatest importance and cannot be allowed to lapse.⁹⁷

[PETER STURSBURG]

SUBDIVISION II/SUB-SECTION II

VISITE DU PREMIER MINISTRE MACMILLAN À OTTAWA, 24-26 OCTOBRE 1957
VISIT OF PRIME MINISTER MACMILLAN TO OTTAWA, OCTOBER 24-26, 1957

437.

DEA/50359-A-40

*Le secrétaire d'État aux Affaires extérieures
à l'ambassadeur aux États-Unis*

*Secretary of State for External Affairs
to Ambassador in United States*

TELEGRAM K-188

Ottawa, October 30, 1957

TOP SECRET. PRIORITY.

Repeat London, NATO Paris, Candel New York (Information).

By Bag Paris, Brussels, The Hague, Rome, Ankara, Athens, Bonn, Lisbon, Copenhagen, Oslo.

U.K.-U.S.A. CONVERSATIONS

The United Kingdom Prime Minister, Foreign Secretary and the officials who accompanied them to Washington visited Ottawa from the evening of October 24 to the afternoon of October 26. The following is an account of a meeting held of U.K. and Canadian Prime Ministers, Ministers, and senior officials on October 26. Essentially the meeting was occupied with a description of the Washington conversations.

2. Macmillan began with a general account of the conditions governing the Washington talks. They were not intended to pursue details or reach specific agreements. The object was to arrive at a general understanding between the two governments on the central issue. That issue was to coordinate the strength of western countries as security against the growing Russian strength, particularly in the scientific field; and to counteract Soviet influence in uncommitted countries.

⁹⁷ Aucune réponse officielle à ce mémoire n'a été trouvée. Le Dollar Sterling Trade Council a reçu 7 000 \$ du ministère du Commerce pour couvrir quelques-uns des frais encourus à la suite de la mission du Dollar Export Council au Canada, au mois de mai 1958, et de la publication du rapport de la mission commerciale par le Dollar Sterling Trade Council. À l'exception de ce paiement, toutefois, il semble que les hauts fonctionnaires du ministère du Commerce, sous la pression de nombreux gens d'affaires canadiens, aient refusé de soutenir des initiatives gouvernementales additionnelles visant à promouvoir et à faciliter l'importation de produits britanniques.

No official response to this memorandum was located. The Dollar Sterling Trade Council received \$7,000 from the Department of Trade and Commerce to cover some of the costs incurred as a result of the Dollar Export Council mission to Canada in May 1958 and the publication of the trade mission report by the Dollar Sterling Trade Council. With the exception of this payment, however, it appears that Trade and Commerce officials, under pressure from many Canadian businesses, refused to support additional government initiatives designed to promote and facilitate the import of British products.

3. The time was opportune for such a conversation. There had been a degree of American complacency and consequent unreadiness for full cooperation; but this atmosphere had been changed materially by recent Russian successes. American dependence on their own resources had been accompanied by rigidity on secrecy. Such a view had never been shared by the President but at Washington — in contrast with his attitude at Bermuda⁹⁸ — Dulles threw his powerful influence toward a changed relationship.

4. Opportunity existed therefore to carry forward the process begun at Bermuda and to produce results more tangible than at that meeting.

5. The mood now was one of inter-dependence, not construed as exclusive bilateral relations between the two countries but broadened to include partners in NATO, the Bagdad Treaty, etc. Close if private cooperation between London and Washington could only be helpful, but the policies contemplated in general terms were to apply to wider groupings.

6. Such was the psychological base for action. The essential character of the meeting is reflected in the communiqué issued in Washington on October 24.⁹⁹

7. We shall now describe the substance of the meeting under the main headings:

(a) *Cooperation in Scientific Research and Development.* Macmillan said that the United States now accepted in full the principle of cooperation between allies in relation to the combination and sharing of resources in the scientific field. (Communiqué, Section II, paragraphs 1, 2 and 3). No attempt had been made to work out arrangements in detail before the Congress had approved the executive action proposed. Macmillan stated that what they had sought to avoid was a situation in which only a few privileged members of the Alliance would possess atomic weapons. Such a situation would have a damaging effect on the Alliance. The importance of the December NATO Council Meeting was stressed and the desirability of Heads of Government being present.¹⁰⁰ No detailed schemes had been examined for the purpose of extending scientific cooperation to the production and development fields.

(b) *The "Fourth Power" Problem.* Macmillan reported a change in the U.S.A.'s approach toward the availability to Allies of atomic weapons. Not only has Russia broken the U.S.A. monopoly but scientific advances necessitated a reassessment of earlier concepts. Nuclear weapons are no longer only for massive destruction; a wide range of nuclear weapons has become available and these increasingly resemble conventional ones. The best guarantee that these weapons will remain in responsible hands lies in some plan of joint partnership. Selwyn Lloyd thought that the French would welcome any proposal which would avoid their having to produce nuclear weapons. He added that the U.S.A. are still opposed to the development of nuclear weapons by fourth countries.

(c) *United Kingdom Cooperation with Europe.* Arising out of a question by a Canadian Minister on possible misunderstanding of a sentence in paragraph 8 of the communiqué (the one concerning the relation of the European free trade area and the European Common Market), the U.K. Ministers made a positive statement. They denied any validity in the rumours that they were weakening in their decision to exclude agriculture from the proposed free trade area agreement. Following on this remark they spoke of the impossible position which would arise for the United Kingdom if an "industrial union" of the Six

⁹⁸ Voir le volume 22, les documents 734 à 736./See Volume 22, Documents 734-736.

⁹⁹ Pour le texte de la Déclaration d'objectif commun, voir United States, Department of State, *Bulletin*, volume XXXVII, no. 959, November 11, 1957, pp. 739 à 741.

For the text of the Declaration of Common Purpose, see United States, Department of State, *Bulletin*, Volume XXXVII, No. 959, November 11, 1957, pp. 739-741.

¹⁰⁰ Voir la 4^e partie, chapitre II./See Chapter II, Part 4.

Powers (with possible additions) were not accompanied by a wider free trade area. The U.K. Government could not go on maintaining four divisions on the continent if at the same time France and Germany, in concert with their partners, were seeking to destroy U.K. industry. Under such a situation NATO would collapse and a great victory would be achieved by Russia.

(d) *Middle East*. Reference to the Middle East was incidental. The U.K. Ministers reported that they and the Americans discounted the possibility of unilateral action on the part of Turkey without consultation.

(e) *Nuclear Tests*. It was learned that the policy aspects of nuclear tests had not been examined in Washington but experts had had some discussion on possible joint facilities. Macmillan pointed out to us that a wider exchange of information would make it unnecessary for the U.K., for example, to continue its tests if the data sought was made available from U.S.A. tests.

[J.] LÉGER

SUBDIVISION III/SUB-SECTION III

VISITE DU PREMIER MINISTRE MACMILLAN À OTTAWA, 11-13 JUIN 1958
VISIT OF PRIME MINISTER MACMILLAN TO OTTAWA, JUNE 11-13, 1958

438.

PCO

*Note du secrétaire d'État aux Affaires extérieures
pour le Cabinet*

*Memorandum from Secretary of State for External Affairs
to Cabinet*

CABINET DOCUMENT NO. 181-58

[Ottawa], June 23, 1958

SECRET. CANADIAN EYES ONLY.

VISIT OF PRIME MINISTER MACMILLAN, JUNE 11-12-13

The discussion which we had with Mr. Macmillan last week was most informative. During our conversations Mr. Macmillan reviewed the problems of present international importance in considerable detail.

Mr. Macmillan told us that the President and Mr. Dulles were endeavouring to be as helpful as possible to their friends in the Commonwealth. However, Mr. Macmillan felt that the leadership which President Eisenhower and Mr. Dulles would give the free world might not be as great as could be hoped for. At present, the United States Administration was particularly concerned with the amendments to the McMahon Act, which involves the exchange of information about atomic developments, the extension of the Reciprocal Trade Agreement Act and the passing of the Mutual Aid Bill.

We were told by Mr. Macmillan that the amendments to the McMahon Act were very important to the United Kingdom since they would authorize the United States to provide the United Kingdom with information about certain aspects of atomic developments of considerable value to the United Kingdom. With this information the United Kingdom would be in a better position to consider the question of the suspension of nuclear tests possibly early next year. Mr. Macmillan related this problem to the technical discussions

which will commence at Geneva in July on atomic inspection and on the detection of nuclear explosions.

Mr. Macmillan mentioned that the United Kingdom wanted the Armed Forces of the Federal Republic of Germany to be equipped with atomic weapons. Among other reasons was the fact that the burden of defense expenditures should be shared more equally among Western Europeans.

Mr. Macmillan said that the United States had agreed to the British view that no atomic weapons now held by the Strategic Air Command in the United Kingdom would be used without the explicit permission of the United Kingdom Government. This provision also applied to American I.R.B.M.'s eventually to be located in the United Kingdom. However, the United States had no veto on the activities of the United Kingdom Bomber Command equipped with atomic warheads of United Kingdom manufacture.

Mr. Macmillan had found President Eisenhower and Mr. Dulles still lukewarm about a summit conference. The Americans were very reluctant to expose President Eisenhower to the type of rugged negotiation which could be expected at a summit conference with Khrushchev and the other Russian leaders. The Prime Minister of the United Kingdom told us that the British public favoured a summit conference. It was considered essential in view of the heavy burden of taxation for defence, apart from any other important considerations, that all possible avenues of approach for reaching some understanding with the U.S.S.R. must be explored. Mr. Macmillan was, however, not very hopeful about the progress towards understanding with the U.S.S.R. which might result from a summit meeting. However, he was confident that the U.S.S.R. did not want to start a general war in the next few years, although he thought that the cold war on the economic and political fronts would continue for a long time to come, and the U.S.S.R. would be pressing the West in economic and political warfare amongst the uncommitted nations.

Mr. Dulles, we were informed, placed great emphasis on the technical discussions which are to take place at Geneva next month. If any progress were made there this would facilitate a favourable decision by the United States.

We gathered from Mr. Macmillan that he felt that a summit conference would also be desirable from the aspect of forestalling any intentions which General de Gaulle might have for bilateral discussions with the Soviet Union. If General de Gaulle were to do this, there might be some risk of disruption to some extent of the relations of France with its NATO partners. Mr. Macmillan has so far not been able to fathom what the French under General de Gaulle plan to do. Mr. Macmillan therefore felt it would be much better to have a summit meeting with General de Gaulle in attendance, rather than giving the General a chance to move ahead on his own.

Developments in the Middle East in recent weeks were also discussed. Mr. Macmillan told us that the guarantee of the United States and the United Kingdom to the present Government of Lebanon still stood. He said that Mr. Dulles had been very firm when they had discussed it in Washington. Intervention would only be made at the request of the Lebanese Government and in accordance with Article 51 of the United Nations Charter. Mr. Macmillan said that the presence of "the watch-dog commission" in Lebanon would certainly have a bearing on what the United States and the United Kingdom did. However, the success of the Commission depended on the adequacy of its deployment of observers in the mountainous and inhospitable frontier terrain with Syria. Mr. Macmillan thought that if the United States had not proposed the guarantee to Lebanon and if the United Kingdom had not consented to it, that country might have fallen to Nasser. Public knowledge of the intention of the United States and the United Kingdom had probably impressed the Soviet

Government which in turn had impressed Nasser and its wish to avoid a major international crisis. As a result of Khrushchev's advice Nasser may have sought through the United Nations ways of reducing his country's intervention in Lebanon without loss of face in the area. Mr. Macmillan thought that Nasser would probably renew his pressure on Lebanon later on, unless, of course, he was prevented from doing so by the United Nations Commission.

The Suez Canal was discussed briefly. We understood that the United Kingdom thinks that the United Arab Republic is being cooperative in the negotiations about surcharges for shipping in the Suez Canal as it wishes to obtain a loan for further development.

Mr. Macmillan told us that the United Kingdom intended to press forward with its plans of promoting local self-government for the Turkish and Greek communities in Cyprus.¹⁰¹ Foreign affairs and national defence would, however, remain as a prerogative of the United Kingdom. Mr. Macmillan showed his understanding of the feelings of the Turks.

In the discussion of economic matters, Mr. Macmillan expressed disquiet about the slackening in the rate of economic growth that had been experienced in many parts of the free world. This was particularly disturbing in view of the continuance of rapid rates of economic growth within the Communist bloc. During his visit to Washington, Mr. Macmillan had discussed with the United States authorities the probable course of the present recession there and, as a result of the conversations he had had on this subject, he was fearful that the Administration might not take such early and substantial action as the situation seemed to require. In the United Kingdom, too, there had been some slackening in the rate of economic growth. The brakes had been applied deliberately in order to curb inflationary tendencies and to safeguard the reserves. Before long, however, Mr. Macmillan thought that circumstances would permit a further expansion of the United Kingdom economy.

Mr. Macmillan was confident that the Commonwealth Conference would be a notable success. But if success were to be achieved, the temptation of using the Conference as an opportunity for intensifying restrictions against non-Commonwealth countries must be resisted. It was important that whatever was done at the Montreal Conference should facilitate, and not hinder, economic cooperation with the United States. It must also be borne in mind that the meetings in New Delhi of the International Bank and of the International Monetary Fund would follow hard on the heels of the meetings in Montreal, and careful attention must be paid to making the two sets of discussions mesh as well as possible.

There was at present throughout the world a relative scarcity of working capital with which international trade could be financed. The United States authorities now recognized this problem and were moving with increasing firmness to try to meet it. Mr. Macmillan had been given to understand in Washington that at the meetings in New Delhi the United States in all probability would be willing to participate in some appropriate initiative to increase world liquidity. For the moment, however, while Congress was still in session, there was some nervousness about any possible public discussion of these issues. It must also be recognized that neither Congress nor the Administration would find much appeal in a financial operation designed merely to rescue sterling.

No doubt the Montreal Conference would be distinguished by some agreements on matters which the public might consider to be of only technical interest. In addition,

¹⁰¹ Pour un compte rendu élargi des discussions avec le premier ministre Macmillan sur la question de Chypre, voir le document 272.

For an expanded account of the talks with Prime Minister Macmillan on the Cyprus question, see Document 272.

Mr. Macmillan hoped that the Conference would result in some achievement which would impress ordinary people throughout the Commonwealth as justifying it and sealing it with success. The proposal that, in Mr. Macmillan's opinion, was most likely to meet this requirement was the proposal for a Commonwealth bank. He was aware that it could be argued that a Commonwealth bank was unlikely to mobilize additional savings, either within the Commonwealth or from other sources, and that in practice the existence of such a Commonwealth institution might lead to a reduction of lending to Commonwealth countries by the International Bank. But none of these possible objections to the proposal should be regarded as insuperable. In particular, he was not convinced that a Commonwealth bank would fail to secure for investment purposes additional savings within the Commonwealth. The Indian maharajahs and the merchants in Hong Kong had savings which were not now making any contribution towards the economic development of Commonwealth countries. To mobilize these savings, it might also be necessary to mobilize a Commonwealth mystique. It was on grounds such as these that Mr. Macmillan advanced his case for a Commonwealth bank.

In reply to questioning, Mr. Macmillan agreed that a dismantling of discriminatory import restrictions would be in the United Kingdom's own interest and, indeed, that it was the policy of the United Kingdom Government to move towards complete non-discrimination as quickly as possible. However, he did not think that it would be possible to make a decisive announcement on this subject at the Commonwealth Conference. More precisely, he stated that he did not think the United Kingdom would be in a position by September to announce either the complete removal of discrimination or its disappearance over a short period of time. Mr. Macmillan gave a number of reasons for this view. In the first place, it would be necessary before taking decisive action of that kind to see more clearly what the probable course of the United States recession would be. Secondly, it would be necessary to await the outcome of the meetings of the International Monetary Fund and the International Bank in New Delhi. Finally, he argued that a further element of uncertainty was introduced into the situation by the possibility — perhaps it should even be called the probability — that there would be a financial crisis in France within the next two or three months.

When it was suggested that a wide initiative might profitably be taken by the forthcoming Commonwealth Conference in an attempt to make commodity prices more stable, Mr. Macmillan, without dealing with that possibility directly, expressed the personal view that it was more important to increase effective demand for primary products than to maintain their price. In this field the United States had a unique responsibility since any efforts that it might make to expand the purchasing power of its consumers would not be hampered by a shortage of exchange reserves. When it was suggested that it would have a good affect on the world trade in wheat if the United Kingdom were to rejoin the International Wheat Agreement, Mr. Macmillan said that the United Kingdom Government had already taken a decision to be represented at the conference that would be meeting this fall to consider the re-negotiation of the Agreement. The United Kingdom would examine with an open mind any new agreement that might be formulated.

In the course of his remarks about the current negotiations for a European free trade area, Mr. Macmillan gave an assurance that the United Kingdom would continue to pay close attention to the interests of Canadian agricultural producers in the United Kingdom market and would ensure that their interests were not adversely affected. If it proved necessary to make some concessions concerning agriculture, they would have to be borne by domestic producers in the United Kingdom. What would be involved, in other words,

would be horticultural products; and if easier access to the United Kingdom market for such products were granted to continental suppliers, those who would suffer would be United Kingdom growers of fruits and vegetables. No agreement would be entered into by the United Kingdom which would worsen in any way the competitive position of Canada's agricultural exports in the United Kingdom market. In the negotiations, the United Kingdom would also bear in mind that in the past Canada had shipped to the United Kingdom a wider range of agricultural commodities than at present, including particularly cheese and pork products, and that it was the wish of the Canadian Government that Canadian producers should have an opportunity in future to export such commodities to the British market, if the prices of such Canadian commodities could be made competitive.

Referring to the recent report of the Canadian Tariff Board on wool fabrics, Mr. Macmillan inquired whether, in the view of the Canadian Government, it was necessary to follow the Board's recommendation and increase the preferential rates of duty. After listening to a description of the difficulties which the Canadian woollen industry had been experiencing and to a statement stressing the modest nature of the tariff increases that had been proposed, Mr. Macmillan seemed to acquiesce, although reluctantly, in the proposed increases in the preferential rates of duty.

SIDNEY SMITH

SECTION B

NOUVELLE ZÉLANDE : IMPORTATION DE FROMAGE NEW ZEALAND: CHEESE IMPORTS

439.

DEA/5909-40

*Note du sous-secrétaire d'État adjoint aux Affaires extérieures
pour la direction économique*

*Memorandum from Assistant Under-Secretary of State for External Affairs
to Economic Division*

CONFIDENTIAL

[Ottawa], August 19, 1958

NEW ZEALAND DAIRY PRODUCTS

I should be grateful if you would prepare a memorandum on this subject for the Minister to send to the Prime Minister.

2. You will be aware that the Minister of Agriculture, in a letter to Mr. Smith of the 6th of August,† rejected out-of-hand a proposal that Canada give New Zealand a very modest quota of cheese imports, and Mr. Fleming subsequently reported at a meeting of the Cabinet Committee on the Commonwealth Trade and Economic Conference that neither he nor the Minister of Trade and Commerce felt in a position to pursue this matter further with Mr. Harkness. I have been very disturbed by the possibility that the mild, but obviously seriously considered, representations received from the New Zealand Government on this matter may be met with a flat negative. The consequences of such action on our relations with New Zealand, in my opinion, are bound to be serious. Of more immediate importance is the probable consequence for the Commonwealth Trade and Economic Conference. If we are unable to give the New Zealanders any satisfaction whatsoever on the issues they have raised with us, not only is it impossible that we should expect any trade

concessions from them, but they may well be in such a mood as to take a very disruptive stand at the Conference.

3. This is a matter of such importance that I think it must be brought to the Prime Minister's attention. In many ways, it would be best, I think, if Mr. Fleming were to raise it with the Prime Minister; but we know from Mr. Plumptre that such action is, unfortunately, out of the question. I doubt, however, whether our Minister need feel under the same inhibition. We in this Department also have the advantage of having brought the New Zealand representations to the attention of the Prime Minister and of having been informed that he wishes to be kept up-to-date on this matter (see the note on Mr. Smith's memorandum to him of the 30th of June†). I have discussed with Mr. Plumptre the possibility of Mr. Smith re-opening with the Prime Minister the decision taken by Mr. Harkness, and Mr. Plumptre very much hopes that it may be possible for our Minister to do so. Accordingly, as I stated at the outset, I should be glad if you would prepare for me a memorandum for Mr. Smith to send to Mr. Diefenbaker. It should be in strong terms and should describe fairly bluntly the consequences as we see them for our relations with New Zealand and for the success of the Commonwealth Trade and Economic Conference, if Mr. Harkness's present attitude is allowed to prevail. I think it would not be amiss either to refer in the memorandum to Mr. Diefenbaker's forthcoming Commonwealth tour and to the representations he will certainly receive in Wellington on this subject, if the Canadian Government continues to exclude from the Canadian market New Zealand's principal export commodities.¹⁰²

D.V. LEP[AN]

440.

DEA/5909-40

*Note du sous-secrétaire d'État aux Affaires extérieures
pour le secrétaire d'État aux Affaires extérieures*

*Memorandum from Under-Secretary of State for External Affairs
to Secretary of State for External Affairs*

CONFIDENTIAL

[Ottawa], August 21, 1958

CANADIAN RESTRICTIONS AGAINST NEW ZEALAND DAIRY PRODUCTS

You will recall the representations that have been made to us in this matter by New Zealand in June and July. As a result of these representations you and your colleagues agreed that officials should look into the position to see what it might be possible for Canada to do for New Zealand within the framework of our existing price support policy for dairy products.

2. The paper prepared by officials was discussed briefly at a meeting of the Cabinet Committee on the Commonwealth Conference and it was agreed that Mr. Fleming would have a word with Mr. Harkness with respect to the next step in this matter. Mr. Harkness subsequently wrote to you on August 6† to confirm what he had earlier told Mr. Fleming,

¹⁰² Le 28 mai 1957, le Cabinet a ordonné que le fromage cheddar soit placé sur la liste de marchandises d'importation contrôlées jusqu'au 31 mai 1958. Le 29 mai 1958, les contrôles des importations sur le fromage cheddar ont été prolongés pour une autre année.

On May 28, 1957, Cabinet directed that cheddar cheese be placed on the import control list until May 31, 1958. On May 29, 1958, the import controls on cheddar cheese were extended for an additional year.

namely that there was no room at the present time for doing anything to meet the New Zealand representations. Mr. Harkness' letter is attached for your information.

3. As you will appreciate, our evident intransigence in this matter has serious implications for our relations with New Zealand and for the outcome of the forthcoming Commonwealth Trade and Economic Conference. In these circumstances, I thought that you would wish to avail yourself of the Prime Minister's expressed desire to be kept up to date on this matter (as noted on the attached memorandum of June 30†) to put the issues frankly before him. A memorandum in this sense is attached for your signature.¹⁰³

4. From the discussions we have had in the Cabinet Committee in recent weeks about the Canadian position in relation to New Zealand I am reasonably confident that the Departments of Trade and Commerce and Finance would be glad to see this Department take the initiative in bringing this matter to the Prime Minister's attention.

D.V. LEPLAIN
for Under-Secretary of State
for External Affairs

[PIÈCE JOINTE/ENCLOSURE]

*Note du secrétaire d'État aux Affaires extérieures
pour le premier ministre*

*Memorandum from Secretary of State for External Affairs
to Prime Minister*

CONFIDENTIAL

[Ottawa], August 21, 1958

CANADIAN RESTRICTIONS AGAINST NEW ZEALAND DAIRY PRODUCTS

I am very much concerned about the consequences of our position in this matter on Canadian relations with New Zealand. I am particularly concerned about the extent to which the New Zealand grievance against us could vitiate the atmosphere at the forthcoming Commonwealth Trade and Economic Conference.

You will recall that we have now had formal representations from New Zealand on two occasions. I brought these representations to your attention at the time and you indicated that this was a matter on which you wished to be kept up to date. I am now sending you this further memorandum because of the position that has been taken by the Minister of Agriculture that nothing at all can be done to meet the New Zealand representations.

I regard the New Zealand case against us as one of substance. They are in serious balance of payments difficulties. They depend on dairy products for just under a quarter of their total export earnings. They have a record of having co-operated with us over a very long period of time in voluntarily limiting shipments of dairy products to the Canadian market. (In the case of butter, this co-operation goes back to 1938.) They are at present in a position where they are being denied access to the Canadian market for virtually all their dairy products. They are not asking us for the impossible; as they themselves put it to us what they want is "an indication of Canada's willingness to recognize New Zealand's claim to a share in the Canadian market."

¹⁰³ Note marginale :/Marginal note:

Signed & sent Aug. 24 [auteur inconnu/author unknown]

There is a closely related matter about which New Zealand has voiced its concern. They argue that apart from the direct effect which the Canadian price support system has of closing the Canadian market to imports, it is also bound to lead to the accumulation of surpluses which must in due course be sold abroad at concessional prices. They claim that our disposals of surplus dairy products in certain markets have had the effect of displacing their normal commercial sales and have helped to depress still further world market prices for these commodities.

This is clearly one of the major issues in our relations with New Zealand. It is also an issue which New Zealand will wish the Commonwealth Trade and Economic Conference to consider in its wider implications for the interests of primary producing countries. If New Zealand is given no satisfaction whatsoever on this issue we are not only in no position to expect trade concessions from them but they may well be in such a mood as to take a very disruptive stand at the Conference. I would also expect that strong representations would be made to you about our restrictions when you visit Wellington on your proposed tour of Commonwealth countries.

There are, of course, wider issues involved in our position in this matter. It is a matter involving commitments we have assumed under the General Agreement on Tariffs and Trade and specifically under our bilateral trade agreement with New Zealand. It is also a matter involving — admittedly to a lesser extent — the interests of Australia which has just liberalized its restrictions on trade with the dollar area, at least partly at our urging. It is perhaps not a matter of coincidence that both New Zealand and Australia have shown a disposition to buy their way into whatever agricultural arrangements may emerge from the current European initiatives directed towards freer trade. You will appreciate our interest in ensuring that a firm line is taken by third countries collectively in holding the Europeans to their existing commitments in respect of trade in agricultural products. Finally, it seems to me that our position in this matter of dairy products as it affects New Zealand is one which, if adopted with similar rigour by the United States, would be bound to do Canadian interests very serious injury.

At Mont Tremblant last autumn we assured New Zealand (and Australia) that Canada did not intend to continue its restrictions on dairy products indefinitely and that we would hope in the coming months to find common ground for agreement at the Montreal Conference. It was partly on these assurances that the New Zealand representations to us in June and July of this year were based. At the request of the Ministers primarily concerned officials here prepared a paper setting out the nature and scope of the problem and possible courses of action that could be taken by us to meet the New Zealand position. Mr. Harkness has now indicated, however, that "under the situation which exists at the present time any imports of New Zealand cheese or skim milk powder are out of the question."

In the light of the background which I have tried to outline, I would be seriously concerned if the case the New Zealand Government has put to us were met with a flat negative. New Zealand has traditionally been a firm supporter of the Commonwealth link. They are at present in a very difficult foreign exchange position to the point where they have sought and obtained a loan from the Government of Australia. I think that they have a right to expect from other Commonwealth countries a more forthcoming attitude than we have so far adopted towards them, particularly in the light of the initiative we have taken to put new meaning into the Commonwealth concept in economic terms.

SIDNEY SMITH

441.

PCO

*Extrait des conclusions du Cabinet**Extract from Cabinet Conclusions*

SECRET

[Ottawa], September 5, 1958

Present

The Prime Minister (Mr. Diefenbaker) in the Chair,
 The Minister of Public Works (Mr. Green),
 The Minister of Finance (Mr. Fleming),
 The Minister of Veterans Affairs (Mr. Brooks),
 The Minister of Transport (Mr. Hees),
 The Solicitor General (Mr. Balcer),
 The Minister of National Defence (Mr. Pearkes),
 The Minister of Trade and Commerce (Mr. Churchill),
 The Minister of Justice (Mr. Fulton),
 The Minister of Agriculture (Mr. Harkness),
 The Minister of Fisheries (Mr. MacLean),
 The Minister of Labour (Mr. Starr),
 The Minister without Portfolio (Mr. Macdonnell),
 The Minister without Portfolio (Mr. Browne),
 The Minister of National Health and Welfare (Mr. Monteith),
 The Minister of Northern Affairs and National Resources (Mr. Alvin Hamilton),
 The Secretary of State for External Affairs (Mr. Smith),
 The Minister of Defence Production (Mr. O'Hurley),
 The Secretary of State (Mr. Courtemanche).
 The Secretary to the Cabinet (Mr. Bryce),
 The Assistant Secretary to the Cabinet (Mr. Martin),
 The Registrar of the Cabinet (Mr. Halliday).

...

(c) Imports of New Zealand Cheese

15. *The Minister of Agriculture* said the government was holding some 12 million pounds of surplus cheddar cheese from the 1957 and 1958 production. It was thought that some 6 million pounds could be sold to the United Kingdom. Ontario wanted the government to sell the cheese back to the co-operatives at around a 4 cents a pound loss so they could export it. If this were taken, all the surplus cheese might be got out of the way.

An embargo on imports of cheddar cheese had been imposed as part of the Canadian price support programme, but not on specialty cheese. New Zealand was putting on increasing pressure to have some of their cheddar cheese admitted to Canada. Any imports would add to the present surplus, and be politically bad. However, a scheme had been worked out which allowed imports of 1,124,000 pounds of cheddar cheese and at the same time reduced the import of all cheese by nearly a million pounds. This could be done by putting into effect an import quota system on both cheddar and specialty cheeses. This would be similar to action taken by the United States. The basis recommended was a quota related to the pattern of trades during the previous five years; the total cheddar quota would be 1,250,000 pounds of which New Zealand would be allocated 1,124,000 pounds and the U.S.A. 123,000, being 100 per cent of the five-year average imports (1953-1957). For specialty cheese the total quota would be 7,209,000 pounds, equal to the average of imports in the last five years, but a reduction from imports of the last two years.

An explanatory memorandum had been circulated, (Minister's memorandum, Sept. 3, 1958 - Cab. Doc. 254-58).†

16. *Mr. Harkness* pointed out that the import of specialty cheeses would be down by close to one million pounds. The action could be defended on this ground. There had been substantial increases in these imports in the last three years and the countries that would suffer from the reduction would be Denmark, Italy, Switzerland, and to some extent the U.S.

17. *During the discussion* the following points emerged:

(a) There had been increasing pressure from New Zealand. There seemed no possible way for it to increase trade with Canada; in fact there might be curtailment, unless some cheese was let in. Dairy products there represented 40 per cent of the money value of exports and 60 per cent labourwise. Unless something were done, the Commonwealth discussion might be prejudiced. The proposed quotas on specialty cheese, however, would only make trouble in Europe and seriously affect Canada's position under the G.A.T.T. It would be better to authorize the delegation to the Commonwealth Conference to say Canada was prepared to negotiate with New Zealand on a modest import quota and leave the actual amounts for trade talks in later months. The balance of trade with New Zealand was in Canada's favour but the New Zealand financial position was weak and the economy shaky. She was merely protecting her exchange position. Canada should not go out of her way to multiply trade restrictions.

(b) Increasing the cheese surplus would create great difficulties. There was already a clogging up of meat disposal channels by the importation of frozen New Zealand lamb. The quota proposal seemed the only way to reach a compromise.

(c) It would seem that Canada was caught both ways. This was no time to take any firm decision that might imperil the success of the Commonwealth Conference. The best course was to wait and see what developed there.

18. *The Cabinet* after further discussion, deferred a decision on the various proposals regarding dairy products put forward by the Minister of Agriculture.

R.B. BRYCE

Secretary to the Cabinet

442.

J.G.D./VI/812.2 Montreal

*Note du secrétaire du Cabinet
pour le premier ministre*

*Memorandum from Secretary to Cabinet
to Prime Minister*

CONFIDENTIAL

[Ottawa], September 15, 1958

RE: COMMONWEALTH TRADE CONFERENCE

I was at the Conference for Mr. Fleming's meeting on Saturday night and had some discussions with him and the various officials following the meeting of the officials from various Commonwealth countries last week. I am going back again this afternoon and will return to see you on Wednesday.

In the meantime you will have noticed the unfortunate story that came out indicating a number of things that Canada was going to propose but exaggerating and dramatizing the "give-aways" so that whatever is finally done is apt to be a disappointment. You will find

the story on the front page of Saturday's *Journal* and I am having a clipping of it attached hereto.†¹⁰⁴

The one thing I would suggest you might give some thought to immediately about the Conference, based on what I have heard and on some reflection, is a willingness next Sunday at the Cabinet meeting if it appears expedient, to reverse the decision taken earlier on the admission of some imports of New Zealand dairy produce. I think that New Zealand could well put us in a very embarrassing position indeed at this Conference if it chooses to try to do so. I believe myself that the political dangers of a modest quota for New Zealand dairy products here are probably exaggerated now that we have such a firmly established set of price supports in this field. On the other hand, I would think that some cost to the Treasury in additional stocks of these dairy products would be a reasonable burden to accept as the price of avoiding what could be a serious and very embarrassing crisis over trade policy at this Conference.

I have not spoken to other Ministers about this matter and what I have mentioned here has not been done at the request of any of them, but simply as a result of my sizing up of the situation in my first visit to Montreal.

R.B. B[RYCE]

P.S. In the light of the discussions on Monday and Tuesday, I would only add that New Zealand has in the confidential discussions reiterated its point but rather indicated that it would not be satisfied with a token quota. However, I think some quota would still be helpful to them in their present troubles. There is also another matter relating to this about which I will be speaking to you.

September 17th, 1958.

R.B. B[RYCE]

443.

DEA/5909-40

*Le haut-commissaire en Nouvelle Zélande
au secrétaire d'État aux Affaires extérieures*

*High Commissioner in New Zealand
to Secretary of State for External Affairs*

DESPATCH NO. 592

Wellington, October 10, 1958

CONFIDENTIAL

Reference: Our Letters Nos. 399 of August 1st,† 434 of August 14,† and 568 of October 3.†

NEW ZEALAND 1959 LICENSING SCHEDULE — EFFECTS ON CANADIAN TRADE

In various communications dating back to last April, I have drawn the Department's attention to New Zealand's economic difficulties. I have also stressed the desirability of Canada exploring ways and means of offering assistance to New Zealand at this time. The New Zealand Minister of Finance, Mr. Nordmeyer, spoke in strong terms at the Montreal Conference about (a) the restrictions which have been placed on the few commodities New Zealand has available for export to Canada and (b) the undesirable practice of dumping surplus agricultural products abroad. The reports on the Montreal Conference which

¹⁰⁴ Voir *Ottawa Journal*, le 13 septembre 1958/See *Ottawa Journal*, September 13, 1958.

we have received to date do not indicate that Canada held out any hope of assistance, although we have heard rumours that discussions have been proceeding on one or two commodities which, if successful, might be of some assistance to New Zealand's dairy industry. I am sure that our comments, as detailed in our letters under reference, have received due consideration and that all concerned in Ottawa have now had the benefit of a frank exchange of views with the members of the New Zealand Delegation to the Montreal Conference. We should be very grateful to receive any information which the Department may be able to supply on any of the behind-the-scene discussions which have been or are taking place.

2. I have mentioned from time to time that we are in danger of losing a large portion of our \$16,000,000 market in New Zealand. (In this connection, please see paragraph 4 of our Letter No. 399 of August 1st, as well as paragraphs 7, 8 and 9 of our Letter No. 434 of August 14 and, finally, paragraph 6 of our Letter No. 568 of October 3, and other letters and enclosures from the Acting Commercial Secretary to the Department of Trade and Commerce.) The general level of imports into New Zealand will be lower in 1959 for balance-of-payment reasons (as predicted in our Letter No. 568 of October 3, 1958) and this will apply to imports from a number of countries. However, I am primarily concerned with seeing that imports of commodities from Canada are not, relatively speaking, lower than those from other countries, owing to discrimination in favour of other countries. I base this possibility on the announcement made on October 7 by the Minister of Customs, Mr. R. Boord, in which he outlined the policy to be following in making import licences available for 1959. I enclose,† for ready reference, the full Schedule of Import Licences, a statement by the Minister of Customs on the Import Licensing Schedule for 1959 and a Customs Department Circular Memorandum 1958/64.

3. In our Letter No. 568 of October 3, 1958, we reported that a certain amount of "dollar liberalization" had been decided upon by the New Zealand Government. This was confirmed by talks which we have had with officials of the Department of External Affairs. They have told us that, in the memorandum sent up to Cabinet concerning the 1959 imports, two points were stressed, namely:

(a) dollar discrimination for other than balance-of-payments and dollar conservation reasons was wrong in principle, and

(b) New Zealand should adopt, as its guiding principle regarding imports, a policy of purchasing goods in the cheapest markets.

This recommendation was endorsed without reservation by the New Zealand Government.

4. It is difficult, however, to see how this principle has been applied in the Schedule of Import Licences for 1959 which was released to the public on October 7. You will note from the attached Schedule that most items have now been placed on a global quota, with the exception of a limited list, designed as "M" items, for which individual licences will be required. While it is true that there are only about 40 main commodity groups included on this "M" list (about 72 individual commodities altogether), the items mentioned constituted about 45% of the total value of Canadian exports to New Zealand in 1957. This could have a disastrous effect upon the level of Canadian exports to New Zealand, if the introductory notes are correct. In this connection paragraphs 2 and 8 of the introductory notes are drawn to your attention. For ease of reference, they are quoted below (with the underlining as contained in the original):

"2. Item *other than* those designated "M". Licences issued for items not designated "M" are available for the importation of goods from any source.

Items designated "M": Licences issued for items designated "M" are available only for the importation of goods being the produce or manufacture of *other than scheduled countries*.

"8. In cases where application is made for licences for amounts in excess of the basic allocation (if any) as provided under the Schedule or for licences for goods included in items, applications concerning which are considered individually, the applicant must furnish supporting evidence to establish:

- (1) That the goods are actually required by him for the purpose of his business during the period mentioned; and
- (2) That, in respect of goods to be imported from a scheduled country and designated "M", the goods cannot be obtained from a country other than a scheduled country."

Certainly paragraph 2, which states quite baldly that "licences issued for items designated "M" are available only for the importation of goods being the produce or manufacture of other than scheduled countries" (Canada is a scheduled country), would seem to exclude the total range of goods in the 45% category mentioned above.

5. Nevertheless, in conversations that officers of this mission have had with officials of the Departments of Industries and Commerce, Customs, and External Affairs, it would appear that the situation is not as alarming as it would appear from the terminology of the schedule. External Affairs officials estimate that the overall reduction of imports in 1959 will amount to about 20% across the board and will be applied on a non-discriminatory basis. In other words, although Canada can expect to have a 20% cut in its exports to New Zealand in principle it will be no worse off, relatively speaking, than other suppliers. However, within the general lower level of imports Canada's share could be proportionately greater than it has been. For instance, 50-55% of the value of Canada's exports to New Zealand in 1957 are in the category now placed under global quota. This means that Canada will be competing on an equal basis with other suppliers around the world. However, this concession is more apparent than real since it would appear that those items which are now eligible for a global licence but which did not appear on the dollar list for 1958 are in categories for which the market is limited at any rate or in categories in which Canada is not particularly competitive. (The items on the global list which are important commercially for Canada and are not on the "M" list were on open licensing before.) In addition to this, it must be recognized that many of these global items are entitled to limited allocation. In summary, therefore, only a comparatively small number of relatively minor items would appear to have been opened for bids by Canadian exporters.

6. As for the so-called "M" list, although it is probable that some importers will apply for goods from dollar countries, under the conditions mentioned in paragraph 8 of the introductory notes to the Schedule (quoted above), the whole "M" category lends itself very easily to administrative manipulation. For instance, in the statement by the Minister of Customs on Import Licensing, page 3, he repeats "that items designated "M" will be available only for imports from non-scheduled countries" but then he adds "or from the scheduled countries specifically stated on it." This provision is intended to ensure that licences are not used at the discretion of the importer and provides the Minister with an effective instrument of control. What is disturbing is to note that it is normal practice for the Government to consider favourably an application by an importer to transfer a licence which he may hold on a scheduled country to a non-scheduled source. In this same paragraph, the Minister goes out of his way to remind importers that, as a result of the recent trade agreement, Japan is no longer a scheduled country.

7. This year Canada has had a heavy salmon catch and salmon is one of the imports in which we are particularly interested. On page 3 of the Schedule you will note that, after the item EX.33(3) ... fish, potted and preserved, n.e.i. etc., there is the letter "M". If we take this import licensing schedule as it stands, it means that Canada is precluded from any salmon licences during 1959 unless the Minister should choose to exercise his apparent authority to grant such a licence. As the situation stands at present, there is only one possible interpretation — salmon imports from Japan up to 75% of the base year but none from Canada except at the discretion of the Minister. There are, of course, other items in the schedule marked "M". Although the list is described in the Minister's statement as being "comparatively small," it is strange that so many of the items in the "small number designated "M" are of special interest to Canada and include motor cars, timber, asbestos and newsprint (see items marked with red in booklet). However, from discussions with local officials we have reason to believe that licences will be granted for those items on the "M" list from dollar countries.

8. The Minister also mentions that "at present there are serious obstacles to the entry of some of our products into those markets. We hope that we shall see a progressive reduction or removal of these obstacles to such extent that we shall be able to *maintain* and even increase the liberalization of dollar imports into New Zealand."

9. The fact that 45% of Canada's exports are in the "M" list almost certainly is not accidental, (although officials in the Department of Industries and Commerce and Customs expressed surprise at this figure when it was pointed out to them by our Acting Commercial Secretary.) There is little doubt that the authorities were selective in choosing the items for the "M" list and that the latter is obviously intended to be a bargaining instrument. External Affairs officials inadvertently acknowledged that this new schedule, as far as Canada is concerned, had been planned with a certain amount of flexibility in mind so that if Canada made some concessions regarding New Zealand dairy exports then Customs Department administrators could make more liberal rulings about applications for imports from Canada under the "M" category. That this "M" list is intended as a bargaining factor is not entirely confidential information as we know of at least one importer who was told at the counter of the Customs Department that imports of these items have been suspended pending knowledge of the results of the Montreal Conference. In other words, as we have often stressed in the last few months, a few minor concessions by the Canadian Government regarding New Zealand's primary products will go a long way in maintaining and even expanding Canada's present market in New Zealand.

10. The possibility of expanding Canadian trade to New Zealand, as mentioned in paragraph 9 above, should not be overlooked. As reported in paragraph 3 above, it now is definite New Zealand Government policy to encourage a measure of "dollar liberalization." It is probable that private importers will shift some of their import orders (for items on the global list) from sterling to dollar countries. In other words, assuming that the general level of Canadian exports to New Zealand will be cut 20% because of general tightening of import restrictions, it is not impossible that, say, 5% of this will be regained by the diversion of trade from non-scheduled to scheduled countries — provided, of course, the governmental administrators are disposed to issue the necessary permits.

11. As far as Canada is concerned, the immediate effect of this so-called dollar liberalization could be felt in the government sector first. Government purchases will be able to reflect immediately the new Government policies of dollar liberalization and buying in the cheapest market. For instance, the New Zealand Railway System is now planning to modernize its transport fleet. This will be a £3,000,000 order and Canada might be able to secure some of this business by exporting railway car chassis to New Zealand as the bases

for the car bodies which will be assembled here. As private business firms already have long established contracts with suppliers in sterling countries, it could take about two years for private importers to take advantage of the new dollar liberalization scheme and establish new contacts in dollar countries. That is why this new concept will probably be reflected in the government sector first.

12. In one of our letters to the Department we mentioned that some New Zealand officials had the impression that, because our imports of meat from New Zealand had been increasing, Canada might now consider placing limitations on the importation of meat. If this were to happen it would be the last straw. I may be taking too pessimistic a view of what is likely to happen but, certainly on the basis of information we have to date, the New Zealand authorities seem to have placed themselves in a position to discriminate against key Canadian exports to this country if they should wish to do so.

13. This letter has been prepared with the close co-operation of Mr. J. MacNaught, Acting Commercial Secretary, and a copy of his letter of October 9 on this same subject to the Acting Director, Trade Commissioner Service, is attached.†

G. HEASMAN

444.

DEA/5909-40

*Le sous-secrétaire d'État aux Affaires extérieures
au haut-commissaire en Nouvelle Zélande*

*Under-Secretary of State for External Affairs
to High Commissioner in New Zealand*

LETTER NO. 326

Ottawa, November 24, 1958

CONFIDENTIAL

Reference: Your Letter 592 of October 10.

CANADA-NEW ZEALAND TRADE

We greatly appreciated your letter under reference and your earlier letters on this important subject.

2. At the end of your first paragraph you expressed an interest in having some information on behind-the-scene discussions with the New Zealand Delegation to the Montreal Conference last September. You might find the following brief summary helpful.

3. As you know, the Office of the High Commissioner for New Zealand kept up pretty steady pressure on us for some time before the Conference with a view to obtaining some concessions on cheese and other dairy products. I think we have sent to you copies of all the relevant papers, on this subject and specifically the letter to our Minister from Mr. T.P. Davin, dated July 14,† as well as a later one dated September 5† from Mr. Fese Shanahan, the High Commissioner. Both of these were considered very carefully by Ministers, and before the replies were sent the Prime Minister was consulted.

4. Unfortunately, as you probably know, we were unexpectedly overtaken by events on the eve of the Conference itself when on September 10 the Chairman of the Agricultural Price Stabilization Board offered Board holdings of 1958 cheese to the trade for domestic distribution at 36¢ a pound, F.O.D. warehouse. The Board also advised purchasers that it was prepared to allow a rebate of 7¢ a pound on exports to the United Kingdom. There was a leak to the press from the Ontario Board which made it impossible to keep the plans

confidential. As a result, the news of this offer became public that afternoon and our Delegation in Montreal only just had time to forewarn the New Zealand Representatives. The Chairman of the Board had just been instructed to take urgent action to get the Ontario Board out of its difficulties which involved large holdings that were being offered for sale in the United Kingdom.

5. As far as this Department is aware there have been no consultations since the Conference ended on this subject with the New Zealand Representatives here.

RODNEY GREY
for Under-Secretary of State
for External Affairs

SECTION C
ANTILLES
WEST INDIES

SUBDIVISION I/SUB-SECTION I

AIDE
AID

445.

PCO

*Note du secrétaire d'État aux Affaires extérieures
pour le Cabinet*

*Memorandum from Secretary of State for External Affairs
to Cabinet*

CABINET DOCUMENT NO. 48-58

[Ottawa], March 3, 1958

CONFIDENTIAL

AID TO THE WEST INDIES

On January 27 Cabinet approved an interim technical assistance programme for the West Indies under which immediate requests by the federal authorities in the West Indies for Canadian experts and for training programmes in Canada were to be met. Consideration was to be given to more long-term measures of Canadian assistance to the federation. With the authority of the Ministers concerned, officials had held informal discussions with representatives of the West Indies to review their needs and resources and to explore ways in which Canada could be of assistance.

2. From these discussions two conclusions emerged: first, that any Canadian aid should be directed to helping the federation as such; and second, that the top priority need of the federation at this stage was for an inter-island shipping service. The West Indian authorities have stated emphatically that this is their greatest need; and undoubtedly, as a form of aid, it would have the widest popular appeal. In this connection a copy of a senior Canadian official's report, with which I am in full agreement, is attached as an annex.† This report emphasizes the high importance attached by the West Indies to an immediate Canadian announcement before their election on March 24.

3. It is proposed that we should decide now to give the West Indies a ship for the inter-island service and that an announcement to this effect should be made well before the election in the West Indies which is to take place on March 24. This announcement would leave open the possibility of giving a second similar ship. Canadian shipping experts agree with the West Indian view that the inter-island service requires two vessels. If built in Canada, these would cost about \$2 ½ million each. Because of the time required for the preparation of plans and specifications construction could start approximately eight to ten months after a decision is made to proceed. It should be noted that if a formal decision to provide the second vessel is deferred, no time will be lost in the planning of this vessel because it would be similar to the first vessel.

4. Officials have been guided in their discussions by the views of Ministers concerned, to the effect that expenditures for aid to the West Indies of approximately \$10 million over five years would be appropriate. If it were agreed that two ships might be provided as the major item of capital aid, half this sum would remain to be spent over the next five years. This would be used to continue and to expand the technical assistance programme which has already been started and to support it with equipment and contributions to building costs, etc., where appropriate.

5. I recommend,¹⁰⁵ with the concurrence of the Minister of Finance and the Minister of Trade and Commerce, that the Canadian Government announce immediately

(1) that, in response to a request from the West Indies and as the first major project in the Canadian programme of aid to the new federation, the Government has decided to give a ship to be used in the inter-island shipping service; and

(2) that discussions regarding further capital and technical assistance under the Canada-West Indies aid programme are expected to take place with representatives of the West Indies who are being invited to be present at the Commonwealth Trade and Economic Conference in Montreal in September, 1958.

[SIDNEY SMITH]

446.

DEA/14020-W-1-1-40

*Le commissaire en Trinité
au secrétaire d'État aux Affaires extérieures*

*Commissioner in Trinidad
to Secretary of State for External Affairs*

DESPATCH NO. 140

Port-of-Spain, June 30, 1958

RESTRICTED

Reference: My Despatch No. 105 dated June 6th, 1958.†

¹⁰⁵ Approuvé par le Cabinet le 4 mars 1958. Pour le texte de la lettre envoyée le 10 mars 1958 par le premier ministre Diefenbaker à lord Hailes, gouverneur général des Antilles, annonçant les plans d'aide canadiens, voir Canada, ministère des Affaires extérieures, *Affaires Extérieures*, vol. 10, N° 3, mars 1958, p. 71.

Approved by Cabinet on March 4, 1958. For the text of the letter sent on March 10, 1958, from Prime Minister Diefenbaker to Lord Hailes, the Governor-General of the West Indies, announcing the Canadian aid plans, see Canada, Department of External Affairs, *External Affairs*, Vol. 10, No. 3, March 1958, p. 71.

DEVELOPMENT — CANADIAN AID PROGRAMME

On 27th June I was asked if I would attend a meeting under the Chairmanship of the Hon. R.L. Bradshaw, Minister of Finance for the Federal Government, in order to discuss the development of the Canadian Economic and Technical Aid Programme for The West Indies. Apparently when Mr. Maynier, Permanent Secretary to the Minister of Trade & Industries, was in London during the preliminary talks for the Commonwealth Economic Conference, he had talks with Messrs. Plumptre, Isbister and Couillard concerning the further development of the Canadian Aid Programme. According to Maynier, he was asked by the Canadian officials to provide as soon as possible a list of priorities for economic and technical aid. It was in order that I should be informed of the West Indies position concerning their needs for aid that the meeting was called.

2. For some time we have felt here that there may have been developing some misunderstanding concerning procedure in the development of the Canadian Aid Programme. That is to say, we were somewhat uneasy lest the Canadian side was waiting for The West Indies to take the initiative in furthering development of the Plan and that The West Indies on the other hand were waiting for further advice from Canada. In fact in the lack of any word from you and on the assumption that you might wish to have from Parliament a vote of a certain sum of money to be expended on Aid, we had not been too concerned at the apparent hiatus on the development of our Economic Aid Programme. It now seems, however, if Maynier's report is accurate, that you have been waiting for The West Indies to come forward with suggestions for further aid.

3. The result of this request has been that the officials here have been suddenly galvanized into furious action and requests have been made to all departments to submit within a few hours their ideas on aid that should form the basis for a comprehensive programme which can be considered by Canada, the United States and Great Britain.

4. It is clear that as the United States is organizing its I.C.A. team for the conduct of its aid policies in this area, The West Indies Government is most anxious that before they enter into detailed discussions with the United States they should have discussions with Canada. So far, however, no decision has been made here concerning timing but there is no doubt that they would like to have some guidance from us concerning our own views on timing. They appreciate that because of the forthcoming Commonwealth Economic Conference we may find it difficult to meet with them before that Conference or to undertake the necessary preliminary studies that would make such a meeting decisive. However, clearly they would prefer to meet before the Economic Conference although they fully understand that the Conference itself will not deal with Aid and there will be no relationship between the subjects discussed at the Economic Conference and the questions dealing with the formulation of a Canadian Aid Programme.

5. In so far as a meeting is concerned therefore, the initiative really lies with us. Specifically they would like to know when we would like to meet with their officials or Ministers in order to further discuss projects or plans. They are quite prepared to fall in with any Canadian proposals in this respect. If, for example, you would wish to have a meeting of officials first they would be quite agreeable. Subsequently if we would then wish for our Ministers to meet in order to conclude any agreement they would be glad to make this possible. They are also quite willing to meet wherever you find it most desirable, either in Ottawa or in Port-of-Spain.

6. The West Indian Government is, as I have said, feverishly trying to work out their own requirements for aid and they should have sorted out the various possibilities in the very near future, even if they will have difficulty in arriving at a firm list of priorities.

7. Nevertheless, in the question of timing and the sort and place of meeting, the initiative rests with us. On the other hand ostensibly the selection of the way in which economic and technical aid will be used is a matter for West Indian initiative. However, I say ostensibly because I am sure that it is in both our interests that we should try to give The West Indies as much help as possible in sorting out the confusion that exists because of the number of projects that need or seem to need doing. Thus I hope that we will not give too much stress on neat "priorities." If we wait for The West Indies to come up with a precise list of priorities, of projects, then I am afraid that we will have to wait a very long time because we are asking them to accomplish an almost impossible task.

8. There are a great many things needing doing and the main thing is to make sure that whatever is done is in fact useful and necessary to the economic development of these islands. To attempt to assign to each project a relative degree of importance is neither practical nor, I suggest, necessary.

9. I am enclosing a list of projects and a supplementary list that officials have drawn up for general discussion. These lists must not under any circumstances be considered as firm requests by The West Indies for aid. They are merely a compilation of ideas which have been put forward by different departments of Government. Many of these ideas will be eliminated before the story is complete and of course there will be additions to these lists. I forward them, however, simply as an indication of how officials are thinking, and to give you some indication of how we might start directing our thoughts in relation to an Aid Programme. The subjects suggested are those for possible consideration for aid from all sources, and not necessarily for Canadian participation. You will note that the lists do not contain any reference to the forestry school proposed by Mr. Barnes, the formation of the statistical office proposed by Mr. Herbert Marshall, nor to the proposal for a guarantee of a housing loan suggested by Mr. Gold which we mentioned in the despatch under reference. This is because neither one of these offices thought it advisable to submit these proposals without having an indication from the Canadian Government of our reaction. Since, however, these Canadian officials are being asked to submit ideas for aid from all sources I have suggested that they should go ahead with their proposals but without suggesting that the Canadian Government would or would not be interested in supporting those particular suggestions. Thus the fact that these proposals are not on these lists should not under any circumstances be construed to mean that they are not likely to be included, or that they would not be regarded as important.

10. In order that we can help at this end, I hope you will let us know as quickly as possible how you visualize the development of our programme. Presumably before we can seriously discuss a comprehensive programme or before we can enter into any further sizable commitments we shall have to have a vote from Parliament. I think it is important that we know the order of magnitude of our aid as quickly as possible. There is a danger that The West Indies — not the responsible officials but the West Indian public in general, and even some unthinking officials or politicians — may be developing a somewhat exaggerated idea of the amount that they may expect from Canada. I made this point at the meeting and said that I hoped that all concerned would realize that Canadian aid is not unlimited and that we wished to avoid at all costs any feeling of letdown, if eventually the Aid Programme does not come up to the more exaggerated expectations. I know that the officials at the meeting understood this position, but they would find their task easier if they were to have some indication of the order of magnitude of our Aid Programme.

11. Coming back to the question of priorities, here again I am sure that we can help The West Indies immensely if we can give some indication of the sort of projects that we would be most likely to consider. In previous despatches we have expressed some concern lest

our Aid Programme should develop too much along the technical aid side without giving sufficient regard to how the technical aiders' recommendations might be carried out.

12. It would help The West Indies, for example, if we were to use these preliminary lists as a basis from which to indicate those projects that we might think we would be best able to develop. It seems to me that the most logical approach would be to tie in our economic aid to our technical aid, although of course the second ship for inter-regional trade is clearly one project that is a natural further development for us. I know that it is our eventual intention to provide a second ship and I do not think that we need be too concerned about hastening our announcement of that decision if we wish to delay it for a more suitable time — that is to say, more suitable from our point of view. On the other hand when we enter into discussions about the design of the ship I assume we will make it clear that in designing the ship we are doing so on the assumption that there will be two similar ships operating. It would certainly capture the imagination of the West Indians if following our discussions for the design of the ship we could announce that we were going to "up the ante" by another ship. However, I do not think this is by any means essential and we could hold over the announcement if we so desire without any particular loss of effect.

13. I should like to think that, following the general idea that we should back stop our technical aiders, it might be possible to indicate to The West Indies that we would be particularly interested in the following items contained in their list:

Page 1 of main list: Items 2 and 5 possibly in conjunction with 17. Item 4 would also come within this proposed criterion, but I suggest that it would be more satisfactory to offer to guarantee a loan rather than the provision of the funds.

On page 2 of the main paper: Item 3 has been taken almost verbatim from the recommendations of Mr. Gold.

The supplementary list: Expert Personnel: Items 2, 3, 4 and 5, and possibly 6 and 7 have come from the reports of Messrs. Leahey and Harrison. Item 12 would seem a logical project for us to consider and items 11 and 13 on the list presumably can be taken care of under our existing offer to train West Indian officials in Canada. In addition, if Mr. Monture (reference correspondence Dr. Isbister) is seriously interested in taking on a job in The West Indies he would appear to expertly cover off Item 1 — that is to say Mineral Resources Adviser.

14. During the meeting it was also suggested that we might be particularly useful in covering off Item 1 on page 2 of the main paper — an expert to undertake a study of Income Tax Legislation. Apparently the organization of our Income Tax has made a most favourable impression on the financial officials in the Federation. They pointed out that at the present time each island has established its income tax system on the British system. They have not, however, developed in a uniform manner and there is a grave need for co-ordination in this field. At the moment the Federal Government has no income tax powers but at the end of 5 years (or sooner if some politicians have their way), the Federal Government will have to be prepared with a scheme for a Federal income tax system. It was suggested, for example, that possibly Mr. J. Harvey Kelly, Canadian Tax Foundation, or some other equally qualified Canadian with a knowledge of Federal and Provincial taxation problems, would be of great value to them.

15. In making these suggestions I do not wish to indicate that we should refuse to entertain any other proposals that might be put forward by The West Indies. I believe, however, that if we were to take on these projects we will probably find that they will more than use up whatever funds we are likely to have for aid to The West Indies. It is not necessary in my view to worry any further about priorities. The fact that we have agreed to send techni-

cal aiders in certain fields is sufficient evidence that these subjects are regarded as of supreme importance. Firm suggestions from us along these lines I am sure would greatly help The West Indies in formulating their plans for a comprehensive Aid Programme. We should be flattered that they have given these lists to us first so that we may in a sense have first picking. Again I must caution you that these lists are not by any means exclusive and in any event we should be free to consider proposals for the support in establishing a statistical service, for a forestry school, and for the guarantee of a housing loan since I am sure that these proposals will be forthcoming in due course from The West Indies.

16. I hope that this despatch will help you to bring forward our planning in this aid field. From my trips through the islands I am convinced that there is a great deal more good work being done in many of them than we generally assume to be the case. It seems to me that there is a danger that the West Indian authorities, in thinking in terms of aid, may tend to embark on a number of new schemes without giving sufficient regard to existing projects which are of the utmost importance but which may be starved through insufficiency of funds. Perhaps in the excitement of the prospect of new aid from Canada and the United States there may be a tendency to "start all over again" and to ignore the very excellent work that is being done in many fields by Colonial Development and Welfare or by the island governments on their own using grant aid funds. This applies particularly in the agricultural field. In other words there is a need for the greatest possible co-ordination of effort and for a critical examination of any firm request that is eventually made to us for help.

R.G.C. SMITH

[PIÈCE JOINTE/ENCLOSURE]

Note

Memorandum

PROJECTS PROPOSED FOR CONSIDERATION FOR AID

The following projects to be considered for Aid have been put forward by departments including the applications received from Unit Territories for the help of Advisers and expert assistance. They are not in any order of priority.

1. The provision of a second ship for inter-regional trade.
2. The development and improvement of ports and harbour facilities, including lighthouses and cold storage.
3. The establishment of an Engineering Faculty at U.C.W.I. — subject to any recommendations of the Cato Committee.
4. The provision of funds to establish a House Mortgage Fund.
5. The building, equipping and staffing of a Technical School and a Teachers' Training College in -
 - (a) the Leeward Islands, and
 - (b) the Windward Islands.

6. Film Unit. A production unit, plus equipment for editing and processing films produced by other units in the region; technical staff capable of running such a unit and to train local personnel. Mobile projecting units for showing films in villages and rural areas.

7. Broadcasting. Transmitting equipment for sending programmes from, say Trinidad to Grenada and Barbados. Tape recording equipment and supplies of tapes for production of Federal programmes.

8. Receiving sets for schools in the West Indies to enable them to receive specially produced programmes.

9. Equipment for visual aids for use in individual territories.

10. Navigational equipment for airfields.

11. Equipment for hospitals.

12. Assistance for road building and maintenance programme, including equipment and technical staff.

13. Assistance in the development of Water resources, Electricity, and Telephones, including equipment and technical personnel.

14. The provision of Books for school libraries.

15. Reference material on the Americas suitable for inclusion in a Reference Library.

16. The setting up of a communications net-work to link the territories bearing in mind the requirements of ordinary tele-communication traffic, inter-island and international telephone links, radio and television link-up, news services, etc.

17. Meteorological equipment and facilities for training of personnel.

Expert Personnel

1. Expert to undertake a study of Income Tax Legislation (including Pioneer Industries) aimed at the preparation of long-term scheme for a unified tax system.

2. Public Health Education Adviser.

3. (a) A building Research Expert from the Division of Building Research, National Research Council of Canada, for a period of three months to advise the Federal Government on:

(i) The collation and co-ordination of research activities in the West Indies.

(ii) The establishment of a Building Research Centre.

(iii) The role it should play in Building Research Work.

(b) A training expert for two years to conduct classes on property management.

4. Medical Specialists in a variety of fields.

5. Engineer specialists in Roads, Water, Construction, Agriculture and Designs.

6. Quantity Surveyor.

7. An Adviser on Social Welfare with specialist qualifications for operation in under-developed territories for a period of 18—24 months.

8. Person to carry out a survey of Tourist potential.

9. Adviser on Telecommunications Development.

10. Person to promote Industrial Development.

11. Expert to advise on Social Security.

12. Expert on the development of Labour Statistics.

13. Expert to advise on the standardisation of Labour Legislation throughout the West Indies.

14. A Regional Adviser on Home Economics and Women's Welfare.

15. The provision of an expert on Mass Education and on the eradication of illiteracy.

16. Agricultural Statistics. Two officers with training in Agriculture and Statistics to plan and supervise:

(i) Collection of statistical material required in connection with the proposed 1961 Agricultural Census.

(ii) Extension of Surveys on Price, Supply and Marketing.

17. Training of Civil Aviation personnel, Pilots and Engineers if a scheme can be arranged in co-operation with B.W.I.A.

18. Adviser on Civil Aviation.

19. Adviser on Postal Services.

Seminars

1. Funds to meet the cost of a Seminar on Forensic Medicine to be held in Jamaica.

2. Funds to meet special seminar course in ophthalmology and psychiatry.

3. Funds to enable expert seminars to be held on:

(i) Public Health Administration.

(ii) Environmental Sanitation.

(iii) Social Medicine.

(iv) Mental Health.

(v) Health Statistics.

(vi) Industrial Health

with the major object of promoting preventive measures against disease.

SUPPLEMENTARY LIST OF PROJECTS PROPOSED FOR CONSIDERATION FOR AID

1. Erection of new public market and improvement of existing markets. Construction and equipping of new abattoirs and development of Marketing Organisation.

2. Mechanisation of inshore fishing.

Expert Personnel

1. Mineral Resources Advisers.

2. Expert to carry out ground water surveys.

3. Assistance in the production of geological maps for the Region.

4. Lecturer to provide a course in geology at U.C.W.I.

5. *Soil Surveys*

(a) Two Soil Surveyors to help to complete Windward and Leeward Surveys in conjunction with the Regional Research Council.

(b) One Agronomist for follow-up work of survey.

6. Irrigation Engineer with specific reference to small-scale projects.

7. Expert on small earth dams for water conservation in particular in the drier areas of the region.

8. Agronomist for Corn breeding — project for breeding of hybrid corns.

9. Hide improvement officer for limited period.

10. Personnel to undertake initial management of Marketing Organisation and to train local personnel to take over.
11. Training in Forestry of technical officers below university level.
12. Expert for a survey of fishing banks.
13. Post-graduate training of technical officers.

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DEA/14020-W-1-1-40

*Le chef du service de la Coopération technique
du ministère du Commerce
à la direction économique*

*Chief, Technical Co-operation Service,
Department of Trade and Commerce
to Economic Division*

Ottawa, July 22, 1958

Dear Rod [Grey]:

LETTER 140 OF JUNE 30, 1958 FROM PORT OF SPAIN
WEST INDIES - CANADIAN AID PROGRAM

We are most interested in the letter under reference which gives an indication of thinking in the West Indies about the direction that our Canadian aid program might take over the next year or so. You will recall that last October Mr. Mordecai and Sir Stephen Luke visited Ottawa and outlined to us the assistance which they thought would be most desirable as the first phase of the program. These discussions were subsequently confirmed when we received a group of formal requests for senior advisors for the new Federation Government. We have now worked through this list and the one or two minor later additions which were made to it; seven experts have gone to the West Indies or will be leaving within the next month or so. Accordingly, we are anxious about the planning for the next phase of the program.

Many of the activities which have been tentatively suggested for future Canadian support in the letter under reference involve capital assistance. Before this could be considered the present governing policy would have to be modified and extended, and no useful purpose would be served now by detailed comments from us. As you know, the funds at present available or in prospect provide for the ship, for some assistance in paying for a film, and for technical co-operation. The latter item was established at \$215,000; of this about \$61,000 is spent or committed for experts (including Hess and Mitchell) so the balance of \$154,000 is available for further assistance. It seems to me most desirable that this money be reserved largely for the supply of more experts and the provision of some training facilities in Canada. The supply of equipment should be limited to any small items directly required by the experts in their work. The thinking here is that we can make a worthwhile contribution with this money in terms of people; however, if we started meeting requests for goods or paying overhead costs in the West Indies, the available funds would disappear very quickly and with little visible effect.

It seems likely that the West Indies Delegation to the forthcoming Economic Conference may wish to discuss arrangements for aid on a larger scale. In the meantime, we

might most usefully limit our detailed planning to the technical assistance which can be supplied with available funds.

We agree largely with Mr. Smith's feeling that a strict priority list is neither necessary nor practicable. However, I am sure that he would concur that any assistance from Canada should be in a high priority category. In other words, we need not be concerned with ordinal numbers as long as everyone is satisfied that the requests that we meet fit recognized, important needs.

We agree also with Mr. Smith that, generally speaking, it is desirable that our program for the future follow on the work which has been done in the past. There are obviously advantages in having the specialized advice of Canadian experts who are in the field or who have returned from the West Indies. It seems likely however that funds will also be available for us to enter new fields of assistance if the West Indies wish us to do so.

It might be helpful if I were to give some very preliminary comments on the "projects proposed for consideration for aid" and the "supplementary list of projects," which were attached to the letter under reference. On the first list, all the items except 3, 12, 13, and 17 seem to involve largely or exclusively capital assistance. Item 3 — establishment of an engineering faculty at the University College of the West Indies — is one in which I feel we might take considerable interest if the West Indies authorities wished us to do so. This is the sort of assistance which we have always considered particularly appropriate for support under our technical co-operation arrangements, and we would be very happy to consider any suggestions for the provision of teaching staff or the training of West Indians to join the faculty. It might well be that co-operative arrangements could be established with a Canadian university if this seemed desirable and consistent with the present relationship between U.C.W.I. and the University of London.

Technical personnel for road building and maintenance, and for the development of water resources, electricity and telephones, (items 12 and 13) would also fall within our general terms of reference. There is not enough information available to comment in any detail. We might also provide facilities for training personnel in meteorology (item 17); here again we would need to know more about what is required.

As far as I can tell from the very skimpy information supplied we would have no reason in principle to discourage requests for any of the expert personnel listed on page 2 of the "Projects proposed for consideration" except for the medical specialists (item 3). It seems to me that except for teaching personnel we would be wise to stay out of this latter field, in the beginning at least. However, it would clearly not be possible for us to provide experts in all of the fields listed and it would be up to the West Indies authorities to decide on the ones that they think are most important, keeping in mind the limited funds which we have available. There are a few fields in which it might be difficult for us to find suitable personnel in Canada; this consideration probably applies most strongly to items 7, 10, 13, 14, and 15. Any detailed assessment of the availability of people would of course depend on fuller information about what is required; if the West Indies decides to enlarge on some of these proposals, we will be glad to give a more detailed account as quickly as we can.

We have some doubts also about item 17 — Training of Civil Aviation personnel. While this might be arranged, we understand that BWIA has some sort of working relationship with BOAC and it would seem reasonable that this organization provide the training required.

We think that for the time being it would be desirable not to become involved in seminars. With the funds available we can probably accomplish more through provision of experts' services and training facilities.

The requests for expert personnel on the "Supplementary List of Projects" are of particular interest since several of these arise from the suggestions which have already been made by our experts. We have discussed items 1 to 5 in general terms with Dr. Leahey and Dr. Harrison who returned a month or so ago. We see no difficulty in principle in supplying a mineral resources advisor (item 1) if the West Indies asked us to do so. Finding a suitable person for an assignment like this is always difficult but it should not be impossible. Dr. Leahey seemed to feel that the expert to carry out ground water surveys (item 2) could be borrowed from British Guiana. This possibility might be followed up. We are not quite sure how item 3 — assistance in the production of geological maps — would involve expert personnel. From Dr. Harrison's comment it seemed that this was at least partly a mechanical problem; some arrangements might possibly be made with our Department of Mines and Technical Surveys for use of their facilities here. We would certainly be prepared to provide a lecturer in geology at U.C.W.I. if we were asked to do so; as a matter of fact we know of a good candidate who might be available for this appointment in a year or so. We have been informed by the Department of Agriculture that personnel could be made available for Soils Surveys (item 5) if the West Indies asked us to go ahead with this.

Items 6 and 7 involve an irrigation engineer and an expert on small earth dams. Before commenting, we would need more details. Are funds available to finance the projects on which they would work? We have no special comments on items 8, 9, 10, and 12, since we have no knowledge at all of the programs involved. Item 11 seems quite reasonable as long as the training can be provided through technical assistance procedures, and item 13 clearly falls in principle within our terms of reference.

In summary, most of the tentative suggestions seem, from our point of view, to be worth consideration. The prime limiting factor will be money. Mr. Smith might tell the West Indian authorities the approximate amount of money that we have to spend on technical assistance for the balance of this fiscal year. It is up to them to indicate how they wish it spent. As a very rough rule of thumb it probably costs us about \$1,000 a month to send an expert to the West Indies and maintain him there. This figure takes account of transportation costs and shipping of personal effects as well as the expert's fee. It costs roughly one-third as much to bring a trainee to Canada and maintain him here.

We would be very pleased to receive and comment in detail on any firm requests that the West Indian authorities may wish to make following their consideration of the tentative proposals outlined.

Yours very truly,
D.W. BARTLETT

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DTC/36-17-3

*Note de l'administrateur par intérim, Plan de Colombo,
Direction de la Coopération économique et technique internationale
du ministère du Commerce
pour les membres du groupe capital du Plan de Colombo*

*Memorandum from Colombo Plan Acting Administrator,
International Economic and Technical Cooperation Division,
Department of Trade and Commerce,
to Members of Colombo Plan Capital Group*

Ottawa, August 6, 1958

I attach copy of a report dated July 28, by Mr. A. Watson, Director, Ship Construction and Supply, Department of Transport.

This is a preliminary report by the three man team composed of Mr. Watson, Captain Kelly of Canadian National Steamships, and Mr. George Scott, Director of Economic Policy, D.O.T., regarding the type of ship that will need to be supplied for the West Indies inter-island service.

R.W. ROSENTHAL

[PIÈCE JOINTE/ENCLOSURE]

*Note du directeur, Construction navale et approvisionnement
du ministère des Transports
pour le sous-ministre des Transports*

*Memorandum from Director, Ship Construction and Supply,
Department of Transport
to Deputy Minister of Transport*

Ottawa, July 28, 1958

I have to report that on leaving Ottawa for Montreal and Port of Spain, Trinidad, the morning of Saturday, July 12th, I spent Saturday and Sunday going over the *Labrador*, lining up the C.N.S. vessels as a result of the examination which was made of the operations in Newfoundland by Captain Oldford and Mr. Gordon German and also getting a tentative plan and picture of the West Indies vessel for Monday morning.

I met Captain Kelly of the C.N.S. and also Mr. Geo. Scott before boarding the plane on Monday morning at Montreal for Port of Spain. We arrived at Port of Spain 11 p.m. the same day and were greeted there by The Hon. W. Andrew Rose, Minister of Communications in the Federal Government, Mr. Eastham, Assistant Trade Commissioner and several others.

Arrangements were made for a meeting with Mr. Smith, Trade Commissioner for the West Indies and at 10 o'clock, Tuesday morning, a meeting was held in the Chamber of Commerce. This meeting was headed by Governor General Hailes and a large number of members from the Federal House of Representatives. We then adjourned to deal with a Committee which had been established under the Chairmanship of Mr. R.C. Duff Urquhart to deal with the Canadian delegation on the ship. Attached are the names of the members of the Committee.†

This Committee had never met before and I may say that nobody on the Committee, outside of Mr. Duff Urquhart, knew anything about shipping. They did, however, know something of the requirements of the various Islands with regard to ports, stevedoring and desirable times of departure and arrival from the various Islands and they had knowledge concerning the ship to shore operations as they are now carried out.

The operations of the two ships, the *Olaf Sven* and the *Herman Langrader* which have been chartered by Furness Withy & Co. from Danish and German owners, were discussed. Both ships to my way of thinking are very unsatisfactory for the purpose intended. Their cargo and refrigeration capacity is small. The *Langrader* has no passenger accommodation at all and the *Sven* has had a section of the hull partitioned off and has had some seats and tables installed to carry deck passengers. The trip under present scheduled conditions from Trinidad, Georgetown, British Guiana to Kingston, Jamaica takes 19 days northbound and 12 days southbound from Kingston to British Guiana. The southbound traffic is very light, generally speaking, but the northbound cargo, principally from Trinidad, is quite heavy. The existing schedules give the ship speed of approximately 7 1/2 knots while at sea and the schedules are laid down to suit arrival and working condition time in port. It was pointed out that the new ship would be more costly to operate than the existing ships because the ship would have a greater capacity for passengers and cargo and would require to be operated under conditions which would require larger crews than those presently manned by the German owned and Danish owned ships.

The importance of keeping such a ship moving and spending as little time as possible in port was pointed out and discussed very fully. It appears, however, there were many things which would require to be overcome before time in port will be brought down in proportion to the passengers and cargo being dealt with at the various islands. The set up between island and island at the present time is very insular. Each island from the standpoint of customs duties, etc., is almost a little kingdom of its own and the control of labour and the established facilities and operations are in many ways beset with unusually strong labour control and restrictions regarding the time the ship can be worked at and the hour of the day in which passengers come ashore, etc. The landing equipment, what I have seen of it, is awkward and constitutes a bottleneck even with the existing ships and which will be much worse when the larger and more expensive ship goes into service.

As I see it, these things can only be changed gradually but nonetheless unless an effort is made to improve the handling of cargo and the cutting down of the time in port, this operation will never be efficient. Some of the people on the Committee seemed to be of the opinion that no progress whatever can be made but on the other hand there are quite a few who felt that unless they make some progress they will not be able to establish any worthwhile improvement. This matter is of considerable significance because they will require to find money to pay for the loss in operation which will be greater if the service is carried out inefficiently.

There are several significant angles to this matter which require to be considered:

- (1) The operating loss of the vessel may be \$400,000 (W.I.) annually, which is equivalent to approximately \$240,000 Canadian money. I do not think their figures are far out.
- (2) The time in port should be curtailed by a better understanding with labour and with improved landing equipment.
- (3) The rates for both passengers and cargo should be set at a reasonable level considering the nature of the country and the standards of the people; and
- (4) A positive and reasonably fast service should be established.

The Hon. W. Andrew Rose seems to reason along sound lines, although he claims he is not a technician and knows nothing about ships. As a politician he considers it absolutely essential that a dependable ship service be established and carried out by the Federal Government and it seems to me that this is one of the positive things the new Government has to work on. There are so many other things which appear to be out of their reach that I feel they are most intensely interested in this matter.

The only dependable transportation between the Islands is that provided by planes which, of course, only takes the cream of the traffic and is beyond reach of many people and will not handle commodities of any consequence. The two ships operated by the Federal Government are very poor ships for the purpose intended and a considerable amount of fill-in of Inter Island work is being carried out by large ocean-going ships which take cargoes to Jamaica, Barbados, Trinidad or British Guiana or some other foreign port and in the process of carrying out the return voyage either pick up or drop cargo at the Islands. This, of course, is not dependable and is not the sort of thing business people can plan on.

There appear to be many different conceptions with regard to the type of ship which was considered best for the service intended and after discussions lasting two days, we did not appear to be any nearer fundamental requirements. I then tabled the plans taken with me from Montreal and I may say that these plans were very well received by Mr. Duff Urquhart and the others. The plans were deliberated on. In view of the information regarding the Islands and the operating conditions, the following main changes were proposed:

- (1) Increase the cube capacity of the cargo holds from 45,000 to 80,000 feet,
- (2) In order to endeavour to improve the loading time, fit two hatches on the forward deck,
- (3) Increase the refrigeration capacity from 3,000 tons to 4,000, and
- (4) Increase the number of deck passengers from 100 to 200 and increase the number of cabin passengers from 46 to 52 with six cabins set aside for what we decided to call "Deluxe Cabin Passengers."

I did some work on this matter and came to the conclusion that in order to satisfy these conditions even in a limited measure, it would be necessary to increase the length of the vessel by 24 feet. This would give us two hatches. This would also involve changes in the lifting gear. A great many other items of a less costly nature were also gone into, such as dual communication that is radio-telegraph and radio-telephone, special arrangements regarding additional gangways, special arrangements regarding public room and the supplying of food and drink for deck passengers, the supplying of dormitory space for deck passengers, special anchoring arrangements, facilities for stevedores, etc., etc.

The result of all this would be to increase the price of the vessel by approximately \$300,000 and I do not think the ship as it is now laid down will be much under the \$3,000,000 mark.

I promised that the question of increasing the size of the vessel would be taken up by me with you immediately on my return and that if you approved the increased size a layout plan indicating the set up which had been pointed out desirable would be ready in about three weeks and would be sent down to them by you through External Affairs. Apparently Mr. Smith of External Affairs wishes to have the matter handled this way although I think somewhere along the line we will later require to get down to direct technical contact.

In order to make some endeavour to improve the ship to shore equipment, I thought it would be a good plan to fit two of our smaller barges to the ship. At the present time the ship to shore set up is quite inadequate and if the cargo is to increase the delay would be

much greater than it is now. All in all we pointed out very clearly that we were only talking about one ship but the schedule which has been laid down will not provide satisfactory transportation unless they have two ships. I further pointed out that the matter of setting down a schedule and the frequency of the service was a matter for the Federal Government and not for us and no commitment or implication which could be construed as a promise of a second ship entered into the discussions and was clearly understood on that basis by the Federal Government of W.I.

We visited both the *Sven* and the *Langrader* which are presently under charter in the port of Trinidad and watched the loading operation. We also on Saturday morning left Trinidad for Antigua to go over the harbour and the landing facilities there. Antigua is a very nice island but the port is indeed very poor. The wharves, such as they are, are right in the middle of the town but the harbour is very shallow and ships have to anchor 2 ½ miles off.

We went from Antigua to Montserrat. There is no harbour in Montserrat, simply a small wooden wharf extending seawards. The water at Montserrat is very deep. This island would, I feel, benefit greatly from a regular shipping service. Their economy at the present time depends upon cotton and tomatoes but they hope to grow bananas in quantity. They are very concerned about getting a reliable ship service.

We came down en route at Grenada, St. Vincent, St. Lucia, Antigua and Montserrat and a delegation met us at each island. They all stressed the importance of dependable water transportation and gave us a great deal of useful information. We left Port of Spain on Tuesday morning, July 22nd, via the return TCA flight and arrived in Montreal 11 p.m. that same evening.

The people of the Islands generally appeared to be intensely interested in Canada and we were very well received everywhere. There are, of course, a great many white people on the island who have been there for a long, long time carrying out various operations, some of which could be changed if the Federal Government ever becomes really powerful. At the moment it almost looks as if the Federal Government does not know where to begin. They have no authority for raising money. Revenue at the present time mostly comes from excise duties imposed on each island as each island has its own administrators or Government and a special set up. There are a very large number of ruling people and I understand the Federal revenue has to be provided quarterly by the various islands. Organized labour seems to be established in a big way and Trinidad as a transfer point for bauxite and with its oil is well off, also Barbados with its sugar is well off and Jamaica on account of its bauxite, sugar, etc., is fairly well off. Nonetheless the economy of the Islands appears to be in quite a precarious position as they depend upon the British market for 75% of their sugar exports. The set up in many ways is very English and the general feeling seems to be that if they can only get more money everything would be alright. If they are in earnest about building a new nation, I am sure the ship which Canada is to offer them will at least provide an opportunity for those who are in earnest to establish something concrete in the way of progress to help those who are in earnest in building up industry and in general break down the wall which is presently erected between one island and another.

A. WATSON

449.

DEA/14020-W-1-1-40

*Le secrétaire d'État aux Affaires extérieures
au commissaire en Trinité*

*Secretary of State for External Affairs
to Commissioner in Trinidad*

TELEGRAM E-1351

Ottawa, August 11, 1958

CONFIDENTIAL. OPIMMEDIATE.

Reference: Urtel 61 Aug 6† and Despatch 140 Jun 30.

AID PROGRAMME

Consideration is being given to nature of announcement to be made during Montreal Conference on Canadian aid programme for West Indies. It is planned to announce that subject to the approval of Parliament, \$10 million will be available for the programme over five years, including the sums already made available. It has also been decided to announce Canada's intention to make a second ship available for inter-island service. For the present, the above is for your own information only.

2. Please advise West Indian authorities that it is likely that an announcement of the scale and duration of the Canadian aid programme will be made at Montreal. It is essential, therefore, that we have a formal request before the conference takes place from West Indies for a second ship for the inter-island service and that this has the highest priority. You may indicate that Canadian officials have good reason to expect that such a formal request will be met. Further, we would welcome an assurance that if funds were available for technical assistance, over and above funds for ships, that the West Indies would be in a position to put forward useful high priority projects for assistance from Canada which they would like to discuss with Canadian representatives. The projects listed in your despatch 140 suggest that there will be a number of useful schemes which we might assist over the next few years.

3. In London Maynier was told that the time had come when the Federation might put forward a list of priorities; we asked whether talks might be held here before Montreal Conference. This would have been desirable, though not essential. However, it now seems impractical to hold any detailed discussions between ourselves and the West Indians on aid until after the Montreal meetings. At Montreal, we would therefore expect that little more would take place than the announcement of the extension of the Canadian programme as indicated above and an appropriate response from the West Indians. Meetings in late October or November at the official level (at least in the first instance) could talk realistically about various aid projects in the light of the announcements made in Montreal. It is not clear to us that meeting of ministers on the Canada-West Indies Programme would be necessary in October. A comprehensive review at the official level would seem to be called for first.

4. We see no reason for West Indians not to welcome the I.C.A. experts in September in view of the fact that the West Indies obviously have extensive needs for aid. This is, of course, a matter for the West Indians to decide, but we see no reason to fear that Canadian and USA aid programmes will compete or overlap.

5. In a number of despatches recently you have discussed in some detail particular proposals for Canadian aid. Before considering these matters further, we would prefer to

have the benefit of discussions with you when you visit Ottawa. However, an indication of our views may be useful to you in any discussions you have with the West Indians before your departure.

6. As for Mr. Gold's proposal to underwrite West Indian mortgage guarantees, we feel this proposal lies considerably outside our terms of reference and is most unlikely to be acceptable to ministers. As for the proposals put forward by Barnes and Marshall, there are significant elements in both schemes which we would be prepared to consider further after Montreal. As for aid to British Guiana, this also lies outside our terms of reference. Not only does the vote for aid to the West Indies preclude assistance to British Guiana but any such project would run counter to one of the major aims of our West Indian programmes to strengthen the Federation. For your own information, we are giving some consideration to the extension of technical assistance to Commonwealth territories not now in receipt of Canadian assistance and, if it is decided to implement such proposals, we would be in a position to extend a modest amount of technical assistance to British Guiana. Until that time, we are not in a position to consider any recommendations for aid to that territory.

7. For your visit to Ottawa, it would be useful for you to have some informal and tentative views from the West Indians as to the different priorities they would assign to the various projects listed in your despatch under reference. We can then give some thought to the nature of the meeting in October or November to consider these various projects.

450.

DEA/14020-W-1-1-40

*Note du sous-secrétaire d'État aux Affaires extérieures
pour le secrétaire d'État aux Affaires extérieures*

*Memorandum from Under-Secretary of State for External Affairs
to Secretary of State for External Affairs*

[Ottawa], October 17, 1958

Attached is a memorandum¹⁰⁶ for you to send to the Prime Minister, if you agree, about the visit to Ottawa of Sir Grantley Adams. The memorandum, which has purposely been kept very brief, recounts the background of the visit and describes the substance of the exchange of documents that is to take place tomorrow morning at 11 o'clock in the large conference room.

2. Since Sir Grantley Adams is to see the Prime Minister at 12 o'clock noon today, there is considerable urgency about getting this memorandum to him. Also attached is a copy of the memorandum for you to keep in case it may be useful in preparation for the call that Sir Grantley is to make on you at 4 o'clock this afternoon.

D.V. LEPAN
for Under-Secretary of State
for External Affairs

¹⁰⁶ Note marginale :/Marginal note:

Memo to PM (no copy attached) signed by Minister & given to Mr. Robinson, who took it to the PM. Oct 17/58 [auteur inconnu/author unknown]

[PIÈCE JOINTE/ENCLOSURE]

*Note du secrétaire d'État aux Affaires extérieures
pour le premier ministre*

*Memorandum from Secretary of State for External Affairs
to Prime Minister*

[Ottawa], October 17, 1958

VISIT OF PRIME MINISTER OF THE WEST INDIES

You will recall that, while the Commonwealth Trade and Economic Conference was in progress in Montreal, there was an exchange of letters between yourself and the Prime Minister of The West Indies. The purpose of this exchange was to set out the intention of the Government of Canada to seek parliamentary approval for a sum of \$10 million to be spent over a period of five years for assistance in the economic development of The West Indies.

In your letter to the Prime Minister of The West Indies you also sought his views as to the advisability of a general agreement between Canada and The West Indies which would set out the broad principles by which the two countries would be guided in the implementation of the Canada-West Indies aid programme. Such an agreement has now been drawn up and we understand that, subject to minor modifications, the attached text† is acceptable to the authorities of The West Indies. The text of Sir Grantley Adams' reply has not yet been conveyed to us but we have no reason to think that it will be other than a formal acceptance of the arrangements proposed in your letter.

As you know, the basic purpose of Sir Grantley's visit to Canada at this time is to strengthen his own position in The West Indies and the position of the Federal Government in relation to the constituent islands. However, the immediate occasion around which Sir Grantley's visit is being organized is the exchange of letters covering the statement of principles governing the Canada-West Indies aid programme. This has been arranged for 11 o'clock on Saturday, October 18, in the Large Conference Room of the East Block.¹⁰⁷

S.E. S[MITH]

¹⁰⁷ Pour les textes des lettres échangées entre les premiers ministres Diefenbaker et Adams et de la déclaration de principes concernant l'aide canadienne aux Antilles, voir Canada, *Recueil des Traités*, 1958 N° 26, 18 octobre 1958.

For the texts of the letters exchanged between Prime Ministers Diefenbaker and Adams and of the statement of principles concerning Canadian aid to the West Indies, see Canada, *Treaty Series*, 1958 No. 26, October 18, 1958.

451.

DEA/14020-W-1-1-40

*Le commissaire en Trinité
au sous-secrétaire d'État aux Affaires extérieures
Commissioner in Trinidad
to Under-Secretary of State for External Affairs*

DESPATCH NO. 363

Port-of-Spain, November 25, 1958

CONFIDENTIAL

Reference: My telegram No. 109 of 25th November 1958.†

DISCUSSIONS CONCERNING CANADA-WEST INDIES AID PROGRAMME

Your telegram suggesting the possible change of date for the Canadian aid delegation arrived when we had been giving considerable thought to the development of the aid programme in The West Indies. We wrote to Rosenthal on the 10th November with copies to Goldschlag and Pollock commenting on certain projects which The West Indies have put to us for possible consideration during these discussions. Since then I have been having talks with Mr. Laidig, the I.C.A. representative here, and others concerned with this programme, in order to ensure that whatever we do is in full co-operation with other agencies and will result in the maximum use of the funds which we have voted for aid to The West Indies.

2. For some time we, in this office, have been growing increasingly concerned at the apparent lack of overall directions to a general aid programme. This has been reflected by a certain amount of indecision on behalf of the Federal authorities in asking us for technical aid and in subsequently withdrawing the requests. It is also reflected in the fact that the technical aid people that we have sent here have not been and are not fully employed. To some extent this is because there has been no clear cut directive to the officers as to what they should do, which in turn is a result of the inexperience of the Ministers to whom they have been assigned. The Ministers who have been charged with organizing their departments following the inauguration have had difficulty in assembling their staffs and in developing policy. It is not surprising that under these circumstances they have not been particularly clear in determining just what the various officers should do or how they should help in achieving the objectives of their Ministry. The problem varies considerably depending on the Minister that administers the different officers but in general it is a malady that is fairly common among the five officers who are here. Admittedly the problem is in part due to a lack of funds, but basically the real problem stems from the lack of any centralised direction or firm objectives.

3. The Americans are particularly conscious of this defect and have proposed that what should be done is to create a central planning unit, a sort of development bank, through which their aid in the form of loans would be parcelled out to the different territories and projects. They did hope that we would participate in such an organization by adding our money to the resources of the organization. The advantage of such a plan, as they see it, is that the Federal Government would be able to escape from the embarrassment and difficulty of having to decide from among the number of projects put to them by the unit territories which ones would be most essential and suitable for aid treatment.

4. In discussing this with the Americans I made it quite clear that we could not enter into such a project, however logical the plan might be. On paper it is probable that some such an organization would be desirable in producing better co-ordination and better overall results, particularly if C.D. & W. would join (which we doubt). However, in practice, and

I have made this reservation to Laidig, there is a danger that another organization would simply proliferate staff and use up much of our very limited funds in the internal administration of the organization. Apart altogether from the fact that we would not join such an operation, I do not think that in practice it is the best solution for The West Indies aid problems. On the other hand there is clearly need for a central direction of the aid programme, a direction that is not subject to petty political motives or pressures, or to the incompetence or inexperience of individual Ministers. It seems to us that what is really needed is a director or administrator of aid who would be responsible to the Prime Minister and who would direct the activities of the technical aid officers assigned to The West Indies from whatever source. Such a director would be responsible for working out a centralised and co-ordinated aid plan for the use of all existing aid funds from whatever source. We would anticipate that we, or the Americans, or the British should find such a director and that he would be provided under one or other of the aid programmes. Clearly the scheme would only succeed if the right sort of person can be found to undertake this difficult assignment but we would hope that this would not be an impossible task provided The West Indies would agree that it is desirable.

5. For example, we have talked a great deal about the need for improving port facilities in order to increase inter-island trade and also in order to reduce the operating costs of inter-island ships. The key to this general plan is Antigua where the harbour facilities are completely inadequate and expensive. Nobody knows just how that situation should be tackled. I now understand that the harbour basin of St. John's, which is a shallow stretch of water, is so shallow that it would be impractical to think in terms of dredging the channel and building a satisfactory dock inside that basin. Moreover, apparently the currents are such that even if money could be found to dredge a channel the cost of keeping it clear would be high. It may well be therefore that the Antigua problem would have to be solved by seeking a port development elsewhere and this would mean considerable cost in access road construction, power lines and entirely new warehousing facilities. A decision would also have to be made as to just what kind of dock would need to be built, that is to say, whether it should be for large sugar freighters or if it would be sufficient to build docks to accommodate inter-island shipping. This in turn would require a decision as to whether Antigua should continue to be principally based on sugar and cotton. It is a marginal sugar producer that cannot provide sufficient labour to bring in all its cane. At the same time it is probable that it could become a major and economic meat producer to provide the Windwards and Trinidad with a source of meat without having to rely to the same extent as they do now on imports from Australia and New Zealand. So far this problem has not been approached in any co-ordinated way with the result that nobody is clear how to proceed and there is a danger that by attacking any one facet of the problem in isolation, we may be perpetuating an economic pattern that will not lead to the maximum use of resources in the future.

6. Apart from the question of the harbour, this also raises the question concerning the ships that we are committed to provide and that are under design consideration at the present time. As you know, we have been very much concerned at the size of these vessels and at the prospect that their operating costs would place a heavy strain on the Federal finances. There has been no unanimity here between the Financial watch dogs and the Minister of Communications but nevertheless it has been difficult for the experts to devise smaller ships that could meet the general requirements, both economic and political. However, all of the thinking so far has been based on a two-ship concept whereas it is possible that the solution lies in an entirely different type of shipping set-up. The fact that

we have offered two ships has probably tended to narrow the consideration down to this two-ship concept.

7. The difficulty with trying to devise ships to fill the requirements for the traditional type of shipping service — that is to say linking British Guiana, Trinidad, Windwards, Leewards and Jamaica in a single run — is that this requires the linking of two totally different specifications, i.e., the Windwards and Leewards need frequent service of very small cargo vessels equipped with refrigerated space and little or no cabin accommodation. The Jamaica-Antigua link, on the other hand, requires less frequent service and it could be argued that it has little real economic justification. At the same time, in order to strengthen the Federation, there is clearly a political requirement for a direct link and it may well be that some cabin passenger accommodation is necessary for the same purpose.

8. Probably the ideal solution for the shipping and economic problems of the Federation would be two small ships running up and down the Leewards and Windwards and using Antigua as a collection and distribution point for linking the area with Jamaica (through the service of a third small ship of somewhat different specifications) and with Puerto Rico and the American Virgin Islands for the supply of fresh fruit and vegetables.

9. I do not know if it is too late to raise this question now or if in fact we would like to re-open the subject. I raise it, however, because there does seem to me to be a very real question of whether or not what we are doing in providing two relatively large and "complicated" ships is going to be in the best interest of The West Indies in the long run. A more co-ordinated look at the overall problem might suggest that a better solution might well be along the lines suggested above using three ships. We might well object on the grounds that three ships would cost much more than two and that for this reason alone such a change of plans would be unacceptable. I am not sure, however, if we would be wise in pushing ahead with our present plans without sounding out The West Indies to see if they would not wish to have a more comprehensive look at the position. It is possible, it seems to me, that we might find that we could build two smaller ships with no, or practically no, cabin accommodation at a very considerable saving in dollars. The Jamaica link possibly could be handled by the Federation through a charter vessel, or perhaps some second hand ship could be found to provide the Jamaica-Antigua link so that the cost of the three ships would work out to be considerably less than the anticipated \$6,000,000. Moreover, it is just possible that the loss on the operation of the two vessels for the Leeward and Windward route would be so small that the whole co-ordinated project would look much more effective to The West Indies. The extent to which the operating deficit would be reduced would depend on the success that the aid projects would have in bringing about improved production in the Leewards and possibly in switching over existing production there to other products such as meat.

10. All of the foregoing is of course purely conjectural at the present time. The West Indies have no intention of asking us to do any such thing, nor have they proposed the establishment of an aid director who would be responsible for the developing of all of the aid programmes. I put it to you, however, to have your reaction on its merits. I propose sounding out The West Indies discreetly and making it clear that we are in no way trying to force them to change their present organization or plans but simply as what might be called a technical proposal they might like to consider it to see if it has any appeal to them. I would make it plain of course that such proposals have not come from the Canadian Government and that they are simply personal observations that arise from our brief experience in trying to operate under the present system.

11. Whatever we do with the ships does not necessarily have a bearing on the general direction of aid. On that question there is little doubt in our minds that there is a desperate need for a better method of co-ordination and utilization of the resources that are available.

12. In a despatch† that you shall be receiving shortly I am reporting an observation made by Mr. Lightbourne of Jamaica in attacking the Government over the Prime Minister's recent announcement concerning taxation in Jamaica, when he referred to Canadian aid as being welcome but not of such a magnitude as the Prime Minister would have The West Indies believe. It is important, I think, that we should not overplay our aid participation. The Prime Minister has gone out of his way to express his gratitude and in so doing he has made it somewhat embarrassing for us since it is clearly not of such a magnitude (it is not suggested that it should be) that it will cure all of the economic problems of the Federation. I suggest therefore that in so far as we are concerned we should now adopt a cooling off period and in our public announcements to The West Indies we should lay little, if any, emphasis on our aid programme. During the visit of the Chamber of Commerce and the two Trade Fairs there will be many occasions when Canadians will be talking to the West Indians, both privately and in public speeches. I suggest that as far as possible we should avoid reference to our aid programme. Already the over emphasis on the programme has probably raised the hopes of the West Indians to an unfortunate degree and I think it is important that we should not build up to a point where disillusionment or disappointment will be interpolated into a reaction against Canada.

R.C.G. SMITH

452.

DEA/14020-W-1-1-40

*Le sous-ministre des Transports
au sous-secrétaire d'État aux Affaires extérieures*
*Deputy Minister of Transport
to Under-Secretary of State for External Affairs*

CONFIDENTIAL

Ottawa, December 9, 1958

Dear Sir:

SHIPS FOR THE WEST INDIES

I have read, with interest, the communication from the Office of the High Commissioner for Canada in Trinidad, dated November 25th, dealing with the general question of aid and, among other things, commenting upon the high costs of the larger-type ships suggested by the Federation government and the alternative possibility of considering something smaller and less expensive.

This reached us when we were considering the earlier request we had received regarding detailed information on the estimated costs of the new ships which the Federation would wish to have, taking into account additions which they have suggested.

To give a reasonably accurate cost figure will require us to make a detailed costs survey at an expense of perhaps between five to ten thousand dollars. This we are prepared to undertake and could complete quickly if so desired, but before doing so, I felt that the following should be mentioned.

We have been concerned over the fact that the West Indian comments on our original proposal had led to a substantial enlargement and increase in cost of the ship project; and

equally concerned as to whether the West Indian approach was fully realistic, taking into account the needs of inter-island traffic, the revenues that may be received and the fact that more expensive ships will also be more expensive to operate. Moreover, with a rapidly growing inter-island aviation traffic, we have wondered, for example, whether it is really necessary to count as heavily on ship passenger accommodation of a rather extensive nature, including facilities which, if not luxurious, are at least very comfortable.

It is scarcely our role in the Department of Transport to question the West Indian concept, but we do believe there may be a good case for at least raising the point with the West Indies government at senior, presumably Ministerial, level, along the lines that Mr. Smith has indicated.

Our original expectation with regard to the type of ship which might serve the West Indian need was for a vessel that would cost around 2 1/2 millions to build in Canada. When we elaborated the detailed plans to show to the West Indian officials, it became apparent that the type of thing we had in mind would run something higher, perhaps up to \$2 3/4 millions. As indicated above, we hesitate to give too firm a figure on the present costs as a result of the further requests received, but I do not think I would be too far out in saying that the changes requested by the West Indies authorities have increased the cost of the vessel to \$3 1/4 millions and possibly a little higher. To each of these figures must be added a percentage figure which may not be identical in each case but might run from 10% to 12%, to cover provisioning, trials, transportation and training of crew, delivery, etc. Thus, what originally started out as a project of from \$5 millions to \$5 1/2 millions for two ships, now may run pretty close to \$8 millions, leaving relatively little out of the \$10 millions total gift.

While we have not made any detailed study, I do feel that it would be possible to design a ship of, say, 200 feet in length, which would be adequate to do the type of work envisaged by our Commissioner and at a much lower cost than the present project, — probably even lower than our own original estimates of the present project. Needless to say, the size of ship as well as the equipment in it will have a very definite bearing upon the operating cost, and a vessel of this smaller sort, constructed on an economy basis, would be very much cheaper to operate than would the much more expensive vessel that is now being considered.

In view of the foregoing, for the moment we will suspend any further action until we hear from you as to whether we should proceed on the basis of the more expensive type of ship which will incorporate all the modifications suggested by the West Indian authorities; or whether a fresh approach is likely to be considered.

Yours sincerely,
J.R. BALDWIN

453.

DEA/14020-W-1-3-40

*Note du sous-secrétaire d'État aux Affaires extérieures
pour le secrétaire d'État aux Affaires extérieures*
*Memorandum from Under-Secretary of State for External Affairs
to Secretary of State for External Affairs*

CONFIDENTIAL

[Ottawa], January 2, 1959

CANADA-WEST INDIES AID PROGRAMME

You will recall that on September 23, at the time of the Montreal Conference, there was an exchange of letters between the Prime Minister and the Prime Minister of The West Indies embodying an undertaking by the Canadian Government to seek parliamentary approval for a total of \$10 million, over a period of five years, for aid in the economic development of The West Indies. In the same context it was agreed that the provision of two ships for The West Indies inter-island shipping service would form a major part of our aid programme for The West Indies.

2. In the intervening months discussions have been held between ourselves and the Federal authorities of The West Indies concerning the most appropriate design for these two ships. As a result of successive modifications which The West Indies side have suggested in the design of these ships, their cost is now likely to run pretty close to \$8 million.

3. It has seemed to us that we ought to review this matter with The West Indies in the light of the following factors:

(a) the more expensive the ships are the more expensive they are likely to be to operate; this would place a serious strain on the very limited budgetary resources of The West Indies Federal Government;

(b) it would be unfortunate if the two ships were to absorb so large a proportion of our \$10 million programme that relatively little would be left for other projects; (from our point of view we also have an interest in ensuring that the \$10 million programme is reasonably spread over the five-year period);

(c) the reports from our Commissioner in Port-of-Spain suggest that the latest design which The West Indians have recommended to us might not be the design best adapted to meet the economic requirements of inter-island service in The West Indies.

4. A group of Canadian officials, including Dr. Ault, the Colombo Plan Administrator, Mr. Pollock, of the Department of Finance, and Mr. Goldschlag of this Department, will be going to Port-of-Spain next week for discussions with The West Indies authorities on the shape of our aid programme. It is clear that the scope of these discussions will depend on the funds likely to be available after provision has been made for the construction of the two ships.

5. Meanwhile, The West Indies authorities have expressed some disappointment over the prospective cost of the ships and the possibility that we may ask them to look into alternative designs. They have suggested that one way of meeting their problem and ours might be to have at least one of the two ships built in British Guiana if it were found that this would result in substantial savings.

6. In replying to this approach, we have asked our Commissioner to remind The West Indian authorities of the emphasis we have placed in all our discussions with them on Canadian aid being provided in the form of Canadian goods and services. We have given it as the official view, which we thought would be shared by Ministers, that this was the best

way of ensuring continued public support in Canada for our West Indies aid programme. Nevertheless, we indicated that, if enquiries showed that there was a very significant spread in construction costs between Canada and British Guiana and that the British Guiana shipyards were, in fact, capable of constructing ships of this kind, officials would be prepared to put this matter to Ministers if this proved to be necessary as a last resort to reach agreement on a mutually acceptable aid programme.

7. I thought that you would wish to have this background information available in case it proved necessary for our aid mission to seek Ministerial views on this matter in the course of their discussions in Port-of-Spain.

N.A. R[OBERTSON]

SUBDIVISION II/SUB-SECTION II
LIBÉRALISATION DU COMMERCE
TRADE LIBERALIZATION

454.

DEA/10523-40

*Le directeur adjoint de la Direction générale
des Relations commerciales internationales du ministère du Commerce
au commissaire en Trinité*

*Assistant Director, International Trade Relations Branch,
Department of Trade & Commerce,
to Commissioner in Trinidad*

TELEGRAM TC-2477

Ottawa, October 8, 1958

CONFIDENTIAL. OPIIMMEDIATE

Repeat External, Dept of Finance (Information).

QUANTITATIVE RESTRICTIONS IN THE WEST INDIES¹⁰⁸

You are aware from discussions in Montreal¹⁰⁹ that relaxation of import restrictions is to be introduced in the colonies. So far as The West Indies are concerned these changes will affect the Open General Licence System and the Trade Liberalization Plan. Since the UK proposes that changes should become effective on January 1/59 it is a matter of urgency to obtain their agreement with our wishes regarding any changes in the licencing system as quickly as possible. These changes will affect a wide range of Canadian exporters as well as the success of The West Indies Trade Fair Project.

2. We have discussed with Maynier the UK proposals as they affect the West Indies. We understand that all products under Open General Licence in the UK may be extended the same licencing treatment in the West Indies. This will greatly increase the number of prod-

¹⁰⁸ Note marginale :/Marginal note:

I understand this has been cleared with Reisman and relevant portions were also read to me over the phone by Nickson. [K.] G[oldschlag]

¹⁰⁹ Cela fait référence à la Conférence économique et commerciale du Commonwealth de 1958, qui s'est tenue à Montréal. Voir 3^e partie, Section A de ce chapitre.

This refers to the 1958 Commonwealth Trade and Economic Conference held in Montreal. See Part 3, Section A of this chapter.

ucts under OGL but many of those on the UK list are not repeat not important in The West Indies trade. The total dollars available for other products which would be subject to individual licencing would be the same as in 1957 and would include expenditures under the liberalization plan and under the special dollar schemes minus the value of imports of products to be placed under OGL. The proposal involves as you are aware changing the administration of the Trade Liberalization Plan.

3. We were hoping for liberalization on a wider scale than is provided for under the UK proposals. We would wish you to make some counterproposals to the West Indies which would serve to broaden the liberalization and to provide reasonable assurances that Canadian trade will not repeat not suffer as a result of these new arrangements.

4. Regarding the proposed transfers to Open General Licence we have a number of comments. Firstly the UK list does not repeat not contain a number of products which are already under OGL in most West Indian Territories. Among these are salted, dried, pickled and smoked fish, potatoes, onions, butter, cheese, milk, meat, apples, calcium carbide and unmanufactured tobacco. We would assume, of course, that all these products would continue to be subject to OGL treatment but we would wish to assure that this was the case. Secondly you will recall that we requested OGL treatment for a number of products at the meetings of officials in London in June. We understand that a number of these are on the UK OGL list including copper wire and cable, primary steel electrical equipment, outboard motors, files and rasps, building boards and papers, plastic film and tubing, malt flour and most pharmaceutical products in bulk. Although this is welcome progress we were hoping that more products than these would be placed under OGL and in particular we would wish to have this treatment extended to fresh and frozen fish, eggs, leather, fents, paints, varnishes, enamels and lacquers and all pharmaceutical preparations whether in bulk or not repeat not. We would wish you to press for OGL treatment for these products as well. The savingram from the UK which Maynier let us see indicated that they are prepared to have fish and eggs liberalized at this time.

5. In making these comparisons regarding Open General Licence treatment we are using the existing UK list. The UK savingram included a list of products. We are arranging to obtain a copy of this through Canada House. When we have had a chance to check the authoritative list we will advise you as necessary regarding further details.

6. Regarding individual licencing we would wish to obtain assurances on some important points. Firstly we are concerned about the possibility of import restrictions being used for protective purposes in the West Indies, particularly in Jamaica. Secondly some Canadian exporters who have benefitted under the token import scheme may well find themselves suddenly excluded from these markets following transfer of administration of the plan. Now that so much progress has been made in reducing discrimination and in view of the early prospect of further liberalization of consumer goods, it would give cause for the strongest criticism from Canadian exporters if changes in administrative arrangements lead to disruption of commercial connections when the very purpose of the token import scheme is so near to fulfilment. On the other hand we recognize the strong desire on the part of the West Indies for transfer of administration of the plan and accept the timeliness of achieving this in conjunction with the steps towards liberalization now in prospect.

7. In order to achieve a smooth transfer we would propose that import controllers in each of the islands should be provided by this department with a tabulation showing the individual West Indian importers, their Canadian suppliers, the merchandise moved (under broad classifications) and the corresponding dollar quota used in 1957 under the plan. This would

serve as a guide for the import controllers to distribute quotas in 1959. This tabulation could be prepared in the department in about one month.

8. It is not repeat not proposed in this connection that West Indian importers should be restricted as to commodity or as between supplier in the use of these quotas in importing from Canada. Administration of these quotas would be on the same basis as the American section of the plan. The proposed arrangement would simply give an importer the right to quotas based upon the business conducted under the token import scheme in 1957 but it would also give the Canadian exporter the advantage of knowing from the start who holds quotas for imports of his products and in what amount. Thus uncertainties in the minds of both importers and exporters would be removed at the time of change over in administration. The later distribution of unused balances would be at the discretion of the local authorities as would be other future changes in the administration of the new system.

9. We would propose also that all these various changes including the assurances which we are seeking would be embodied into a press release issued jointly by Canada and The West Indies.

10. We would of course appreciate having your views on these suggestions. We informed Mr. Maynier that we would be giving you our views of this matter and we would wish you to inform him immediately of our position unless you see reason to delay. On the occasion your forthcoming visit to Ottawa there may be an opportunity for discussion to finalize matters. You will appreciate that if we are to accept the responsibility of preparing these quota statements for their supply to import controllers before January 1 a decision needs to be reached before November 1.

[M.W.] SCHWARZMANN

455.

DEA/10523-40

*Le commissaire en Trinité
au directeur adjoint de la Direction générale
des Relations commerciales internationales du ministère du Commerce*

*Commissioner in Trinidad
to Assistant Director, International Trade Relations Branch,
Department of Trade and Commerce*

Port-of-Spain, October 13, 1958

Dear Mr. Schwarzmann,

LIBERALIZATION OF DOLLAR IMPORTS — WEST INDIES

1. We were delighted to have your telegram TC.2477 of October 8th and as soon as we had it deciphered we arranged for a conference with Maynier in order that we could determine the best manner of proceeding to implement the British offer of greater liberalization made in Montreal.

2. There are two general comments concerning your message which it is important to make at the start. The first point is that the original British proposal that was outlined in the restricted savingram sent from the Secretary of State for the Colonies, which Earl Maynier showed you, does not contemplate any retention of the Trade Liberalization Plan although it admits that the Canadian Government might not consider the amount of liberal-

ization sufficiently attractive and might therefore wish to retain the present token import scheme. The savingram does not, however, make any reference to changing the administration of the scheme if there is to be any remnant. The second point that we should emphasize is that there is little that can be done in the West Indies in regard to the extension of the O.G.L. list in the first instance. This must be negotiated in London.

3. We are of course aware of the short time at our disposal in order to re-arrange these matters and it was in the hope of saving a few days that we sent off yesterday to External Affairs our en clair telegram No. 96.† Our thought was that you could immediately start discussing possibilities of the extension of the O.G.L. list with the British as a first step in bringing forward a general movement for liberalization. This letter will attempt to give you our ideas on how we might proceed and we are sending it by safe hand of T.C.A. so that you will have it a day or so before I reach Ottawa. I believe that Williams will stay on in Ottawa for Monday or Tuesday or for as long as necessary. Although he is not the official immediately concerned, he has a watching brief over all of these matters and is deeply interested in them.

4. Earl Maynier was kind enough to let me borrow the copy of the savingram and we are enclosing a copy of it.† Maynier did not suggest that I make a copy although I imagine he is sufficiently intelligent to believe that I would do so. The point is that the British will not know we have a copy of the savingram and, while I see no reason why they should object to our having it, we should be very careful not to let them know that it is actually in our possession. Unfortunately we have had no time to copy the lists which are extensive, but since you are getting a copy from London I hope that this will not be too serious an omission.

5. We think that you may be under a wrong impression when you say in paragraph 2 of your telegram that the United Kingdom proposals involve a change in the administration of the Plan. They suggest an abolition of the Plan as the first objective. Nor are we satisfied that the West Indies have a strong desire for the transfer of administration of the Plan into their own hands as you suggest in paragraph 6. This was a proposal made by Jamaica some time ago but we are not aware that the Jamaicans have pushed this question recently and certainly there has been no suggestion in Trinidad or in the other islands that they would like to take over the administration of the Plan. We would make a mistake therefore, I think, if we conclude that the West Indies would place heavy emphasis on taking over control if we ended up by having any Plan left to play with.

6. It seems to us that our first step in this problem is to decide just what we want to do. Clearly we are not going to reach all at one jump a complete abolition of exchange control or of dollar discrimination. The next objective presumably is to extend the O.G.L. list as far as possible. Until we know how far we can go in that respect it would be difficult to make decisions concerning what we should do with the Plan or how far we can push for a greater exchange availability on the commodities not freed.

7. As far as the abolition of the Plan is concerned, as you point out in your paragraph 6, this will depend on the extent to which we can obtain guarantees that commodities previously shipped under the Plan and not liberalized would continue to have access to these markets to a degree not smaller than that which they have at the present time. If the West Indies do raise the question of administering a remnant of the Plan then we must similarly exact some kind of guarantees, again as you suggest in your paragraph 6, that exchange control will not be used for protection purposes. Even without a Plan we will need to have some kind of general statement guaranteeing that the iniquitous habit which seems to commend itself to Jamaica will not be pursued.

8. Insofar as the retention of the Plan is concerned, it seems to us that we should aim towards its abolition. As you say in your paragraph 6, such a move might run into considerable opposition by certain companies who have benefitted greatly by the Plan. In some cases at least the benefits have not been confined to giving the companies access to exchange but they have in recent years given such companies protection in the market considerably beyond that provided in the Canada-West Indies Trade Agreement. Sooner or later these companies are going to have to come out into the open and to meet competition without protection provided by the token import scheme. Provided, therefore, that we can succeed in extending the O.G.L. list and obtaining suitable guarantees concerning the treatment of the remaining non-freed items, then it is our view that we should agree with the British and abolish the Plan. We acknowledge, however, that the provisions just stated may not be easy to achieve.

9. Concerning the possibility of extending the list of items on O.G.L. you may recall that, during our conversations with Sir Hilton Poynton in Montreal, we raised the question of where we would stand in the event that an examination was made of the lists of goods liberalized for the United Kingdom (and therefore offered for liberalization in the Colonies). We asked him specifically if it were to be found that the lists benefitted the United States more than us whether we would have the opportunity of negotiating with the British to add more of our commodities that had been specified in London to the O.G.L. List for the West Indies. He stated that most certainly the question would be subject to further discussion. The way is therefore open to us to go to the British to negotiate an extended list. You say in your paragraph 3 that we should make some counter proposals to the West Indies. The West Indies cannot at this stage come into the question. They can only operate within the limits established from London. It is true that the savingram does give the West Indies the authority to add fresh and frozen fish and eggs to the list but beyond that they cannot go without authority from London. You ask us in paragraph 4 to press for O.G.L. treatment for a number of items specified in your paragraph. Unfortunately, while we have no doubt that the West Indies would give us full support, the first step must be taken in London.

10. As far as our original list submitted to the British in London is concerned, there seems to be some confusion between the interpretation of the new liberalized list as far as its coverage of our list is concerned. You will note that paragraph 14 in the savingram includes malt, non-insulated copper wire and cable, building board, paper board, pharmaceutical products except for certain anti-biotics, etc., primary steel, flour and polyethylene film and tubing. In your telegram you say that in addition to the above mentioned items you think that outboard motors, files and rasps and electrical equipment are also on the free list. We think that there is no doubt that outboard motors and power lawn mowers are included. Outboard motors are listed in paragraph 71.105 and power lawn mowers under 71.202, both items being clearly free in the list attached to the savingram. Similarly files and rasps are included under paragraph 69.912.

11. On the other hand electric meters, etc. seem to be excluded since these come under tariff paragraph 72.101 and it is only items specifically mentioned in that item that are to be liberalized. These items do not include the electric meters or other items included in our list except for generators and transformers.

12. We should, we think, request London to add the items included in your paragraph 4 to the lists of O.G.L. for the West Indies. We think, however, that permission has already been given for fish and eggs and we suggest that we should add to our demands electric meters, communications equipment, and the anti-biotics, etc., provided that Canadian companies think they can compete. These items so nearly complete the list of our demands that

we wonder why you have left out macaroni and spaghetti, roofing papers, tires and tubes. We assume that it will not be possible to obtain all our requirements and the fact that the British have specifically exempted certain pharmaceuticals might suggest that it might be particularly difficult to have such items included. There is also the small matter of malt extract which we have already suggested to the Canadian suppliers we should negotiate with the British when this matter comes up for consideration. It is such a small item that there would seem to be no reason why we should not push for its inclusion, particularly since the Barbadian officials seem quite content to include it if the British would agree.

13. By way of argument for an extension to the lists we would think that you could make quite a strong case on the grounds that the present lists do in fact help the United States considerably more than Canada. We have not had the time to make a detailed study of the new lists and to analyse the recently freed items in relation to imports from Canada or the United States. A quick survey of the lists, however, and we have not the full S.I.T.C. list to enable us to check on each item, does seem to suggest that the United States is going to benefit from this move more than are we. Since we are all agreed that it is desirable to increase Commonwealth trade we would imagine that this argument would carry considerable weight.

14. In your paragraph 4 you point out that the U.K. list does not contain a number of products that are now on most West Indian O.G.L. lists. This was a point which we cleared repeatedly with the British in Montreal and they quite categorically assured us that any items now on the free list would continue to be so regarded.

15. While you are making your approaches to the British we should at the same time set out for the Federal Government the kind of guarantees that we would hope they could give us concerning the treatment of the commodities that remain off the O.G.L. list, whether or not there is to be a continuing token import scheme. If we will do this the Federal Government will undertake to send such criteria to the different island governments and ask them to comment on them, at the same time giving our proposals their blessing — provided of course that they are in agreement with them. Assuming first of all that we agree to abolish the scheme then we suggest that we should propose that we should obtain written assurances that (a) the administration of future dollar allocations should not be designed to provide protection to local industry but should be on the basis of need and that items should be discriminated against only for balance of payments reasons. (b) we should ask that items which were previously on the token import scheme should not be denied access to the allocations by virtue of any decision that they are not considered essential, or for any other reason. It should be understood that in giving up the token import scheme we do so with the undertaking that the unit governments will set aside a quota at least equal to the dollar exchange expended on imports of those commodities in 1957, as long as the importers of those commodities are interested in continuing to import the commodities in question.

16. On the other hand if it is agreed that the Plan must be continued in truncated form, then we do not think we should raise the question of handing the scheme over for the administration by unit territories. If the islands or the Federation press us on that point we should give way, but until they do we think we should assume that we will continue to administer any remaining scheme. Doing so, however, we should insist that the eligible list should be abolished. We might also ask for a slight increase in the total amount of exchange available for the goods remaining on the scheme. We say a small amount simply because we do not think an outright increase in the total amount has any chance of being accepted and we are not at all sure that it would be desirable since we might have trouble in using up all of the exchange.

17. If we are forced to hand over the scheme for local administration then we must do so with even firmer guarantees. However, we are somewhat afraid that if we were to follow the proposals contained in your paragraph 8 without any quotas for commodities, Canadian companies might find themselves in the position of being unable to ship because their importers or agents might prefer to use their exchange for other commodities with a higher profit margin. Let us hope, however, that this question will not arise and that first the schemes will be done away with, or, failing that, that we will continue to administer a very much truncated remnant with complete freedom of action as to commodities.

18. It is going to be difficult to endeavour to tie up all these loose ends in time to have this new régime in operation by the first of next year. Nevertheless, provided we can talk to the British at once, we think that it could be done. Clearly it is most desirable that it should be done. It should tend to increase the interest in our Trade Fairs, but the main point is that it would give concrete evidence that we are pushing ahead with the results of the Commonwealth Trade and Economic Conference and also add stature to the Federal Government.

19. You will understand, of course, that in sending these lists to the Colonies the United Kingdom is not imposing its will on local government, all they are doing is seeing that the Colonies may liberalize to the extent indicated. We think that insofar as the West Indies are concerned there will be very little problem in having practically all of the items included in a wider O.G.L. list. Jamaica is perhaps the only Colony that will give trouble.

20. I hope that this letter will reach you before I arrive but mails being such as they are I may find myself talking to you about these things without giving you an opportunity to digest all of this spinach. I thought you might also like to have a copy of the note which Sir Hilton Poynton sent to me in Montreal before I left. It is his interpretation of the message that they received from London dealing with the liberalization programme and which is spelled out in more detail in the savingram.

Yours sincerely,

R.G.C. SMITH

P.S. You will observe that throughout this we have used a small "the" in writing about the Federation of The West Indies. There is some confusion here arising from the fact that an announcement has just been made that the official title is now to be West Indies.

[PIÈCE JOINTE/ENCLOSURE]

*La section des Colonies de la délégation du Royaume-Uni
à la conférence commerciale et économique du Commonwealth
au commissaire en Trinité*

*Colonies Section, Delegation of United Kingdom
to Commonwealth Trade and Economic Conference,
to Commissioner in Trinidad*

CONFIDENTIAL

Montreal, September 24, 1958

Dear Guy [Smith],

As promised at our discussion this morning, I send you herewith the gist of the telegram from London about our dollar liberalization proposals as regards the Colonial territories:

(a) All goods on U.K. Dollar O.G.L. list (including additions of machinery items) could be put on O.G.L. in the Colonies. The broad effect would be to put on dollar O.G.L. almost all items other than consumer goods, certain food stuffs and certain special items.

(b) Colonies would be free to spend outside their dollar allocation any dollars required for (a) above.

(c) Dollar allocations for 1959 would be at rate of 1957 expenditure on items other than (a) above, plus provision for items at (d) below in the case of Caribbean Territories only.

(d) On token imports scheme some items would be absorbed by (a) above. This should represent a clear gain for Canada. We are proposing to the Caribbean Territories that 1957 expenditure on remaining items should be added to dollar allocations under (c) above and token imports scheme as such wound up.

(e) Not all the items proposed by the Canadians for liberalization are included in (a) above, but our hope is that benefit to the Canadians arising out of (a) will more than make up for any expectations they may have had in the more limited field of token imports, which in any case apply only to the Caribbean Territories.

(f) Full circular with our proposals is not likely to be despatched to Colonial Governments before Wednesday (24th). Proposed liberalization date is 1st January, 1959.

(g) We must await views of Colonial Governments before announcing publicly what liberalization they each propose to adopt, but Canadians may be informed of the full details of our proposals including full liberalization list, subject to "Restricted" security classification treatment.

Yours

A.H. POYNTON

456.

DEA/10523-40

*Le bureau de commerce du haut-commissariat au Royaume-Uni
au ministère du Commerce*

*Commercial Office, High Commission in United Kingdom,
to Department of Trade and Commerce*

TELEGRAM TC-307

London, November 6, 1958

CONFIDENTIAL. OPIMMEDIATE.

Repeat External (Information).

By Bag Port-of-Spain from Ottawa.

BRITISH WEST INDIES — TRADE LIBERALIZATION

I received your telexes TC-2565† and 2566† asking that we urgently approach the Colonial Office and the Board of Trade regarding additional items to be included under Open General Licence in the West Indies area. I immediately got in touch with the Board of Trade, requesting a meeting as soon as possible at which, if possible, the Colonial Office should be represented. I advised you by telex on November 4 that a meeting had been arranged for this morning which was the earliest possible.

2. This meeting was held in the office of Mr. W. Hughes who has replaced Mr. A.E. Percival in charge of commercial relations with Canada and the Sterling Commonwealth. Present were Mr. Kelvin Stark, who is concerned with import licences in the Colonial

Office, Mr. Christopher Lucas from the Treasury, Miss Joy Brewster in charge of, in particular, Board of Trade Relations with Canada, and Mrs. Wright, also of the Commercial Relations and Exports Division, connected with Colonial questions. I was accompanied by Mr. J.F. Grandy, Counsellor (Finance), Canada House.

3. I expressed again Canada's pleasure at the placing of industrial chemicals and articles in the machinery field under Open General Licence in the UK and the request to Colonies to follow suit. I explained that we had obtained from the Colonial Office a copy of those items which it had requested the Colonies, including the British West Indies, to place under World Open General Licence and ventured the view that in many cases Open General Licence treatment for these products in the West Indies would be of more assistance to the USA than to ourselves. I then reminded those present of the proposals that had been made by Canada last June here in London, notably for the placing of some items additional to those on the UK OGL list under OGL in the British West Indies.

4. We went through the list proposed by Canada in June item by item and, as I anticipated, the UK does not wish to suggest to colonies that articles should be placed under Open General Licence by them if they have not yet been so treated here in the UK itself. Moreover they feel they cannot suggest a wider list to the West Indies colonies than to any other colonies, although we emphasized the special position historically and economically of the BWI to Canada. Possible exceptions to the foregoing are fresh and frozen fish and eggs. In respect of these two categories, the Colonial Office has asked the Colonies in the West Indies area for their views. Replies have not yet been received. They believe that fish is already liberalised for entry into certain of the colonies in the West Indies.

5. Flour has not been proposed for WOGL in the BWI. All I could obtain was a statement that the Colonial Office thought this question could be resolved administratively.

6. Further details emerged as follows:

(i) Paper board which is printed or embossed is not being placed under OGL in the West Indies because of local production.

(ii) In the case of roofing papers, they would like more precision as to what is involved.

(iii) Pharmaceutical preparations: some are permitted even when packed for retail sale but sulphonamides, vitamins, hormones and antibiotics are excluded from OGL for the West Indies.

(iv) Polyethylene film and tubing is placed under OGL unless it is "surface worked" which in effect means is intended for retail sale to the public.

7. We were told that cables had been sent last week hastening the colonies to reply to the "strongly worded request" that OGL be granted to the products which had been proposed. The new OGL's are to be brought into effect on January 1 next.

8. The thinking here, as stated in the second paragraph of your TC-2566, is that the trade liberalization plan might well be terminated and a global dollar amount, equivalent to that which had been expended under it, for goods still not entitled to OGL, be added to the free dollars (described here as "allocation") amount already at the disposal of the individual Colonies for use at their discretion. This is quite apart of course from any necessary funds required to permit implementation of OGL treatment.

9. In view of the wish here to see the TLP terminated as far as possible, there is not much sympathy with Canada's suggestion in June that certain products be added to those eligible under the plan. Nor was there any favourable response to our suggestion last June that foreign exchange allocated for products remaining under the plan be doubled.

10. I made clear that Ottawa would like an opportunity for careful study of what is involved before agreeing to a termination of the plan. I mentioned that there was a tendency in certain Colonies to use a high proportion of their free dollars for the import of frivolous articles, such as costume jewellery, carrying a high profit margin and susceptible to quick turnover. If this pattern spread to the use of exchange formerly earmarked for the TLP existing exports could be prejudiced.

11. I emphasized that the application of World Open General Licence throughout the Caribbean had been quite variable from colony to colony, particularly in the category of wood products.

12. The British assured us that their OGL proposals had been sent to all those colonies at present operating under the plan and that they expected they would be favourably received throughout the area.

13. I left with them an aide mémoire† listing those products which we would now like to see placed under World Open General Licence in the West Indies, the Bahamas, British Guiana and British Honduras, in addition to those already proposed by the UK to these Colonies.

14. The British promised to go over this list carefully and urgently and give us their comments. Their first reaction was that they thought several of those listed are already proposed for OGL in the island. When we have their reactions, I propose to point out which items we would wish given priority.

15. Finally I pointed out why it was urgent to clarify this whole question, since Ottawa must be able to advise the exporters what the procedures would be under what is left of the Trade Liberalization Plan.

16. While the British persisted in their feeling that it would be desirable to simplify matters and terminate the plan, they suggested that if Canada had not time to examine their proposals and come to agreement before the end of the year, they would probably be quite prepared to renew the plan, at least for some further period. Six months was suggested tentatively.

[W.] GIBSON-SMITH

457.

DEA/10523-40

*Le bureau de commerce du haut-commissariat au Royaume-Uni
au ministère du Commerce*

*Commercial Office, High Commission in United Kingdom,
to Department of Trade and Commerce*

TELEGRAM TC-320

London, November 19, 1958

CONFIDENTIAL. OPIMMEDIATE.

Reference: My TC-307 Nov 6 Para 14.

Repeat External (Information).

By Bag Port-of-Spain from Ottawa.

BRITISH WEST INDIES TRADE LIBERALIZATION

The Board of Trade now advise that following items were indeed already proposed to BWI (including British Guiana, Bahamas and British Honduras) to be placed under OGL: copper and copper alloy tubing, sheet, strip, rod and wire; nickel anodes; castings, forg-

ings, and samplings of iron and steel, whether stainless, alloy or any other forms; bars and rods of iron and steel, whether stainless, alloy or any other form.

2. As regards cellulose film, base only has been proposed.
3. Electric wires, cables, switch boards and switch gear have already been proposed to BWI. This meets in part our request regarding electrical wiring devices including controls.
4. As intimated in paragraph 4 TC-307 it now seems even clearer that we are highly unlikely to get all our proposals for additional OGL recommended by London to the BWI. Accordingly I am now advising Board of Trade which additional OGL items we wish given prior consideration. Please advise whether we should press for cellulose film other than base and also for remained of "electrical wiring devices including controls."
5. British fear that if "orderly" advance is not made they will have trouble justifying their position to importers in BWI.
6. Board of Trade states some replies have come in from the colonies regarding proposed OGL's but they are beginning to doubt that they will be able by year end to make a tidy announcement.
7. We would welcome early comments regarding TC-307.

[W.] GIBSON-SMITH

458.

DEA/10523-40

*Le ministère du Commerce
au bureau de commerce, haut-commissariat au Royaume-Uni
Department of Trade and Commerce
to Commercial Office, High Commission in United Kingdom*

TELEGRAM TC-2753

Ottawa, December 10, 1958

CONFIDENTIAL. OPIMMEDIATE.

Repeat London, Port-of-Spain from New York, External (Information).

WEST INDIES TRADE LIBERALIZATION PLAN

1. My immediately following message contains the text of a memorandum on the above subject which has been approved by the Minister of Trade and Commerce. You should now approach the UK on the basis of this memorandum. The following outlines additional points for use in making your approach.
2. In agreeing to the abolition of the Trade Liberalization Plan we are surrendering a position of considerable advantage to Canadian exporters. The plan has ensured a continuity of trade for traditional Canadian exporters and the Department of Trade and Commerce has been able to meet the changing needs of particular exporters. With the abolition of the plan these advantages would be lost and there is a real possibility that a number of individual Canadian firms will be adversely affected. In addition, there is the danger that a larger proportion of the dollar exchange would be taken up by high profit and quick turnover goods at the expense of trade in the more staple items.
3. On the basis of these considerations and in order to have an arrangement which could be reasonably defended in Canada it would be necessary to obtain a substantial increase in the dollar allocation for products remaining under restriction. As a minimum we believe that an increase of twenty five percent in the total dollar allocation would be reasonable.

We would estimate that this would involve a possible additional dollar expenditure by the West Indies of some five dollars to ten dollars million yearly.

4. We also propose certain assurances regarding the continuity of Canadian export trade to the West Indies. We attach considerable importance to obtaining the assurances outlined in paragraph ten of our immediately following message. As you know, some West Indian territories, particularly Jamaica have imposed import restrictions designed to protect local industries. We are anxious that the adverse effects of any restrictions upon Canadian trade should be minimized.

5. Presumably the undertakings we seek would have to be obtained directly from the West Indies authorities but you should explore this matter with the UK and seek their support. Such assurances are an essential part of our agreement to new arrangements.

6. To the Canadian Commissioner to the West Indies; please discuss this matter with the West Indies authorities and advise them of the nature of our approach to the UK. You should emphasize the confidential nature of these discussions. We would leave it to you to decide whether it would be appropriate to raise the question of assurances with West Indies authorities before we have obtained a reaction from the UK. We are not repeat not sending you now the memorandum to the Minister referred to in paragraph one because this was sent to you in Jamaica on December 3.

459.

DEA/10523-40

*Le ministère du Commerce
au bureau de commerce du haut-commissariat au Royaume-Uni*

*Department of Trade and Commerce
to Commercial Office, High Commission in United Kingdom*

TELEGRAM TC-2754

Ottawa, December 10, 1958

CONFIDENTIAL. OPIMMEDIATE.

Reference: My immediately preceding Tel.
Repeat London, External (Information).

WEST INDIES TRADE LIBERALIZATION PLAN

The following memorandum dealing with the Trade Liberalization Plan has been approved by the Minister of Trade and Commerce.

1. The UK has proposed to the West Indies that the Canadian and USA Trade Liberalization Plans should be terminated on January 1, 1959 and replaced by a single dollar allocation for all restricted imports from the USA, Canada and other dollar countries. A decision with regard to the Canadian reaction to this proposal is now required.

2. *Background.* At the Commonwealth Trade and Economic Conference the UK advised that all colonies including the West Indies are being invited to free from restriction on January 1, 1959 all dollar goods which have been freed in the UK. This list consists of raw materials, basic foodstuffs, chemicals and machinery. We have requested the UK to authorize the removal of dollar restrictions in the West Indies on a number of additional products of particular interest to Canada. However, even if these additional items are added a broad range of manufactured items would continue to be subject to restrictions on their importation into the West Indies from Canada. Under the UK proposal the total amount of

exchange for restricted imports would be limited to the combined value of such imports from dollar sources in the base period 1957.

3. The Trade Liberalization Plan was commenced in 1951 in a period of severe dollar restrictions in order to provide for token imports from individual Canadian exporters who had established business in the West Indies markets. The plan has been administered by the Department of Trade and Commerce. In 1958, some 700 Canadian firms participated in the plan and the total value of shipments under it in 1958 will be about dollars ten million. This compares with total Canadian exports to the area of about dollars 44 million.

4. *Present Situation.* The plan has been reasonably satisfactory from the Canadian point of view for the limited purpose of maintaining Canadian brands in the West Indies markets but this token import character has largely disappeared. As restrictions have been removed for various items the credits available for reallocation to the remaining restricted items have increased substantially in relation to the actual demand. However, there have, of necessity, been limitations in affecting adjustments and while in some cases the present volume of business is probably close to that which could be expected to be obtained under normal trade conditions, in other cases the plan involves a restraint where there is a real possibility of trade expansion.

5. In terms of administration the operation of the plan has involved a burden on this department. While initially this was perhaps essential it is inappropriate that the department should continue this burden, more particularly since it has created the misunderstanding that the department is responsible in a sense for West Indian import restrictions.

6. A further disadvantage of the plan has been that amongst West Indian importers there has been a tendency to confine their trade with Canada within the limitations of the exchange available under the Canadian section of the plan and to use the dollars available outside of the scheme largely for purchases in the USA. This has been represented to us as one of the reasons why imports from the USA have increased more rapidly than from Canada.

7. Thought has been given from time to time to the desirability of terminating the Trade Liberalization Plan if appropriate alternative arrangements could be made. There would seem to be real advantages to new arrangements which would encourage a more competitive approach to Canada-West Indies trade both on the part of Canadian exporters and West Indian importers. It would be desirable to open up a wider field of competition and exchange availability in which competitive Canadian exporters would have an opportunity to increase their trade. While a certain number of Canadian exporters may not repeat not be competitive and may be squeezed out of the market, generally Canadian exporters have a special advantage over their USA competitors because of the existing widespread system of tariff preferences and could be expected to benefit from a more competitive situation in the exchange field.

8. In considering the UK proposal for a single dollar allocation thought has been given to possible alternative arrangements which might perhaps facilitate adjustments by Canadian exporters to a new trading situation. In this connection the possibility of asking for a separate dollar quota in the West Indies for Canada and the USA has been considered. On balance, however it is felt that the advantage for Canada lies in the opening for competition the whole of the dollar exchange available for restricted imports. Moreover, in any such division of available dollars we could expect that the USA would strongly press for more favourable treatment than they now receive.

9. *Recommendations.* It is recommended that Canadian trade representatives in London and the West Indies be authorized to advise the UK and the West Indian authorities that as

part of a broad programme for the removal of dollar restrictions in the West Indies Canada is prepared to agree to the early abolition of the liberalization plan. At the same time in order further to improve the opportunities for Canadian exporters they should be instructed to seek to obtain a substantial increase in the total amount of dollars to be allocated for imports which continue for the time being to remain restricted.

10. In agreeing to the new arrangements and in order to protect the existing access of Canadian exporters to the market, our representatives should also be instructed to seek an understanding that all of the products which may now be imported into the West Indies under the Trade Liberalization Plans will continue to be permitted entry under the new arrangement. They should also seek to arrange for consultations with a view to ensuring that minimum damage is done to Canadian trade interests should any new restrictions become necessary in the West Indies.

11. As regards timing, the UK has suggested that the abolition of the plan could be deferred for six months from January 1. Since we are now into December there would be insufficient time to work out the details of the changes and, in any event, it is desirable to give notice of any changes well in advance. It is recommended that our representatives request that the plan be continued in operation for the first six months of 1959 and that the new arrangements take effect on July 1, 1959.

12. As a means of giving Canadian exporters and West Indian importers sufficient advance notice of the changes and as an instrument of agreement, it is recommended that the Canadian representatives should seek as soon as possible a joint press release with the West Indies and the UK announcing the changes and specifying the assurances given regarding expanded dollar availabilities and continued access for those goods still restricted and previously covered by the plan.

460.

DEA/10523-40

*Le bureau de commerce du haut-commissariat au Royaume-Uni
au ministère du Commerce*

*Commercial Office, High Commission in United Kingdom,
to Department of Trade and Commerce*

TELEGRAM TC-352

London, December 17, 1958

CONFIDENTIAL. OPIMMEDIATE.

Repeat T&C Port-of-Spain from New York, External (Information).

BRITISH WEST INDIES TRADE LIBERALIZATION PLAN

On receipt of your messages TC-2753 and TC-2754 I arranged further meeting at Board of Trade for late yesterday chaired by Doctor Budd who has replaced Levine and with much the same people present.

2. We told British Canada was willing to agree to termination of plan on July 1 next but with some reluctance in view of strong tendency for free dollar allocations to be spent by British West Indies in US. No repeat no immediate decision could be obtained regarding increase in free dollar allocation which would replace funds expanded under plan. This in spite fact I had already revealed verbally last week that Canada would be making a proviso that some thirty percent increase be made. Impression gained that they might possibly agree to some such figure although Lucas of Treasury saw fit to warn that if granted this

might mean less progress possible in the next step of liberalization dollar imports of consumer goods next year. We did not repeat not comment on this warning but emphasized that you had indicated an increase in free dollars would be "necessary."

3. British agreeable to tripartite press release probably around March. I emphasized that as an essential part of our agreement it is important to Canada that all goods at present moving to BWI from Canada under plan could continue to move in future and that Canada would expect to be consulted should any new restrictions be contemplated. British are in sympathy but not repeat not too clear what they can do in support. They therefore request that you now forward draft wording of this proviso for their consideration. British enquired if we were requesting assurance that equal quantities of individual commodities could continue to be admitted BWI from Canada. We said we thought no repeat no such rigidities were contemplated and we hope this reflects your thinking accurately.

4. As regards the imminent announcement which will be necessary at year end to explain that plan is to continue, British are anxious that no repeat no intimation be given at that time that plan will only go on for six months as they fear possible abnormally high demand for utilization of plan during those six months. Accordingly they wish year-end announcement to appear routine. If you plan altering that announcement from previous years wording they would like to examine it beforehand. They also requested assurance in general terms that in administration of plan during first six months of next year no repeat no abnormally large funds would be expended. We divulged rough level to which shipments under plan had risen and no repeat no comment was made.

5. Minutes of meeting are being prepared by British and may be available Friday. I will cable if they reveal any difference or addition of substance to foregoing.

6. British say they have not repeat not yet consulted USA on this subject, but will have to do so. Their inclination is not repeat not to mention to USA at this stage that we have asked for certain assurances about colonies import policies.

[W.] GIBSON-SMITH

SUBDIVISION III/SUB-SECTION III
 SERVICE DE LA SOCIÉTÉ CANADIAN NATIONAL (WEST INDIES) STEAMSHIPS
 CANADIAN NATIONAL (WEST INDIES) STEAMSHIP SERVICE

461.

PCO

Extrait des conclusions du Cabinet
Extract from Cabinet Conclusions

SECRET

[Ottawa], May 2, 1958

Present

The Prime Minister (Mr. Diefenbaker) in the Chair,
 The Minister of Transport (Mr. Hees),
 The Solicitor General (Mr. Balcer),
 The Minister of National Defence (Mr. Pearkes),
 The Minister of Justice and
 Acting Minister of Citizenship and Immigration (Mr. Fulton),
 The Minister of Agriculture (Mr. Harkness),
 The Minister of Labour (Mr. Starr),
 The Minister without Portfolio (Mr. Browne),
 The Minister of Mines and Technical Surveys (Mr. Comtois),
 The Minister of National Health and Welfare (Mr. Monteith),
 The Secretary to the Cabinet (Mr. Bryce),
 The Assistant Secretary to the Cabinet (Mr. Martin).

...

CANADIAN NATIONAL (WEST INDIES) STEAMSHIPS; DISPOSAL OF SHIPS
 (PREVIOUS REFERENCE DECEMBER 21, 1957†)

7. *The Minister of Transport* said that since the ships of the Canadian National (West Indies) Steamships had been out of service,¹¹⁰ a number of other Canadian companies, operating under foreign flag, had inaugurated new services to various parts of the West Indies formerly served by the C.N. (W.I.)S. and that, as a result, the essential needs of Canada-West Indies trade were being met. The cost of the C.N.(W.I.)S. in 1957 was approximately \$650,000. Expenses of the ships lying at anchor was \$145,000 per month, and at the moment the company had only \$110,000 cash on hand. A cargo of sugar valued at \$521,000 was still on board one of the vessels and unless discharged soon, it would spoil and the company would be faced with a damage claim. As regards the sale value of the fleet, the market had weakened recently and a possible price of \$8,250,000, estimated some months ago, should be reduced by 30 to 40 per cent.

In the circumstances, he agreed with the view of the management that there was no point in attempting to re-establish services by the company and that the ships should be disposed of as quickly as possible. The matter could best be dealt with by an immediate "as is" sale, particularly in view of the extremely contentious labour-railway problems which would arise shortly.

¹¹⁰ Les membres du Seafarers' International Union qui travaillaient sur ces bateaux étaient en grève depuis le 4 juillet 1957.
 Members of the Seafarers' International Union who staffed these ships had been on strike since July 4, 1957.

To return the ships to Canadian registry before offering them for sale might alleviate some criticism from organized labour.¹¹¹ However, re-transfer would take about a month. Inevitably, this plan would become known and intensified efforts could be expected, particularly from the Seafarers International Union, to force concessions from the government or the C.N.R. Charges would also be made that the government was admitting a mistake in its previous tactics.

When the ships were sold no restriction as to registry could be made. But it might be possible to impose a condition, for a reasonable period, that the ships be used in trade between Canada and the West Indies. On the other hand, it might not be necessary to do this because it was likely that they would be used in this trade in any event. Sale would be by tender, in which a preference could be given to companies of Canadian origin or established Canadian connections.

The Minister recommended that the C.N.R. be authorized to dispose of these ships in the manner and along the lines that he had outlined.

An explanatory memorandum had been circulated, (Minister's memorandum, April 14, 1958 - Cab. Doc. 67-58).†

8. *The Minister of Labour* felt strongly that the ships should be transferred back to Canadian registry before being sold. As regards the sugar, other cargoes had been off-loaded from these ships while they had been at anchor in the last several months and it would probably be possible to make arrangements with labour to do the same thing in this instance.

9. *During the discussion* the following points emerged:

(a) Unloading the sugar might lead to incidents at the dockside but one could not be certain of this until the attempt was made.

(b) The possibility of operating the ships on Canadian registry was reviewed again but the costs and the labour problem involved made such a course impossible. There was no alternative but to sell.

(c) The Minister of Labour should get in touch with the President of the Canadian Labour Congress with regard to unloading the sugar cargo. Beyond attempting to make such arrangements it would be inadvisable to give any indication at this time of what the government had in mind for the future of the ships.

10. *The Cabinet* noted the recommendation of the Minister of Transport for the sale of the vessels of the Canadian National (West Indies) Steamships and agreed,

(a) that they be re-transferred to Canadian registry and arrangements then made for their sale; and,

(b) that, meanwhile, the Minister of Labour get in touch with the President of the Canadian Labour Congress to arrange for the off-loading of a sugar cargo, on the understanding that nothing be said at this time on the government's intentions with regard to the sale of the ships.

...

¹¹¹ Ces bateaux avaient été transférés sous immatriculation trinitadienne en novembre 1957. These ships had been transferred to Trinidadian registry in November 1957.

*Extrait des conclusions du Cabinet**Extract from Cabinet Conclusions*

SECRET

[Ottawa], August 8, 1958

Present

The Prime Minister (Mr. Diefenbaker) in the Chair,
 The Minister of Public Works (Mr. Green),
 The Minister of Finance (Mr. Fleming),
 The Minister of Veterans Affairs (Mr. Brooks),
 The Minister of Transport (Mr. Hees),
 The Solicitor General (Mr. Balcer),
 The Minister of National Defence (Mr. Pearkes),
 The Minister of Trade and Commerce (Mr. Churchill),
 The Minister of Justice (Mr. Fulton),
 The Minister of Agriculture (Mr. Harkness),
 The Minister of Citizenship and Immigration (Mrs. Fairclough),
 The Minister of Labour (Mr. Starr),
 The Postmaster General (Mr. William Hamilton),
 The Minister without Portfolio (Mr. Browne),
 The Minister of Mines and Technical Surveys (Mr. Comtois),
 The Minister of National Health and Welfare (Mr. Monteith),
 The Minister of Northern Affairs and National Resources (Mr. Alvin Hamilton),
 The Secretary of State for External Affairs (Mr. Smith),
 The Secretary of State (Mr. Courtemanche).
 The Assistant Secretary to the Cabinet (Mr. Fournier),
 The Registrar of the Cabinet (Mr. Halliday),
 Mr. M.W. Cunningham, Privy Council Office.

...

SALE OF CANADIAN NATIONAL WEST INDIES VESSELS

25. *The Minister of Transport* reported that a number of bids had been received, of which the three best were as follows:

- (1) Banco Cubano—\$2,800,000, with ships to be taken "as is where is."
- (2) North America Shipping Agency—\$2,606,000, less full cost of reconditioning to first class condition, which was estimated at \$250,000 or possibly higher, for a maximum net of \$2,350,000 or less.
- (3) Allan Green, Halifax—on behalf of local syndicate—\$2,500,000.

The Banco Cubano proposal was based upon 20 per cent cash, with the balance payable at 5 per cent over five years, guaranteed by the Cuban Bank and the Bank of America. All eight ships were to be operated in trade to Canada from Cuba and the West Indies, with service to be started within thirty days of takeover. This was the highest offer, the soundest in financial terms and security, and the only one involving the use of all the vessels in the trade between Canada and the West Indies. The price offered was considered to be exceptionally favourable and, in fact, higher than the going market price for vessels of this type and condition.

The North America offer was based upon 10 per cent cash, the balance payable over twenty years, with no offer of security, and eighteen months to elapse in connection with the takeover period. Two of the vessels would be operated in service between the West Indies and Canada, and the other six elsewhere. There was a statement of intent to use

Canadian registry. This proposal was weak financially, in that there was no security offered, and the twenty-year term of payment was unrealistic since the ships would be completely obsolete and scrapped, in some cases, long before that. A check on the background of the Company indicated a weak financial position and a shaky credit position in the marine field, with a predecessor related company having recently gone into liquidation with unfulfilled commitments. A Baltic Conference marine circular gave it an unreliable listing. Its most attractive feature, its intent to operate on Canadian registry, was considered unrealistic by both C.N. and governmental and marine officials, since there was every proof that not only in the West Indies trade particularly, but in the world trade generally, the costs of Canadian registry were too high to allow economical operation.

The Allan Green offer was not really a purchase offer but rather a request to lease for five years with a right to purchase at the end of that time, and was based upon C.N. financing of the deal, including possibly working capital, etc. An attempt would be made to operate in the West Indies trade, but it was expected that sooner or later the ships would have to be taken off the Canadian registry.

An explanatory memorandum had been circulated, (Minister's memorandum, August 7, 1958 - Cab. Doc. 234-58).†

26. *Mr. Hees* pointed out that, had it been known that the government was prepared to consider this type of offer which involved government-C.N. financing of a leasing arrangement, it was felt that many other groups might have made proposals based upon leasing. Lack of certainty based upon the outcome made it difficult to consider this offer.

In regard to the Cuban offer, the ships would probably have to be reconditioned in Canada and efforts would be made to see that they were. Some of the crew involved might be absorbed in Department of Transport ships. It would be difficult to enforce a provision that Canada-West Indies service be continued by these ships, but the chances were good. The price seemed very favourable and the sale could probably be completed at once. It should be noted that the bidder that promised to keep the ships on Canadian registry proposed to cut down on the size of the crews. This would be opposed by the unions and, in addition, the operator would probably run afoul of Shipping Act regulations.

27. *The Cabinet* agreed to the sale of the Canadian National (West Indies) Steamship vessels to the Banco Cubano at a price of \$2,800,000 on the terms and conditions set out in the circulated document (Cab. Doc. 234-58).

SECTION D

INDE
INDIA

SUBDIVISION I/SUB-SECTION I

IMMIGRATION

463.

PCO

*Note du chef du Comité du Cabinet sur l'immigration
pour le Cabinet**Memorandum from Chairman, Cabinet Committee on Immigration,
to Cabinet*

CABINET DOCUMENT NO. 237-58

[Ottawa], August 11, 1958

CONFIDENTIAL

IMMIGRATION POLICIES AND PROCEDURES
(IMMIGRATION FROM INDIA, PAKISTAN AND CEYLON)

The Cabinet Committee on Immigration met on August 9th, 1958, and considered the problem of immigration from India, Pakistan and Ceylon as set out in Part VII of Cabinet Document No. 142-58† and in Appendix "N" of the same document.

2. Generally speaking, no difficulties have been experienced insofar as immigration from Pakistan and Ceylon is concerned. However, the East Indian community in Canada has made numerous representations asking that the regulations governing immigration from India be made less rigid.

3. Immigration from India is at present governed by a quota, set under an agreement with the Government of India. There are not enough quota numbers to satisfy the desires of Canadians of East Indian origin who wish to bring their relatives to Canada. Their criticisms are difficult to answer when they point out that they come from a Commonwealth country, and yet have more difficulty getting their relatives into Canada than do people who come from non-Commonwealth countries.

4. It is considered, therefore, that a decision is necessary in order to bring about a more satisfactory situation and to eliminate the current backlog of cases of relatives who cannot be brought in because of lack of space on the quota, cases which in some instances have been outstanding for as much as eight years.

5. In view of this situation, and after study of alternate ways of dealing with the problem, the Cabinet Committee on Immigration submits the following proposals for Cabinet approval:¹¹²

(a) that the quota set under the agreement with the Government of India continue as at present;

(b) that the 398 relatives of East Indian Canadian citizens and residents, applications for the admission of whom have been made to November 30, 1957, and whose applications

¹¹² Approuvé par le Cabinet le 24 octobre 1958./Approved by Cabinet on October 24, 1958.

could not be accepted for the 1958 quota, be allowed admission by Order in Council, subject to the usual immigration requirements;

(c) that at the same time notice be given to the East Indian community that in future the quota agreement with India would be administered rigidly.

ELLEN FAIRCLOUGH

SUBDIVISION II/SUB-SECTION II

LA CRISE FINANCIÈRE
FINANCIAL CRISIS

464.

DEA/9193-R-40

*Le haut-commissaire en Inde
au sous-secrétaire d'État aux Affaires extérieures*

*High Commissioner in India
to Under-Secretary of State for External Affairs*

LETTER NO. 657

New Delhi, August 1, 1958

RESTRICTED

Reference: Our letter No. 587 of July 10, 1958.†

THE FOREIGN EXCHANGE CRISIS

In recent weeks it has become increasingly evident that last winter's hopes for an alleviation of the Foreign Exchange Crisis have proved false. Since April 1, 1958, the reserves have declined at an average rate of approximately \$10 million a week, and with the sterling balance now totalling a scant \$400 million, the Reserve Bank's treasury of foreign assets promises to be well nigh empty before the year is out. It is now officially estimated that the over-all foreign exchange deficit for the Second Plan period will be approximately \$3400 million — as compared with the \$2200 million deficit originally anticipated — and, therefore, that additional foreign exchange resources totalling at least \$1000 million (over and above foreign assistance already agreed to) must be obtained by 1961. In the longer term, say for the next decade, the shortage of foreign exchange promises to be almost equally serious. With the completion of the steel projects in 1960 a considerable saving will be effected, but some of the other heavy industrial projects now under way will not be earning or conserving foreign exchange until well into the Third Plan period. Furthermore, it is probable that heavy industrial and transportation projects with a high import content will again be emphasized in the Third Five Year Plan and that an effort will be made to increase overall investment by at least 24 per cent. In addition to these factors, repayments due during the Third Plan period on loans and credits already extended now exceed \$600 million.

2. In these circumstances it is not surprising that the Government is concerned lest there be a general loss of confidence in the country's financial stability and broad economic prospects, and official spokesmen are losing no opportunity to emphasize that the level of foreign exchange reserves is but one aspect of a country's economic health, that the present decline in reserves has long been foreseen, and that the situation, however disturbing, need not prove critical if all concerned will buckle down to their allotted tasks. The crisis is, after all, one of development rather than stagnation, they assert. No doubt it is proper that

these facts should be emphasized, especially in view of the national tendency towards what the Governor of the Reserve Bank recently described as "unwarranted oscillations ... between optimism and apprehension," though there is an abundant evidence that the immediate crisis is more severe and has developed at an earlier date than the Government anticipated, and a disinterested observer might perhaps speak less confidently of ultimate success than Government spokesmen.

3. The broad explanation of India's foreign exchange shortage — that the Government has embarked upon an ambitious programme of economic development which it would be most difficult to finance through domestic savings or exports — is of course well known to you and we need not discuss it here. As to the factors which have contributed to the immediate crisis there is substantial agreement among observers, despite differences of emphasis and occasional barbs from critics who explain the crisis principally in terms of Government bungling and ineptitude. Imports, it is clear, have been considerably greater in cost and volume than was anticipated by planners. The import costs of the Plan's industrial projects, for instance, were greatly underestimated and food imports exceeded two million tons in 1956-57 and 3 ½ million tons in 1957-58 in contrast with the Plan estimate of an annual importation of 400,000 tons. While the issuance of licences during the past fifteen months for even essential imports has been controlled with increasing strictness, the actual flow of imports — and of course corresponding decline of exchange reserves — has continued with little abatement owing in part to vast import commitments entered into prior to the tightening of the regulations. (Outstanding import commitments were officially estimated to have totalled \$2,000 million last October, and Lokanathan of the National Council of Applied Economic Research recently estimated that commitments totalled \$1,500 million in June 1958.) Declining exports, too, are known to have contributed in no small measure to the shortage. Foreign exchange receipts from this source in 1957-58 appear to have fallen \$50 million short of the relatively modest Plan estimates, while receipts are believed to have declined yet more seriously during the first quarter of 1958. The "tying" of foreign loans and credits, especially from the United States, has been a further factor in the continued decline of exchange reserves for such funds have perforce been utilized in projects which, while valuable in themselves, frequently constituted an addition to the Plan's core. As a Finance Ministry official recently expressed it when writing to us concerning Colombo Plan aid for the current year:

"Our situation now is that we must find from current earnings exchange required to pay for the capital goods we have already ordered. It is causing an extreme shortage of exchange to finance imports required to maintain the economy. Any current imports we get under aid programmes help in releasing an equivalent amount of exchange for the payment of capital goods already ordered. Aid tied to the purchase of capital goods only enlarges our development programme but does not relieve our exchange shortage."

4. A variety of suggestions have been advanced as to how the exchange crisis is to be alleviated. Government spokesmen and most private observers are agreed that every effort must be made to reduce the flow of imports further, but there is less agreement as to how this is to be achieved. Non-essential imports have already been reduced to a trickle and any further exclusion will seriously affect the economy unless great care is exercised. While it may be possible to cancel or postpone plans for the importation of some capital goods, in most instances projects have reached a stage where it would be highly uneconomic to postpone completion. Furthermore, many of the Plan's industrial and transportation projects are closely interrelated and failure to complete any of them would tend to create bottlenecks making the completion of other projects difficult. Quite apart from such considerations, the Government is of course aware that any appreciable curtailment of the Plan's

core would seriously affect their political standing in the country, and they have hitherto firmly rejected such measures.

5. As to the possibility of further curtailing the entry of raw materials, there is already abundant evidence that this cannot easily be accomplished if the economy and employment levels are to be maintained. The Government has been seriously considering the cancellation or withholding of import licences for raw materials for the third quarter of 1958-59, but such a measure, while calculated to conserve foreign exchange in the short run, would inevitably cause much distress and havoc. As the *Times of India* recently expressed it, "it will be a pity if in wielding the axe the Government damages the very sinews of industrial production on which the success of the Plan depends." The Government is apparently aware of this danger and press reports which have appeared within the past ten days indicate that they have now rejected the idea of a blanket cancellation of licences.

6. Similarly, it might well prove difficult to conserve any large amount of foreign exchange through the reduction of food imports. As you are aware, the volume of India's domestic food production is still primarily governed by the generosity of the monsoon, agricultural campaigns notwithstanding. If, as during the past two years, the monsoon is inadequate, extensive food imports are unavoidable. A considerable part of these food imports have been provided by the United States under Public Law 480 and have thus (apart from transportation costs) not involved expenditure of foreign exchange, but normal commercial suppliers would no doubt object strongly if this type of assistance were increased, or if overall food imports were decreased, at the expense of traditional cash purchases.

7. There remains, however, at least one type of import which could be considerably reduced without adversely affecting the Plan and the economy: defence equipment. The exact amount of defence imports has not been revealed by the Government, but it is widely assumed to be substantial. *The Eastern Economist* in a recent critical article maintained that "total defence expenditure has inflated our import bill by about Rs.75 to Rs.80 crores over three years." The Government and much of the Press has hitherto taken the stand that however unfortunate such imports may be they are unavoidable in the present circumstances. There are, however, some signs of a growing realization that India must to some extent choose between economic development and such security as defence equipment can bring, a realization that she cannot have, in the words of the weekly *Thought*, "both guns and butter." Since the introduction of the budget the Government is thought to have reduced defence expenditures somewhat, and there are known to be some, particularly amongst those responsible for the Plan, who are pressing for more drastic reductions.

8. Whereas for over a year now attention has been focussed on the need to reduce imports, it is only within the past few months that sustained consideration and determined Government action has been directed to the alleviation of the exchange shortage through the promotion of exports. A variety of appropriate measures have been suggested — tax incentives, rebate of import duties on essential raw materials, reduction of excise duties, liberalization of export quotas, assisted transport, subsidization, compulsory export — and in some instances the necessary Government action has already been taken. Export duties for certain edible oils, the sale of which has fallen ominously, have been abolished. While the rate of export duty on teas is to be unchanged, duty will henceforth be calculated on a lower price. The drawback of excise duties on sugar and margarine used in the preparation of certain exports is now to be granted. A Government ordinance during the latter part of June directed all sugar mills to deliver a part of their production for export, the target for the current year being fixed at 50,000 tons. Preliminary discussions with the Railway Board for decreased freight rates are said to have begun. Above all, there appears to be a

new and long-overdue awareness in Government circles, and it is hoped among private exporters, that more vigorous selling tactics must be adopted in foreign markets and that the quality of exports must be improved. Since *May the Press* has repeatedly emphasized the importance of this new awareness, and like the *Hindustan Times*, has cautioned readers that "gone are the days when India was in a position to have a trade surplus without much effort."

9. It remains to be seen how sustained this determination to increase exports will prove, and in the short run there are, we think, at least two major obstacles to the success of the campaign. The first of these is, of course, that world markets are depressed at this time and the terms of trade are unfavourable to many Indian products. Indeed, unless world markets recover quickly, it may prove difficult to prevent export earnings from declining further. The second obstacle is that many potentially exportable goods and materials are already in short supply in India and significant exports are likely to increase prices and inflationary pressures generally. Already there are ominous reports of prices rising in anticipation of shortages and while *Press* and Government have joined in denouncing such profiteering, mere exhortation promises to be ineffective if unaccompanied by determined restraints and controls.

10. Yet another means of relieving the foreign exchange shortage has evoked growing interest within recent months: the mobilization of private gold and silver hoards. It has of course long been known that there were large amounts of these precious metals in India, apart from Government holdings, but it is only recently that an authoritative and relatively precise estimate of the amount has been generally available. This estimate, which appeared in the April edition of the Reserve Bank of India Bulletin, placed the international value of private gold stocks at \$3500 million (the domestic value was placed at \$6070 million) and private silver stocks at \$4150 million; it is hardly surprising that these figures should have aroused the interest of planners. Unfortunately, however, it will prove no easy task for the Government to mobilize more than a small amount of this treasure. A considerable part of it is known to be in the form of ornaments and personal jewellery which, as some have hastened to remind the Government, few would willingly part with. Much of it, too, is believed to be cached away as a hedge against inflation or in order to escape the taxation on wealth. Furthermore, millions of humble folk, and indeed many who are moderately well off, harbour a traditional and sometimes justified distrust of banks and other financial institutions and prefer to entrust whatever treasure they may have accumulated to a private hiding place. Despite considerable press speculation and occasional official reference to the desirability of surmounting these obstacles to the productive use of gold and silver, there is as yet no indication that the Government has decided upon specific measures.

11. During the past two or three months a few economists have suggested that the shortage of foreign exchange could be lessened through the devaluation of the Rupee. You will recall, however, that in our letter No. 587 dated July 10, 1958, we informed you that these suggestions had aroused vigorous opposition in Government and *Press* circles, and we suggested that in the present circumstances devaluation was unlikely to prove beneficial.

12. Whatever the success of the Government's own measures to relieve the foreign exchange crisis there can be little doubt that extensive foreign aid will be required within the next few months if the economy is to be maintained and if the Plan is to have a reasonable prospect of success. Furthermore, even if the immediate crisis is surmounted, foreign aid will in our view be crucial to the success of economic development for at least the next ten years. There is we think a growing recognition of these facts and Government spokesmen appear determined to convince the public that it is neither undesirable nor abnormal

for a country to facilitate industrialization through foreign investment and other forms of foreign assistance. There are, of course, still occasions when it is evident that the Government has not entirely mastered the art of accepting assistance graciously, but on the whole attitudes have improved markedly. Much of the responsible press, as you know, has generously recognized the contribution which foreign aid has made to the Plans, and at least one leading Socialist economist, Mr. Ashoke Mehta, has recently urged the Government to create a more favourable climate for foreign assistance.

13. Inevitably, many are looking to the United States in the hope of prompt and substantial assistance, the more so in view of the Senate's recent agreement that India's needs are of particular importance. Not all appreciate that it may prove difficult for the United States administration to provide extensive and "united" assistance from funds approved by Congress so far, and that whatever the ultimate prospects for a specific "Aid to India" bill it is most unlikely to be approved this year. Many are now looking to the United Kingdom in the hope that an overdraft can be promptly arranged for India's sterling account. The Press has been quick to note improvements in the United Kingdom's balance of payments, and some observers have concluded that she will be more ready to extend credits than she was a year ago. Within the last week reports have appeared in at least two leading newspapers that a sterling credit of £75 million may have been tentatively agreed to during Mr. B.K. Nehru's recent visit in London. Nor are other sources of foreign assistance being overlooked. Some are hopefully speculating that India's creditors in Germany and Japan will agree to accept payment in Rupees, for the time being at least. Others are hopeful that the forthcoming meetings of the Fund and the World Bank in New Delhi may assist the free world, in the words of *The Statesman*, "to recover the inspiration of the latter '40's, with their hope of joint international endeavour to maintain an expanding volume of both trade and investment." Within the last two or three days several newspapers have given prominence to reports that a high-level conference, with representatives from the World Bank, the Fund, the United States, the United Kingdom, West Germany and Canada, will be held in Washington next month to consider India's plight. As the *Hindustan Times* sees it "if all goes well, a combined loan underwriting a major part of India's present outstandings as also a fair proportion of future requirements of the second plan." No doubt, too, India is prepared to accept any additional assistance which may be offered by the Soviet bloc, although it is perhaps significant that this possibility has received little attention since the widely publicized cancellation of Russia's programme of assistance in Yugoslavia.

14. It will, we trust, be apparent from the foregoing paragraphs that there is no easy solution for India's foreign exchange difficulties. It is, however, to be hoped that the exchange shortage can be reduced to manageable proportions through a combination of determined domestic measures and generous foreign assistance, for it is manifestly in the interests of neither India nor the West that the pace of economic development should be markedly slackened or that it should prove impossible for India to honour her foreign commitments.

C.A. RONNING

465.

PCO

Extrait des conclusions du Cabinet
Extract from Cabinet Conclusions

SECRET

[Ottawa], August 14, 1958

Present

The Prime Minister (Mr. Diefenbaker) in the Chair,
 The Minister of Public Works (Mr. Green),
 The Minister of Finance (Mr. Fleming),
 The Minister of Veterans Affairs (Mr. Brooks),
 The Minister of Transport (Mr. Hees),
 The Solicitor General (Mr. Balcer),
 The Minister of National Defence (Mr. Pearkes),
 The Minister of Trade and Commerce (Mr. Churchill),
 The Minister of Justice (Mr. Fulton), (for afternoon meeting only)
 The Minister of National Revenue (Mr. Nowlan),
 The Minister of Citizenship and Immigration (Mrs. Fairclough),
 The Minister of Fisheries (Mr. MacLean),
 The Minister of Labour (Mr. Starr),
 The Postmaster General (Mr. William Hamilton),
 The Minister without Portfolio (Mr. Browne),
 The Minister of Mines and Technical Surveys (Mr. Comtois), (for afternoon meeting only)
 The Minister of National Health and Welfare (Mr. Monteith),
 The Minister of Defence Production (Mr. O'Hurley), (for afternoon meeting only).
 The Assistant Secretary to the Cabinet (Mr. Fournier),
 The Registrar of the Cabinet (Mr. Halliday),
 Mr. M.W. Cunningham, Privy Council Office.

...

INDIA, FINANCIAL PROBLEMS; MEETING IN WASHINGTON, D.C.

16. *The Prime Minister* said that the United Kingdom ministers were very concerned over the financial position of India. They thought that a small meeting of representatives of the major countries with a positive interest in India's economic problems, as suggested by the International Bank, would be helpful. The meeting might have representatives from the United States, Germany, Canada, Japan, and the United Kingdom, and would be held under the bank's auspices in Washington on August 25th. Measures to co-ordinate aid for India would be discussed. The U.K. government would welcome Canadian participation and feared that India would misunderstand any decision not to participate.

17. *The Minister of Finance* said the representative of the Bank of Canada who had attended meetings of the International Bank earlier in the month had been asked to attend this meeting but said he could not do so until he had instructions. It seemed that India was over-extended and in trouble with her five-year plan. She faced serious financial difficulties and was looking for help. The Acting U.K. High Commissioner had asked him if Canada would agree to be represented. He, personally, had favoured conferring under Commonwealth auspices but India was insistent about Canada. The Secretary of State for External Affairs was very much in favour of the meeting. There was political worry about the repercussions of India's financial troubles which might open a way for communists to gain power.

18. *During the discussion* it was considered that Canada was giving away too much already. However, as long as it was understood there would be no commitments, sending a representative was satisfactory.

19. *The Cabinet* agreed that a representative from Canada should attend the meeting to be held under International Bank auspices later this month to review the Indian financial situation; it being understood that the representative would have no authority to make any commitment of any kind whatsoever.

JEAN FOURNIER
Assistant Secretary to the Cabinet

466.

DEA/50123-40

*Extrait du procès-verbal d'une réunion
du Comité du Cabinet sur la conférence du Commonwealth*

*Extract from Minutes of Meeting
of Cabinet Committee on Commonwealth Conference*

SECRET

[Ottawa], August 27, 1958

ITEM II: WASHINGTON MEETINGS ON INDIA

30. *Mr. Plumptre* said that Ministers were well acquainted with the background leading up to these talks. An analysis of the Indian financial situation had been prepared by the World Bank and, with the approval of the Indian delegate, had been placed before the meeting. It had been explained that over the last 3 years of the second 5-year plan, India had incurred \$1 billion of obligations in connection with purchases of capital goods and, to a certain extent, military supplies. There was particular urgency during the next six months as \$350 million of the \$1 billion was due for payment and no arrangements had been made for long-term credits. By September, Indian reserves would have fallen to \$500 million; half would be in sterling and the rest in gold. The meeting had been called to transmute India's short-term obligations into long-term credits. There were two problems; the first long-term, the second immediate. With regard to the long-term problem, the group decided that they could not come to a decision but would keep the Indian position under review. However, agreement had been reached on how the immediate situation would be handled.

- (i) The World Bank would lend India \$100 million over the next six-month period.
- (ii) The U.K. would extend \$108 million of credits under its Export Credits Guarantees Act. Three-quarters of the total was expected to be provided on a 20-year loan. The rest would involve a 5 to 6 year loan.
- (iii) The U.S. would loan India \$75 million from the Development Loan Fund. A small amount would also be given by waiver of interest and principle on its 1951 wheat loan.
- (iv) It was not clear what Germany planned to do.
- (v) It had been agreed that Canada would accelerate her grants under the Colombo Plan to meet India's need for non-ferrous metals, railway ties and fertilizers. It had been made clear that Canada's place at this meeting differed from the other countries present in that Canada was not a creditor of India.
- (vi) Japan planned to extend \$10 million of credits from its export-import bank.

31. *Mr. Plumtre* said that he had prepared a draft statement for the Minister of Finance in the event that he might wish to make an announcement in the House with regard to the Washington talks.¹¹³

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SECTION E

PAKISTAN : SITUATION POLITIQUE
PAKISTAN: POLITICAL SITUATION

467.

DEA/50331-40

*Le haut-commissaire au Pakistan
au secrétaire d'État aux Affaires extérieures*

*High Commissioner in Pakistan
to Secretary of State for External Affairs*

DESPATCH No. 1020

Karachi, December 19, 1958

CONFIDENTIAL

THE NEW RÉGIME IN PAKISTAN

It is now over two months since the proclamation of martial law by former President Mirza on October 7, and seven weeks have elapsed since the second phase of the peaceful revolution occurred on October 27 with the "resignation" of Mirza and the assumption of office as President by General Mohammad Ayub Khan. In the interval, and particularly since October 27, the new administration has been vigorously tackling some of the country's basic problems. At this stage, it may be worthwhile to review broadly the form and direction the new régime's efforts are taking.

2. The military, never at any time dominant in running the country's affairs, have been largely withdrawn from civilian duties and have returned to their normal occupations. The military courts set up to enforce the martial law regulations during the early days of the régime have been abolished over large sections of the country, although still retained in a few trouble spots like the East Pakistan border areas to deal with smugglers. The martial law regulations still continue but over most of the country are now enforced by the ordinary civil courts. Senior army officers still function as martial law administrators with the primary task of enforcing the martial law regulations, but with the exception of East Pakistan, their role is less prominent and the handling of day to day affairs rests almost entirely with civilian officials. In the final analysis, authority rests with those administering martial law backed by the army which can always be called in again if the need should arise, but there is little evidence of interference by the military in ordinary day to day administration. For the most part, the military have concentrated on reinforcing the police in the suppression of smuggling, black marketing and hoarding, in the investigation of alleged profiteering, and in the enforcement of order and discipline among the populace. A number of improvements are already evident; rubbish and filth has disappeared from the streets in urban centres; stalls and booths no longer clutter the public sidewalks; people are

¹¹³ Voir Chambre des Communes, *Débats*, 1958, volume IV, pp. 4425 à 4426.
See House of Commons, *Debates*, 1958, Volume IV, pp. 4213-4214.

queuing in a more or less orderly fashion for buses, ration shops and theaters and are standing at attention during the playing of the national anthem; beggars and panhandlers have largely disappeared from the cities; and both motor and pedestrian traffic proceeds in a more orderly manner although the standard still leaves a good deal to be desired.

3. On the constitutional side, there are a few indications of a gradual movement towards a more centralized unitary form of government. President Ayub now functions as Head of State and chief executive and normally presides over the 12-man Presidential Cabinet. From this body, decisions on policy matters flow to the central ministries and to the Provincial authorities, occasionally in the form of Presidential directives to the Governors of East and West Pakistan, or more normally direct to the appropriate government departments through the responsible Minister. Some thought has been given to a redistribution of functions between the centre and the provinces in order to streamline and simplify administration and to eliminate duplication and overlapping, but so far few substantive changes have been made. However, a high level Administrative Reorganization Committee has been set up to review and to recommend improvements in the organizational structure, functions and procedures of government departments and agencies, to review the staff position, and to recommend measures for close liaison between the central and provincial administrations.

4. During a visit to East Pakistan early in November, President Ayub emphasized in public statements the importance of developing a feeling of national consciousness and cohesion within the country. While there was no harm in developing local culture and language, the President stressed the importance of preserving national unity, and doing nothing to damage the nation's security. He took pains to explain that his régime represented no threat of domination by the west wing or the centre. This theme of a united Pakistan was repeated in a slightly different context by Finance Minister Shoaib who at a press conference in Dacca on December 8 firmly rejected the theory that each wing had its own economy which should be developed separately in its own way. Mr. Shoaib emphasized the importance of considering the economy and resources of the country as a whole and went on to state bluntly that "Pakistan is going to be a one economy state under the new régime."

5. Recently the government has announced a review of import licensing procedures in order to effect more direct control by the centre and to bring import policy into line with the desperate foreign exchange position. Henceforth, there will be reduced emphasis on the regional allocation of import licences. Again, in line with its policy to assert central control over all matters relating to national development, the centre has taken over from the West Pakistan government the Mineral Development Corporation, a quasi-government body responsible for the planning, surveying, prospecting and industrial exploitation of minerals.

6. The Presidential Cabinet is comprised of men of good character and honest purpose who are clearly putting national interest above self-interest. All of them are spending long hours at their desks when in Karachi and are also travelling extensively throughout the country to acquire a first hand knowledge of the problems with which they are faced. The fact that they have been given wide authority in their respective fields is evidenced by the numerous statements and comments they are making to the press which obviously could not have been cleared in advance by the President or by the Cabinet as a whole.

7. The most active Minister is Lt. Gen. Azam Khan, Minister for Rehabilitation who has attacked the refugee problem with energy and vigour. A forceful man of tremendous drive and outstanding determination, General Azam has succeeded in putting new life into the

somewhat moribund refugee administration and bids fair to uphold his reputation as a man who will brook no obstacle in getting things done quickly. Already he has gone a good way in sorting out the tangled problem of evacuee property. He has launched the construction of a new satellite town in the Karachi area for 40,000 refugees and is actively planning a second to provide for 50,000. In several tours around the country, General Azam has attracted the headlines by statements that refugees are the number one problem which must be solved quickly and on humanitarian lines.

8. On the economic side, Mr. A.K. Khan at Industries, Works, Irrigation and Power, and Mr. Shoaib at Finance, have already shown their mettle. The former has been indefatigable in touring the country, particularly East Pakistan, and in helping to formulate economic policies. Mr. Shoaib got off to a late start when his departure from Washington where he was a senior executive of the I.B.R.D. was delayed by the death of his wife, but since his arrival has wasted no time in grappling with the problem of putting the country's finances on a sound footing. When I talked with him recently, he stressed the need to reduce expenditures to bare essentials as a first step in combating the serious inflation which threatens Pakistan. Foreign Minister Manzoor Qadir, a brilliant constitutional lawyer with an untarnished reputation, is shy but unquestionably able. Notably articulate, he has the skill to marshal his thoughts in a logical way and he presents his arguments with quiet persuasiveness. Mr. Qadir does not pretend to be an expert on foreign affairs; for the present he is spending a good deal of time working behind the scenes on proposals for a new constitution. Apart from his position as the second man in the Cabinet, and the top civilian, there is a good deal of evidence that President Ayub relies on him for advice on matters beyond the scope of his Foreign Affairs portfolio.

9. I have some reservations about a few of the other Ministers. The Minister for Commerce, for example, is only 30 and is without much practical experience in business affairs. He comes from a wealthy landed family in Upper Sind with a largely academic background in political science and constitutional law. Mr. Hafizir Rahman, Minister for Food and Agriculture, is an elderly retired civil servant who has yet to demonstrate the energy or capacity to handle the country's food problem on a realistic basis. Although technically well qualified by virtue of long service with the railways, the Minister for Communications, Mr. F.M. Khan, seems to have adopted a more casual approach to his job and is the only Minister who had close associations with ex-President Mirza. In the public mind, he may therefore be suspect as a hangover from the old régime. Not much has been heard of Mr. Mohammed Ibrahim, the Minister for Law and former Vice-Chancellor of Dacca University, who has so far shown little grasp of government problems and may have been included simply to fill up the quota from East Pakistan.

10. During its first six weeks in office the government has marked out a number of fields in which reforms or development are urgently needed. The rehabilitation of refugees is one of the tasks given top priority. Another is land reform. At an early stage ex-President Mirza appointed a Land Reforms Commission, "to consider problems relating to the ownership and tenancy of agricultural land and to recommend measures for ensuring better production and social justice as well as security of tenure for those engaged in cultivation." Following the second stage of the revolution, one of President Ayub's first acts was to direct the Commission "to propose a comprehensive scheme for effective land reforms" as soon as possible. Subsequently, General Ayub has spoken of the need for "sensible land reforms" and "a scientific solution to our land problem — one that is just and fair, and does not lead to class war." He has on occasion described himself as "the landlord's friend," has stressed the desirability of limits for the smallest as well as the largest holdings, and of the need for changes in the inheritance laws to prevent uneconomic fragmenta-

tion. Because of the power, position and privilege of the landowning class, which over much of West Pakistan still operates on quasi-feudal lines, a good deal of interest attaches to this subject and in many quarters it is regarded as the new régime's first big test. Certainly, if the problem is approached on the basis of widespread redistribution to tenant farmers with firm and low ceilings for large estates, the effect will be to bring about a social and political as well as an economic revolution with far-reaching consequences on the social structure of the western wing. The Commission, which has been meeting periodically in Karachi and Lahore, hopes to have its report ready for submission to the government before the end of the year.

11. In the economic sphere, it can be said that the new régime got off to a slow and somewhat uncertain start but is now showing signs of settling down for the long haul. The immediate effect of lower prices which followed the proclamation of martial law, and firm action against the profiteers, the smugglers and black market operators was a wave of panic buying which threatened for a time to drive some goods off the market entirely. In a number of centres, the authorities were forced to take urgent measures to restrain would-be purchasers and rough and ready rationing devices were enforced for certain types of goods. Within a matter of days a few shortages began to appear; although fruit and vegetables were now cheaper, the quality was poor and supplies were short; eggs, although available at a lower controlled price, were hard to get; and milk, no longer watered, was insufficient to go round. Recently there has been some improvement in the supply situation though occasional shortages still occur.

12. On the national scale, the régime has done a number of things in an attempt to persuade trade and industry to "function in a normal healthy manner while at the same time keeping national interests above personal gain." Profiteering and black marketing have been defined by martial law regulation and a number of offenders have been tried before military courts and punished. Improper declaration of income has been made a martial law offense and firms as well as individuals have been given a deadline before which to make new and more honest declarations dating back to 1953-54, with the promise that action will not be taken against them. Firms and individuals have been directed to declare and turn over to the State Bank of Pakistan their holdings of foreign currency both at home and abroad. By far the most far-reaching measure has been a comprehensive set of price control regulations which aimed initially at limiting profit to a certain percentage of capital at each stage of manufacture and distribution. On the whole, the reaction of the business community was unfavourable; the scheme was rigid and inflexible and involved computations based on information not always available. While more or less satisfactory for firms with a large capital investment, it was considered unworkable for small businesses with limited capital, of which there are a great many in Pakistan. After representations from the business community, the government modified the price control regulations, limiting profit at each stage to a percentage of production costs. The new regulations are to come into force from the beginning of the new year and seem likely to prove more satisfactory.

13. There is little doubt that the new régime's initial impact on business was disquieting. In the early stages, traders found it difficult to know what government policy was since many regulations drafted in haste were ambiguous or obscure. This state of affairs, combined with sharp attacks on business ethics, produced a state of uneasiness and fear among the commercial community and resulted in loss of confidence and a good deal of confusion and stagnation. During the latter half of November, the Minister of Commerce found it necessary to tour commercial centres in West Pakistan to urge that normal trade be resumed, to explain the government's policy and to listen to representations. More recently, there has been some return of confidence as the government has shown its will-

ingness to listen to the commercial community and to modify its policies in certain directions.

14. The controversy between the advocates of an active agricultural policy and those who favoured rapid large-scale industrialization has been resolved, for the time being, in favour of the former. In several pronouncements, the government has declared the production of more food a priority objective and has taken a number of steps in furtherance of this aim. In a recent statement, the energetic and able Minister for Industries made it clear that in the industrial field the emphasis in the immediate future would be placed on the development of medium, small-scale and cottage industries throughout the rural areas using local raw materials. Significantly, Mr. Ghulam Faruque, an ardent advocate of rapid large-scale industrialization and former head of the PIDC, has been transferred to Lahore where he will head the Water and Power Development Authority under the West Pakistan Government.

15. Other objectives announced during the early stages of the revolution have been dealt with by appointing commissions to study the subject and report back. For example, a Law Reforms Commission has been appointed to look into the administration of justice and to make recommendations for the speeding up of judicial procedures. Another commission with very broad terms of reference has just been established to study the type of education required in Pakistan and to formulate proposals for overhauling the educational system. New studies are under way by the Planning Commission to draw up an interim plan for achieving certain economic objectives, and the whole field of trade policy is under review by a top level interdepartmental committee under the direction of the Minister for Commerce.

16. Having so much to do at home, the new régime has shown relatively little interest in foreign affairs. The tone was set at General Ayub's first press conference as Chief Martial Law Administrator when, in reply to a question about possible changes in foreign policy, he countered somewhat tartly "What's wrong with Pakistan's foreign policy?"

17. Relations with India, however, are an integral part of Pakistan's life and are never long out of the headlines. Within days of taking office as President, General Ayub was proclaiming, "We must have a satisfactory solution in Kashmir as it affects our security and our whole existence. Should we be forced to adopt extreme measures, even war, the responsibility will be that of India." On canal waters, he said "Unless we get the water we used to get, our land will go barren and we will have no recourse but to take any measure open to us."

18. For more than five weeks, statements by Indian leaders at press conferences and in Parliament that democracy in Pakistan had been replaced by "naked military dictatorship," that this state of affairs was incompatible with continued membership in the Commonwealth, as well as allegations of aggression in border incidents were ignored by government spokesmen. However, at Lahore on December 12, the President returned to the charge, accusing India of deliberately organizing a campaign of vilification in an attempt to render Pakistan friendless and defenceless. He warned that Pakistan knew to deal with border clashes and encroachments which were "nuisances and the sooner stopped the better." Kashmir and Canal Waters are questions of "life and death constituting a challenge to humanity and international morality." Pakistanis would never fail to accept this challenge boldly and courageously. President Ayub denied Indian allegations that Pakistan had been rendered bold by "massive U.S. military aid," pointing out that Indian military strength was three times Pakistan's even after U.S. assistance. He accused India of harbouring aggressive designs against this country and engaging in an aggressive military

build up at the expense of national development. Unfortunately, it cannot be said that Indo-Pakistan relations show promise of any improvement.

19. The only other discernible trend in foreign policy seems to be a possible shift towards closer relations with the U.A.R. and increased support for Arab causes. Early in November, without apparent cause, Foreign Minister Qadir warned Israel that any attempt to occupy the west bank of the Jordan would have grave repercussions throughout the Middle East; ten days later, the Pakistani representative at the U.N., in a particularly spirited plea, criticized Israeli proposals to compensate the Arab refugees and urged that Israel permit them to return to their homes instead. And in the debate on Algeria this year, Pakistan seems to have come out more strongly in favour of the nationalists than in former years.

20. The possible rapprochement with the U.A.R. stems from a visit to Cairo by the Minister for Education, Information and Broadcasting, Mr. Habibur Rahman, who stopped over on the way back from Brussels where he had gone to say his farewells as Pakistan's Ambassador to Belgium. The visit is described by Foreign Secretary Baig as "unplanned but fortuitous." In Cairo Mr. Rahman had talks with the U.A.R. Ministers for Education and Culture and National Guidance, and had a 90-minute interview with Colonel Nasser whom he found "extremely amicable and full of friendly sentiments towards Pakistan." In a broadcast over Cairo Radio, Mr. Rahman referred to the importance of clearing the political atmosphere on a number of problems and said that the "hopes and aspirations of the Arabs are very close to our hearts; Pakistan has steadfastly supported and will always support their rightful cause." Subsequently, there have been rumours that the Egyptian Minister for Education might visit Pakistan to offer advice on educational problems here but nothing definite has emerged. However, at a press conference in Rawalpindi recently, President Ayub remarked that relations with the U.A.R. were now very good and added that President Nasser would be received with open arms if he wished to visit Pakistan.

21. By far the most outstanding achievement of the new régime is the extent to which President Ayub has succeeded in identifying himself and his government with the aspirations of the people. Travelling about the country, one senses a feeling of purpose, an air of confidence, a return almost to the patriotic fervour which gripped Pakistan in 1947 and 1948, and a conviction that having got rid of corrupting influences, the nation can now get down to work and show what it can accomplish. There is no doubt that the government, at the present time, enjoys widespread and genuine support and that most of the people are prepared to accept hard work and a good deal of austerity in the expectation of achieving a better future.

22. As was to be expected, the achievements on the practical side are not yet great. While starts have been made on reforms in several directions, most projects of this kind are still in the planning and study stage and some time must yet elapse before the results become apparent. In the meantime, the new feeling of confidence, of purpose, and of discipline which is taking hold offers hope that President Ayub may achieve some success in the tremendous task of reforming the character and way of life of a considerable proportion of the population.

H.O. MORAN

SECTION F

GHANA : VISITE DU PREMIER MINISTRE À OTTAWA, 24-27 JUILLET 1958
GHANA: VISIT OF PRIME MINISTER TO OTTAWA, JULY 24-27, 1958

468.

DEA/12304-1-40

*Le haut-commissaire au Ghana
au chef de la direction du Commonwealth*
*High Commissioner in Ghana
to Head, Commonwealth Division*

PERSONAL AND CONFIDENTIAL.

Accra, May 2, 1958

Dear George [Glazebrook],

I am still awaiting word from the Department before opening discussions with the Prime Minister and his staff on the programme for his Canadian visit. However there are one or two matters which I would like to discuss with you in a personal letter because they might have some bearing on the planning.

In general I hope it will be borne in mind that we are being hosts for the first time to an African leader of a Commonwealth country. Because he is an African he is likely to be impressed by different things from those which might impress Europeans. The Africans like ceremony and they would be quick to notice it if our reception falls short of what they themselves would do for a visiting dignitary. There should, in my view, be plenty of red carpet, a good deal of sabre rattling (parade ground variety) and the wailing of sirens. There are other factors which you may wish to take into account in arranging the programme. There has emerged from the recent Conference of Independent African States a surge of African nationalism and the visit to Canada might be something which could help to adjust the perspective. I believe that for the usual reasons, the opportunities open to us in performing this function are greater than those open to the United States or the United Kingdom. We are not suspect from either the standpoint of colonial imperialism or economic domination.

As to the subjects he may wish to discuss, I can say very little at this time but I can mention one or two things that he will not wish to discuss. He will not be going to Canada or the U.S. with his hat in hand asking for aid. Ghana with its large reserves does not need aid *per se* or by itself, but it does of course want investment capital and technical "know how." I would expect that in view of the newspaper publicity which describes the purpose of his visit as seeking aid, he will wish to set the record straight in his first statement to the Canadian press.

According to Sir Robert Jackson he is unlikely to want to discuss the Volta River Project and if he does, it will be only in very general terms because the Volta River Project ball is in the U.S. court. Here again if he does raise the subject, it might only be to indicate that at a later date he might ask the Canadian Government to consider the question of a loan of modest proportions if conditions for starting the project become more auspicious. It is most unlikely that he will be in a position to make any concrete request since he will not have discussed the project with interested parties in the U.S.A.

There is one other matter which I raise reluctantly because it affects me but I am able to overcome my natural shyness. I have been asked by numerous officials whether I am likely to be called home in connection with the Prime Minister's visit. This question might be

inspired by the fact that Bill Flake, the United States Ambassador, will be in Washington to receive the Prime Minister there. Following his official duties in connection with the Prime Minister's visit he will proceed on leave.

Robert Jackson has been the most persistent in his enquiries as he thinks that my presence in Ottawa would be welcomed by the visitors and that it would stand me in good stead in my future relations with the Prime Minister and others here. If you think it worthwhile to raise the question with the Under-Secretary please do so. I am quite content to leave the matter in your hands.

Marion MacPherson and I hope in the course of the next few weeks to get off a few background reports on the current political situation here which might be of some use to your Division in preparing briefs for the Minister on the Prime Minister's visit.

This is sketchy but I feel you might be reassured by some of these observations and I hope if there is any uneasiness about the Prime Minister's visit this will help to dissipate it.

Yours sincerely,
EVAN [GILL]

469.

DEA/12512-40

*Le haut-commissaire au Ghana
au secrétaire d'État aux Affaires extérieures*

*High Commissioner in Ghana
to Secretary of State for External Affairs*

DESPATCH NO. 273

Accra, June 2, 1958

CONFIDENTIAL

GHANA'S FIRST YEAR: EXTERNAL POLICY¹¹⁴*Introduction*

The guiding principles of Ghana's foreign policy were stated by the Prime Minister on the eve of independence:

"As Ghana achieves independence, it observes a world torn and divided in its political relationships. The Government of Ghana therefore feels that at this stage it should not be committed in any aspect of its foreign policy and that it should not be aligned with any particular group of powers or political bloc. The Government of Ghana does not intend to follow a neutralist policy in its foreign relations, but it does intend to preserve its independence to act as it seems best at any particular time. ... In pursuing its independent policy, the Government of Ghana will have regard, first and foremost, for the interests of the people of Ghana; in particular, their continued economic and social progress."

2. After one year it can be said that Ghana has been successful so far in pursuing its policy of non-alignment. There is no doubt that Dr. Nkrumah and Ghana are orientated to

¹¹⁴ Des extraits de cette lettre constituaient le dossier d'information pour le premier ministre Diefenbaker sur la politique étrangère ghanéenne avant la visite du premier ministre Nkrumah au Canada.

Extracts from this letter constituted the brief for Prime Minister Diefenbaker on Ghanaian foreign policy prior to Prime Minister Nkrumah's visit to Canada.

the west and endorse western ideas of social progress and democratic liberties, although there are among his followers those who favour strict neutrality and those who lean towards the Soviet orbit. In these circumstances it can hardly be expected that Dr. Nkrumah would wish publicly to support western actions in international affairs. Such a stand would not only be inconsistent with his political philosophy as leader of an anti-colonial revolutionary party which has many times found fault with western practices, particularly in Africa, but it might have the effect of generating opposition within his own ranks. Moreover, I would judge that the majority of Ghanaians find the present policy of detachment to be satisfactory and would be reluctant to take a definite stand of alliance with the west, although the opposition party would not feel the same reserve. In addition, Dr. Nkrumah has ambitions to become a leader in Africa and would like political parties in dependent territories whose goal is independence to look to Ghana for guidance. He therefore feels it important to avoid overt alignments which might compromise his prospects of influencing these socialistically-inclined African leaders. For these reasons I would not foresee any early change in the announced policy of non-commitment and we can expect that the underlying friendship to the west will continue, but will not be voiced at international forums such as Commonwealth and United Nations meetings or on other occasions when Ghana is called upon to express her views on international problems.

3. Since independence Ghana has eagerly seized opportunities to establish friendly relations with other countries. There are now twelve foreign missions here and Ghana has eight missions abroad. Ghanaian delegates have now attended a General Assembly session and other United Nations conferences, as well as international meetings in the technical and economic spheres; the government has sent goodwill and trade missions to Israel, Egypt, India, Ceylon and Burma and to western Europe, and there have been numerous special visits to other countries, e.g. attendance at the Ceylon anniversary, the Malayan and West Indian celebrations. A number of international conferences have been held in Accra, the most important being the conference of independent African states. All this has been good experience for Ghanaian representatives who are gradually learning the benefits of consultation. This we regard as a constructive feature of the first year in which Ghana has appeared in international circles.

The Commonwealth Connection

4. While Ghana has moved rapidly to extend its foreign horizons and wishes to be friendly with all countries, some relationships are of course more important than others and there are a few noticeable trends. The Prime Minister has on several occasions stressed the Commonwealth attachment and Ghanaians have some appreciation of the uniqueness of this association. The Prime Minister has described it as being able to become

“a pilot scheme for developing the most effective methods by which colonialism can be ended without revolution or violence and under conditions in which the former colonial territory still retains a close and friendly association with the former imperial power.”

He also said after the Commonwealth Prime Ministers' conference in 1957:

“The family relationship between members which we experienced in this conference and which brings together countries poles apart in race, religion, social background and domestic and foreign policy is an example of international association which should be supported for as long as it lives up to the standards of sound democratic principles and respect for the sovereignty of member nations.”

5. Ghana appears to be quite anxious to participate in the various official and unofficial Commonwealth activities and I would consider that the Commonwealth connection is valued here, not only for the reasons given by the Prime Minister, but also because his

basic western orientation can be expressed in the Commonwealth context without leaving him open to accusations that he is too involved with the west.

Other International Organizations

6. Very shortly after independence, Ghana became a member of the United Nations. There is great respect for the work of that organization in the social and economic fields and much idealism concerning its political possibilities. If an African grouping at the United Nations is effectively organized, it will be largely owing to Ghana's initiative and, as I have previously reported, I would expect that such a grouping would have a discernable western orientation in contrast with the Afro-Asian group as a whole. Ghanaians, of course, take a lively interest in non-self governing and trust territories and there are indications that the political force which was organized to win independence for Ghana will now be directed to bring about political changes in dependent territories. There is evidence of a sense of mission about this. Their participation in the debates on these questions at the last Assembly showed up their inexperience; I am hopeful that more experience and the habit of consultation will lead to more constructive participation. Ghanaians are also interested in disarmament and the Prime Minister has spoken on a number of occasions of the benefits to Africa which could be achieved if money now being spent on defence could be channelled into economic development. There was a strong reaction here against the suggestion of using the Sahara for nuclear tests. The attitude to nuclear tests and disarmament, while strong, is not informed; Ghanaians do not fully grasp the fact that unilateral action to cease tests or reduce armaments is no substitute for international agreement. Soviet propaganda has had its effect in this part of the world.

7. Ghana is a member of most of the specialized agencies and in addition participates in the work of C.C.T.A. and F.A.M.A.

8. The attitude to regional defence organizations is governed by the basic policy of non-alignment. There is no praise for NATO nor any desire to understand why such an alliance is necessary. Nor is there realization that the existence of NATO has contributed to Ghana's security. This insularity was revealingly expressed by the Prime Minister in his opening statement to the conference of independent African states — in speaking of the Great Powers he said

"In any case we appeal to them to live in tolerant and peaceful co-existence and to leave us to live our own lives."

Relations with the Great Powers

9. Although expressing disinterest in great power differences, Ghana is anxious to pursue bilateral relationships with them. Ghana, of course, still depends very much on the United Kingdom's cooperation in various fields and this special relationship can be expected to continue. The United States looms large as a source of investment capital and technical aid and the influence of the United States which has launched a large technical assistance programme has extended rapidly during the first year. At the same time Ghana is making efforts to avoid over commitment with the United Kingdom, both in order to emphasize her status of independence and also in pursuance of the policy of non-alignment. Conscious efforts are also made to try to ensure that in diversification they will not become too dependent on the United States and the large size of the U.S. mission here has been the subject of some comment. On certain projects where outside help is needed and which the United States could easily and willingly supply the authorities tend to look first to such other countries as Canada, Germany, Israel or India. France, whose territory surrounds Ghana, is an important customer and source of supply, and one of the first countries with which Ghana exchanged diplomatic missions.

10. The result is that Ghana is historically and economically involved with three of the Great Powers and, in view of her desire for non-commitment, the Prime Minister has decided that Ghana and the U.S.S.R. should cultivate normal diplomatic relations. He is in fact not entirely comfortable at the prospect. I would expect that the U.S.S.R. considers that this is the first real opportunity of extending influence in "black Africa" that has come its way. Thus, though before independence contacts were almost non-existent, during the last year the U.S.S.R. has taken advantage of Nkrumah's stated desire to be friendly and are trying hard to develop political, commercial and cultural relations. The U.S.S.R. officials in London have been very attentive to official Ghanaian representatives and to students in the United Kingdom. The U.S.S.R. was of course represented at the independence celebrations; later a trade mission spent some time in Ghana, a visiting professor lectured at the university and two Russian ships called briefly at Takoradi. The opening of a U.S.S.R. mission is now expected to take place before the end of the current year. Thus the testing time for Ghana's diplomacy is still ahead. To a certain extent Communist China has also made overtures and the Prime Minister has stated that he wishes to have friendly relations with it too. As I have said earlier, some followers here dislike too friendly an association with the west while others are more anxious further to cultivate relations with the communist powers.

India and Israel

11. Other than the United Kingdom and the United States, the two countries which exercise an important influence are India and Israel. Indian political development has been an important example for Nkrumah who has a high opinion of Nehru as the leader of newly-independent under-developed countries, and of India as the most powerful coloured member of the Commonwealth and as the chief exponent of non-involvement with power blocs. The Indian Government has always taken a special interest in Ghana; an Indian Commissioner was here for some years before independence. The growth of Israeli influence results from the determined efforts of that country to strengthen its position with the Afro-Asian group. It has been extremely active in offering assistance to Ghana and its representatives here are assiduous in promoting Israeli interests. So far, Ghana has been able to take advantage of Israel's willingness to help without compromising its friendship with Arab states, of which its relations with the U.A.R. are the closest. It recognized Egypt and later the U.A.R. and has established a mission in Cairo. The Prime Minister will shortly visit Cairo as part of his tour of independent African states.

Pan-Africanism

12. While Ghanaians are pleased with the progress they have made in extending their interests outside Africa, the most important aspect of foreign policy from the point of view of the Prime Minister and the country has been the trend in relations with other African states; a trend largely fostered by Dr. Nkrumah. The conference of independent African states was a singular achievement and his initiative in arranging it may be said to have enhanced his prestige in Africa, although not without some reservations on the part of the political leaders in the other countries. It is still too early to know whether the resolutions of the conference will be translated into action, but we expect that Ghana will continue to encourage the development of an African personality and the political emancipation of Africans in colonial territories, and to take the lead in arranging consultations between African members at the United Nations. The problems which will concern these states as a group are precisely those on which they have differences of opinion with the western powers.

13. One factor in Nkrumah's desire to go ahead quickly on Pan-Africanism is the future threat to his leadership posed by an independent Nigeria which will be potentially more influential in the Commonwealth and Africa and which will not be ready to follow Nkrumah. Nigerians are inclined to look down on Ghana and there is not much 'good neighbourliness' on either side. There is here the seed of future embarrassment and both sides should be urged to compose their differences before they become intractable. There has been no discussion of the possibility of a West African federation; Nkrumah's expansionist tendencies are for the moment more modest and relate to French Togoland on the east, a small section of the Ivory Coast on the West and the Upper Volta in the north.

Canada and Ghana

14. The Ghanaian authorities are extremely friendly towards and interested in Canada. They have appreciated the cooperation which we have extended whether directly or through the United Nations and Canadian influence could be expanded without arousing distrust. As I have said in other reports, Ghanaian policy is inclined to be unpredictable and easily influenced. It is in our interest to ensure that the strongest influences from the outside are good ones and I believe that we are in a good position to act. I was interested to hear from Mr. Bing that with the Prime Minister's approval he proposes to consult with the Canadian and Indian delegations on outstanding questions concerning the Law of the Sea. This is based on Ghana's experience at Geneva; Mr. Bing was impressed with the work of the Canadian delegation there and regarded as fruitful the collaboration between the two delegations. In my opinion, Ghana would be ready to consider the practice of close consultation with India and Canada on many international questions if we encouraged them to do so. (This is something which the Prime Minister may wish to explore during his forthcoming conversations with Dr. Nkrumah.)

General Assessment

15. The first year has thus seen the continuation of close relationships with the United Kingdom; a rapid development of United States influence; and a strengthening of ties with India, Israel and Canada. These relationships are important for Ghana for it is through them that she hopes to attract capital and technical assistance which are essential for the country's development. A pan-African policy has been launched with some success and is the Prime Minister's overriding concern in foreign policy.

16. In general, Ghana's external policy during its first year has followed with minor fluctuations the line announced by the Prime Minister. Signs of inexperience and naivety showed from time to time but by and large the course of events was reassuring. The basic idea of non-commitment contains elements of unreality and insularity but the fundamental orientation is western. I would suggest that at this stage, any more pronounced signs of sympathy for western causes would not serve our best interests since they might tend to reduce Ghana's influence with other African states and political parties which so far is a moderating one quite alive to the dangers of communist offers of assistance. Such an orientation might also provide a political issue internally which at this stage might do more harm than good. (This is a question on which a departmental view would be welcomed.) Finally, Ghana's external policy is Nkrumah's and is subject to his strengths and weaknesses. As in internal affairs — the testing years are still ahead.

EVAN GILL

470.

DEA/12304-1-40

*Le sous-secrétaire d'État aux Affaires extérieures
au haut-commissaire au Ghana*

*Under-Secretary of State for External Affairs
to High Commissioner in Ghana*

LETTER NO. K-241

Ottawa, August 1, 1958

CONFIDENTIAL

DR. NKURUMAH'S VISIT TO CANADA

We find it difficult to estimate the success from our standpoint of Dr. Nkrumah's visit to Canada, but we had a number of indications that the Ghanaian Prime Minister and his colleagues were pleased with their visit here when they left for the United States.

2. The visit began slowly with a civic luncheon and Government dinner in Montreal on Saturday, July 19. Mr. Balcer, Solicitor-General, who greeted the Ghanaian Ministers on their arrival, was host at the dinner. The Sunday trip through the St. Lawrence Seaway and Power Development was of interest to Dr. Nkrumah and his party, and both the small dinner at the Prime Minister's residence on Sunday evening and the larger dinner at the Country Club the following evening went off well.

3. Dr. Nkrumah's address to Parliament on the morning of Monday, July 21, was very well received, as was his speech before the Canadian Club in Ottawa the following day. In his address to Parliament, Dr. Nkrumah made reference to the Accra Conference and spoke of its aim to help emancipate "those of our brethren who are still under colonial rule." He did not, however, dwell on the Accra Conference or on African affairs. Referring to Ghana's foreign policy, he stated:

"Basically the policy of our Government is one of non-alignment and positive neutrality. I have emphasized on several occasions, however, that this should not be interpreted as a purely negative neutralism. On the contrary, we will always adopt whatever positive policy will do most to safeguard our independence. We have a vested interest in peace, and we will do everything in our power to support the United Nations."

The members of the House and the Senators applauded this last remark regarding the United Nations.

4. Dr. Nkrumah also referred to Ghana's development plans in a general way, and, in connection with remarks on the forthcoming Commonwealth Trade and Economic Conference, appealed to the Commonwealth to pay greater attention to the "political aspects of economic development."

5. Dr. Nkrumah's speech to the Canadian Club followed the same lines as his address to Parliament, with remarks of a general nature about Ghana's place in the Commonwealth and its development plans and foreign policy.

6. At his press conference on the afternoon of July 21, Dr. Nkrumah clearly won the admiration of the Press Gallery. All the questions directed at the Prime Minister were of a friendly nature. His remark at the conference that he was a "personal friend of President Nasser" won headlines in some newspapers, while his remark that he was also a friend of Ben-Gurion was in most cases ignored in the press.

7. At his press conference Dr. Nkrumah indicated that he was amused, but not offended by the fact that Canadian crowds had not turned out to greet him. He joked about the

"undemonstrative character" of Canadians. If there was not much public curiosity about the Ghanaian Prime Minister, he nevertheless seemed pleased with the friendly reception given to him by Canadian Parliamentarians and the press.

8. If Dr. Nkrumah appeared to be happy with the reception he received in Canada, he may have been disappointed at the lack of opportunity for private conversation with Canadian Ministers. We had arranged for him to meet on the afternoon of Monday, July 21, first with the Prime Minister and then with Mr. Smith, who was to be joined by officials of the Department. Unfortunately, the Middle East crisis required that the Minister fly to New York that morning,¹¹⁵ and the Prime Minister's time was also severely restricted by the turn of events.

9. In addition to meeting socially on three occasions, the two Prime Ministers met for a private conversation of some forty minutes on the Monday afternoon. There were no officials present at the meeting, but it is understood that much of the conversation dealt with the Middle East crisis. The other principal subject discussed was economic development in Ghana and assistance needed in that connection. To our knowledge no specific requests were made of the Canadian Government by Dr. Nkrumah.

10. Mr. Botsio had a full schedule when in Ottawa, meeting with officials of the Department of Trade and Commerce, that Department's Minister, Mr. Churchill, and with Mr. Fleming, Minister of Finance. Mr. Botsio also met with the Presidents of Maple Leaf Milling Company and of Ogilvie Flour Company to discuss his Government's plans to build a flour mill in Ghana. He also met with representatives of the March Shipping Company of Montreal to discuss a direct shipping service between Ghana and Canada, and with officials of the Ford Motor Company. All these meetings but the last were attended by officials of the Department of Trade and Commerce, and that Department is informing your mission of the substance of these discussions.

11. Mr. Baako had a more leisurely schedule. In Montreal he visited the studios of the C.B.C. and met officials of the C.B.C. International Service. In Ottawa he toured the newspaper offices and plant of the *Ottawa Journal*, and visited the plant of the Eddy Company in Hull.

12. Mr. Adu called on various officials of the Department to discuss, in particular, administrative and protocol problems which his Ministry is facing. Mr. Adu's request for the assistance of an administrative officer from this Department and for certain material dealing with Departmental administrative procedures and with the arrangements for the Queen's visit to Canada last year, are being given immediate attention.

13. We are enclosing a number of clippings† of news items and editorials on Dr. Nkrumah's visit from Canadian newspapers. The press was very friendly, and in every case welcomed Dr. Nkrumah's visit. Many editorials expressed the hope that Canada could give economic or technical aid to Ghana. The Peterborough *Examiner* was one of the few newspapers to make some adverse criticism of Dr. Nkrumah's political performance at home. The *Edmonton Journal* appreciated, however, that "democracy as it is understood and practised in Britain and Canada, cannot be applied to the letter in the Ghana of today." The *Kingston Whig Standard* pointed out that "it was unfortunate that (Dr. Nkrumah's visit) should coincide with the Middle East crisis, since the attention which he might otherwise have received was not accorded to him."

¹¹⁵ Voir le volume 25, chapitre III./See Volume 25, Chapter III.

14. We are also enclosing a copy of the memoranda† which were prepared for the Prime Minister in connection with the visit. The memoranda were prepared primarily on the basis of your despatches, for which we were very grateful.

15. We should be pleased to have some assessment of Dr. Nkrumah's visit from you, once he and his party have returned to Ghana and you have had an opportunity to sound out officials. We should also be interested to learn how the visit was treated in the Ghana press.

G. DE T. GLAZEBROOK
for Under-Secretary of State
for External Affairs

CHAPITRE IV/CHAPTER IV
EUROPE DE L'OUEST
WESTERN EUROPE

PREMIÈRE PARTIE/PART 1
ZONE EUROPÉENNE DE LIBRE-ÉCHANGE
EUROPEAN FREE TRADE AREA

471.

DEA/4901-W-40

*Le représentant permanent auprès du Conseil de l'Atlantique Nord et de l'OECE
au secrétaire d'État aux Affaires extérieures*

*Permanent Representative to North Atlantic Council and OEEC
to Secretary of State for External Affairs*

CONFIDENTIAL

Paris, December 16, 1957

Reference: Our telegrams on Free Trade Area Negotiations.†

FREE TRADE AREA — TO BE OR NOT TO BE?

At the end of 1956 Working Party 17 of the O.E.E.C., which had been set up to determine whether it would be technically possible to operate a free trade area in Europe which would include the common market of the Six, came to an affirmative conclusion. In March 1957 the Ministers of OEEC countries agreed to explore the possibilities of concluding an agreement and the project of a European Free Trade Area, not without many hesitations and reservations, was launched on the seas of preliminary negotiation. In the months that ensued three crews (Working Parties 21, 22 and 23) did what they could to manoeuvre through the cross-currents of European political and economic interests and to steer a forward course between the narrow United Kingdom concept of a Free Trade Area involving little more than the progressive removal of quantitative restrictions and tariffs for industrial products and the more ambitious ideas of the Six, particularly France, whereby a Free Trade Area would be expected to go a long way down the road to Rome. By the end of July the Free Trade Area had by no means foundered but the vessel lay barnacled and becalmed, no firm hand held the wheel, the way ahead seemed uncharted, and the prospects for successful and speedy completion of the voyage seemed slim indeed.

2. Now, as 1957 draws to a close, the breeze, if not set fair, is at least blowing and the Free Trade Area has regained momentum. Of course, difficult water lies ahead and many dangerous shoals remain to be navigated, especially around the French coast. But the new crew, under [Reginald] Maudling's command, are not without skill, and it seems possible that in the end harbour will be made and agreement reached on a Free Trade Area Convention representing a not too unhappy compromise between the divergent approaches of the prospective members.

3. A number of factors account for the changed atmosphere in which the Free Trade Area negotiations are now being conducted. We would be inclined to give first place to the success which attended British efforts, prior to the informal October Ministerial meeting, to convince Continental European countries that a Common Market not complemented by a Free Trade Area would act as a divisive economic and political force in Europe and

would strike at the root of the cherished structure of European economic co-operation so laboriously built over the years since 1948. When Ministers came together in October there was no dissent from this United Kingdom argument and even Faure spoke of the desirability of a Free Trade Area (subject of course to the Free Trade Area being of a kind acceptable to France). The outcome of the discussions was a firm expression of determination to secure the establishment of a Free Trade Area to take effect in parallel with the Treaty of Rome. This was a decision of principle which had eluded the British at the March meeting and it is having its effect.

4. A second important factor in getting the negotiations under way again was the more forthcoming United Kingdom attitude, particularly in regard to agriculture, but also on a number of other subjects to be dealt with in a Free Trade Area Convention. To what extent the U.K. readiness to do something more in the field of agriculture will meet the desires of the Six and of OEEC agricultural exporters remains to be seen, but the gesture was made in October and without it the affirmative decision on the desirability of establishing the Free Trade Area would not have been obtained.

5. Mention should also be made of the less inflexible attitude of the Six. It would appear that, with the French ratification out of the way and every prospect of the Treaty of Rome entering in force at the end of the year, the member countries, with the exception perhaps of France, find it possible now to approach the Free Trade Area negotiations in a less defensive and more relaxed and business-like way. The passage of time would also seem to have resulted in some regaining of perspective which has brought with it renewed recognition of the desirability of achieving free trade throughout the whole of western Europe rather than in the Common Market alone.

6. Another significant reason for the improved climate of the negotiations is the fact that they have been entrusted to a Ministerial group of very high calibre and apparent sincerity of purpose. Maudling is an outstanding and skillful Chairman with the happy faculty of extracting the maximum measure of agreement from his colleagues; but the Ministers whom the other countries have named to the Committee (Erhard, Skaug, Faure, Carli, Fayat, van der Reugel) are also very talented men with an impressive grasp of their subject. To hear them in debate and to see the cross-fertilization of their ideas narrowing differences and producing agreements has been a rewarding experience.

7. The press reports on the Ministerial meetings have not reflected the positive and constructive tone of the discussions to date in the Ministerial Committee and to this extent have given a somewhat misleading impression. It is true that the French have been, are, and no doubt will continue to be very difficult. But our feeling, for what it may be worth, is that the problems of French intransigence have been overstated. There is still a long way to go to bring the French and British positions together but the movement has started and, despite some of Faure's more extreme statements, the general atmosphere of the meetings seems now to reflect a collective will to bring about a mutually satisfactory Free Trade Area arrangement.

8. It is not only the better spirit now inspiring the negotiations which leads us to believe that the odds are now in favour of eventual agreement on a Free Trade Area Convention. While this is a very relevant consideration, we have been more impressed by the fact that in certain fields agreements are being reached and by the evidence that Ministers are beginning to abandon initial positions and shift towards middle ground.

9. We would first note the greater flexibility of the U.K. approach relative to the British attitude in the earlier part of the year. We have already mentioned their revised position on agriculture, but this is not the only example.

10. Indeed on numerous occasions in the current negotiations Maudling has expressed readiness to take the provisions of the Treaty of Rome as the starting point for dealing with similar problems in the Free Trade Area. The United Kingdom is of course a long way from accepting the French thesis that a Free Trade Area has, in effect, to be a customs cum economic union to operate successfully and fairly. But it is clear that the United Kingdom is now prepared to have quite a range of subjects covered in a Free Trade Area Convention which are not directly or intimately related to the freeing of trade through the removal of tariffs and quantitative restrictions. The British have thus moved some way to meet the position taken by the Six. Similarly the United Kingdom is also now prepared to accept that for a number of questions the Institutions of the Area should be given a deciding rôle and has recognized that in certain cases unanimity would have to give way to majority rule. The United Kingdom has also accepted that the less developed European countries must be members of the Free Trade Area, must be given derogations from the general rules and, although no decision has as yet been taken, it seems evident from the discussions that the United Kingdom, in the final analysis, would not rule out some special assistance to such countries to help them more quickly to assume the full responsibilities of Free Trade Area membership.

11. The attitude being taken in the Committee by the Six other than France and Italy is also encouraging. The interventions of the German, Dutch and Belgian Ministers have been particularly constructive and to the point, and suggest that there is a general desire on their part to achieve a Free Trade Area in Europe. Admittedly they are anxious to find solutions which would be compatible with those of the Treaty of Rome and which will keep their French partner in the fold. But in the circumstance this is not an unhelpful rôle. Our telegram No. 2150 of December 2[†] will have shown, for example, how, when Faure on the one hand and the liberally minded Ministers from Norway and Switzerland on the other were bitterly divided on the principle and philosophy of harmonization of internal policies, Hallstein and van der Beugel intervened to bring the debate back to a practical plane and to focus attention on the rather narrow range of questions on which specific satisfaction had been given to France in the Rome Treaty. Again German willingness, announced by Erhard, to provide some financial assistance to the less developed countries of Europe was doubtless an important factor in the agreement to give new instructions to Working Party 23 which go some distance to meet the Greek, Turkish and Irish points of view. Moreover, it was Hallstein who first came out formally against Faure's proposal that an interim arrangement for the Free Trade Area might be worked out in the first stage after which there should be a stocktaking to see whether or not it would be possible to move forward. This point of view was shared by the Committee and Faure then agreed that his idea was a non-starter and that some degree of irreversibility had to be provided in the Free Trade Area Convention. Finally, the solidarity of the Six has not been maintained on the vital question of origin. The extreme position of France has not recommended itself to the majority of its Rome Treaty partners. Theirs is a much more pragmatic approach. They accept that there may, in certain sectors and for certain products, be worrying problems of trade deflection which will have to be dealt with (possibly by some tariff harmonization) but they doubt whether these will be numerous and important, and do not think that the general rules need be tailored to such exceptional cases. Since the British are also now prepared to look at and try to devise solutions for special problems of trade deflection which might arise in a Free Trade Area in which liberal origin rules in general applied an area of understanding and agreement is being built up between the great majority of the negotiating parties from which it may be difficult for the French and Italians in the end to stand apart.

12. The various points we have mentioned, taken individually, would not warrant any particular optimism about the negotiations, particularly when the stubbornness of the French position is borne in mind, but taken as a whole we think there is enough evidence to suggest that the outlook is, presently at least, for a successful outcome.

13. The answer to whether or not there is to be a Free Trade Area Convention will no doubt turn in the end, as it did in the Treaty of Rome, on the French position. In this volatile country with its rather particular political system it would be foolish to try to forecast how the die will be cast, and the current French economic situation is certainly not such as to encourage the belief that acceptance of the obligations of a Free Trade Area (or of the Treaty of Rome) will be easy for this country.

14. The present position of the French negotiators is that France must be given even more safeguards and guarantees in a Free Trade Area than in the E.E.C., since a Free Trade Area, being a less well knit and integrated arrangement, would increase the risks arising from free trade. They also contend, and this may prove to be the most difficult point of all, that a Free Trade Area must provide for some co-ordination of tariff and commercial policy vis-à-vis third countries. Otherwise, they argue, the United Kingdom giving and receiving Imperial Preferences and having freedom to negotiate special arrangements with outside countries (the example of a free trade area with Canada is frequently cited) would enjoy an unfair and intolerable advantage over the countries of the Six operating behind the common tariff. Since the United Kingdom and a number of other countries outside the Six are not prepared to integrate their economic life to an extent which would give France the kind of guarantees and safeguards she thinks she has secured under the Rome Treaty and since these countries are, in general, not prepared to sacrifice their freedom in tariff and policy matters vis-à-vis the outside world, it might not seem illogical to conclude that the Free Trade Area is a forlorn hope.

15. A closer examination of the positions of the protagonists suggests, however, that some of the fundamental problems may loom larger than they really are and may prove susceptible to compromise solutions. Indeed the possible shape of some of these compromises is beginning to emerge.

16. Concerning the difficult question of the schedule for achieving a Free Trade Area there now seems to be a general disposition to keep in step with the Common Market timetable and to adapt to the Free Trade Area the rather involved solutions of the Treaty of Rome for moving from Stage One to Stage Two. The French, as noted above, have already abandoned their suggestion that commitments should be limited to a first stage trial period. It is also interesting that as regards the Third Stage Ministers have agreed at least to examine whether more precise obligations could be worked out than those provided for in the Rome Treaty. On internal harmonization no decisions have been taken, but some compromise solution such as that in the Protocol on France in the Treaty of Rome, whereby the non-fulfilment of certain minimum conditions of harmonization would entitle an aggrieved country to take measures of safeguard with the approval of the institutions, is actively being explored. As regards the harmonization of external policies, the depths of French insistence have yet to be sounded and they may prove very deep indeed. But even in this critical field Faure has not insisted on pushing the general argument to the breaking point and has indicated willingness to await the reports of the Trade Experts who have been charged with the responsibility of ascertaining the extent and nature of the real dangers of trade deflection in the various commodity sectors and the kinds of techniques which might be used to deal with damaging deflections. It is notable also that the United Kingdom and the other non-Six countries in the negotiations have not entirely ruled out some degree of tariff harmonization for potentially sensitive items in certain of the trading sectors. A rela-

tively new and encouraging development was the recent French announcement that they were abandoning their tariff harmonization proposals as regards non-ferrous metals, timber, pulp, paper and machinery.

17. If there is to be a Free Trade Area, M. Faure, and he has made this very clear, must be able to go to the French Assembly and say that the position of France is as well safeguarded in a Free Trade Area as in the Treaty of Rome. We now think there is a possibility that just enough satisfaction could be given to the French on subjects where they are particularly concerned to permit such a statement to be made without going so far to meet their point of view as to vitiate the main advantages of a Free Trade Area.

18. In this somewhat impressionistic account of the Free Trade Area negotiations we have tended to highlight the positions taken by the United Kingdom and by the Six, particularly France. In so doing the problem has been oversimplified and it is worth remembering that seventeen countries with varying interests in the different subjects under discussion must be reasonably satisfied with the proposed arrangements if the negotiations are to succeed. This sets some limit to what can be agreed. On the other hand the large number of the negotiating countries makes it difficult for any one of them to gain acceptance for extreme proposals. In any event it would seem that if agreement can be obtained between the main protagonists the particular difficulties of the other prospective members could also be dealt with. Of course the process of translating the desires of Ministers and their broad agreements of principle into specific satisfactory treaty terms will be a long and difficult process. But given continuance of the kind of drive at the political level which has characterized the first two meetings of the Ministerial Negotiating Committee the obstacles to agreement which might arise at the technical level should not prove insurmountable.

19. The possibility of the negotiating countries working out a mutually satisfactory Free Trade Area is one thing — its acceptability to outside countries quite another. It is clear that the European Free Trade Area which may emerge will be a far cry from the kind of arrangement envisaged in Article XXIV of the GATT. The inclusion of a less rigorous régime for the relatively under-developed European countries, the special treatment for, or the exclusion of, agriculture, and the sort of techniques which may be agreed to deal with serious trade deflection, such as limited tariff harmonization and compensatory charges, make this evident enough. And there may be many other departures from virtue through escape clauses and special exceptions.

20. We in Canada will have to examine any Convention from the point of view of the GATT and, more importantly, from the point of view of our trade. As to the GATT, the recent experience in Geneva does not suggest that the Contracting Parties, faced with an agreed position of seventeen European countries and a benign United States, will be able to do much more than register their concerns about certain features of the arrangement, agree to keep the development of the Area under review and in the end provide the necessary waivers.

21. As to Canadian trade, our capacity to participate in the hoped for growth of the European market under conditions of free trade will depend to a considerable extent for our most important non-agricultural exports on the agreed definition of origin (assuming that these exports are otherwise competitive). It seems evident, given the French attitude and the concern of most of the negotiating countries to protect one or other sector of their industry to some extent from overseas competition, that we shall not get everything that we would like in the definition of origin eventually accepted. On the other hand the French have not carried their partners with them in demanding general tariff harmonization and/or narrowly restrictive origin definitions. Moreover Europe does have a real interest in

obtaining raw materials for its industry from the most advantageous source and this is appreciated and has been reflected in the negotiations. Accordingly it seems not unlikely that in the outcome the development of our export trade in raw materials should not be generally hampered by the origin rules.

22. As to highly manufactured goods, free trade among the Seventeen will undoubtedly make it pretty difficult for us to compete in the European market, except for specialized products with respect to which we may enjoy particular production advantages.

23. The question of the outlook for our wheat and other agricultural exports raises more difficult questions. If the Rome Treaty arrangements were to be carried over to the Free Trade Area more or less in their entirety, our exports or potential exports would undoubtedly suffer. But this is not to be the case. Nevertheless the approach of the Six in the agricultural field seems likely to have some reflection in what is to be agreed for agriculture in the context of a Free Trade Area. The detailed United Kingdom proposals in the agricultural field have not yet been considered and it is much too early to suggest what the end result may be. Perhaps all that can be said at the moment is that it should be possible to safeguard and, with the later removal of dollar quantitative restrictions, somewhat enhance our position in the United Kingdom market. As for the rest, it is to be hoped, although there is no way of being certain, that the arrangements for agriculture worked out between the Seventeen will be of looser weave and less potentially restrictive than those under the Treaty of Rome.

24. In this letter we have attempted to supplement our series of factual reports by some indication of the tone of the present discussions and to give our assessment of the outlook for success of the negotiations and, in a very general way, of the implications for Canadian trade of the kind of Convention which may emerge. We hope that our year end musings will be of some value in your consideration of Canadian interest in the proposed European Free Trade area and trust that any excess of optimism of which we may have been guilty concerning the outlook for agreement on a Convention will be corrected by your comments and those of our colleagues in other European capitals. — Merry Christmas.

L.D. WILGRESS

472.

DEA/4901-W-40

*L'ambassadeur en France
au secrétaire d'État aux Affaires extérieures*

*Ambassador in France
to Secretary of State for External Affairs*

TELEGRAM 46

Paris, January 11, 1958

RESTRICTED

Repeat London, Bonn, Rome, Brussels, Hague, NATO Paris (Information).

FREE TRADE AREA NEGOTIATIONS

Subsequent to a Cabinet meeting on the ninth, the press was informed that the French Government has decided to prepare a memorandum on the Free Trade Area in which a counter proposal to the original British plan will be made. We have not yet been able to learn whether the French actually will suggest something completely different in substance or whether they intend simply to suggest a modification of the British plan. A French

memorandum will be prepared during the next month by the Ministries of Foreign Affairs and Finance; it will not be considered at the OEEC Ministerial Meeting scheduled for January 14. In principle according to French spokesmen the memorandum will not differ from the pronouncement made by Faure at the last ministerial meeting and for this reason it is suggested the process of FTA negotiations should not effectively be hindered by the announcement of this unexpected stand which has been greeted with some sensation here. The press description of the ministerial statement Thursday states that the government intends to display a "positive" attitude at next week's meetings, by which apparently it is meant that the plan France will elaborate later will be based on the earlier French thesis that the FTA, like the Common Market, must offer guarantees proportional to the risks which will be encountered. The professed intention in this latest step is not to halt existing negotiations. In the explanation to the press it was noted that the meeting next week will be devoted essentially to the problem of agriculture and a discussion of the UK memorandum. It is suggested that when the French memorandum is completed, it will be submitted to the other Common Market countries in order that a common policy can be worked out.

2. While we have not yet been able to learn from officials the history or importance of this move it undoubtedly reflects in part the growing number of statements made by industry, labour, and agricultural spokesmen opposing the FTA project. With the coming into being of the Common Market January 1, there has been a steady focus of attention upon the European Economic Community resulting in greater resistance to any other form of cooperation which might dilute the advantages to France of the Common Market. Within the past two weeks a series of emphatic objections have been announced against the FTA by important organizations which the French government will not find it possible to ignore. Moreover, the Independent Party, controlling one sixth of the seats in the Assembly, has formally taken a stand against the FTA. This means that the subject has now been put openly on a political plane, whereas previously it had been discussed in a non-political atmosphere. As we have indicated during the past six months, there can be no doubt that the French who support a FTA will have a difficult job selling the concept to the rest of the country. While it is not easy to assess whether the current reticence is comparable to or greater than that which existed when the Common Market was being discussed, it is our impression that the FTA will meet considerably greater opposition within the country and we think that for this reason the proposed French memorandum should not be considered lightly; although without the benefit of discussions with French officials, we doubt that it is merely a counter proposal for internal political purposes. Instead it seems likely that the memorandum will be designed to provide a more limited basis for negotiations which will take into account known French thinking on the FTA concept.

3. It is much too soon to speculate on how restrictive the tone of the French memorandum may prove to be, especially when so much discussion of detailed procedure has already taken place within the OEEC indicating both areas of agreement and areas in which there are clear-cut opposing views. Without attempting to draw too many conclusions from the present situation, however it is our initial view that this French action has been taken because the meetings thus far have failed to remove the essential differences which separate France from the UK. In detail, this means that the initiative of the UK on agriculture at the last Ministerial Meeting was not sufficient in the eyes of the French. What they wanted was not a statement to the effect that compromise would now be possible when what was intended was largely a continuation of existing policies; in France the UK action on agriculture, for example, has been interpreted not as it has by US (because the possibility of the UK accepting compromises at the expense of the Commonwealth cannot be excluded) but rather as a display of words which means little in the final analysis

for it does not define precisely the nature of the ultimate relationship intended. Thus the answer by the UK to this secondary question of agriculture is not the one the French wanted and they doubt whether they have received any real satisfaction on their primary concern — the problem of origin and trade deflection.

4. When we have had an opportunity to discuss this initiative with French officials we will know better how to assess its impact if any upon French foreign economic policy generally. For the moment it appears to us not as a new departure but rather as a measure taken to emphasize the importance and the validity of the stand already taken by them. Certainly it would be unwise to underestimate the degree of opposition within the country to a FTA which could undermine the Common Market; there is a widely held suspicion that the UK proposition is intended to do just this. The French are not against FTA as such but they believe a FTA as proposed is designed primarily (although not exclusively) to give the UK benefit at the expense of the Six. To the French, free trade is a concept which entails both advantages and obligations and there is no guarantee that the advantages will automatically surpass the disadvantages. Therefore, their intention, we suggest, is to balance these factors in the OEEC negotiations.

473.

DEA/4901-W-40

*Le représentant permanent auprès du Conseil de l'Atlantique Nord et de l'OEEC
au sous-secrétaire d'État aux Affaires extérieures*

*Permanent Representative to North Atlantic Council and OEEC
to Under-Secretary of State for External Affairs*

LETTER NO. 1513

Paris, March 25, 1958

CONFIDENTIAL

FREE TRADE AREA NEGOTIATIONS AND THE COMMONWEALTH

I received a visit yesterday from Mr. J.F. Cahan, Deputy Secretary-General of OEEC, who is the official of that Organization most concerned with the Free Trade Area negotiations.

2. Mr. Cahan told me that a copy of the French Memorandum had surreptitiously come into his possession. He had been struck with two things: (1) the extreme protectionist and therefore completely unacceptable attitude of the French which the Memorandum disclosed and (2) the extent to which Commonwealth preferences had dominated their thinking.

3. After he returned to his office Mr. Cahan dictated a personal and confidential letter to me dealing more particularly with the second of the two above points. Since this letter will be of interest to you, I am enclosing a copy herewith.

4. I have today received a further letter from Mr. Cahan which is a sort of foot-note to his previous letter and in which he writes as follows:

"Further conversations with the French have clarified somewhat their demand for "equality of access" to raw materials. It is clear that this demand is, as I suggested in my

conversation with you, an attempt to re-open the arguments which the French have previously advanced through the N.A.T.O.”¹

L.D. WILGRESS

[PIÈCE JOINTE/ENCLOSURE]

*Le sous-secrétaire général de l'OECE
au représentant permanent auprès du Conseil de l'Atlantique Nord et de l'OECE*

*Deputy Secretary-General of OEEC
to Permanent Representative to North Atlantic Council and OEEC*

PERSONAL & CONFIDENTIAL.

Paris, March 24, 1958

Dear Mr. Wilgress,

It may be helpful to you if I indicate more precisely than perhaps I did in our conversation this afternoon, how the present French proposals affect the relations between the United Kingdom and the Commonwealth.

2. Apart from agriculture, on which the French Memorandum is deliberately vague, because I suppose they expect that their view-point will be adequately covered in the Memorandum which the Six are already preparing on this subject, the French refer to Commonwealth relations under three points.

3. Their first point is that Member countries of the Free Trade Area should have “harmonised” external commercial policy. This means that the institutions of the Area should be able to influence the commercial policies of the Members, and in particular, that any major change in policy on the part of any Member, should require the prior approval of the other Members of the Area. The French Memorandum cites as an example of a major change of policy, proposals for the institution of a Free Trade Area between the United Kingdom and Canada.

4. Secondly, the French demand that there should be “equality of access” for all Members of the Free Trade Area to markets outside Europe. This appears to mean that any preferences extended by Commonwealth countries to United Kingdom (or Irish) goods — at least in certain sectors of particular concern to the French — must be extended equally to all Members of the Union. I am not very clear as to what the exact meaning of this is intended to be. Clearly, the French do not ask to have equal access to colonies, because they are not prepared to reciprocate. Nor are the sectors in which they are particularly interested very clearly defined. They do mention, however, textiles, chemical products, all of which are of some importance in trade between Canada and the United Kingdom.

5. Thirdly, the French ask that there should be “equality of access” for all Members of the Free Trade Area to extra-European raw materials. I am not sure quite what this means either, but I feel sure that it does not mean that everybody should be allowed to search for oil in the Sahara. It does, however, I think mean more than that there should be purely formal equality of access as far as Governmental intervention is concerned. I believe that the French would try to go so far as to say that inequalities in this matter, resulting from private arrangements between suppliers outside Europe and consumers in Europe, should be subject to review by the Institutions of the Free Trade Area. This would mean, for

¹ Notes marginales :/Marginal notes:
(Does para. 4 re NATO ring any bell?) [K. Goldschlag]
No! [auteur inconnu/author unknown]

example, that British manufacturers would not be able to make discriminatory long-term contracts without the intervention of the Institutions of the Free Trade Area.

6. You will see from this that the French go pretty far and that if, as the result of the pruning of their proposals by the Six, anything approaching their present demands remains when the matter is finally presented to the Maudling Committee, the British may find themselves in the position of having either to reject the whole thing, or to go to the Commonwealth countries with suggestions that there might be some negotiations on this point.

7. Personally, the French Memorandum as a whole, seems to me to be so unacceptable to so many people, that I do not expect that it will get very far. However, you should, I feel, be aware that the problem of the special relations between the United Kingdom and the Commonwealth is one which seems to preoccupy the French very much indeed, and that in my own opinion, a Free Trade Area in which the French participate, which does not seek in some way to appease French fears in this matter, is quite inconceivable.

Yours sincerely,

J.F. CAHAN

474.

DEA/4901-W-40

*Le haut-commissaire au Royaume-Uni
au secrétaire d'État aux Affaires extérieures*

*High Commissioner in United Kingdom
to Secretary of State for External Affairs*

TELEGRAM 602

London, March 26, 1958

CONFIDENTIAL. PRIORITY.

Repeat NATO Paris, Paris, Rome, Brussels, Hague, Bonn, Geneva, Washington (Information).

By Bag Oslo, Copenhagen, Stockholm, Berlin, Vienna, Dublin, Lisbon, Athens, Ankara from London.

FREE TRADE AREA PROSPECTS

Over the past few weeks as more and more has become known about the French memorandum, there has been a wave of pessimism in the UK about the likelihood of achieving a Free Trade Area. In the press this pessimism reached its peak last week. In official circles hopes were at their lowest just before the last Ministerial Meeting in Paris, and were boosted a little by the atmosphere in that meeting as well as by private talks with the French and others. Even most officials would not rate the chances of success higher than fifty-fifty, and we have heard that Mr. Maudling is depressed about the prospects.

2. Several weeks ago in Rome M. Faure told Mr. Selwyn Lloyd that the French plan would not be very different in substance from the proposals under discussion in the Inter-governmental Committee. He said their main aim was to alter the presentation of the scheme so as to make it more acceptable to French opinion. (This of course considerably understated the differences.) However Mr. Duncan Burn of *The Times* who had read the French memorandum told us last week that it did not differ in any important respects from the attitude the French had been putting forward ever since last September. Burn also told us the sector-by-sector element in the French plan had been considerably exaggerated in

press reports. The plan did not seem to him to envisage giving off more sectors than agriculture, iron and steel and probably textiles. (However the outline of the French plan that appeared in *L'usine nouvelle* of March 6 which we are told is pretty accurate envisages a sector-by-sector list of processes for origin purposes.)

3. In any case there are enough aspects of this plan which are quite unacceptable to the UK as they stand. This is particularly true of the Commonwealth preferences point. Crawley told us that whether or not the French would concede any favours in the Common Market to Commonwealth countries willing to negotiate, "we really will pack our bags" if the French insist on pressing this point. UK officials keep saying the French do not envisage any concessions on their part and think the overseas Commonwealth constitutionally is rather like Algeria. Burn, on the other hand, who had toured the capitals of the Six and had also talked to the Australians and New Zealanders, thought there would probably be scope for negotiation. He recognized that the erosion of preferences in overseas Commonwealth countries would in any case be likely to follow naturally from the creation of a European FTA. Otto Clarke was not prepared to rule this out completely although he was pretty sceptical about the scope for concession by the Six of interest to Australia and NZ. The subtle thing about the French proposal was that any such concessions would really have to come from France's partners unless one could imagine the French giving up the guaranteed market for their surplus wheat. The UK objections to negotiations of this kind are probably partly economic and partly political. They would be reluctant to give up too much of their special tariff advantages in Australia and other Commonwealth countries. Moreover, they probably expect that in some pro-Commonwealth quarters here the loss of any tariff preferences would be regarded as a weakening of the Commonwealth fabric.

4. On origin and tariff harmonization the UK officials are awaiting the forthcoming discussion of the Carli proposals² in the light of the report to be made by the Steering Board. They look upon these proposals as offering a little hope but they would not yet put very much faith in them.

5. The reactions of some of the Six to the French plan have been moderately encouraging; e.g. the Dutch have said publicly that these proposals are unacceptable. Belgian officials told Burn the EEC countries were all unhappy about the French memorandum but were not too clear that they could succeed in altering it very substantially. And if they did, of course, the danger of the French Assembly rejecting the scheme would be very real. Clarke is still toying with the idea of special exceptions for France alone but recognizes such an invidious solution would be very difficult for the French to accept.

6. In spite of the prevailing pessimism everyone here is agreed that it is too early to write off the FTA. The revision of the French plan by the Six next month has to be seen first. It is interesting that on March 19 *The Times*, *Manchester Guardian* and *Financial Times* all carried stories by their political correspondents to the effect that the UK Government will

² Les propositions Carli, formulées par le ministre italien du Commerce international, M. Guido Carli, avaient trait à des projets d'harmonisation des tarifs douaniers pour les produits étrangers qui pourraient entrer dans le Marché commun et la Zone de libre-échange proposée. Les membres du Marché commun cherchaient à empêcher des produits d'entrer dans un pays de la Zone de libre-échange à un taux tarifaire inférieur avant que ces mêmes produits soient transférés à un pays du Marché commun sans être soumis à des droits d'importation.

The Carli proposals, formulated by the Italian Minister for Foreign Trade, Guido Carli, concerned tariff harmonization plans for foreign commodities that might enter the Common Market and the proposed Free Trade Area. Common Market members sought to prevent goods from entering a Free Trade Area country at a lower tariff rate prior to the same goods being transferred to a Common Market country without being subject to import duties.

lose much of its interest in the FTA if substantial agreement is not reached by July. These stories were presumably inspired in order to put a little pressure on those in France and elsewhere who are conscious of the political dangers of failure. Otto Clarke pointed out to us that the UK Government was engaged in what was for the UK a somewhat unnatural exercise — attempting to create much closer ties with Europe. Their enthusiasm for this was partly attributable to the fact that Mr. Macmillan had always been very much a European, and partly to the disenchantment with the USA which arose out of the Mideast crisis in 1956. If the government was thwarted in this endeavour by the Europeans it might react rather violently against European entanglements. The idea put forward in these press reports that the government might lose its patience therefore had some real substance.

7. Officials in Whitehall are studying alternatives but are not publicizing this, partly because they do not think veiled threats would be helpful at this stage, and partly because the alternatives they are examining are not too promising. Clarke suggested that the best alternative would be a FTA between the UK and Canada (which he estimated would be of more commercial value to the UK than a European FTA) but he realized this was not practicable at the moment if ever. A special arrangement with the Scandinavian countries (and possibly Switzerland) is being examined but Clarke does not see a great deal of merit in it. A natural reaction if the government was thwarted in Europe would be to look to the Commonwealth. Clarke recognizes the possibility of such a reaction but does not see sufficient commercial scope in it for this to become a true alternative. The "alternative" he himself would prefer if the present negotiations broke down would be a decision to drop the whole thing for a year or so in the hope that the outside world and the Six would come to see the overwhelming need for a FTA. This idea seems to us to have a good deal of merit, although it involves some risks.

8. There are of course some ways in which the UK could retaliate against the Six. Sir David Eccles mentioned chemicals to us as one field in which the Six could be hurt. He also said the UK agricultural market could be closed to Europe (and largely reserved for Commonwealth suppliers). Duncan Burn told us that the French were worried about the possibility of the UK promoting some other bloc if the FTA failed. Valéry had told him the obvious UK riposte would be a Colombo Plan for Africa (sic). By that he evidently did not mean what we would understand as a Colombo Plan but rather a Commonwealth-African bloc based upon tied loans and preferential trading arrangements.

9. While the possibilities of retaliation give a little strength to the UK bargaining position, the chances of success depend in the end on the French Assembly and French opinion. We do not pretend to know whether it would be possible for the French Government to educate French opinion on the basis of the dangers failure would involve for NATO and Western European solidarity or even on the basis that the UK and other countries could retaliate in ways harmful to France. But it is clear that any educational campaign would have to be gradual and would take a long time. At the beginning of February, Sir Gladwyn Jebb reported to London that the French felt they were being rushed. He suggested that the negotiations should proceed as slowly as the UK thought practicable. But it may be that a kind of sabbatical year would be better still.

475.

DEA/4901-W-40

*Le représentant permanent auprès du Conseil de l'Atlantique Nord et de l'OECE
au secrétaire d'État aux Affaires extérieures*

*Permanent Representative to North Atlantic Council and OEEC
to Secretary of State for External Affairs*

TELEGRAM 859

Paris, April 2, 1958

CONFIDENTIAL. PRIORITY.

Reference: Our Tel 859 [sic] Apr 2.†

Repeat Washington, London, Paris, Rome, Brussels, Hague, Bonn, Geneva, T&C Ottawa,
Bank of Canada Ottawa, Dept Finance Ottawa (Information).

By Bag Oslo, Copenhagen, Stockholm, Berlin, Vienna, Dublin, Lisbon, Athens, Ankara
from London.

FREE TRADE AREA — SEVENTH MEETING OF INTERGOVERNMENTAL
COMMITTEE: FUTURE WORK

At the end of the meeting Maudling enquired when the Committee could expect to receive the memorandum which the Six are preparing in the light of their examination of the French proposals. Fayat replied that the Six had set themselves a deadline of April 22, but that time would have to be allowed for circulation of the document and its consideration in capitals. He thought therefore that April 28, which the chairman had mentioned as a possible date for the next meeting, would be too soon for the Intergovernmental Committee to resume. After some discussion it was agreed that the next meeting would be held on May 2 and 3.

2. The discussion of the date and the agenda for the next meeting gave rise to a very interesting exchange between Maudling and the Six. Maudling noted that ministers had now completed their tour d'horizon and suggested that it would be desirable to inform public opinion of the very considerable progress which had been made. Accordingly he proposed that the Secretariat should be asked to prepare for the next meeting a first rough draft of a FTA convention. Such a draft would obviously have gaps at certain points and would contain alternative propositions. On the other hand for many subjects it would be possible for the Secretariat to include draft articles based on agreements already reached. As regards the committee's future deliberations Maudling suggested that ministers might be prepared to drop the general reserve which had up to now made acceptance of solutions on particular matters conditional upon satisfactory treatment of related problems, and might proceed to agree on separate articles subject only to the acceptability of the conventions as a whole.

3. Maudling's ideas were supported by Lange of Sweden, but Fayat and Wormser immediately spotted the real intent of the Chairman's suggestion, which clearly was to have available for the next meeting a draft convention to serve as a counterweight to the proposals coming from the Six. Fayat resisted the idea of a draft convention, but said there would be no objection to a progress report bringing together in one paper and in readable form the agreements which had been reached and the main points on which there was still disagreement. Wormser was much more definite. He said that the course proposed by the Chairman was fraught with danger for the negotiations. In recent weeks some measure of success had attended the efforts of French ministers and officials to modify the violent opposition to the FTA concept which had characterized public comment in France. If a

draft convention were tabled (and news of such a development could not be (kept?) secret) before consideration had been given to the counter-proposals of the Six it would probably kill the prospects of acceptance of a FTA by France. Any merits of the Chairman's proposals would be far outweighed by the disastrous psychological results in France. He made an earnest plea that Maudling withdraw his suggestion and said that if the Committee were working under normal OEEC rules he would have no hesitation in vetoing the Chairman's suggestion. Maudling held out for some time, resting his argument mainly on the need to inform public opinion of the considerable extent of the agreements which ministers had reached. Wormser replied that all agreements, so far as France had been concerned, had been specifically made subject to their general reserve. In the end Maudling recognized that he was beaten and accepted Fayat's compromise proposal that the Secretariat should be authorized to prepare a simple progress report.

4. Our feeling was that Wormser was right about the effects on French public opinion and that Maudling's initiative was tactically ill advised. In general his touch at this week's meeting seemed rather less sure than on previous occasions and we had the impression that he was tired and not a little discouraged by the obstacles which remained to be overcome. The negotiations are now in a state of suspended animation waiting for the Six to bring forward their plan. Until their paper is tabled it is difficult to forecast whether the exercise can be brought to a positive conclusion. In speaking to us yesterday, Cahan characterized the negotiations as "hanging by a thread." He said that the Six had already sounded the British on some agricultural counter proposals which the UK regarded as unacceptable. They would have safeguarded the position of Danish agricultural exports into the Common Market countries but would have given no similar assurance regarding the future of Commonwealth agricultural exports in the area.

[L.D.] WILGRESS

476.

DEA/4901-W-40

*L'ambassadeur aux États-Unis
au secrétaire d'État aux Affaires extérieures*

*Ambassador in United States
to Secretary of State for External Affairs*

TELEGRAM 902

Washington, April 28, 1958

SECRET. PRIORITY.

Repeat NATO Paris, London (Information).

By Bag Brussels from Ottawa.

EEC AND FREE TRADE AREA

The State Department has had for a few days a copy of a draft memorandum to the EEC Council of Ministers setting forth the proposed common policy of the Six for FTA negotiations. This draft memorandum had been made available by the EEC Commission to Butterworth who referred it to the State Department. It was shown to us in the strictest confidence over the weekend.

2. Although this memorandum is an early draft of the 58 page document which has been submitted to the EEC Council of Ministers, a good deal of it is likely to have found its way into the final version. In any event, it should be of interest to compare the proposals it contains with the final proposals which the Six will eventually submit to the Maudling

Committee, since this might possibly give some indication of the direction in which discussions between themselves have progressed.

3. The draft memorandum first states the basic principles which should govern the Six' approach to FTA negotiations:

- (1) The Six should work out common views;
- (2) They should not repeat not be drawn into any agreement which would imperil the EEC;
- (3) They should not, repeat not, on the other hand, adopt autarchic policies but rather show a real understanding of the apprehensions of third countries;
- (4) The Six should help create and join a FTA but,
- (5) They should only accent a FTA agreement which would provide for a common FTA discipline requiring:
 - (a) the inclusion of agriculture,
 - (b) the adoption of common rules of competition (export and production subsidies would be prohibited),
 - (c) the harmonization of external tariff, and commercial policies.

(6) To the extent that their FTA partners only accepted part of the Six' obligations, these partners should only be given part of the advantages of the Rome Treaty. Thus, if they did not repeat not agree to harmonize tariffs and commercial policies, a system of compensatory adjustments ought to be set up.

4. The memorandum then points out that a FTA provides no repeat no assurance of establishing economic equilibrium between partners and recommends that the Six should seek agreement with other OEEC countries along the following lines:

- (1) While the harmonization of external tariffs appears necessary, especially for primary products, a list of processes plus compensatory charges could be an acceptable solution to the problem of origin;
- (2) The FTA should not repeat not be brought about by a series of specific agreements covering each sector separately. On the other hand, those sectors where difficulties would seem likely to arise could be examined one by one in order to ascertain which rules would best be suited to each (in particular those "not repeat not too frequent sectors where inequality due to imperial preference arise");
- (3) Commercial policies should be compared in a FTA context in an effort to coordinate them;
- (4) Financial policies should also be compared in order to anticipate serious balance of payments difficulties;
- (5) Agriculture should be included, but given special treatment. (The FTA agreement should not repeat not encourage autarchic policies between FTA partners and between the FTA and third countries by "tariff quotas, the lowering of very high tariffs and subsidies and concessions on the imperial preference system");
- (6) ECSC products should be included in the FTA on special terms;
- (7) The EEC rules of competition would have to apply to the FTA;
- (8) Social conditions would have to be harmonized;
- (9) The FTA agreement should not repeat not be riddled with escape clauses. The Six would resort to FTA clauses collectively;

(10) The FTA institutions would not repeat not have to be similar to EEC institutions, but could be developed from those of the OEEC.

5. The memorandum concludes that the Six should undertake a joint and thorough study of all the questions raised by the formation of a FTA, that such a study would take a good deal of time, and that, in these circumstances, the timetable proposed by the UK is somewhat unrealistic. It is recognized that, on the other hand, delays in the formation of a FTA would cause a decalage in the implementation of the Rome Treaty and that of the proposed FTA agreement. The memorandum suggests that a decalage would not repeat not be a satisfactory solution to the timing problem and recommends that serious consideration be given by the Six to a 10 percent all round tariff reduction between OEEC countries. According to the memorandum, this would provide the Six with a breathing spell of about two years during which they could see more clearly how successfully they dealt with their own Common Market problems and also could more fully explore, in the light of their experience, the implications of the FTA for the EEC.

6. Since this draft memorandum has been shown to us in the strictest confidence and on a personal basis, we should be grateful if you would closely protect the source of our information and refrain from discussing it with USA officials in Paris or elsewhere.

477.

DEA/4901-W-40

*Le haut-commissaire du Royaume-Uni
au secrétaire d'État aux Affaires extérieures*

*High Commissioner of United Kingdom
to Secretary of State for External Affairs*

CONFIDENTIAL

Ottawa, May 21, 1958

Dear Secretary of State for External Affairs,

The United Kingdom Government have recently had under consideration the present position in relation to the proposed European Free Trade Area and I have been asked to pass to you the enclosed two messages from Mr. Maudling, the Paymaster General, dealing with commodity coverage and Commonwealth preference. In considering these you may find it helpful to refer to the following messages† which have already been sent to your officials:

(a) *On Commonwealth Preference.*

- (i) Two messages sent to Mr. Couillard under cover of Mr. Cruickshank's letter of 19th March, 1958.
- (ii) Message sent to Mr. Couillard under cover of Mr. Cruickshank's letter of 28th April.
- (iii) Message sent to Mr. Couillard under cover of Mr. Cruickshank's letter of 20th May, 1958.

(b) *On Commodity Coverage.*

- (i) Message sent to Mr. Couillard under cover of Mr. Bowen's letter of 28th November.
- (ii) Message sent to Mr. Couillard under cover of Mr. Bowen's letter of 21st February.
- (iii) Message to the effect that a meeting of the Six proposed to the Paymaster General on 30th March that the commodities to be covered by the agreement for agriculture

should be the same as those subject to the agricultural provisions of the Treaty of Rome, which was conveyed orally by Mr. Bowen to Mr. Couillard.

I have been asked to emphasize that my Government do not intend to start any discussion in Europe on the subject matter of either of the two enclosed messages until they have been able to have full consultation with Commonwealth officials at the beginning of June.

I am also asked to emphasize with regard to Message B that should you wish to consult any industries concerned on the question of commodity coverage my Government earnestly request that this should be done in such a way as to avoid any danger of a leak.

Yours sincerely,

J.J.S. GARNER

[PIÈCE JOINTE I/ENCLOSURE 1]

Message "A"

CONFIDENTIAL

Ottawa, May 20, 1958

TEXT OF MESSAGE FROM PAYMASTER GENERAL ABOUT
EUROPEAN FREE TRADE AREA
17TH MAY, 1958

There have been three recent developments in our negotiations for a European Free Trade Area which have implications for Commonwealth trade.

2. The first is the request of the "Six" that the commodities to be covered by the special agreement on agriculture should be those in Annex II of the Treaty of Rome,³ and not as we had previously suggested, broadly those covered by Articles 1 to 24 of the Brussels Nomenclature.⁴ The attached message (Message "B") deals with this.

3. The second development is more important. There has been a growing tendency among the Six to press for the harmonization of external tariffs in the Free Trade Area ostensibly as a means of getting over the difficulties of origin; in other words to turn the Free Trade Area into a sort of customs union. This has taken shape in the so-called "Carli Proposals" which would in effect give each country a choice of harmonizing its tariffs with that of the Six or if its tariff remains lower accepting the charge of a compensatory tax on its exports equivalent to the difference.

4. There can be no question of accepting the principle of harmonization as such if only because we are determined not to undertake obligations which limit our freedom to admit Commonwealth goods free of duty.

5. But there is one field where a form of harmonization might be acceptable, namely that of basic materials, always provided that the harmonized tariff was nil or extremely low and Commonwealth free entry maintained. This would go far to solving the "origin" question by preventing deflections of trade to the advantage of those countries which had the lowest tariffs on their basic materials. It may however present some difficulties and we should like to discuss it with you.

³ Pour le texte du Traité de Rome, voir Nations Unies, *Recueil des Traités*, volume 294, pp. 7 à 258. For the text of the Treaty of Rome, see United Nations *Treaty Series*, Volume 298, pp. 5-165.

⁴ La nomenclature de Bruxelles était un système normalisé de classification des produits à des fins douanières qui avait été accepté à un congrès international tenu dans cette ville en 1950.

The Brussels nomenclature was a standardized system of classifying commodities for customs purposes that was agreed to at an international convention held in Brussels in 1950.

6. So far as manufactured goods are concerned, we have clearly in mind that even if we prefer to accept compensatory taxes rather than raise our duties there will be pressure to harmonize from traders who will find the tax system cumbersome and damaging to their export trade. If this occurred on any large scale our freedom of manoeuvre in tariff policy would be seriously prejudiced and the existence of free entry for Commonwealth goods would be highlighted as a special exception. On the other hand we feel that we ought to be prepared to show ourselves ready to discuss the limited move referred to in the preceding paragraph and perhaps to contemplate agreement to the use of compensatory taxes in a limited number of cases where significant deflections of trade were found to be otherwise unavoidable, or where the normal rules cannot be satisfactorily applied. In this way we should derive some political advantage by taking a leaf out of Carli's book.

7. However this may be, we still consider that over the whole field simple origin rules are essential and that these should suffice during the first four years during which period there would be time to negotiate arrangements for specific deflections of trade.

8. These questions, as you will see, are of considerable importance and should, I suggest, be thoroughly discussed at the meeting of Commonwealth officials in June. I hope this general account will help in the preparation of your officials for the Conference.

9. The third development is that the Six have, as you know, been contemplating proposals for some kind of sharing of United Kingdom preferences in the Commonwealth or alternatively that there should be no free trade in items where we enjoy such preferences. So far no proposals have been made to us but we intend to take a firm line against anything of the kind.

[PIÈCE JOINTE 2/ENCLOSURE 2]

Message "B"

CONFIDENTIAL

Ottawa, May 20, 1958

TEXT OF MESSAGE FROM PAYMASTER GENERAL ABOUT
EUROPEAN FREE TRADE AREA
17TH MAY, 1958

We have now considered the suggestion of the Six Customs Union countries and Denmark, that the commodities to be covered by an agreement for agriculture should be the same as those listed in Annex II of the Treaty of Rome. This was the contingency we envisaged when last autumn we suggested to Commonwealth Governments that they should examine their interests in each item in Chapters 1 - 24 of the Brussels Nomenclature, which is not in Annex II of the Treaty of Rome.

2. When our proposals for an industrial Free Trade Area were published in February 1957, we defined the items to be excluded as "broadly the items in Chapters 1 - 24 of the Brussels Nomenclature." We used this definition because it was the best ready-made definition of the approximate scope of the products which we should wish to exclude in the general interest of Commonwealth countries. We used the word "broadly" because these chapters include some items which are not food, drink or tobacco and there are some difficult borderline cases. Indeed we have always foreseen difficulty in finding a clear-cut definition covering all items of food, drink and tobacco and nothing else. At that time moreover, we were not contemplating any agreement on agriculture, nor did we know to what products the special agricultural provisions of the Treaty of Rome would apply.

Subsequently the Six, after lengthy and difficult negotiations to reconcile differences of opinion, agreed on Annex II of the Treaty of Rome.

3. The difference between our definition and Annex II of the Treaty of Rome is that the latter includes three items (cork, flax and hemp) which are not in Chapters 1 - 24 of the Brussels Nomenclature, and does not include sixty items which are in those chapters. The inclusion of the three additional items referred to is of no great significance. Of the sixty which are in Chapters 1 - 24 but not in Annex II, about half are foodstuffs and the rest are products primarily used in non-food industry such as feathers, kapok, etc. In respect of these latter items it would in any case be very difficult to argue that special agricultural arrangements were appropriate for them in the context of the Free Trade Area.

4. A clear-cut definition of commodities to be covered by the agricultural agreement is essential. United Kingdom and Commonwealth interests would almost certainly suffer from an item-by-item negotiation. The negotiations would also drag on interminably.

5. Bearing this in mind, we have looked at the problem with three main considerations before us:

(1) The assurances which the United Kingdom Government has given to other Commonwealth Governments about the preservation of Commonwealth interests in the export of food, drink and tobacco to the United Kingdom.

(2) The interest of our own industry, both as agricultural producers and as exporters of processed foodstuffs.

(3) The obvious negotiating advantages in Paris of agreeing to Annex II, and the general interest of Commonwealth countries in the successful conclusion of a Free Trade Area.

6. Our imports from Commonwealth countries and the Colonies of the sixty items I mentioned in paragraph 3 amounted to some £14 million in 1956, out of total imports of £841 million from the Commonwealth of all the items in Chapters 1 - 24. Of this £14 million, under £6 million were imports of the thirty items of food, drink and tobacco, including mainly processed food and drink. We recognize that most Commonwealth countries export some of these thirty items to the United Kingdom or have a potential interest in developing trade in them to the United Kingdom, and that they would in some cases lose the benefit of existing preferences on them against continental competition. So far as we can judge here however, we believe that in most of these cases the effect of the inclusion of the items in the industrial Free Trade Area upon Commonwealth exports to the United Kingdom would not be serious. In our view exports from Europe to the United Kingdom would not greatly add to the existing competition for United Kingdom manufactured foodstuffs which Commonwealth exports have to face.

7. Where Commonwealth countries hold guaranteed preferences on any of these items, it would of course be necessary to agree appropriate modifications of the agreements with the countries concerned.

8. The adoption of Annex II, so far as it would bring into the industrial Free Trade Area a number of important items of processed food and drink would be of advantage to the United Kingdom as our manufacturers would have considerably better export opportunities in this sector if all tariffs and quantitative restrictions on trade with Europe were removed. This should lead to increased imports by the United Kingdom from Commonwealth countries of the raw materials required.

9. There are obvious great negotiating advantages in agreeing to Annex II of the Treaty of Rome. It would dispose conclusively of the question of the items to be covered by the Free Trade Area, thus removing the risk of item-by-item negotiation in this context. To press for chapters 1 - 24 would add to all the other battles we have to fight to secure a

satisfactory Free Trade Area, one which we do not believe we could win because we would have no allies.

10. From the outset of the Free Trade Area negotiations, we have thought that one of the crucial problems would be the treatment of agriculture. It now appears that agriculture may not be so formidable a problem as it once seemed, and our acceptance of Annex II would materially help us to secure a satisfactory agreement.

11. After balancing these considerations, Ministers here are of the opinion that, subject to the views of other Commonwealth Governments, we ought to accept Annex II of the Treaty of Rome, instead of chapters 1 - 24 of the Brussels Nomenclature. In reaching this view, we are greatly influenced by the negotiating advantage of this course. Moreover, it seems to us likely that the effect on Commonwealth interest would be small. We are anxious to reply to the Six fairly soon, but would first wish to have the views of Commonwealth Governments.

478.

DEA/4901-W-40

*Le sous-ministre adjoint du ministère du Commerce
au ministre du Commerce*

*Assistant Deputy Minister, Department of Trade and Commerce,
to Minister of Trade and Commerce*

CONFIDENTIAL

[Ottawa], May 26, 1958

COMMONWEALTH CONFERENCE

UNITED KINGDOM POSITION ON THE FREE TRADE AREA

I am giving below a brief outline of the contents of the two messages recently from Mr. Maudling, and am also making some preliminary comments as to the significance of these messages from our point of view.

The messages from Mr. Maudling cover three separate issues arising in the Free Trade Area negotiations, i.e. agriculture, tariff harmonization and preferences. On the first two issues the U.K. is considering modifying its position in an attempt to meet some of the demands being made on it by the European countries. The U.K. would like to discuss these points with the Commonwealth in June. Following is a summary of these messages:

*Summary of Mr. Maudling's Messages**1. Agriculture*

The U.K. indicates that it is actively negotiating an agricultural agreement within the Free Trade Area with the other European countries. With a view to facilitating these negotiations, the U.K. would like to adopt the same definition of agriculture as is used by the Six for the Common Market agricultural arrangements. This would mean shifting from the present definition based on chapters 1 to 24 of the Brussels Nomenclature to the list of agricultural and fisheries items in Annex II of the Rome Treaty. If this were done, a small number of agricultural items would be brought fully into the Free Trade Area and would thus become duty-free when imported from Europe. The U.K. states that these items are of marginal importance for the Commonwealth and hope there will be no objection to narrowing the scope of their assurances on agriculture to this extent.

2. *Tariff Harmonization*

A number of European countries claim that the Free Trade Area concept in which each member country maintains its own external tariff, gives undue advantages to those countries having low external tariffs, and, in particular, to the U.K. which has duty-free entry for most Commonwealth goods. It is therefore being proposed that the Free Trade Area should adopt the principle of tariff harmonization to overcome this problem. This would mean that the Free Trade Area countries would all establish roughly the same tariff levels towards third countries. The U.K. states that while they cannot accept this principle, they might be prepared to accept a form of tariff harmonization for basic materials only, as long as the harmonized tariffs were nil or very low, and as long as Commonwealth free entry into the U.K. was maintained. The fact that the U.K. would maintain Commonwealth free entry and would thus not fully harmonize its tariffs on basic materials, might mean that the other European countries would insist on levying compensating taxes on U.K. manufactured goods sold in Europe. The U.K. states that they are prepared to accept this in a limited number of cases.

3. *Preferences*

European countries are contemplating proposals for some kind of sharing of preferences extended by the Commonwealth to the U.K., or, alternatively, that there should be no free trade in items where the U.K. enjoys such preferences. This would be intended to equalize the competitive position in the Free Trade Area of the U.K. and other European countries. The U.K. states that they intend to take a firm line against any such proposals.

Our Preliminary Comments

Mr. Maudling's messages raise issues which are complex and important from our point of view but they do not fully reveal what the final position may be as far as the U.K. is concerned. While we should be prepared to discuss these issues carefully and in detail, our own position in these discussions should be fully reserved until we are able to see more clearly what is involved. On the basis of a review of Mr. Maudling's messages the following preliminary comments may be relevant:

1. *Agriculture*

(a) The U.K. has raised with us the question of definition of agriculture as if this were the main issue. However, Mr. Maudling's message indicates that the U.K. is contemplating a special agreement on agriculture within the Free Trade Area. This means that the *exclusion* of agriculture from the Free Trade Area, which had been mentioned in the original assurances given by U.K. Ministers, is no longer being envisaged. Mr. Maudling's message does state, however, that the assurance given about the preservation of Commonwealth agricultural interests in the U.K. is a major consideration. Nothing is said in these messages about the substance of the proposed agreement on agriculture, although it is implied that it would not affect U.K. tariffs. However, now that an agricultural agreement is being negotiated it is likely that pressures will grow for the Free Trade Area to adopt the techniques of managed markets for agriculture which apply within the Common Market, involving minimum prices, quotas and other measures to allocate agricultural imports in Europe. If the U.K. were to agree to such arrangements, the terms of access for Commonwealth agricultural exports to the U.K. might be impaired even though the tariff preferences as such were not affected.

(b) As far as the question of the definition of agriculture is concerned, the difference between Annex II and the Brussels list is relatively small. Adoption of Annex II as proposed by the U.K. would mean that some 60 agricultural items would become subject to duty-free entry when imported from Europe. These 60 items include only 4 or 5 in which

Canada has any appreciable or potential trade interest. They are whisky (where the preference is of marginal importance) macaroni and prepared cereal foods, boiled linseed oil (most of our exports are of crude linseed oil), and two or three marginal items. Some of the other products that would be affected, such as wool grease, cocoa paste and cocoa butter, hemp and vegetable waxes, might be of interest to other Commonwealth countries.

(c) The U.K. says that the adoption of Annex II would meet the request of the Six and would avoid the possibility of their being forced into an item-by-item examination of agriculture. Even if this is the case, there is no assurance that this U.K. compromise would meet the wishes of European countries other than the Six, some of whom, such as Norway, are pressing for inclusion of fish in the Free Trade Area. There is the obvious danger that this shift in the U.K. position may set in motion a process of further erosion of the agricultural list.

(d) Canadian agricultural and fisheries exports to the U.K. cover a fairly wide range of products, and, in the absence of dollar restrictions, would be even more diversified. Agricultural exports to the U.K. in 1957 totalled some \$260 million with the main items being wheat, \$130 million; barley, \$20 million; flour, \$20 million; flaxseed, \$22 million; soyabean oil cake and meal, \$18 million and tobacco, \$16 million. In addition, there is a range of smaller agricultural and fisheries exports such as cheese, apples, tallow and canned salmon. Moreover, there is a possibility that with further relaxation of dollar restrictions Canada might be able to re-enter the U.K. market from time to time with respect to bacon, eggs, canned foods, cereal foods and frozen fish. Thus, any disposition on the part of the U.K. to adopt managed market techniques along the lines of the agricultural arrangements relating to Annex II in the Common Market could well prejudice our position on a number of items. It should be noted that a number of European countries, such as France, Sweden, Turkey (as producers) and Germany (as importer) would be anxious to see the U.K. undertake to buy more European wheat and other grains.

2. *Tariff Harmonization*

(a) It has been hoped that one of the main benefits accruing from the Free Trade Area for countries such as Canada would be the possibility of increased exports of basic materials duty-free to the U.K. for further processing and re-export to an expanding European market. For these benefits to be realized, it is necessary that the Free Trade Area should adopt moderate rules of origin which would not unduly penalize U.K. manufactured goods incorporating raw materials from the outside world. The proposals for tariff harmonization as an alternative to rules of origin are essentially of a protectionist nature since they are intended to remove the competitive advantage of the U.K. and other low tariff countries in Europe. Acceptance by the U.K. of a modified form of tariff harmonization for basic materials in which Commonwealth free entry would be maintained would almost certainly lead to the use of compensating taxes on some U.K. manufactures entering Europe. The application of compensating taxes to U.K. manufactures, because they incorporate materials imported duty-free, could have certain disadvantages for outside exporters such as Canada. For example, if the compensating taxes were to apply only to manufactured goods containing basic materials from outside the Free Trade Area, U.K. manufacturers would have an incentive to obtain their basic materials from within the Free Trade Area rather than from countries such as Canada. If, however, the compensating taxes were to apply to manufactured goods regardless of the source of the component materials, no special incentive would be created to use Free Trade Area materials, but there would be increasing pressures from U.K. manufacturers to fully harmonize U.K. tariffs so as to avoid the compensating taxes in their sales to Europe. In either case, duty-free entry for basic materials

in the U.K. might no longer constitute our open door to a share of the expanding European market.

(b) A further disadvantage to accepting the concept of tariff harmonization, even in a limited way, lies in the fact that European countries, other than the U.K. and the Six E.E.C. countries, would have an incentive to raise tariffs on imports of basic materials from outside sources, so as to avoid the imposition of compensating charges on their manufactured goods incorporating the materials in question, when imported into other Free Trade Area countries. The more important of this "other" group are Denmark, Norway, Sweden and Switzerland, countries which by and large maintain low tariffs on imports of basic materials at the present time.

(c) The U.K. has hitherto pressed for outward-looking rules of origin, under which "Free Trade Area products" would be defined for the purpose of duty-free trade within the Area. The origin rules originally proposed by the U.K. in large measure took account of the interests of outside exporters to Free Trade Area countries. The contemplated acceptance of some limited tariff harmonization — which the U.K. would not apply in its own tariff — represents a modification of the former approach. It is difficult to say how far the U.K. may be induced to carry this modification under pressure from Europe for a compromise.

(d) Manufactured products for which compensating charges have been proposed in current F.T.A. negotiations include those incorporating aluminum and chemicals. Our exports of primary aluminum to the U.K. in 1957 were valued at about \$79 million, and to other F.T.A. countries at about \$23 million. Exports of chemicals and allied products (e.g. synthetic rubber) to the U.K. in 1957 were valued at about \$195 million, while exports of these items to other prospective E.F.T.A. members are also large, e.g. about \$30 million to the E.E.C. countries in 1957, about \$1 million each to Norway, Denmark, Sweden, and Switzerland. It should be noted that the countries that have been pressing for restrictive origin rules for aluminum and chemicals, (e.g. France and Italy) are also the countries most interested in tariff harmonization.

C.M. ISBISTER

479.

DEA/4901-W-40

*Note du secrétaire du Cabinet
pour le sous-secrétaire d'État aux Affaires extérieures⁵*

*Memorandum from Secretary to Cabinet
to Under-Secretary of State for External Affairs⁵*

SECRET

[Ottawa], June 3, 1958

The Prime Minister yesterday, after examining the messages from the Right Honourable Mr. Maudling transmitted by the U.K. High Commissioner here with his note of May 21st and the memorandum thereon by Mr. Isbister, told me that I should inform Sir Saville Garner that Mr. Diefenbaker would like to discuss this question of the treatment of agriculture under the European Free Trade Area proposals with Mr. Macmillan when he is here.⁶

⁵ Note marginale :/ Marginal note:

Mr. Léger: I am despatching a suitable telegram to London and am sending a memorandum to our Minister. D.V. LeP[an] 4 June '58

⁶ Voir/See Document 438.

I therefore spoke to Sir Saville on the telephone late yesterday and gave him this message. In answer to his questions, I said that I thought it was primarily this special agreement concerning agriculture that was in Mr. Diefenbaker's mind and not the other two points raised in the Maudling messages, i.e. the harmonization of tariffs or the sharing of U.K. preferences in the Commonwealth. Sir Saville wondered whether it was the difference between the list in the Brussels nomenclature and Annex II of the Treaty of Rome that was bothering us in connection with agriculture and I said I thought it was not that but rather the nature of the agricultural agreement now contemplated as part of the Free Trade Area arrangements. I said that we here had taken Mr. Maudling's message on the agriculture items to imply that there would be an agreement of some importance on this matter which would involve changes not contemplated in the assurances given us and other members of the Commonwealth concerning the exclusion of agricultural items from the Free Trade arrangements. Sir Saville said he would see that this message was conveyed to Mr. Macmillan as early as possible so that he would have an opportunity to consider it before he left on Friday of this week for Washington.

I would appreciate it if you would inform your Minister of this action by the Prime Minister which was, of course, in accordance with the decisions of the Committee of Ministers dealing with these trade questions last week. I am not sure whether any of the Ministers have discussed this matter with the Prime Minister. I rather gathered not from the way the latter spoke.

I think it highly desirable that our officers engaged in discussions in London should send us back all that they can about the course of those discussions this week and on Monday and Tuesday as well. Naturally the Prime Minister would welcome particularly any clarification they can obtain, either in the meetings generally on this subject or by direct discussion with the U.K. officials concerned on the nature of the agriculture agreement that is now contemplated under the Free Trade Area arrangements and its implications for Anglo-Canadian and other Commonwealth trade.

R.B. B(RYCE)

480.

DEA/50123-B-40

*Le secrétaire d'État aux Affaires extérieures
au haut-commissaire au Royaume-Uni*

*Secretary of State for External Affairs
to High Commissioner in United Kingdom*

TELEGRAM G-123

Ottawa, June 4, 1958

SECRET. PRIORITY.

Repeat Washington, NATO Paris (Information).

COMMONWEALTH TRADE AND ECONOMIC CONFERENCE

The Prime Minister has now had an opportunity to examine the messages from Mr. Maudling on the Free Trade Area negotiations which were transmitted to us by the United Kingdom High Commissioner on the 21st of May. As a result, he has asked the Secretary of the Cabinet to inform Earnscliffe that Mr. Diefenbaker would like to discuss with Mr. Macmillan, while he is in Ottawa, the treatment to be given to agricultural products under the Free Trade Area proposals.

2. When this word was passed to the High Commissioner on Monday, Mr. Bryce indicated in answer to a question that it was primarily the special agreement regarding agriculture that was in Mr. Diefenbaker's mind and not the other two points raised in the messages from Mr. Maudling, i.e. tariff harmonization or the sharing of the preferences that the United Kingdom now enjoys in Commonwealth Markets. When Garner also enquired whether it was the difference between the lists of items covered by the Brussels nomenclature and the list covered by Annex 2 of the Treaty of Rome that was giving us concern, he was told that our worry was rather over the nature of the agricultural agreement that now seemed to be contemplated as part of the Free Trade Area arrangements. Bryce explained that that part of Mr. Maudling's message which related to agricultural items had been taken here to imply that there would be an agreement of some importance on agriculture between the members of the Free Trade Area, which would involve changes not contemplated in the assurances given us and other members of the Commonwealth concerning the exclusion of agricultural items from the proposed arrangements.

3. The United Kingdom High Commissioner promised to see that the message from Mr. Diefenbaker was conveyed to Mr. Macmillan as quickly as possible, so that he would have an opportunity of considering it before leaving London for Washington.

4. In view of the discussion on this subject that will take place during Mr. Macmillan's forthcoming visit to Ottawa, we should be glad to receive full reports of what transpires at the meetings of officials before Mr. Macmillan arrives here. As you know, he is now scheduled to be in Ottawa from the 11th to the 13th of this month. In particular, Mr. Diefenbaker would welcome any clarification that you may be able to obtain, either in the course of the meetings or through direct conversations with the United Kingdom authorities, concerning the nature of the agricultural agreement that is now apparently contemplated under the Free Trade Area proposals, and its implications for Anglo-Canadian and other Commonwealth trade.

481.

DEA/50123-B-40

*Le haut-commissaire au Royaume-Uni
au secrétaire d'État aux Affaires extérieures*

*High Commissioner in United Kingdom
to Secretary of State for External Affairs*

TELEGRAM 2065

London, June 9, 1958

SECRET. OPIMMEDIATE.

Reference: Urtel G123 Jun 4.

Repeat Washington, NATO Paris (Information).

COMMONWEALTH TRADE AND ECONOMIC CONFERENCE: FREE TRADE AREA
From the Canadian Delegation.

At the outset of our present meetings,⁷ the UK made a statement to the effect that the FTA negotiations had been suspended as a result of the crisis in France⁸ and that it was not clear when they would resume. This would depend upon when the new French Government could turn their attention to this matter and what their attitude would be. We gathered that the UK had no clear idea of de Gaulle's views on the FTA.

2. As a result, there has not been any discussion in our meetings on the substantial issues involved. What has been said in the UK statement and in a private meeting with us has all been designed to reassure us that there would be no commitments in the proposed agreement on agriculture which would affect Commonwealth countries' interests adversely.

3. The UK Delegation has made a statement on the history and present state of the negotiations. The portion of this statement that concerned agriculture said that it had become necessary for the UK to show its readiness to enter into some arrangement which, while involving no new UK commitments, would be attractive to continental food exporting countries. A draft agreement on agriculture had been prepared on these lines which would rewrite and strengthen the existing OEEC procedures in such matters as consultation about domestic agricultural policies and the trade in agricultural products and which would also embody arrangements for the removal of quotas on agricultural products. It would also attempt to give to the FTA members outside the Common Market access on equivalent terms to such commodity arrangements as the Six undertook among themselves, adding the proviso that these must be consistent with other international obligations. The draft agreement that had been put forward for discussion in Paris was substantially the same as a draft that had been circulated informally to Commonwealth officials some months ago. The UK statement went on to say that, provided an acceptable formula could be found for assuring Denmark and other European agricultural exporters continuing markets for their produce, the agricultural problem no longer appeared likely to be one of the most difficult issues in the negotiations.

4. Since there has not yet been an opportunity to discuss this statement in the meetings, we arranged to meet the competent UK officials to question them about the ideas and intentions of the UK Government in this field.

5. We recalled the very strong assurance that Mr. Macmillan had given the Prime Minister and the similar assurance Mr. Thorneycroft had given us earlier. We pointed out that Mr. Maudling's recent message about the lists was leading us to enquire about the agreement and any related understandings to which these lists might relate. We wanted to know whether the agreement merely involved consultation with European countries or whether it would contain more specific commitments affecting the trade in agricultural products.

6. The UK officials said that apart from the question of which list should be adopted for exclusion from the industrial field, in their opinion the draft agreement on agriculture faithfully reflected the approach described by Mr. Maudling at Mt. Tremblant and was entirely consistent with the UK government's assurances to us and other Commonwealth governments. They assured us that it would not in any way impair Canadian agricultural interests in the UK market. They recognized that Canadian agricultural exports to the Continent

⁷ Des représentants du Canada s'étaient rendus à Londres pour discuter des préparatifs de la Conférence commerciale et économique du Commonwealth qui devait se tenir à Montréal en septembre 1958. Voir la 3^e Partie du Chapitre III.

Canadian officials were in London to discuss preparations for the Commonwealth Trade and Economic Conference to be held in Montreal in September 1958. See Chapter III, Part 3.

⁸ Voir la 2^e Partie de ce chapitre./See Part 2 of this chapter.

might be damaged by the "managed market" contemplated by the Six Rome Treaty countries. In their view, this agreement, however, would not increase that damage. They said it might indeed reduce it since the proposed article on commodity arrangements was in their view so drafted as to afford some real protection to the interests of outside countries which was not found in the Rome Treaty.

7. The rest of the draft agreement, we were told, was simply a rewriting of the existing OEEC commitments in relation to agriculture. These included the commitment on the part of each member to submit to questioning and criticism by the other members in respect of its domestic agricultural price support policies. The UK officials maintained that the main impact of the proposed agreement on the UK would be to put the UK under greater pressure to reduce its agricultural subsidies, which would be an advantage for Canada and other Commonwealth countries.

8. Finally, we were assured that the UK had made no proposals (and had no ideas in mind) which would go beyond the content of this draft agreement.

9. In the foregoing paragraphs we have endeavoured to give a faithful account of the assurances and information we were given. We are very much aware, however, of the fact that in the negotiations on this draft agreement and in the actual operation of such an agreement the UK may be heavily pressed by its partners to adopt commitments or policies which could affect our interests. At the end of our discussion with the UK officials, we warned them that we would continue to be concerned about such possibilities.

482.

DEA/4901-W-40

*Le représentant permanent auprès du Conseil de l'Atlantique Nord et de l'OECE
au secrétaire d'État aux Affaires extérieures*

*Permanent Representative to North Atlantic Council and OEEC
to Secretary of State for External Affairs*

TELEGRAM 1925

Paris, July 29, 1958

CONFIDENTIAL. PRIORITY.

Reference: Our Tel 1914 Jul 26.†

Repeat T&C Ottawa, Dept of Finance, Bank of Canada, Washington, London, Paris, Rome, Brussels, Hague, Bonn, Geneva (Priority) (Information).

By Bag Oslo, Copenhagen, Stockholm, Berlin, Vienna, Dublin, Lisbon, Athens, Ankara (Priority) from London.

FREE TRADE AREA — GOVERNMENTAL COMMITTEE: ASSESSMENT OF JULY MEETING

In weighing the results of last week's meeting of the Maudling Committee it is useful to recall the atmosphere of pessimism and uncertainty about the future of the negotiations which prevailed until just before ministers came together. The Committee had not repeat not met since early spring and since then the negotiations had been all but suspended. Mainly because of the unwillingness of the French to address themselves seriously to the decisions involved it had proved impossible for the Six to define a common position or present an agreed paper. According to Maudling's original schedule, which had provided as a minimum for agreement on all the main points by mid-summer, time was running out. UK impatience was growing and some UK officials were talking about the need for a show-down. Early in July it looked as though once again there might be nothing for the Maudling Committee to discuss. At that time in order to prevent the appearance of com-

plete failure Sir Hugh Ellis-Rees was thinking in terms of a meeting of the OEEC Ministerial Council which would do little more than re-endorse the political desirability of an FTA and restate the determination of the negotiating countries to reach agreement; he was unsure that the French would be prepared to go even that far. The British drew some encouragement from Maudling's meeting in Bonn, but there was general scepticism whether the Germans would be prepared to use the spur if the French refused the jump.

2. By the time the Committee met it was known that some progress had been made by the Six ministers on July 23 and the atmosphere was one of cautious anticipation. As the discussion proceeded in the Committee the earlier pessimism began to dissipate and at the end there was a feeling that there might after all be a FTA which, although far removed from the classical concept, would provide for the substantial removal of barriers to trade between the member countries.

3. The improved atmosphere reflected no repeat no dramatic change in the basic French position on specific FTA matters but rather relief that the French authorities had at last been brought to face up to the issues involved in an FTA and to commence defining their position on certain of them.

4. As the Embassy has reported, French willingness to re-enter the troubled waters reflects a political acceptance of the FTA concept, rather than any belief in the economic benefits which such an arrangement might bring for Europe or, more particularly, for France. Accordingly, we may expect that the French will continue to press for the kind of provisions which will adequately safeguard French economic interests as they see them.

5. The politically more constructive attitude now visible on the French side undoubtedly reflects the thinking of the new French Government. We understand that de Gaulle, while accepting the Treaty of Rome, has made it clear to his officials that his acceptance is conditional on the understanding that it not repeat not lead to further political integration of the Six, that he would have preferred a politically looser association and that from this point of view and from the point of view of achieving a counter balance to German influence the FTA concept was acceptable. We have also heard from British sources that at a time when he has so many problems to deal with, de Gaulle has told his officials that he is not repeat not prepared to risk a serious break with UK on economic issues.

6. While, from the political point of view, the prospects for agreement on a FTA have thus improved the main economic hurdles to the achievement of a satisfactory agreement remain to be overcome.

7. On origin the Steering Board's report has been accepted but the mandate given meets French wishes and in essence the whole problem has been turned over to the Board without any real rapprochement having been reached between the UK and French points of view. Indeed acceptance of the sector by sector approach could be regarded as a French victory. In fact, however, the potential needs for different rules in different sectors has long been recognized and indeed was reflected in the trade experts' report last January. From the point of view of the progress of the negotiations it is encouraging that the Steering Board is required to make positive proposals in advance of the October meeting of the Maudling Committee and this will be a considerable task. From one point of view, however, it should be that the need to meet this deadline and to reconcile the divergent interests at play may lead to compromise solutions in which little account is taken of third country interests.

8. On agriculture the working paper introduced by the Commission represents a positive step but the proposals leave many important questions unanswered particularly concerning the degree of UK involvement which the Community would regard as essential. The suggestions made for the second and third stages are very general including the proposals for

tariff elimination. The specific first stage provisions concerning the use of quantitative restrictions and long-term agreements would appear to give us cause for concern. We understand, however, that from the UK point of view the draft put forward at the meeting is an improvement on earlier versions produced by the Ockrent Committee.

9. Some progress has been made as regards the arrangements for membership of the less developed countries but the critical question of the amount of financial assistance and the ways in which it might be provided remains outstanding.

10. The failure of Hallstein and Rey to put forward specific proposals for an interim or provisional agreement at the year end reflects the failure of the Six to agree amongst themselves on the provision which such an agreement should contain (although they have accepted the desirability of an interim arrangement). We understand that at this stage the French would rather have a 10 percent tariff cut extended on a most-favoured nation basis than an OEEC-wide reduction which would involve a commitment to follow through to the full-fledged FTA. There is also the important question of the voting procedure to be followed in moving to the second stage of the FTA. This matter was not repeat not discussed at last week's meeting but the French are known to be pressing within the Six for the rule of unanimity not repeat not only as regards the stage by stage achievement of the area but also as regards all decisions of real importance. If this position is maintained each country would enjoy a veto and it would be very difficult to contend that the arrangement embodied a satisfactory plan or schedule likely to result in the achievement of an FTA within a reasonable time.

11. Talking to the press after the meetings Maudling permitted himself some guarded optimism in reporting the more constructive attitude which had characterized the discussions and the press has gone rather further than we would think justifiable in suggesting that the "log jam has been broken." The atmosphere is now better but this is relative to the deep pessimism of a few weeks ago. From the point of view of an eventual positive outcome it is encouraging that for political reasons and under pressure from the Five as well as the Eleven the French have been brought to take positions on certain issues and will be developing their stand on others in negotiations within the Community prior to the next meeting of the Committee. There is now in the Inter-governmental Committee an attitude of purposefulness and it would seem that the negotiations have taken on a certain momentum of their own and that the forces are moving in the direction of compromise and agreement. Against this must be placed the major unresolved issues of origin passage from stage to stage, agriculture and institutional procedure which could again bring the negotiations to an impasse.

12. If, when the Council of Ministers of the Six meet in the first half of September, a common position is reached on the major outstanding issues of substance, then a basis will have been laid for real negotiations both in private and when the Maudling Committee meets in October. There can however be no repeat no guarantee that what will emerge from the Six will be acceptable to the UK and the other negotiating countries. In the final analysis success may well depend on whether the political considerations which have led the French to resume the negotiations will be sufficiently strong to induce some retreat from the extreme positions which have been taken on the economic issues. In turn this may depend on the willingness and ability of the French leaders to win public opinion in this country to a more favourable attitude to the concept of an FTA.

13. Incidentally the FTA is now referred to by the Six in their papers and statements as the "European Economic Association," and the new name is catching on.

483.

DEA/4901-W-40

*L'ambassadeur en Belgique
au secrétaire d'État aux Affaires extérieures*
*Ambassador in Belgium
to Secretary of State for External Affairs*

TELEGRAM 462

Brussels, October 22, 1958

CONFIDENTIAL. PRIORITY.

Repeat London, NATO Paris, Paris, Rome, Bonn, Geneva, Hague, Dept T&C, Finance, Bank of Canada, Washington from Ottawa (Information).
By Bag Oslo, Copenhagen, Stockholm, Berlin, Vienna, Dublin, Lisbon, Athens, Ankara from London.

FREE TRADE AREA — MEMORANDUM OF THE SIX ON THE EUROPEAN
ECONOMIC ASSOCIATION

When we were given a copy of the memorandum yesterday by Mrs. Peolmans, the Officer in Charge of FTA questions at the FO, she made a few general comments about the document and the conditions under which it was prepared. We have also discussed the memorandum briefly with the Economic Counsellor at the Netherlands Embassy and with a member of the Secretariat of the Permanent Representatives. From these discussions some tentative conclusions have emerged in our mind which may be of interest to officials in Ottawa. While far more information will be available in Paris when the Maudling Committee meets, some of these observations may also be helpful to our OEEC Delegation in assessing the climate under which this document has been prepared.

2. All of the officials with whom we spoke were agreed that the memorandum was likely to make more of a contribution to the tactics of the Six than to the substance of discussions at the forthcoming meeting of the Maudling Committee. Many sections of the memorandum are undoubtedly vague by intent. But this also reflects the hurried nature of the preparation of the document despite the fact that the Six have been discussing continuously over the past months in both Brussels and Paris most of the questions involved.

3. There are rumours that a wide divergence of views still exists amongst the Six. There is fairly clear evidence in Brussels that the major Benelux partners are far from sharing a common outlook. The Belgians apparently have once again given greater comfort to French views than their Dutch partners consider desirable. Our colleague at the Netherlands Embassy said that the present document was somewhat unpalatable to his government not repeat not only because it enshrined the French viewpoint consistently but also because it was unlikely to serve as a genuine basis for the negotiation of a liberally inclined FTA — an objective to which the Dutch attach great importance.

4. The tactics which have inspired this memorandum may not repeat not be related exclusively to negotiations in the Maudling Committee. From views expressed to us it would seem that some sections of the memorandum have been written with an eye to future bargaining over the Rome Treaty in GATT and perhaps also to the eventual renegotiation of EPU arrangements. The following examples have been brought to our attention as illustrating that the Six may have rather broad tactical considerations in mind.

5. In section 8 "general considerations" the inviolability of the Rome Treaty and the primacy of the European Economic Community is enunciated. We have been told that in the

drafting of this section the viewpoint prevailed of those who would prefer to see the European Economic Association concluded through a series of individual negotiations between the Commission (or at least a single spokesman from the Six) and other interested countries. This view, which has been flitting back and forth in the wings for some time, was publicly supported recently in the declaration of the Monnet Committee.

6. It has also been suggested to us that section IV "imperial preferences" and section VII(1) "access to raw materials" have been written in such a way as not repeat not only to strengthen the hand of the French in their struggle over imperial preferences with the UK in the Maudling Committee, but also to give the Six another talking point for the Article XXII consultations at GATT. When the Rome Treaty was drafted the Six attached great importance to the treatment of overseas territories but their political objectives are perhaps more clearly apparent now as a result of recent developments in Africa. The Belgians, for example, may be forced to grant a more liberal political régime in the Congo as an earnest of gradual evolution towards separate statehood. The strong community of interests which the Belgians share with the French in Africa has brought these two countries into agreement on the importance of ensuring that the associated overseas territories have access on a highly preferential basis to the markets of EEC and that this economic link will be translated into strong political ties. The defence by the Six of the Rome Treaty provisions concerning overseas territories on such grounds may therefore, tend to complicate even further the discussion of imperial preferences in the Maudling Committee.

7. At the Montreal Conference the memorandum of the Six on agriculture was sharply criticized but comments concerning the proposed industrial FTA were more restrained, partially at least, because the memorandum of the Six was not repeat not available at that time. If the UK had an inkling of what the present memorandum would contain (as they must have had) they were undoubtedly quite happy that it was not repeat not available for discussion in the Commonwealth forum. There are few observers even in Brussels, who would claim that the present memorandum now opens the door to serious and rapid negotiation of a FTA. The only note of optimism voiced by those to whom we spoke was that the discussion of the document may lead to the creation of a more effective method of negotiation than the 17-nation Maudling Committee.

8. From these observations the following conclusions might be justified:

(a) Apart from the Netherlands there is little sense of urgency on the part of the Six about signing a FTA treaty although it is still recognized as a desirable objective.

(b) Support is growing for a new method of negotiation in which the Six would seek to reach agreement separately with interested countries.

(c) The political importance of the association of overseas territories has been emphasized by recent developments in Africa and the Six under Belgian and French pressure may be expected to resist strongly any arrangements which would tend to reduce the preferred treatment the AOT's will be granted in Western European Markets.

[O.G.] STONER

484.

DEA/4901-W-40

*Le représentant permanent auprès du Conseil de l'Atlantique Nord et de l'OEEC
au secrétaire d'État aux Affaires extérieures*

*Permanent Representative to North Atlantic Council and OEEC
to Secretary of State for External Affairs*

TELEGRAM 2614

Paris, October 31, 1958

CONFIDENTIAL. OPIMMEDIATE.

Reference: Our Tel Oct 31.

Repeat London (Robinson), Geneva (OpImmediate), T&C Dept of Finance, Bank of Canada, Washington, Paris, Rome, Brussels, Hague, Bonn (Information).

By Bag Oslo, Copenhagen, Stockholm, Berlin, Vienna, Dublin, Lisbon, Athens, Ankara from London.

FREE TRADE AREA ASSESSMENT

No one could claim that substantial progress had been made during the recent series of meetings of the Maudling Committee. By pressing their own and quite distinct points of view, both the British and French seemed prepared to risk a complete collapse of the negotiations; in the end both withdrew slightly without appearing to have done so. But there are now grave doubts that under present circumstances the French are in fact prepared to negotiate. For their part the British, far from isolated in the debates, will doubtless be undertaking a more realistic re-appraisal of the chances of success and the alternatives which may be necessary.

2. Towards the end of the meetings Maudling called a restricted session of all heads of delegations to express his deep disappointment and to record his government's view that a failure of the negotiations would be catastrophic for Europe. In the full and frank debate which followed, similar sentiments were expressed by most of the other delegates. Members of the EEC with the exception of France spoke of the need for negotiation in smaller groups in an attempt to find basic compromises and the Belgian delegation went so far as to say that if British and French differences could be overcome there would be no difficulty among the other 15 in reaching agreement. The Icelandic delegation spoke of the political necessity for a FTA and urged the great powers to find a solution which would serve free and democratic forces in Iceland and in Europe as a whole. A number of representatives, including the Scandinavian countries, Switzerland and Ireland, spoke of the difficulty in developing their own policies in view of the uncertainties as to whether there would be a FTA or not, and they admitted that in the circumstances a provisional agreement might be required. The Italian delegation referring to the Ockrent Report said that the Six had already made certain concessions and suggested that it was now up to the UK to modify its position.

3. The French delegation (Wormser), who spoke last, in a frank exposé of his government's position held out little hope for those who had advocated accelerated progress. He said that the discussions to date had served a very useful purpose in that they had uncovered many complications and difficulties. He referred to the grave problems which had confronted the French Government in the last six months and questioned whether other governments, had they found themselves in similar circumstances, would have been willing to carry on with FTA discussions. He said that he knew of no other country in history which had demonstrated a willingness to participate in negotiations the object of which had

been so violently opposed at home. The French Government had been successful, but only after great difficulty, in securing parliamentary agreement for the Rome treaties. The FTA Treaty would call upon France, which had a basically protectionist philosophy, to open its frontiers to an additional eleven countries. As such it would not be approved by the French parliament at the present time. For France, the Rome Treaty was a political fact and care must be exercised not to place it in jeopardy. France, he said, could not agree that politically necessity demanded the conclusion of an FTA Treaty whatever its content. The Free Trade Area project contained many technical problems for which technical solutions must be found.

4. Turning to the possibility of differentiation or discrimination on January 1 when the Six took the first steps to reduce tariffs and enlarge quotas Wormser said the practical effects of this had been exaggerated. Germany had already reduced its tariffs and a 10 percent of the reductions of the Benelux countries was not likely to create measurable distortions. With the French economy protected largely by quantitative restrictions the 10 percent tariff reductions would have virtually no effect. On quotas he referred to the French Government's announcement on October 30 that it would honour its EEC obligations for enlarging quotas and he hinted that something might be done for other OEEC countries as well. Summing up he said that the discussions should continue but that concessions would have to be made. The UK point of view, he emphasized, was not consistent with the provisions of the EEC as the French Government intend to carry them out.

5. In his rebuttal, Maudling said that of course the UK recognized that the Treaty of Rome was a political fact but this did not impair the right of the UK to criticize the treaty's defects. Referring to the French difficulties in carrying on the negotiations, Maudling concluded by saying if these difficulties were too great to carry on, we should honestly face this fact.

6. At the beginning of the meetings, Maudling had argued for the adoption of "Spaakian" techniques to give further political impetus to the negotiations. Instead he may find himself presiding over groups of experts and the pace of any subsequent negotiations will depend on progress in the councils of the Six. Future procedures are not very clear. The Intergovernmental Committee is to meet again on November 13 and 14 and committees and working parties have been given accelerated schedules. What is not clear is whether negotiations will take place to resolve outstanding issues. The French have put the British squarely on notice that they expect compromises to be made and that in view of the unpopularity in France of even the conception of a Free Trade Area, few concessions (and perhaps none on fundamental issues) can be expected of them. The agreement of the French that technical studies may go forward may in part reflect the French hope that this will result in a prolonged postponement in the resumption of the negotiations as such and decalage in practice if not in theory will have been achieved. In fact the French emphasis on technical studies may be an attempt to ensure such an exhaustive analysis of the problems that they will be certain of having written into any treaty provisions to meet every conceivable French parliamentary and public objection to it. There was a time when great store was placed on the ability and willingness of the Germans (and others) to exercise a liberalizing influence on the French. This has proven to be illusory. The other 5 will not likely be prepared to press the French to a point which would place the Treaty of Rome itself in jeopardy. The Six must move together or not at all. As to the future, until the dust has settled somewhat, it would be hazardous to risk anything but the most tentative forecast. Certainly the prospects for a FTA Treaty have faded somewhat and our provisional view is that the prospects at the moment for a treaty acceptable from our own point of view are dim.

7. It remains to be seen if, failing agreement on the main substantial issues by the end of the year, a provisional agreement would be attempted; at the moment, borrowing a phrase from Muller-Armack of Germany, Maudling speaks of the possibility of an agreement on principle in principle as a last resort before December 31. However, this formula, as presently conceived, would not apparently involve provisional arrangements of a substantial nature.

485.

DEA/4901-W-40

*Note de la Direction économique
pour le sous-secrétaire d'État adjoint aux Affaires extérieures⁹*

*Memorandum from Economic Division
to Assistant Under-Secretary of State for External Affairs⁹*

CONFIDENTIAL

[Ottawa], November 21, 1958

RECENT DEVELOPMENTS IN THE FREE TRADE AREA NEGOTIATIONS

You may find useful the following summary of developments in the FTA negotiations as reported in a number of recent telegrams.

2. On November 14, the second day of a fruitless meeting of the Maudling Committee the French Minister of Information, Soustelle, held a press conference at which he announced that a Free Trade Area on the British Plan was "not possible." France, he said, was actively seeking a solution capable of satisfying both the Six and the other Western European countries. This announcement was made on behalf of France and not of the Six as a whole. It appears to have come as a surprise to France's partners, even Italy.

3. Maudling has suspended meetings of the Intergovernmental Committee and its working groups and there is to be an early meeting of the heads of the non-Six delegations to discuss what can be done. At a ministerial meeting of the Six scheduled for December 3, the French may advance their proposals; the Benelux countries have already jointly proposed to the other EEC members an interim arrangement for the avoidance of discrimination to become effective on January 1, 1959. This would provide that the EEC members would unilaterally extend the 10% tariff cut to all GATT members on an MFN basis. The 20% increase in quotas would be extended "in whole or in part" to all seventeen members of the OEEC. Arrangements for agricultural products would be left in abeyance for one year, during which period efforts would be made to negotiate an agricultural agreement satisfactory to all members of the OEEC.

4. Reports from London suggest that the United Kingdom, though it is of course exploring all possible alternatives (retaliation; a grouping of Scandinavia, Switzerland and perhaps Austria; increased support for the multilateral approach in the GATT, etc.) would be inclined to accept some interim arrangement provided it included quotas. It is thought that this would give time for pressures against France to build up within the Six. It is also pointed out that the importance of the EEC market to the United Kingdom has declined during the past year. The *Financial Times* has commented that "with the possible advent of convertibility the great new trading opportunity for next year could be a trans-Atlantic one. If that were so, then the Common Market could well be left for a few "sanitary months to moulder in its French sulks." One long-term possibility the United Kingdom still entertains

⁹ Note marginale :/Marginal note:

Miss Burwash: Thank you very much for this summary. D.V. LeP[an]

is that of giving France a special status (this does not seem to me to be really a starter, since it discounts both French amour propre and the integration mystique).

5. Such Canadian press comment as there has been has tended, rather unexpectedly, to stress the difficulties that would be caused for Canadian trade by a breakdown of the FTA negotiations. I understand that Sir Saville Garner has discussed the present position in the FTA negotiations with the Under-Secretary.

DOROTHY BURWASH

486.

DEA/4901-W-40

*Le secrétaire d'État aux Affaires extérieures
au haut-commissaire au Royaume-Uni*

*Secretary of State for External Affairs
to High Commissioner in United Kingdom*

TELEGRAM E-2211

Ottawa, November 27, 1958

CONFIDENTIAL. OPIMMEDIATE.

Repeat NATO Paris, Washington, Brussels, Bonn, The Hague, Geneva, Dublin, Paris, Rome (Information).

By Bag Oslo, Copenhagen, Stockholm, Berlin, Vienna, Lisbon, Athens, Ankara, Madrid, Canberra, Wellington.

EUROPEAN FREE TRADE AREA: PROPOSED INTERIM ARRANGEMENTS

1. We are grateful for the many useful reports which have been sent on the suspension of the Free Trade Area negotiations and on consequential developments. This message is intended for your background information and guidance in any discussions you may have on this subject and particularly on the proposals which are being made for interim arrangements.

2. We understand and share the political concern which has arisen in Europe following the breakdown in the Free Trade Area talks. It would be most undesirable if the present situation were to result in an economic split between European countries. Quite apart from its economic consequences, such a split would have most adverse effects on the Alliance. However, we are also concerned with the prospect that interim arrangements or longer term alternative to a broad Free Trade Area may be considered which would fail to take account of the legitimate interests of outside countries and which might serve to separate the OEEC countries from their allies and trading partners in North America and elsewhere. The suspension of the Free Trade Area negotiations heightens our fear that regional or bilateral arrangements in Europe may take an exclusive and restrictive turn and that this example may be followed in other regions to the detriment of the development of international trade and healthy political relationships.

3. As a practical matter we have recognized the determination of European countries to give priority to more intimate economic relations amongst themselves and we are sensible of the political advantages which could flow from closer European economic cooperation. On the other hand, we continue to believe that the main avenue which should be followed to build up the strength and cohesion of the free world lies, so far as commercial policy is concerned, in the multilateral removal of restrictions to mutually beneficial trade. We consider that any regional arrangements should be consistent with this broad objective and are

not willing to concede that Europe or other areas should have a free hand to establish arrangements inconsistent with the reasonable interests of their other trade partners. We are particularly conscious of the political dangers which would be present if Europe and the rest of the free world were to be further separated one from the other in their economic life and philosophy.

4. Although we have had to live with it, we have never accepted OEEC regional trade liberalization as a desirable end in itself. We have refrained from pressing our objections to the discrimination involved on the understanding that the OEEC countries would proceed to dismantle their quota restrictions on a non-discriminatory basis as soon as their individual payments positions permitted and that the freeing of trade on a multilateral basis remained the objective. Recent experience, particularly but not exclusively with Germany makes it clear that we have been overly sanguine in these expectations.

5. We have not accepted that the commercial arrangements proposed under the Treaty of Rome are consistent with the requirements of the General Agreement and we fear that implementation of the Treaty may damage the trade of Canada and many other countries.

6. We, of course, remain prepared to examine proposals for a European Free Trade Area in the light of our trade interests and of the requirements of the GATT, but have become increasingly less hopeful with the passage of time that the arrangements likely to emerge would be fully compatible with the interests and rights of outside countries.

7. The continental countries and the United Kingdom are not unexpectedly concentrating their immediate attention on schemes of various kinds to avoid the onset of tariff and quota discrimination between themselves as from January 1st. It is important that in discussing these possibilities the impression should not be left that Canadian interest in this matter is necessarily similar to that of any or all the OEEC member countries.

8. It now seems that Canada will shortly be faced with proposals for an interim arrangement involving the intensification of European discrimination so far as quotas are concerned. This seems the most probable result of any offer by the Six to negotiate quota increases with the non-Six. As regards tariffs, the situation is more obscure. A unilateral MFN reduction of tariffs by the Six alone would not have any substantial effects on Canadian trade and of itself would not be of great significance. However, if the cuts were limited to the Eleven, new tariff discrimination would be involved. If as part of an interim arrangement the non-Six were also required to reduce their tariffs, our preferential position in the United Kingdom market could be seriously impaired. In considering our attitude to proposed interim arrangements it should be remembered that at the moment we do not know what is to follow and there is no guarantee whatsoever that any interim arrangements would lead to a European Free Trade Area, much less to one that would be acceptable to Canada and other outside countries or consistent with the criteria laid down in the General Agreement.

9. It is clear that all the so-called interim arrangements of the kind presently being discussed in Europe would pose serious problems of commercial policy for Canada and other outside countries. It seems to us most important therefore that officials who may be called upon to discuss the different proposals for avoiding intra-European discrimination from January 1st be careful to act with considerable reserve and discretion. It is necessary to avoid compromising the attitude we may wish to adopt when any such arrangements are formally proposed; the impression should certainly not be left that the Canadian attitude will be uncritical. Officials should also have in mind the serious dangers for Canada which could be involved in possible alternatives to a Free Trade Area. We would be particularly concerned if a trend were to develop for individual countries to enter into bilateral arrange-

ments with the Six. Any such move would inevitably set a precedent and would prejudice, if not preclude, the eventual attainment of a genuine Free Trade Area, or the dismantling of restrictions on a non-discriminatory basis.

10. It seems evident that if the course of events shaping in Europe is to be changed, a substantial move by the United States will be required. It would seem useful at this stage to inform U.S. officials of the nature of our concerns about the implications of the present situation and to learn if the U.S. authorities share our views.

11. *Washington*: Please discuss our views with U.S. officials concerned.

12. *European Addressees*: You may feel free to discuss our thinking with appropriate U.S. officials on a confidential basis.

487.

DEA/4901-W-40

*L'ambassadeur en France
au secrétaire d'État aux Affaires extérieures
Ambassador in France
to Secretary of State for External Affairs*

TELEGRAM 1363

Paris, December 1, 1958

CONFIDENTIAL

Reference: Your Tel E-2211 Nov 27.

Repeat T&C Dept Finance, Bank of Canada, Washington, T&C London, NATO Paris, London, Rome, Brussels, Hague, Bonn, Geneva (Information).

By Bag Oslo, Copenhagen, Stockholm, Berlin, Vienna, Dublin, Lisbon, Athens. Ankara from London.

CANADA AND FREE TRADE

Substance of this telegram was drafted before breakdown of free trade negotiations and before receipt of your reference telegram. While current emphasis is upon finding a short-term interim solution, undoubtedly from our viewpoint the longer-term implications of free trade are worth examining especially in light of this recent failure. I think therefore that there remains some point in putting forth my earlier views in a slightly amended form with the hope that they may be useful in your continuing consideration of this complex problem.

2. The French now are aware of potential political threat of a sharply divided Europe if a Free Trade Agreement is not repeat not concluded but in consequence they have changed only their tactics, not their intentions. I doubt whether any real compromise towards the UK position is to be expected from France because of the underlying French intentions which I appraise as follows:

(a) Even before Soustelle's statement French officials told us that successive Cabinet meetings during that same week had simply reaffirmed what the Foreign Minister had told Mr. Lloyd in London — under no repeat no circumstances is France prepared to agree to the sort of FTA the UK proposed. This is not repeat not surprising — it is the French line of many months but perhaps more bluntly put. The French continued to negotiate in OEEC presumably with some recognition in mind of the political danger which failure would pose but they were seeking an agreement with a basis much closer to their own terms;

(b) Before the breakdown the French obviously had been doing some preliminary thinking on possible long-term technical alternatives to UK-initiated proposal. The prevailing French attitude was then and remains today that a political decision is required. OEEC discussions had been construed here as technical talks on a UK proposal (admittedly with some modification) which has always been unacceptable to France. Such discussions have thrown light on practical problems of free trade, according to the French, but what is needed is political agreement on nature of a free trade plan acceptable to all;

(c) The long-term technical solution which French were considering and which they intended to frame in a wider political context apparently involved the use of tariff quotas. Thus the French alternative would involve rather complicated mechanisms but would be less ambitious in scope. In fact it seems likely that what France would have proposed (and may yet) would be simply a measure for temporary association between the Common Market and the FTA which could be amended subsequently as necessary.

(d) Prior to cessation of talks the French felt much less isolated than before and the intensive Cabinet action prior to Maulding's decision seems to have been motivated principally by the desire to appear forthcoming. The Six rallied rather strongly behind France in recent months in contrast with the almost unanimous support enjoyed by UK earlier (it is rather interesting to speculate on whether this new bargaining strength may have had something to do with UK's decision to break off talks);

(e) Finally, we know that French at this moment are seeking only an interim arrangement to take effect January 1 which will not repeat not be binding in long-term future. Their purpose is to produce a less tense atmosphere in which full negotiations may be resumed, and there is no repeat no doubt that they intend these shall be along lines which would fully satisfy France.

3. Hence it is not repeat not easy to foretell what form a final agreement may take, if one is reached. If UK under pressure is forced to accept a compromise on free trade much more restrictive than Canada has thought possible heretofore, our own trade could well be jeopardized. The strong bargaining position of French within the Six to which I have referred and the deliberate tactics which they are employing suggest to me that if agreement is to be reached the UK will have to accept a compromise despite the strong free trade support found in many Western European countries. Whether UK would threaten to make sterling convertible if no repeat no agreement is reached, I do not repeat not know. This is a possibility much feared in France. Short of this I see little the UK can do to impress the French sufficiently to make them budge from what they feel is a satisfactory position receiving rather extensive support from their Common Market partners. I think that French will become increasingly difficult as free trade discussions finally focus upon the essence of the problem: namely the watering down of Common Market's basic protective devices in order to satisfy other Western Europeans. After all it has been their suspicion that UK wished to dilute or destroy Common Market which has been at base of French objections to FTA since the beginning.

4. The true perspective in which free trade is viewed by other European countries is as significant as their approach to the specific European free trade problem. I am impressed by Luebke's argument to the Prime Minister (Rome telegram 395 November 12†) "that by pursuing the theoretical objective of free multilateral trade too quickly under GATT, we run the risk of causing serious economic disturbance in Europe and an unfortunate division in GATT between European and non-European members." Again Zanetti, Attaché at Austrian Embassy here, deplored to us the French free trade attitude and attempted to explode all French objections to free trade as being unfounded; a moment later however he

invoked identical arguments in explaining why Austria could not repeat not pursue free trade under GATT but could not repeat not then demonstrate their greater validity in the case of his own country. A French official in explaining the need for practical alternatives to recent free trade proposal, stated that any solution, even Carli Plan, will pose a problem in that it will constitute a deviation from GATT; he concluded by stating this would not repeat not be too serious since GATT is now somewhat outdated and should not repeat not be permitted to stand in the way (of "progress").

5. These three views have one common element: free trade is a matter of degree; and the extent to which nations are prepared to accept it depends very much on their political intentions as well as upon their capacity to withstand or sustain it. What concerns me, as I am sure it does you, is that a Free Trade Agreement bought largely on French terms could affect us greatly and would likely be even more difficult to sell to GATT than the Common Market. It could be even more divisive in GATT, I think, than is the Common Market. Since we have placed much faith in GATT as an instrument for promotion of multilateral trade, a restrictive Free Trade Agreement is a real danger to exposed position of non-European GATT members such as ourselves. I have not repeat not seen a departmental analysis of FTA's implications for our own trade but I suspect that the danger could be greater than that from Common Market because of vital importance to us of the UK. The real difficulty for Canada and other non-Europeans that I see is in knowing what encouragement we should give to the general concept of FTA when it is increasingly apparent that the zone could, on balance, be much more detrimental than beneficial to us. In same way, it is hard to know how far it is advisable to go in supporting those who want to continue to negotiate and to hold the line against the French, if this will only lead ultimately to a breakdown. A prolonged bitter debate can only make the final split more emphatic and more damaging.

6. I am in complete harmony with the view in your telegram to London (E-2212†) concerning the probable way in which the French would construe an approach from us at this time. In view of direction in which free trade negotiations seem to be heading, I am heartened also to note from your reference telegram that you are already preparing for the threat which our trade may encounter from alternative free trade proposals. As matters now stand, it is my opinion that any FTA which is now likely to emerge will not repeat not assist Canada or other non-European members of GATT in alleviating any unjustifiable discriminatory impact of the Common Market and I doubt more and more if it will truly aid the prospective free trade members in such an endeavour. If it succeeds only in depreciating whatever justifiable economic benefits to the Six there may be from their customs union, the FTA will not repeat not likely attain its own avowed goal of an expansion of World Trade. It is more likely to succeed only by causing a transfer to FTA of Common Market imports currently coming from non-European GATT countries.

7. The French have told us, genuinely enough it seems, that their purpose in free trade negotiations is to meet specific problems which the Common Market will cause to two countries — UK and Denmark. Working from this premise, and knowing the "amour-propre" of the French at this particular time, I cannot imagine that they will accept a variation of the original free trade proposal which would include a specific clause or clauses to meet the particular needs of France only. Bearing this in mind, the most likely solution to the present impasse would seem capable of causing extensive damage to our own interests.

[PIERRE] DUPUY

488.

DEA/4901-W-40

*L'ambassadeur aux États-Unis
au secrétaire d'État aux Affaires extérieures*

*Ambassador in United States
to Secretary of State for External Affairs*

TELEGRAM 2956

Washington, December 4, 1958

CONFIDENTIAL. PRIORITY.

Reference: Your Tel E-2211 Nov 27.

Repeat NATO Paris, Paris, London, T&C Finance Ottawa (Priority) (Information).

By Bag Brussels, Rome, Bonn, Geneva, Hague (Priority) from Ottawa.

FREE TRADE AREA

The substance of your views on the situation have been made known to various USA officials, all of whom were grateful to have this indication of present Canadian thinking.

2. Isaiah Frank, the Director of the Office of International Trade in the State Department, was particularly interested. He told us confidentially of some of the difficulties which he foresaw in any USA intervention, even at a later stage when attention shifts from the problem of a temporary arrangement to the longer term question of the type of European trading system which should be created if the UK conception of a FTA is definitely ruled out. He noted that many influential persons both in Europe and in Washington will be much concerned at the possibility of a division of Europe into two or more camps and will be inclined to accept any system that would avoid such a split. He thought personally that the changes of any constructive initiative by the USA would depend very largely on what kinds of initiatives seemed feasible. It was, therefore, most important in his view that senior officials here at the political level should be presented with some pretty concrete proposals for initiatives which would counteract the divisive tendencies within Europe and at the same time produce a trading system which could be reconciled with some sensible pattern of world trade. If these officials were merely urged to take an initiative, without any indication of the form of such an initiative, Frank was doubtful that they would agree to do anything since they would be inhibited by the delicate nature of the European political relationships involved. He was, therefore, anxious that USA officials should have the benefit of any precise suggestions for solving the longer term problem which might occur to Canadian officials.

[A.E.] RITCHIE

489.

DEA/4901-W-40

*Note de la 1^{re} Direction économique
pour le sous-secrétaire d'État adjoint aux Affaires extérieures*

*Memorandum from Economic Division (1)
to Assistant Under-Secretary of State for External Affairs*

CONFIDENTIAL

[Ottawa], December 9, 1958

FREE TRADE AREA¹⁰

I am attaching a copy of Miss Burwash's memorandum of November [21] prepared for the last Interdepartmental Meeting on the Free Trade Area, which seems to me a useful summary of how matters then stood. I am also attaching a copy of our telegram E-2211 of November 27 in which views of the Departments concerned were formulated for the benefit of all missions who are following the Free Trade Area discussions. Attached also are telegrams 540 of December 5† from Brussels, 2891 of December 5† from NATO, Paris, and 1139 of December 8† from Geneva. The telegram from Brussels is the most comprehensive report we have of the interim measures proposed by the Six. The telegram from NATO, Paris gives some additional information from French sources on these interim proposals. The telegram from Geneva reports a conversation with Wyndham White in which he makes some speculative comments on convertibility. These seems to me the most useful telegrams on the Free Trade Area discussions.

2. There is still a good deal of ambiguity and confusion about the proposals the Six are now putting before the governments of the non-Six. The precise nature of these arrangements is not perhaps a matter with which you will wish to concern yourself too much in Paris; it is clear that they all involve some intensification of discrimination against Canada and the USA. However, for the record, I have set out below what seem to be the main features of what appear to be suggested by the Six in the way of interim arrangements.

Tariffs. The Six will grant a 10% reduction of tariffs on all *industrial* products and tariffs on agricultural goods which are not under quota. We assume this will be extended to all GATT members on an MFN basis as a unilateral gesture by the Six (in one press release, at least, it was suggested that this might be limited to OEEC countries). This would be a provisional measure but without a fixed terminal date. It seems likely that tariff reductions extended to the non-Six will be only on those goods for which existing tariff are above the Common Market tariff. This means that there will be, as the telegram from NATO Paris points out, no appreciable reduction in German or Benelux tariffs. There will thus be an element of tariff discrimination against the non-Six, including Canada. Presumably, the Six will be expected to receive some credit for these reductions, if they are still in effect, when the tariff negotiations proposed by the USA (under the Trade Agreements Extensions Act) get underway in, say, eighteen months time.

Sharing of 20% Increase in Quotas. Under the Rome Treaty, the Six are bound to increase the value of their bilateral quotas by 20% and to convert them to "EEC global"

¹⁰ Note marginale :/Marginal note:

This was drafted for Mr. LePan to take to Paris as background. R. G[rey]

M. LePan était un membre de la délégation canadienne à la réunion des ministres du Conseil de l'Atlantique Nord, à Paris, en décembre 1958. Voir la 12^e partie, chapitre II.

LePan was a member of the Canadian delegation to North Atlantic Council Ministerial Meeting held in Paris in December 1958. See Chapter II, Part 12.

quotas. These apparently will now be shared out amongst OEEC member countries, *not* including Canada and the USA, of course. Whether or not any or all of this increase will have to be paid for by the non-Six is a matter of considerable concern. One press report has suggested that one-half of this increase of quota would be negotiated by the Six with the supplying countries most concerned, perhaps disguised as an extension of OEEC liberalization.

3% Quotas. In more recent reports on the interim arrangements, the problem of the 3% quotas has come to the fore. The Rome Treaty provides that no quota by a member country of the Six shall be less than 3% of national production. Apparently the French at least are not prepared to extend these quotas to the non-Six as they are, of course, for many products of much greater commercial significance than the 20% increase mentioned above.

3. *The Maudling Committee.* The Maudling Committee was to meet on December 3, but this meeting has now been deferred to about December 15, when it will gather to formulate a report to the OEEC Council of Ministers on the status of the Free Trade Area discussions. The Council is to meet some time before Christmas. As paragraph 4 of the telegram 540 from Brussels points out, the Six now seem determined to finish off the Maudling Committee. When I was in Geneva at the GATT meetings, I heard a great deal about the antipathy of the Six to the Committee, and particularly to its Chairman. While the British, amongst others, have argued that the Maudling Committee should have an opportunity to consider the present state of affairs before January 1st, the Six have directed Hallstein, who has been given a roving commission to explore these interim arrangements with the non-Six, to report not later than March 1st.

4. While there have been some suggestions that proposals formulated by the Six are considered by them to be firm and not negotiable, it has also been suggested that Hallstein does not have authority to do anything more than informally explore a range of proposals with the non-Six and that the final position of the Six will not be taken until he reports in the New Year.

5. In these circumstances, how the European non-Six conduct themselves is of critical importance. I gather that one of the main purposes of the meeting in Geneva last week of the six non-Six, (Austria, Switzerland, Scandinavia, United Kingdom, with Portugal as an observer) was to try to strengthen the resistance of the Scandinavian countries against coming to terms on a bilateral basis with the Six. You will notice the comment in paragraph 6 of telegram 540 from Brussels, that the general view in Brussels is that the Six feel that their proposals are likely to be accepted by the other OEEC countries and that the UK might find itself without significant support from her European friends.

6. There is the further point as to whether or not there might be any substantial debate at the NATO Ministerial Meeting on this subject. Mr. Léger expressed his view in a recent telegram† that if the problem of the Free Trade Area is not raised by other Ministers, we should not seek to do so ourselves. It seems to me pretty clear that any discussion in NATO should take place informally. You will have noticed the report from Brussels that the EEC Commission believe that the USA would oppose any substantial debate on the Free Trade Area in NATO.

R. G[REY]

490.

DEA/4901-W-40

*Le représentant permanent auprès du Conseil de l'Atlantique Nord et de l'OECE
au secrétaire d'État aux Affaires extérieures*

*Permanent Representative to North Atlantic Council and OEEC
to Secretary of State for External Affairs*

TELEGRAM 17

Paris, December 16, 1958

CONFIDENTIAL. OPIMMEDIATE.

Repeat T&C Dept of Finance, Bank of Canada, Washington, T&C London, London Embassy, Paris, Rome, Brussels, Hague, Bonn, Geneva (Information).

By Bag Oslo, Copenhagen, Stockholm, Berlin, Vienna, Dublin, Lisbon, Athens, Ankara from London.

FREE TRADE AREA — OEEC MINISTERIAL MEETING

After almost 13 hours of difficult deliberations yesterday, OEEC ministers dealt with 2 agenda times which they had met to discuss. First item revolved around Maudling's report on failure of Intergovernmental Committee to reach agreement and prospects for future. Second and more contentious item related to proposals of the Six for interim arrangements.

2. At the morning session, first item was quickly disposed of in what later proved to be a superficial atmosphere of good will. All ministers (including French Foreign Minister Couve de Murville) agreed that work which had been done under aegis of Maudling Committee would serve as a useful basis for resumed negotiations. Ministers reaffirmed their determination of seeking ways and means of establishing an association between member states of EEC and other member countries of OEEC and agreed that Council should meet again at ministerial level before April 1 to review progress made. Rey, speaking for Commission, stressed that March 1 deadline for Commission, to report to Council of Ministers was one which would be adhered to. Toward end of January, he said, Commission would be holding conversations with individual OEEC countries designed to facilitate working out of multilateral association which had been agreed upon.

3. At end of morning session, Professor Erhard introduced proposals of interim arrangements. He stressed that these arrangements should not repeat not be regarded as forming a basis for a multilateral association; they were independent decisions arrived at by community in an effort to improve atmosphere within which multilateral association would have to be negotiated.

4. Supplementing Erhard's statement, Couve de Murville referred to interim arrangements as providing necessary breathing space (a year or a year and a half) during which both a better understanding of the problems and basis of a new start could be developed. In interim, France was prepared to institute a degree of re-liberation commensurate with the slight improvement in its still difficult over all balance of payments situation. On January 1 France, while it could not repeat not meet in full its OEEC obligations, was prepared to liberalize 40 percent of its trade vis à vis its OEEC partners. In addition, as part of its contribution to interim arrangements France would increase its quotas by 20 percent on a non-reciprocal basis with respect to 43 percent of its non-liberalized trade, i.e. up to 83 percent level previously liberalized. For remaining 17 percent of its trade, 20 percent increases in quotas could be contemplated only on basis of reciprocity. Rome Treaty requirement that quotas must represent at least 3 percent of national production would not repeat not be extended to non-Six. Products in this category would be found in 90 percent

to 100 percent range of trade which Couve de Murville stressed had not repeat not been made subject to OEEC code of liberalization.

5. Only contentious note introduced into morning session (and one which was not repeat not sounded again) was a reference by Turkish Delegate to importance of interim arrangements dealing also with exports in underdeveloped countries. Such exports, he argued, should be subject to increased Q[uantitative] R[estrictions] and reduced tariffs and specific contracts should be agreed. He also argued that "interim financial assistance" for underdeveloped countries should be considered as a part of provisional arrangements.

6. At afternoon session, Sir David Eccles led off with a reasoned criticism of interim arrangement proposed by the Six. Tariff reductions, he said, would be helpful but they would leave untouched all tariffs which were now below or only slightly above those of projected common tariff. Taking into account list "G" items and other obscurities in proposals of the Six, UK had estimated that about 50 percent of tariffs of the Six would be unaffected. Community's suggestion for quota enlargements would, Eccles said, lead to a tangle of bilateral negotiations at end of which there would still be discrimination, particularly in case of France. According to UK calculations, value of French imports in OEEC countries from non-liberalized sector was approximately 100 million pounds, 50 million of which represented imports from other five. 20 percent quota enlargements would result in an additional 10 million pounds from the eleven other OEEC countries. Obligation to establish quotas of at least 3 percent of national production would, however, be reserved for Community alone and would result in an additional 30 million pounds in French imports. This degree of discrimination was unacceptable and UK would propose that in quota field the 17 (or the other eleven) should do precisely what the Six were obligated to do under Rome Treaty. UK was prepared to increase (the?) OEEC quotas by 20 percent and to increase quotas for each product by not less than 10 percent. It was also prepared, except in perhaps one or two cases, to agree to quotas of not repeat not less than 3 percent of national output. If the Six increased agricultural quotas as well, UK would be prepared to consider similar action. When Mueller Armack, speaking for the Six, asked for time to study UK proposals, Eccles reminded ministers that it was his government's view that a country which had not repeat not liberalized to 90 percent under OEEC code was not repeat not entitled to discriminate. If action by any OEEC country on January 1 produced discrimination, UK Government would feel obliged to make necessary corresponding adjustments against that country to protect its own trade.

7. UK proposal and Eccles explanation of it drew a sharp retort from Couve de Murville. French Government could not repeat not negotiate under a threat and therefore refused to examine UK proposals. French Foreign Minister also withdrew French support for the resolution adopted at morning session, reaffirming desirability of multilateral association. At this point Erhard intervened to point out that European cooperation was at stake and that at all costs reactions of sentiment and sensitivity should be avoided. Decisions, he said, could not repeat not be taken under such pressure and at his suggestion meeting adjourned until 10 o'clock same evening.

8. During recess, UK, who were fielding an exceptionally strong team, were not repeat not inactive and when meeting reconvened, they seemed satisfied that they had secured a large measure of agreement for their proposal. Chairman (Heathcoat Armory) immediately introduced a resolution which would call upon Council to instruct Steering Board for Trade to examine proposals of both EEC and UK and to report to Council in time for a new session of ministers January 15. Until January 15, he said UK would take no repeat not action, i.e. it would not repeat not retaliate.

9. When Erhard found that Couve de Murville was not repeat not prepared to accept this proposal, German Minister, in a voice shaking with emotion, said it was not repeat not possible for anyone to reject out of hand UK offer. The Six must study UK proposals. European Economic Cooperation simulated by generous USA financial assistance achieved through OEEC had brought about European economic recovery and he called repeatedly upon USA delegate for an expression of USA position (McCarthy, whose instructions we gather, described proposals of the Six as an acceptable basis for settlement, was unfortunately not repeat not prepared to rise to the challenge). In ensuing discussion, when all ministers had spoken in favour of UK proposals, Couve de Murville felt it necessary again to intervene. He pointed out that French delegate was isolated because retaliation, if it took place, would affect France only. If there were to be discrimination or retaliation, Couve de Murville said, it should not repeat not be directed against France alone. This brought an even more spirited intervention from Professor Erhard to obvious embarrassment of his advisers. Couve de Murville's point of view he said, did not repeat not correspond with that of EEC. The community did not repeat not wish to state that it does not repeat not agree to consider UK proposals. If the French persisted, he would be obliged to announce this fact to the press of the world. Other members of the Six followed with similar though considerably more moderate interventions.

10. In the end, Couve de Murville was obliged to accept, though not repeat not too gracefully, a proposal that ministers should adjourn deliberations until January 15. In interim, it was agreed that Permanent Council would make preliminary arrangements necessary for an appropriate study of the proposals of UK and the Six for interim arrangements.

491. DEA/4901-W-40

*Le représentant permanent auprès du Conseil de l'Atlantique Nord et de l'OECE
au secrétaire d'État aux Affaires extérieures*

*Permanent Representative to North Atlantic Council and OEEC
to Secretary of State for External Affairs*

TELEGRAM 19

Paris, December 16, 1958

CONFIDENTIAL. OPIMMEDIATE.

Repeat T&C Dept of Finance, Bank of Canada, London, Washington, T&C London, Paris, Rome, Brussels, Hague, Bonn, Geneva (Information).

By Bag Oslo, Copenhagen, Stockholm, Berlin, Vienna, Dublin, Lisbon, Athens, Ankara from London.

FREE TRADE AREA — OEEC MINISTERIAL MEETING

In the view of the most seasoned observers yesterday's meeting of OEEC ministers, which has now adjourned until January 15, was the most difficult and critical in the organization's history. Not repeat not only did the prospects for an FTA seem at times virtually eliminated, but the future of European economic cooperation within the broader framework of OEEC was itself placed in jeopardy. Indeed it would not repeat not be going too far to say that French intransigence which resulted in a deep split in the Six seemed to come close to wrecking the Common Market itself.

2. I am afraid that it is too early for me to attempt a reasoned assessment of the meeting. I shall try to do this in a few days when the smoke has cleared somewhat. In the meantime, it might be helpful if I were to send off a few provisional comments.

3. There is no repeat no doubt that the British came in strength prepared for a showdown, and it is possible that the crisis in the meeting might have been avoided if they had chosen to present their alternative proposals for interim arrangements in a more conciliatory manner and unaccompanied by the threat of retaliation against France. On the other hand, they now seem convinced that the only way to move French industry and hence the French government is through the threat of retaliation or by retaliation itself. It is clear that the British succeeded in what many consider to have been their long term aim of isolating the French. Whether this will prove advantageous to them in arriving at satisfactory interim arrangements and the eventual multilateral association of other OEEC countries with the community is however an open question.

4. The French refusal even to consider the UK proposals because they said they were accompanied by the threat of retaliation, revealed the depth of their revulsion to further OEEC liberalization and the strength of their attachment to a restricted common market. Couve de Murville's stubbornness, however, has probably weakened support and sympathy for the French position and unless the French attitude is substantially modified there may well be a subsequent showdown within the councils of the EEC. As might be expected, the German officials, following Erhard's lead, now appear quite exasperated with the French and at the same time a good deal less hopeful that satisfactory compromises can be reached.

5. In summary the French entered the discussion with the firm belief that it was essential on political grounds to preserve an obvious element of discrimination as between treatment within the Six and that within the broader OEEC group. The British held views which were diametrically opposed. Perhaps the most interesting feature of the meeting was the fact that the five seem to move closer to, if not repeat not into, the British camp.

6. OEEC is now to study in a manner yet to be determined both the British proposals and those of the Six for interim arrangements before ministers meet again on January 15. In the interim, while the MFN tariff reductions may be carried out, there seems to be little likelihood that the Six will enter into bilateral discussions leading to a reciprocal enlargement of quotas.

7. It seems surprising that the British did not repeat not feel it necessary or desirable to inform us in advance of their proposed interim arrangements and it was only five minutes before the meeting opened that Sir Paul Gore-Booth sought us out to explain them. We have no repeat no doubt that Canadian authorities will wish to study them and their effects on our own trade and trade objectives. We confess to some doubt, however, that our views will be given the weight they deserve by the British.

8. Incidentally, Professor Erhard was visibly annoyed at the failure of the USA delegate to intervene and we would guess that vigorous representations will be made in Washington in an effort to have the USA play a more active role.

2^e PARTIE/PART 2FRANCE : CRISE POLITIQUE ET ALGÉRIE
FRANCE: POLITICAL CRISIS AND ALGERIA

492.

DEA/6938-40

Note de la Direction européenne
Memorandum by European Division

CONFIDENTIAL

[Ottawa], May 21, 1958

FRENCH POLITICAL SITUATION

France and Algeria have been experiencing since May 12 a series of dramatic and confused events coming as a challenge to the unity of the French nation and the very existence of the French Republic. These events have been regarded as the long overdue climax of a mounting tension in France's political situation in recent years, the chief underlying causes of which have been the built-in instability of successive French governments, France's continued inability to solve its overseas problems, more recently Algeria, and the accompanying economic difficulties for the nation.

2. The immediate cause precipitating the crisis was the violent reaction of the French population in Algeria to the prospect of a new French government about to be formed (after 28 days of cabinet crises) by the head of the M.R.P., Mr. Pflimlin, who proposed to pursue a relatively liberal policy in Algeria, possibly including a negotiated peace there. The Algiers coup was followed by several riots and demonstrations and by the formation of local "committees of public safety" (headed by members of the military forces, French settlers and rightist elements) that seized power from civil authorities and appealed for the formation of a French "government of national safety" under General de Gaulle.

3. The reaction in France to these events was swift. Mr. Pflimlin, having obtained the investiture vote for his new government, received from Parliament, through two impressive majority votes, 90-day special powers to take all necessary security measures in France, and subsequently the renewal of emergency powers to deal with the rebellion in Algeria. By taking various police measures against possible rightist agitation, the government was thus able to maintain its firm control over the situation in France, where conditions generally have remained calm and orderly.

4. Throughout the crisis, however, the chief enigma has been the role that General de Gaulle might suddenly or eventually play, particularly if the Pflimlin government were to fall or to be faced by active opposition from the armed forces in France and in Algeria. An ambiguous situation persisted as a result of the part played in Algeria by General Salan to whom the French government delegated its powers and authority to maintain order over the territory, but who apparently divided his loyalty paradoxically between the Paris government and the local dissident "committees of public safety." The government appeared, however, anxious to restore normal contacts with Algeria by maintaining an appearance of legality in its relations with General Salan. It also announced its intention to seek parliamentary authority to strengthen the executive branch of government, a reform long advocated by de Gaulle himself.

5. While the situation in France and Algeria is still subject to unpredictable developments, it appears that the Pflimlin government, through a series of courageous decisions, has been able — at least for the time being — to avoid what several observers feared: civil

war in France, the fall of the Fourth Republic, and the formation of a new type of government, presumably under de Gaulle, with unknown consequences both from the point of view of France's internal affairs (including the possible formation of a Popular Front Government as a counter-action from the Left) and from that of France's relations with the rest of the free world. Nevertheless, the failure of the Government in Paris to assert effectively its civil authority in Algeria is already a matter of some consequence.

6. While watching these developments with great concern, the United States, United Kingdom and other Western governments generally have been careful to abstain from any public judgment or intervention, lest they might thus play into the hands of extremists and compromise Mr. Pflimlin's chances. While a serious crisis for NATO is by no means impossible if the French situation were to deteriorate further, such a development is generally considered unlikely at this stage and would in any case not develop very suddenly. Military adventures inside Tunisia on the part of French armed forces — though not immediate or likely — are another possibility that should not be overlooked.

493.

DEA/6938-40

Note de la Direction européenne
Memorandum by European Division

[Ottawa], May 26, 1958

CONFIDENTIAL

CRISIS IN FRANCE¹¹

Following the three impressive votes by the French Parliament supporting the Pflimlin Government and a relative stabilization of the situation in Algeria, it seemed by the middle of last week that the newly re-informed French Government might perhaps succeed in restoring legality in its relations with the dissident group in Algeria, and might thus avert the threat of civil war. Similarly, it then appeared that the French armed forces in metropolitan France were remaining loyal to the Government (although their position was far from clear), and that the possibility of a forceful or illegal seizure of power by civilian Rightist elements or by General de Gaulle had abated for the time being.

Determined to strengthen his Government and to preserve the republican institutions, Mr. Pflimlin announced by the end of last week his intention to re-inforce without delay the executive branch of Government by submitting to Parliament on May 27 a series of constitutional reforms. The effect of these reforms would be to reduce the length of parliamentary sessions, for Parliament to delegate only by a motion of lack of confidence or of censure which would carry with it the investiture of a successor Prime Minister.

During the weekend, however, grave developments took place which threatened the already precarious position of the Government. In Algeria, the three-man directorate under General Salan adopted a more and more rigid stand and announced that it would take orders from no French Government, unless headed by de Gaulle. In Corsica, as a result of an insurrection organized from Algiers, civil and military authority over at least a substantial part of the island passed to the hands of a "local committee of public safety." Unconfirmed reports have also been received indicating that similar developments may now be taking place in several French overseas territories, notably in French Equatorial and West

¹¹ Note marginale :/Marginal note:

Transmitted to Prime Minister by Mr. Robinson. Approved by Mr. Watkins & Mr. Pick. [auteur inconnu/author unknown]

Africa, Tahiti, and New Caledonia. Nothing has been heard, however, about French territories in the Americas. In addition, as a result of a number of clashes between French and Tunisian forces, a new North African crisis threatens, especially if President Bourguiba carries through his announced intention to bring this matter to the United Nations. The United States Government has been discreetly counselling caution to the French, Tunisian and Moroccan Governments.

In France, while the general situation remains orderly on the surface, opinion has been growing that it is only a matter of time, and probably a short time, until de Gaulle takes over and that he may be the only man to retrieve the situation. In fact, not only is the Government's authority shrinking over French overseas territories and being put to a hard test in France itself, but it is not absolutely certain that the Pflimlin Government will be able to secure a majority vote on the constitutional reforms. Even if it were, it could nevertheless fall within a few days for other reasons. While it is generally expected that de Gaulle would then be invited to form the next government as a last resort, it remains to be seen whether he could obtain sufficient support from the Assembly to meet his own terms. A government of national unity under de Gaulle would, if formed through legal means, no doubt diminish the threat of a Communist counter-coup and of civil war. The danger remains, however, that members of the armed forces or Rightist elements, getting impatient, may try to precipitate events and impose de Gaulle by force, in which case the reaction from the Left could well develop into civil war. The Communist dominated labour unions have already announced that they will strike tomorrow afternoon as a warning of their intentions in this respect.

While little is known about de Gaulle's intentions or possible policies, it would not be completely fair to attribute dictatorial ambitions to him. Rather, it would seem, on the basis of his past experience in government, that serious doubts could be cast on the wisdom of his policies and tactics or methods of government, despite the General's sincere devotion to his country. It has been reported that the General has no intention of a sudden break with the Atlantic Alliance, but would expect help and understanding from France's allies. While the General's past attitude on colonial problems might suggest on his part a fairly liberal policy on Algeria, de Gaulle might well, once in power, be faced with the same dilemma that has plagued previous governments in their effort to solve the Algerian problem, especially in view of the extreme position on Algeria of some of his supporters.

Since completing this, it has been reported that the Pflimlin Government has received this afternoon two impressive votes of 395 against 150 and 428 against 119, during an emergency session of the Assembly, when legislation was adopted to remove the parliamentary immunity of any member "who tries to separate a part of the national territory from the authority of the Government of the Republic."

494.

DEA/6938-40

*L'ambassadeur en France
au secrétaire d'État aux Affaires extérieures*

*Ambassador in France
to Secretary of State for External Affairs*

TELEGRAM 560

Paris, May 29, 1958

CONFIDENTIAL. OPIMMEDIATE.

Reference: My Tel 556 May 28.†

Repeat London, Washington, Permis New York, NATO Paris, Rome (Information).

CRISIS IN FRANCE

During his conversation yesterday afternoon with Pinay, Mollet and Teitgen, Coty took the decision to open direct discussion with de Gaulle. At midnight the President of the two Assemblies were instructed to confer with de Gaulle to study "the conditions in which the Government of the Republic could be constituted."

2. Today Parliament was called to hear (an extreme step indicative of the gravity of the situation) a message from Coty. Coty said that the danger of civil war existed and that he could therefore go through the usual procedure for designating potential prime ministers. He was going to call on de Gaulle to form a "government of national safety" but it was, of course, up to the Assembly to accept or reject his designation of Prime Minister. If, however, the Assembly refused to accept de Gaulle, Coty himself would resign and hand over his powers to the President of the Assembly.

3. The Communists refused to remain standing for the latter part of the message and when they broke into *The Marseillaise* at the end of it, they were joined by what appeared to be a majority of the socialists and a smattering of left and centre deputies.

4. The chips are now down. The parties are meeting to decide their stand and the Assembly session is supposed to be resumed later this afternoon to decide, in effect, whether there is a sufficient majority for de Gaulle. The Communists are resolutely against, the independents and other right-wing groups resolutely for. The MRP, the Radicals and the other centre parties are divided, but the real decision rests with the Socialists. Last night the majority of the Socialists were still determined to maintain their intransigent stand against de Gaulle, but it is impossible to predict whether this attitude will change because of Coty's message.

5. Up till now it has seemed quite clear that de Gaulle would present himself only if there was a strong majority for him among the non-Communist parties but in view of Coty's courageous stand he might accept something a good deal less than a clear call. If a sufficient majority does not emerge to persuade him to present himself for investiture and even more so if the left should call strikes or demonstrations to back its stand, it is more than likely that the extremists and the army will try to bring de Gaulle to power by force, or alternatively may act independent of him. Massu is reported by the *London Times* to have said that it is up to de Gaulle to decide whether the army must bring him to power but I see no reason at this stage to think that, regardless of what de Gaulle said, the army would remain passive if the Assembly refuses to have him. Indeed de Gaulle is said to have remarked yesterday that he could only hold the army in check for three days.

[G.G.] CREAM

495.

DEA/6938-40

*L'ambassadeur en France
au secrétaire d'État aux Affaires extérieures*

*Ambassador in France
to Secretary of State for External Affairs*

TELEGRAM 562

Paris, May 30, 1958

CONFIDENTIAL. PRIORITY.

Reference: My Tel 560 May 29.

Repeat London, Washington, Permis New York, NATO Paris, Rome (Information).

CRISIS IN FRANCE

Last evening, Coty formally asked de Gaulle to form a government and de Gaulle accepted. Though party consultations continued after the President's message to Parliament earlier in the day, Assembly did not repeat not meet again. Today Coty is consulting leaders of the parties, presumably to discuss with them support which they can give to de Gaulle's investiture on basis of such details of his proposed programme as de Gaulle has given Coty.

2. Socialist attitude remains critical one. They approved a letter to de Gaulle from Vincent Auriol which, while conceding that he was the man to restore unity, attempted to pin General down on his attitude toward the factious elements involved in Algerian and Corsican affairs and those military who acted against orders, and on the means he would accept to come to power. De Gaulle's reply gave renewed assurance that he would only accept power legally; said that launching and development of Algerian events were carried out in his name without his being in any way involved in them; stated his intention to form a government to remake unity and restore discipline, notably on military side; and expressed his incomprehension of those who, for sectarian reasons, might make impossible his task of getting the Republic out of its difficulties "while there was still time." In a statement issued after he had agreed to form a government, de Gaulle said his government would have to have full powers for a specified time to cope with present serious situation. It would also have to have a mandate to submit to the country by referendum constitutional changes on separation and balance of powers and on relations between Republic and peoples associated with it. Socialists met again this morning to consider their position in light of these clarifications. They have decided not repeat not to adopt a final position until de Gaulle presents himself for investiture (itself probably a sign of a weakening of their former intransigence), but according to *Le Monde* sources the current in favour of de Gaulle is making some headway.

3. The fact that de Gaulle has been asked to form a government and has accepted should, at least temporarily, restrain temptations to impetuous action from Algiers or the army. Algerian Committee of Public Safety has warned Parliament, however, against "any manoeuvres attempting to prolong a now condemned system." They want de Gaulle, they want him quickly, and they do not repeat not want the politicians to try to enmesh him in "the system."

4. Already there are signs that, as de Gaulle's accession seems more assured, European Algerians are beginning to have sober second thoughts about what his policy for Algeria will be and about the things they have committed themselves to in the enthusiasm of the moment. Will he favour a federal solution rather than the full integration which they have

demanded? Is there now any turning back from full equality of Muslims and Europeans which their demands for integration, and the fraternization of the mass demonstrations, clearly imply? De Gaulle, no repeat no less than any other Prime Minister, will have to reckon with the Algerian lobby. His great advantage, though, is the support and obedience which he should be able to command in the army. Not repeat not all the problems are by any means removed by the advent of de Gaulle, by the procedure presently being followed, but at least the immediate threat of civil strife would recede.

5. Texts of Coty's message, Auriol's letter, de Gaulle's reply and de Gaulle's press communiqué are being sent by today's bag.

[G.G.] CREAM

DEA/6938-40

496.

*L'ambassadeur en France
au secrétaire d'État aux Affaires extérieures
Ambassador in France
to Secretary of State for External Affairs*

Paris, June 2, 1958

TELEGRAM 566

CONFIDENTIAL. OPIMMEDIATE.

Reference: My Tel 562 May 30.

Repeat London, Washington, Permis New York, NATO Paris, Rome (Information).

INVESTITURE OF DE GAULLE

General de Gaulle was invested as Prime Minister yesterday afternoon by a vote of 329 to 224. Those who voted against him were Communists and Progressistes, 49 Socialists, Mendesiste Radicals, Mitterand's followers in UDSR, and a smattering of MRP and Independents. Majority which he obtained is less than he had hoped for because of large number of Socialists opposed.

2. De Gaulle's government consists partly of politicians, partly of "technicians" from outside Parliament. De Gaulle himself retains National Defence. Four ministers of state without specific portfolio represent four major non-communist groupings in Assembly: Mollet (Socialist), Houphouet-Boigny (African Parties), Pflimlin (MRP), Jacquinot (Independents). Finance goes to Pinay (Independents), Foreign Affairs to Couve de Murville (Ambassador to Bonn), Interior to Pelletier (Prefect of the Seine), Algeria to Lejeune (Socialist), Labour to Bacon (MRP), Overseas Territories to Cornut-Gentille (Ambassador to Buenos Aires), Justice to Senator Debre (Social Republican), Assistant Defence Minister to Guillaumat (Atomic Energy Commission). None of the politicians directly involved in Algerian movement has been given a portfolio.

3. De Gaulle's investiture speech was brief. Opening with a reference to the "degradation of the state," he said essentially that there were only two points to his programme. First was to grant full powers to the government for six months to re-establish order and unity. Second was a mandate from parliament to government to elaborate, and refer directly to the country by referendum, a radical constitutional reform. Internal reform concerned the republican régime and would be based on three principles: (1) universal suffrage is source of all power (2) executive and legislature must be effectively separated (3) government must be responsible to parliament. External reform would relate to relations between

French Republic and "peoples associated with it." As soon as Parliament had voted full powers and opened the way for constitutional reform, it would go on holiday until October sitting.

4. There was in de Gaulle's statement no mention of "Algérie française" nor of full integration which Algerian movement has so vigorously demanded. Repeated reference to "associated peoples" in his recent declarations seems to confirm general speculation that de Gaulle favours a liberal solution in Algeria within some kind of federal framework. He apparently intends to visit Algeria in next few days and his thoughts on the subject may then become known. It is not repeat not unlikely that right-wing settlers who have been clamouring for his return to power may be in for a rude shock, particularly as de Gaulle is in an excellent position to rally the army to him and to disengage interests of army from political interests of the "ultras" in Algeria. It will take a firm hand, however, on de Gaulle's part not to be made the prisoner of the Algerian lobby which recent French governments have been.

5. There was no mention in de Gaulle's speech of Atlantic Alliance, European integration or East-West relations. Socialist and MRP leaders in recent conversations with him, seem to have come away satisfied that he has no intention of making any sudden break in either the Atlantic or the European directions of French policy,¹² nor of reverting to a narrow nationalism. Indeed the appointment of Couve de Murville to Foreign Affairs Ministry appears to confirm this. De Gaulle may well be, however, an exigent head of government in both fields and demand substantial modifications in both. It is still too soon to predict what these may be.

6. De Gaulle should have no trouble today obtaining his full powers for six months, as this requires only simple majority. He may, however, run into difficulty over proposal on constitutional reform, which requires a 2/3 majority in the Assembly or a 3/5 majority in both houses.

7. With investiture of de Gaulle, danger of civil strife has receded, but it remains to be seen, with the many and difficult problems demanding solution, whether the dangers of strife have been eliminated.

[G.G.] CREAN

497.

DEA/6938-40

*L'ambassadeur en France
au secrétaire d'État aux Affaires extérieures*

*Ambassador in France
to Secretary of State for External Affairs*

TELEGRAM 574

Paris, June 3, 1958

RESTRICTED. PRIORITY.

Reference: My Tel 566 Jun 2.

Repeat London, Washington, Pernes New York, NATO Paris, Rome (Information).

¹² Pour un compte rendu de l'attitude de De Gaulle à l'égard de l'OTAN après son accession au pouvoir, voir la 8^e partie, chapitre II.

For an account of de Gaulle's attitude toward NATO after his rise to power, see Chapter II, Part 8.

SPECIAL POWERS FOR DE GAULLE

Yesterday the Assembly gave de Gaulle three votes which have consolidated his political position and which will make it possible for Parliament to go on holiday until October.

2. Extension of special powers for Algeria, which must be voted within ten days of a new government taking office but which raised no new principles, was obtained by 337 votes to 199.

3. Next, full powers for the government were voted by 322 votes to 232 for a period of six months. Specifically excluded from the full powers are civil liberties, established trade union rights, substantive criminal law and procedure and electoral legislation. The heavy press censorship which has existed for the past week has now been abolished.

4. Finally, the bill proposing revision of the method of amending the constitution (Article 90) was passed by 350 votes to 163, an unexpectedly large majority which resulted, after certain explanations by de Gaulle, from the decision of many of those who had voted against his investiture to abstain this time to mark their willingness to see the constitution reformed. As this vote is sufficiently large to carry revision of Article 90 without referring the issue to referendum, the government can now proceed with revision of the constitution proper. The text of the proposals for constitutional reform will be elaborated by the government in the coming months, in collaboration with the members of a consultative committee composed of representatives of the relevant Assembly commissions. The proposals will not be submitted to the Assembly as a whole, but will, probably early in the autumn, be presented for approval to the country by means of referendum. The guiding principles will be those given in paragraph 3 of my reference telegram. De Gaulle made it clear that the Head of State and the Head of Government would be two separate functions. He therefore appears to have in mind something lying between the USA presidential system and the present French parliamentary system.

5. Having with these three votes consolidated his position in Paris, de Gaulle will leave, probably tomorrow, for Algeria to take matters in hand there. Quick action is necessary if he is to reestablish the government's authority in Algeria, especially as there are already signs of open dissatisfaction with the governmental team de Gaulle has chosen. In the opinion of some civilians in Algeria it is too heavily weighted with men of "the system." His first task will no doubt be to establish his clear control of the army in Algeria. The Algerian movement could not have had the success it has had without army support, and it was indeed his lack of control of the army, which left Pflimlin impotent to deal with the Algerian and Corsican problems. If he gets the army on his side, de Gaulle can move on with more authority to the elaboration of a policy for Algeria itself.

[G.G.] CREAN

498.

DEA/12177-40

*Note du chef de la Direction européenne
pour le sous-secrétaire d'État aux Affaires extérieures*

*Memorandum from Head, European Division,
to Under-Secretary of State for External Affairs*

[Ottawa], June 19, 1958

ALGERIA — THE ARMY IN CONTROL

The attached telegram 648 of June 18[†] from the Embassy, Paris, focuses attention on a development in the administration of Algeria which has some disturbing aspects. General Salan, who under a new title has been given the responsibilities of the Resident-General for the administration of the territory, is appointing army officers to carry out the functions of the Prefects. There was some question about the legality of this but it is now stated that authority exists under the emergency powers granted to de Gaulle, but that the appointments are only temporary. Snatches of information which have come out show that the idea originated in Algiers rather than in Paris, and it seems to be a pretty clear indication of the determination of the army in Algeria to put its hand firmly on all aspects of French administration in the territory.

The Prefects, who were charged, as in Metropolitan France, with the administration of the territory, were originally responsible to the Ministry of the Interior but during the Mollet régime the Algerian section of the Ministry was attached to the new Ministry of Algeria, which Lacoste headed. The Prefects then became directly responsible to the member of the government conducting Algerian affairs. In the present situation, General de Gaulle himself is that Minister. The decision, therefore, to supplant the Prefects suggests that the army in Algiers wishes to make sure that the administration is controlled from Algiers, and thus by them rather than to have it come under the civilian headquarters of the department in Paris. It is notable that of the old team Salan has retained as Secretary-General of the Administration of Algiers the former Super-Préfet of Algiers, M. Baret, who was relieved of his post by Pflimlin for his collaboration in the insurrection of May 13.

The implications which this development could have for the elaboration of a new and more liberal régime, for example the implementation of a programme of elections, are obvious. The army, who have shown themselves through the statements of the Committees of Public Safety to be hostile to the idea of early elections, would now be in a position to frustrate them without difficulty.

This move suggests, as our Embassy in Paris observes, that de Gaulle's prestige is not sufficient at this time to risk an outright imposition of his will on the army authorities in Algeria. Certainly the step which Salan has taken is not in the direction of strengthening the authority of Paris over Algiers. The actual consequences of the recent appointments will depend on the extent to which Salan will be willing and able to carry out de Gaulle's instructions, particularly in civilian matters.

HENRY F. DAVIS

1160

DEA/12177-40

499.

*Le représentant permanent auprès des Nations Unies
au secrétaire d'État aux Affaires extérieures*

*Permanent Representative to United Nations
to Secretary of State for External Affairs*

New York, August 1, 1958

TELEGRAM 1178

CONFIDENTIAL. PRIORITY.

Repeat Washington, London, Paris, NATO Paris (Information).
By Bag Accra from London.

SUDANESE APPROACH FOR VISIT OF MISSION TO CANADA ON ALGERIAN QUESTION

The Sudanese Ambassador called on me today. He began by explaining that at the Accra Conference of African States, a broad resolution was adopted under which it was agreed that state members of the conference would, from time to time, send missions abroad to explain problems relating to Africa.

2. The Ambassador said that in conformity with this resolution, it was now intended to send three missions to explain the point of view of the "Algerian front" with special reference to the discussion of Algeria in the forthcoming General Assembly. All of these missions would proceed to Latin America; one composed of representatives of Ghana, Sudan and Morocco proposed to visit the Scandinavian countries, Iceland, the USA and Canada. They hope to come to Ottawa on August 24 and to remain there for two days. The mission would be composed "for the most part" of Foreign Office officials of the three participating governments. The Sudanese government had not yet determined its representative; the senior Moroccan representative would be the Moroccan Ambassador in London. The composition of the Ghana delegation would be decided by Mr. Nkrumah within the next few days. It might be headed by the Ghana Minister of Finance.

3. As the Ambassador had referred at one moment to the mission making contact with the Canadian authorities and other Canadian personalities, I pressed him for an explanation. He said that no repeat no attempt would be made to make contact with groups or private individuals in Canada except through the Canadian government.

4. The Ambassador said that he was, on this occasion, speaking on behalf of the Sudanese, Moroccan and Ghana governments and that this was the first approach to Canada on the proposed mission. I told him that I would report his proposal to you and obtain your reactions in due course.

5. There are obvious obscurities involved in this somewhat peculiar proposal, but I was unable to obtain any further clarification from the Ambassador. No repeat no doubt our mission in Accra can throw further light on the background of this initiative.

[C.S.A.] RITCHIE

500.

DEA/12177-40

*Le secrétaire d'État aux Affaires extérieures
au représentant permanent auprès des Nations Unies*

*Secretary of State for External Affairs
to Permanent Representative to United Nations*

TELEGRAM S-289

Ottawa, August 12, 1958

CONFIDENTIAL. OPIMMEDIATE.

Reference: Your Tel 1178 of August 1.

Repeat Oslo, Stockholm, Copenhagen, London, Washington, Paris, NATO Paris (Information).

By Bag Accra from London.

ALGERIAN QUESTION — PROPOSED MISSION TO CANADA

Following for the Minister:

You will recall that when the Tunisian Ambassador was in Ottawa in July, he mentioned that a mission composed of representatives of the African states would probably be visiting Ottawa to put forward views on the Algerian problem. Permis telegram under reference describes an approach to Mr. Ritchie designed to find out whether we would be willing to receive a mission composed of representatives of Ghana, Sudan and Morocco on August 24.

2. It is not too clear what the level of representation will be in this mission and there is no indication at what level the mission wishes to make contact with the Canadian government, i.e. whether with ministers or with officials. We do not know whether it is intended simply to explain the position of the African states in regard to Algeria or whether commitments for support at the next UNGA will be sought. Despite these obscurities I do not think we can very well refuse to receive these representatives since the visit would provide

(1) an indication of the line which will be taken by the Afro-Asian group at the Thirteenth Session,

(2) an occasion to counsel moderation pending clearer indication of French intentions and

(3) confirmation of Canada's interest in the newly created African state.

If you agree with this conclusion I would suggest the following:

(a) that Mr. Ritchie inform the Sudanese Ambassador that we agree in principle to the mission coming to Ottawa on August 24;

(b) that, since a meeting at the official level might be less inclined to compromise the Canadian position, it be ensured that you or other ministers are in no way committed to meet with the mission. In this connection I would suggest that we avoid making suggestions for contacts but attempt rather to prompt a definite request in this regard. It could also be made clear to the Sudanese Ambassador that we are prepared to listen but not necessarily to enter into a discussion of the pros and cons.

Concurrently I would propose that we should from Ottawa:

(a) seek the reaction and views of other friendly governments which we know are being approached;

(b) inform the French that we have agreed in principle to receiving this mission.

Note to information addressees only: Please take no action on this telegram until further notification.

501.

DEA/12177-40

*Le représentant permanent auprès des Nations Unies
au secrétaire d'État aux Affaires extérieures
Permanent Representative to United Nations
to Secretary of State for External Affairs*

TELEGRAM 1219

New York, August 12, 1958

CONFIDENTIAL. OPIMMEDIATE.

Reference: Your Tel S-289 Aug 12.

Repeat London, Washington, Paris, NATO Paris (Information).

By Bag Oslo, Stockholm, Copenhagen, Accra from London.

ALGERIAN QUESTION PROPOSED MISSION TO CANADA

I agree with proposals contained in your telegram S-289.

[SIDNEY] SMITH

502.

DEA/12177-40

*Le secrétaire d'État aux Affaires extérieures
à l'ambassadeur en France
Secretary of State for External Affairs
to Ambassador in France*

TELEGRAM S-294

Ottawa, August 13, 1958

CONFIDENTIAL. OPIMMEDIATE.

Reference: Permis Telegram No. 1219 of August 12.

Repeat London, Washington, Permis New York, NATO Paris, Oslo, Stockholm, Copenhagen (Information).

By Bag Accra from London.

ALGERIAN QUESTION — PROPOSED MISSION TO CANADA

Grateful if you would inform the Quai d'Orsay that we have agreed in principle to receive the mission. You might wish to make clear to the French that we are not of course as a result committed in any way in regard to our position at the Assembly which we feel will in any event depend to a large extent on the situation existing at the time the Algerian item is considered. We think it will be useful to meet with the mission, not only to find out about the probable Afro-Asian line at the forthcoming Assembly, but also to put across our view that precipitate action in the Assembly before de Gaulle's plans have had a chance to be developed would be unwise.

2. For Oslo, Stockholm, Copenhagen, London and Washington only: Please ascertain whether the government to which you are accredited has been approached to receive this

African delegation and, if so, what their reactions and views are on this subject. You may make use of the Canadian views as outlined above in discussing this matter.

503.

DEA/12177-40

*L'ambassadeur en France
au secrétaire d'État aux Affaires extérieures*

*Ambassador in France
to Secretary of State for External Affairs*

TELEGRAM 905

Paris, August 18, 1958

CONFIDENTIAL. OPIMMEDIATE.

Reference: Your Tel S-294 Aug 13.

Repeat London, Washington, Permis New York, NATO Paris (Information).

By Bag Oslo, Stockholm, Copenhagen, Accra from London.

ALGERIAN QUESTION AND UN: PROPOSED MISSION TO CANADA

I informed Daridan this morning of your decision to receive a mission from the African states to discuss Algeria as a UN agenda item. Since I realized this would probably be a delicate subject and since I wished there to be no misunderstanding, I put the various points you had made in your telegram in the form of an unofficial memorandum, which I gave to Daridan.

2. Daridan reacted very sharply and clearly did not consider that he needed any instructions from his government to convey its views to me. He said first that any solution to the Algerian problem was an internal matter for the French government. While the French government would be pleased to have us urge moderation on any of the African states, he considered the mere official recognition given to such a mission by our willingness to receive them in Ottawa would publicly recognize the fact that the future of Algeria was a matter for discussion with other governments. He stressed how difficult the Algerian problem remained for the present government and he accordingly considered our willingness to receive the mission as distinctly unhelpful.

3. I argued that, while fully recognizing the difficulties of the French government in Algeria, the fact remained that there would almost inevitably be an item on Algeria introduced at the next session of the Assembly. Surely it was better to hear what these people had to say outside the UN and attempt to persuade them to a course of moderation than merely to refuse to receive them. I assumed that he (Daridan) would agree that the Canadian attitude in the Assembly had been helpful in the past. Our move in receiving the mission was only designed to be helpful, and to exercise restraint.

4. While Daridan conceded that we had been helpful in the past he felt that our willingness to discuss in Ottawa with such a mission the future of part of France (and he stressed that this is what it would be, despite my protestation to the contrary) would be similar to the French government receiving a delegate to discuss the future of part of Canada.

5. I said I could not accept this argument. There was no item in the UN on the future of any part of Canada. Was it not better that Canadian officials receive such a mission in an effort to persuade moderation, especially since they would be visiting countries which were perhaps less sympathetic to the French point of view? I mentioned parenthetically that surely he would not assume that the Ghanaians for example were committed to a

policy of independence for Algeria. Daridan said "of course they were," and pointed to the influence of Ghana on the equatorial French colonies. He said he was glad to have us try to persuade representatives of particular countries in New York to take a moderate view, but he reiterated the point he made in the first place, namely that to receive the mission gave them the kind of recognition to discuss the future of Algeria which these countries were seeking.

6. Since I could get no further in my discussion with Daridan, I told him that I would convey the view he had expressed to my government.

7. This is the first subject upon which I have had a really sharp reaction from Daridan. While he was reasonably polite and conceded that we wished to be helpful, it is clear that the French are even more than usually sensitive on the subject of Algeria. I would be the last to say that they had behaved sensibly over this problem during the past decade; at the same time I am not surprised that they should show particular irritation when de Gaulle is in the middle of trying to decide what sort of policy to formulate for the area. No doubt the reaction of the French would have been the same had we told them of our intention of receiving the mission prior to actually accepting. But I believe it would have been wise tactics to discuss the matter with them beforehand. I think it is unfortunate if the sole subject which the mission is coming to Ottawa to discuss is Algeria. Surely these countries have other interests in the UN besides Algeria? If this is the sole topic of discussion, it will only serve to stress that we are receiving this mission for purposes of discussing this item only. I can also see some difficulty in trying to make the public distinction between discussing a UN item on Algeria and discussing substantive questions relating to the future of Algeria. It is obviously this kind of distinction which Daridan found difficult to accept.

8. In these circumstances might it not be possible to have our discussions with the mission conducted by our delegate in New York rather than in Ottawa, especially if the mission will not be received by Canadian ministers? Presumably such discussion could be just as effective from the point of view of persuading the mission to be moderate, and would avoid the kind of recognition which worries Daridan.

9. With exception of the point made by Daridan about the effect of accepting a mission for the sole purpose of discussing Algeria, I would of course understand if you considered the French view unreasonable. I think, however, it would be unwise to treat this particular item in isolation from the question of our general relations with the French government. It seems to me that recently we have been delivering consciously or unconsciously one or two pin-pricks to the French in sensitive spots. I believe there are greater matters at stake for the future relations not only between Canada and France but between France and the NATO powers than for example a question of receiving three representatives of African states for the avowed purpose of discussing only a possible UN item on Algeria. I would hope, therefore, that we could avoid putting these greater matters in jeopardy by decisions on matters, which while important in themselves, are not perhaps of primary importance in relation to the broad aims of our foreign policy.

[G.G.] CREAN

504.

DEA/12177-40

*L'ambassadeur en France
au secrétaire d'État aux Affaires extérieures
Ambassador in France
to Secretary of State for External Affairs*

TELEGRAM 914

Paris, August 20, 1958

CONFIDENTIAL. PRIORITY.

Reference: Tel 905 Aug 18.

VISIT AFRICAN DELEGATES TO OTTAWA

I would have much preferred my first telegram to you to be on a more gratifying subject.

2. In course of my official call to hand copy of my letters of credence Joxe referred to embarrassment which would be caused in French press and public opinion, and more so in official circles, by visit of African delegates to Ottawa.

3. At a time when General de Gaulle is making perhaps a final effort to save Algeria from herself not repeat not only for benefit of France but also of Western world, it would appear at least inopportune for a friendly country like Canada to show any sign that might be interpreted as though we were taking sides at this stage.

4. I think suggestion made by Crean that contacts take place between African and Canadian delegates in New York is excellent and, should you consider yourself too committed to change your decision at this hour, I would recommend that they be postponed to a later date in autumn.

5. I consider it my duty to draw your attention to seriousness of this matter, because of over-sensitiveness of General de Gaulle and his followers. It would be unreasonable for us to lose part of wonderful credit we enjoy in France¹³ without any real chance of improving conditions in Algiers. Finally, it would handicap my mission to Paris at its very beginning.

[PIERRE] DUPUY

505.

DEA/12177-40

*Note pour le secrétaire d'État aux Affaires extérieures
Memorandum for Secretary of State for External Affairs*

CONFIDENTIAL

[Ottawa], August 21, 1958

ALGERIA IN THE UNITED NATIONS

French Reaction to the Proposed Visit by the African Delegation

I thought you might like to have a review of the developments which followed the request from a delegation representing the countries of the Accra Conference to be received in Canada to explain their position in regard to the Algerian item in the United

¹³ Note marginale :/Marginal note:
Polymer [auteur inconnu/author unknown]

Nations and the subsequent unfavourable reaction of the French to the information we gave them that we would be prepared to receive the delegation.

In July, during his visit here, the Tunisian Ambassador had mentioned a plan for the delegation to visit Canada as well as other countries before the General Assembly of the United Nations. The request to be received was later made to our delegation in New York by the delegation of Sudan. We replied agreeing in principle to seeing them but did not undertake that they should be received by yourself or other Ministers and made it clear that we were not prepared to discuss the pros and cons, but simply undertook to listen to a description of their intentions. We also instructed the Embassy in Paris to inform the French of this decision. (see telegram S-294 of August 13 attached.)

We were aware of the sensitivities of the French which we took fully into account. However, we did not think that we could decline to receive the delegation to listen to their case without adversely affecting our reputation for objectivity on the Algerian issue in the United Nations, or the belief in our willingness to contribute to devising an acceptable formula for handling the item in the General Assembly. Our relations with the countries represented in the group were also taken into account — Ghana, Morocco, Sudan.

In regard to the French position, we saw two possible benefits in receiving the mission: We might get some early indication of the tactics of the Afro-Asian group and we would also have an opportunity to urge moderation in pressing for United Nations action at the very time when de Gaulle is planning to take France's last chance to find a solution for the Algerian problem.

When the Embassy in Paris carried out the instructions to inform the Quai, Daridan, the Director General of Political Affairs, reacted very sharply and critically to our decision to receive the delegation. The day we received the report of this interview the Counsellor at the French Embassy called on the European division by prior appointment and carried out instructions, sent before the French had been informed of our decision, to let us know that they would view with disfavour a decision to receive this delegation. We took the occasion at that interview to review the basis for our stand, and to express disappointment that the French had not been able to appreciate the extent to which their interests had been taken into account. (Telegram S-306 of August 20† to Paris).

Since deciding to receive the delegation we have been informed that its tour is postponed. Should a later date be suggested, we will propose that the meetings take place in New York, since the opening of the General Assembly is now so close. We have told the Embassy in Paris that they may pass this information on to the French.

Mr. Dupuy, who has just presented his credentials and taken over the Embassy, has now cabled his concern. A copy of his cable (No. 914 of August 20) and our reply (S-307 of August 21†) are attached.

Conclusion

The question which gave rise to this exchange is now virtually settled by the fact that the visit is postponed and if it is proposed for a later date, we will see that the exchange

takes place in New York, which should fully meet the apprehensions of the French.¹⁴ I think this incident should be considered closed.

The incident has, however, served to bring out a feature of our relations with France which merits serious examination. It is notable that France is the only one of our closest allies to whom we cannot speak frankly without being accused of abandoning their cause. Our relations with the United Kingdom and the United States have developed to the point where we can have objective private discussions of our differences of view. This is unfortunately not the case with the French, who seem to consider that our traditional ties of friendship and sympathy which are so precious to us require our unswerving support of the French position. This is true of other issues as well as the Algerian one where French emotions are so deeply engaged. One has the impression that there is a lingering colonialism in French relations with us, and that they have failed to recognize the extent to which Canada and other middle powers are now legitimately, and to some extent independently, involved in international issues. The French concept of international affairs still concentrates on the idea of direction by "the Great Powers" with whom the French are trying to re-establish their entitlement to equality. This leads them to ignore that our national interests can be directly involved in matters which they have regarded as exclusively French. As a consequence, the French tend to discourage or distrust efforts by countries such as Canada to help to find a common solution.

In fairness to their attitude, we must accept some responsibility for not having done all we could to keep them abreast of our evolving position, by developing the practice of close consultation at a high level. Traditional ties of history and sympathy to which we refer so often and so proudly have, unfortunately, less meaning than they should in the realm of political consultation. Indeed, to judge by French reaction, it seems that these ties of sympathy are sometimes used as puppet strings to command our support for French policy, without appreciating that we have interests of our own which may not always coincide with those of the French. National sympathy is a valuable asset in this situation and can facilitate mutual understanding, but it should not be used as an instrument of coercion.

As our performance clearly shows, it is no more in our interests than it is in our hearts to do anything which would unnecessarily offend the French or damage our relations. On the other hand, if the "credit we enjoy in France," to which our Ambassador refers, means anything, it should mean that the French are confident that we would not adopt an attitude in the United Nations or elsewhere where we are directly involved which would prejudice or aggravate a French problem. It should also mean an understanding of issues which are directly Canadian. I have in mind that we were not able to call upon this "credit" of goodwill to modify the French position on imports of synthetic rubber which is so important to Polymer's trade with France.

If you agree, I will have a study of this general question prepared for the guidance of our Ambassador, so that from the very beginning of his embassy he will be able to take the opportunity to develop our relations in a more realistic way and to give some substance in the political sphere to the closeness of our historical and emotional ties. When they have

¹⁴ Les membres de la délégation africaine ont rencontré MM. John Holmes et C.S.A. Ritchie le 24 septembre 1958, à New York, pour discuter de la question algérienne. Se reporter au télégramme 1447 de Candel envoyé de New York le 26 septembre 1958, MAE/12177-40.

Members of the African delegation met with John Holmes and C.S.A. Ritchie on September 24, 1958 in New York to discuss the Algerian question. See Candel New York Telegram 1477, September 26, 1958, DEA/12177-40.

your agreement, these considerations could be put before the Prime Minister in preparation for his meeting with General de Gaulle in early November.¹⁵

Note: Copies of telegrams S-289 of August 12 to New York and 905 of August 18 from Paris are attached.

506.

DEA/6938-40

*Note du sous-secrétaire d'État aux Affaires extérieures
to secrétaire d'État aux Affaires extérieures*

*Memorandum from Under-Secretary of State for External Affairs
to Secretary of State for External Affairs*

[Ottawa], September 10, 1958

CONFIDENTIAL

FRENCH POLITICAL SITUATION

The attached telegram No. 984 of September 9† from the Embassy in Paris gives a valuable appreciation and forecast of the French political situation now that de Gaulle has presented his draft Constitution to the nation.

Approval of the Constitution is virtually assured and hence even those politicians who would wish to campaign against it are turning their attention more to the coming elections which are expected in November. According to present estimates, the next Assembly will be oriented further to the right than that elected in 1956 and it continues to be assumed that General de Gaulle will become the First President of the Fifth Republic in elections in January. It is too early, however, to make any predictions about the Prime Minister.

There has been much speculation about the effect of the new Constitution in increasing stability of the French Government at the expense, some fear, of a risk of an authoritarian régime. The Ambassador points out, however, that such a development would flow less from the text of the Constitution than from the President and, he adds, from the political facts and mores of the French. The Government's stability cannot be guaranteed by the text of the new Constitution, for instability is a factor of French political philosophy and habit.

The Ambassador has also accented the continuing importance of a solution for the Algerian problem which is closely related to the position of the army. No policy declarations are expected before the November elections. For similar reasons we suspect that de Gaulle might wish to delay announcement of his Algerian policy until after the Presidential election in January. This timetable is significant in the effect it will have on the French attitude to the Algerian debate at the General Assembly. According to Press reports the French Government has already decided not to participate on the Algerian item.

In seeking a solution to the Algerian problem, de Gaulle is still subject to pressures from the Algerian lobby and in fact is less able now than he was immediately on assuming authority to propose any radical imaginative solution. There is no indication that the army is ready to abandon its political role and its concern with preserving its honour when the future of Algeria is decided imposes limits on the Government's freedom of action. The Ambassador concludes with the estimate that six months hence the French political scene

¹⁵ Pour un compte rendu des réunions entre le premier ministre Diefenbaker et le premier ministre de Gaulle, consultez les documents 392 et 394.

For an account of the meetings between Prime Minister Diefenbaker and Prime Minister de Gaulle, see Documents 392 and 394.

may not look radically different. A solution to the Algerian problem remains essential and time alone can change the political habits of the French.

J. L[ÉGER]

507.

DEA/12177-48

*L'ambassadeur en France
au secrétaire d'État aux Affaires extérieures*

*Ambassador in France
to Secretary of State for External Affairs*

TELEGRAM 1026

Paris, September 18, 1958

SECRET. OPIMMEDIATE.

FRENCH REFERENDUM: CBC COVERAGE: RENÉ LÉVESQUE

As you may be aware, René Lévesque intends to visit France and Algeria to cover the referendum for Canadian radio and television networks. We assume that he is coming under contract for CBC rather than free-lancing. We have heard that he will arrive in Paris Sunday September 21. Lévesque's letter to a member of embassy suggests that he intends to spend a full week in France and to go to Algeria after referendum has taken place; but from information obtained from the Quai, through their embassy in Ottawa, it may be that Lévesque intends to cover referendum in Algeria itself.

2. We were called to Quai this a.m. by Langlais to be shown an article which appeared recently in the *Journal des vedettes* Montreal. It reads as follows: "Headline: Lévesque prendra le maquis pour mieux voir le référendum." "Les généraux d'Alger seront sans doute très mécontents mais les téléspectateurs canadiens y gagneront: ils seront peut être les seuls au monde, le 28 septembre, à assister au référendum constitutionnel français de l'autre côté, c'est-à-dire du côté des rebelles. Ils n'auront peut-être qu'une vue fragmentaire de cet événement considerable, mais ils seront mieux partagés que les français qui, désormais, doivent se contenter des images et des commentaires fabriqués à leur intention par une diligente propagande. Lévesque et son réalisateur Claude Sylvestre, accompagnés d'un cameraman et d'un technicien du son, partiront, le 15 septembre. Ils passeront une semaine en France, puis, à la veille du référendum, disparaîtront pour se retrouver deux jours plus tard dans les maquis algériens. Après quoi, le plus rapidement possible, ils regagneront Montréal ou les attend, dès la première semaine d'octobre, la nouvelle série de "Point de mire"."

Langlais also told us that Lévesque applied for permission to visit Algeria at French Consulate in Montreal and when told that his request would have to be referred to appropriate authorities in Paris said that the matter could easily be arranged through the Canadian Embassy in Paris.

3. Langlais said that if the report in the *Journal des vedettes* was correct and that Lévesque indeed intended to operate from FLN side during referendum, it would be extremely difficult for the French to give him permission to visit Algeria. They were in a quandary as to how to treat his request and would welcome our suggestions. If they refused him permission they knew that he could go to Tunisia and without too much difficulty slip across the frontier with assistance of FLN and prepare his material there. The result would be that Canadian radio and television networks would have essentially a FLN view of referendum, which would not repeat not be at all satisfactory to the French. (You will recall

that ten months ago Lévesque was involved in the interview granted an FLN member over CBC, to the annoyance of the French — your telegram S-368 November 8, 1957†). The other possibility was to give Lévesque permission to visit Algeria but to keep him under fairly close surveillance there “for his own security.” Authorities in Algeria would be quite willing to let him see and film referendum in action (voters, polling booths, counting of ballots etc) and would probably be able to let him visit a number of places both in Algiers itself and in the country. If however he expressed the desire to move into an FLN-controlled area, the French could certainly not repeat not give their agreement and would probably stop him from doing so. We said that such treatment would probably lead to diatribes about lack of freedom of the press and the guided nature of the referendum.

4. It seems to us that Lévesque's strong and well known bias against French policy in Algeria and his expressed sympathy for the FLN make him a poor choice to cover referendum in France and in Algeria. There is also the consideration that, if our memory is correct, Lévesque, if not an actual member of the Communist Party, is at least a sympathizer. We believe that a special note to this effect was prepared for the previous Secretary of State for External Affairs and his party when Lévesque accompanied them on a trip to Moscow in 1955.

5. Lévesque has indicated to us by letter that while in Paris he would like to have interviews with a number of political figures including Cabinet ministers and that he would like our assistance in this regard. In view of the report which was reached French about Lévesque's Algerian intentions, we would find it extremely difficult to sponsor his request to visit Algeria and even difficult to try to arrange interviews with French political figures. We have no doubt that he could arrange interviews with those who are opposed to the new constitution such as Mendès-France, but we are not at all sure that we would be successful in arranging interviews with leading politicians who are in favour of the constitution, ranging from Soustelle to Pflimlin and Mollet.

6. We realize and we have already explained to Langlais that the independent status of CBC makes it a very difficult and delicate matter for the government to intervene even unofficially on matters which are the concern of CBC. While we realize that there can be no repeat no question of our trying to censor the coverage which Lévesque might eventually prepare, it is another matter, for the embassy representing Canadian government to be asked to assist him in France where he is ‘persona non grata’. Our own feeling is that, if this is still possible, someone other than Lévesque should be asked to cover the referendum in France and Algeria on behalf of CBC. Although this is not repeat not really our business, we fear, from what we know of Lévesque's views, that CBC coverage of referendum both in France and in Algeria may be distinctly one-sided if Lévesque is responsible for it.

7. We hope you will be able to instruct us by Saturday (Lévesque is due on Sunday) exactly how we should proceed. If CBC persists in sending him, we hope you will instruct us to merely go through the motions of assisting him and permit us to inform him that in the present situation he will have to make his own arrangements with the French, after we have instructed him whom to apply to.

[PIERRE] DUPUY

508.

DEA/6938-40

*Le secrétaire d'État aux Affaires extérieures
à l'ambassadeur en France*

*Secretary of State for External Affairs
to Ambassador in France*

TELEGRAM S-353

Ottawa, September 19, 1958

SECRET

Reference: Your Tel 1026 of Sep 18.

FRENCH REFERENDUM: CBC COVERAGE: LÉVESQUE

We were preparing this report on the Ottawa side of this story when your telegram was received. A following message will give you specific instructions on what your action should be.

2. The French Ambassador approached us about the plans of René Lévesque to report on the referendum in Algeria "from the side of the Maquis." He sought the government's assistance in preventing this television report which he believed would be most unfavourably regarded in French circles. While making it clear that he was not acting on instructions, he based his request on the fact that the CBC was government financed and that the government should therefore prevent the transmission of programmes which would be harmful to the government's policy of maintaining good relations with France, an old friend and NATO ally.

3. We explained to Mr. Lacoste that the government decision not to make use of the financial link in order to exert editorial control was absolute and that in the circumstances it was not possible to take official action on his request at any level. On the other hand, the possibility that a broadcast from the rebel side critical of French action would have an undesirable effect on Franco-Canadian relations was fully understood in the department and regretted. Therefore we would consider it entirely appropriate should the French Ambassador decide to take private steps at which he had hinted to dissuade the CBC from going ahead with this project. Lacoste has now told us that he has taken up the matter with a high official of the CBC and is encouraged by his understanding of the French position.

4. We also told the Ambassador that no special facilities would be afforded to Lévesque in carrying out his advertised project. Our reply† to your telegram contains detailed guidance how to handle this.

5. As well as giving us the information about Lévesque's visit to the Consulate General in Montreal, the French Ambassador also told us that he had information that Lévesque might seek a Tunisian visa with the intention of trying to reach Algeria from that side. We observed that if Lévesque were contemplating entering Algeria illegally, we would consider that he was freely exposing himself to whatever penalties he might thereby incur. We were also concerned about the risks to Lévesque's personal safety to which his plan might expose him. However, we conclude that this must be left to his own judgment and that official Canadian action would be inappropriate.

509.

DEA/12177-40

*L'ambassadeur en France
au secrétaire d'État aux Affaires extérieures*
*Ambassador in France
to Secretary of State for External Affairs*

TELEGRAM 1036

Paris, September 22, 1958

SECRET. PRIORITY.

Reference: Your Tels S-353 and C-643† Sep 19.

FRENCH REFERENDUM — CBC COVERAGE

Thank you for your timely telegrams of instructions. We have advised Langlais that it is impossible for us to intervene unofficially with the CBC on this matter but that we shall not repeat not attempt to assist Lévesque in obtaining either permission to visit Algeria or interviews with political figures.

2. Langlais said that the visa for Algeria would probably be refused and we have since learned from Lévesque that this is the case. We shall not repeat not of course question this decision. Lévesque has now requested our assistance in arranging some interviews but we shall limit ourselves to giving him appropriate names and addresses which he can approach on his own if he wishes to.

3. We might add that for the most part we have been dealing with Lévesque not repeat not directly but through Beaudet, the CBC permanent representative here. The Beaudet buffer has undoubtedly eased our task somewhat.

[G.G.] CREAM

510.

DEA/12177-40

*L'ambassadeur en France
au secrétaire d'État aux Affaires extérieures*
*Ambassador in France
to Secretary of State for External Affairs*

TELEGRAM 1037

Paris, September 22, 1958

CONFIDENTIAL. PRIORITY.

Repeat London, Washington, Permisis New York, NATO Paris (Information).

PROVISIONAL GOVERNMENT OF ALGERIAN REPUBLIC

The announcement of the formation of a provisional Algerian government by the FLN came as no repeat no surprise to the French. This eventuality has been rumoured frequently over the past few months and the rumours had become more insistent in the few days before the announcement was actually made.

2. We spoke briefly today with Langlais at the Quai to get the first reaction. Langlais said that he did not repeat not think this would change the situation substantially either at the UN or in Algeria itself with the referendum approaching. For the UN side, the formation of an Algerian government would not repeat not change the line-up of those voting for or

against France on the Algerian item. The French delegation has asked Hammarskjöld to refuse FLN representatives admission even to the corridors of the UN, and if this request is accepted (Langlais seemed sceptical of success) the FLN would actually lose ground at New York.

3. In Algeria itself Langlais thought that the formation of the Algerian government would have little influence on the vote cast in the referendum. Almost all the Muslim population eligible to vote were inscribed on the electoral lists and the French expected that 60 to 70 percent of them would vote. The French expect a sharp increase in FLN terrorism in Algeria this week in an attempt to stop the Muslims from taking part in the vote, but the announcement of the formation of a government would not repeat not in itself keep people away from the polls nor lead them to vote "no".

4. Contrary to what Basdevant told us would be the case a few months ago, France does not repeat not for the present at least intend to break diplomatic relations with those countries which recognize the new Algerian government, though instructions have been sent to all French embassies abroad telling them to make it clear to the governments to which they are accredited that recognition would be taken as an unfriendly act. So far only six countries have recognized. France has no repeat no diplomatic relations with the UAR, Iraq and Yemen, so that no repeat no practical problems were posed. (Though Langlais did not repeat not refer to it we think that Cairo's recognition will have a bad effect on the current financial and economic negotiations and will certainly postpone the renewal of diplomatic relations between Paris and Cairo). As for Lybian recognition, Langlais merely shrugged his shoulders and said "Oh, Lybia."

5. Most serious of course is the recognition granted by Tunisia and Morocco and here the French are prepared and in a position to put on some pressure. They will not repeat not ask these two countries to withdraw recognition but will insist strongly that the new provisional government not repeat not establish itself in either Tunis or Rabat. If Tunis or Rabat should accede to such a FLN request, the French are prepared to take retaliatory action such as withdrawing the substantial administrative assistance which these two countries receive from France. Langlais said they were thinking particularly of refusing to let go to Tunisia and Morocco the several thousands of French school teachers who are urgently needed in both countries for the reopening of the school year one week hence.

6. The French are not repeat not impressed by the fact that Ferhat Abbas, considered one of the more moderate FLN leaders, is titular head of the new government. He has had very little influence in FLN circles for some time. The real leaders are Krim Belkacem as Minister of War and Lamine Debaghine as Minister of Foreign Affairs.

7. We hope to obtain tomorrow a higher level appreciations of this latest development in the Algerian affair when we see Daridan and Basdevant.

[G.G.] CREAN

511.

DEA/12177-40

*Le secrétaire d'État aux Affaires extérieures
au chef de la délégation à l'Assemblée générale des Nations Unies*
Secretary of State for External Affairs
to Chairman, Delegation to United Nations General Assembly

TELEGRAM G-236

Ottawa, September 22, 1958

SECRET. OPIMMEDIATE.

PROVISIONAL GOVERNMENT OF ALGERIA

Following for the Minister:

1. French Ambassador on instructions came to see me about the setting up in Cairo of a provisional government for Algeria and left with me the following note:

Communications: Please quote attached text.

2. Mr. Lacoste asked me what stand the Canadian government intended to take vis-à-vis the provisional government. I replied that subject to confirmation by yourself, the government would not recognize the provisional government set up in Cairo and that the Canadian delegation during the debate on Algeria at the Assembly would bear in mind the points made in the note he had left with me.

3. Please advise whether you agree with the line I took during the interview and let me know if there is any further point which should be made to Mr. Lacoste. He is anxious to report your reactions to his government at the earliest opportunity.

[JULES] LÉGER

[PIÈCE JOINTE/ENCLOSURE]

*Note**Memorandum*

[Ottawa], 21 septembre 1958

CONSIDÉRATIONS RELATIVES À LA FORMATION AU CAIRE D'UN
GOUVERNEMENT LIBRE PROVISOIRE ALGÉRIEN

1) La formation de ce pseudo gouvernement purement factice, constitue une manoeuvre destinée à troubler les esprits en Algérie et en France, à la veille du référendum sur la nouvelle constitution, qui doit avoir lieu le 28 septembre, et à alimenter les débats de l'Assemblée générale des Nations-Unies, actuellement en session, lorsque celle-ci abordera la question algérienne.

2) Ce soi-disant gouvernement ne possède, ni en droit, ni en fait, aucune des qualifications indispensables pour justifier sa formation et ses prétentions.

3) Il s'est constitué lui-même; il n'est issu ni d'un processus démocratique normal (aucune consultation régulière n'a eu lieu), ni de manifestations convaincantes de l'assentiment des populations qu'il prétend représenter.

4) Il ne possède pas la réalité du pouvoir, au sens juridique généralement admis.

Il n'est en mesure, ni de s'établir sur un point quelconque du territoire algérien, ni de contrôler tout ou partie de ce territoire.

5) Il est hors d'état d'assurer, sur ce territoire, l'ordre et la sécurité.

Les bandes armées qui se réclament de lui ne commettent que des actions destructives et sanglantes, des pillages, des incendies, des assassinats et des massacres collectifs, sans distinction de race ni d'origine. En fait, les victimes de race arabe ou berbère et de religion musulmane ont été, depuis le début des troubles, environ dix fois plus nombreuses que les victimes de race européenne, et de religion chrétienne.

6) N'ayant ni caractère représentatif, ni pouvoir réel, ce pseudo gouvernement ne peut donner aucune garantie matérielle ni morale de l'exécution des obligations qui incomberaient à un vrai gouvernement, non plus que des engagements qu'il contracterait.

7) Le gouvernement français considère que la reconnaissance de l'organisme créé au Caire constituerait une immixtion dans les affaires intérieures françaises, et un acte grave-ment inamical.

Il serait obligé de considérer un tel geste comme une approbation de la campagne de violence et de terrorisme ordonnée par les dirigeants de ce pseudo gouvernement algérien, et poursuivie sur l'ensemble du territoire de la République française.

512.

DEA/12177-40

*Le chef de la délégation à l'Assemblée générale des Nations Unies
au secrétaire d'État aux Affaires extérieures*

*Chairman, Delegation to United Nations General Assembly,
to Secretary of State for External Affairs*

TELEGRAM 1427

New York, September 22, 1958

SECRET. OPIMMEDIATE.

Reference: Your Tel G-236 Sep 22.

PROVISIONAL GOVERNMENT OF ALGERIA

For Under-Secretary of State for External Affairs from Minister.

I fully agree with the line you took in the interview reported in your telegram G-236 and have nothing to add at the moment.

1176

DEA/12177-40

513.

*Note du sous-secrétaire d'État aux Affaires extérieures
pour le secrétaire d'État aux Affaires extérieures*¹⁶

*Memorandum from Under-Secretary of State for External Affairs
to Secretary of State for External Affairs*¹⁶

[Ottawa], September 24, 1958

CONFIDENTIAL

RECOGNITION OF THE F.L.N. GOVERNMENT IN EXILE

On a number of counts the F.L.N.'s claim to represent the Algerian people, entitling it to recognition as an independent government, is unacceptable at the present time under international law. In the case of an F.L.N. Government in exile the prime factor upon which recognition, either *de jure* or *de facto*, depends, is missing. The control which that government has over the territory it purports to govern is insufficient for it even to establish itself there (as the Foreign Office INTEL No. 73 of April 18, 1958† points out this situation would be quite different from that of the Allied Governments in exile during World War II — in those cases the question was the continuance of recognition of *de jure* Governments which had been deprived of control over their territories by acts which were regarded as a legal nullity). Effective authority implies that the government is functioning in the territory and enjoys the habitual obedience of the bulk of the population. Again, to be entitled to recognition this authority should be exercised with a reasonable prospect of permanency over the whole or practically the whole territory of the State. None of these conditions are met in the case of the F.L.N.

International law in this issue is clear: it is universally admitted that in the case of a civil war or a war of secession the recognition of the insurgents as a *de jure* Government, as long as the issue has not been definitely decided in their favour, is contrary to international law. Premature recognition of the F.L.N. may be said to amount to a wrong done to the parent state, and France would be entitled to regard *de jure* recognition of the F.L.N. as an unlawful act of intervention by any country granting it.

The *de facto* position is also reasonably clear. The F.L.N. do not control any defined portions of Algerian territory. Hence it would not be appropriate, in the existing circumstances, for any country to extend *de facto* recognition to the F.L.N. as a government exercising *de facto* control over a considerable portion of Algerian territory. *De facto* recognition is often resorted to as a sort of compromise when conditions of recognition other than the principal condition, i.e. effectiveness of control, are absent. This might occur when the recognizing State has doubts as to the willingness of the new government to fulfil international obligations; equally when effectiveness is not accompanied by a reasonable assurance of permanency. *But when effectiveness itself is lacking there is no justification for even considering the [de] facto recognition.* An example of when *de facto* recognition of an insurgent government is appropriate is offered by British practice in the Spanish Civil War. In 1938, when the insurgent Nationalist government had gained control of the greater portion of Spain, the U.K. recognized the Nationalists as "a government which at present exercises *de facto* administrative control over the larger portion of Spain." At the same time the U.K. continued to recognize the Republican Government as the *de jure* government of Spain. The *de facto* recognition thus accorded to the insurgents was very

¹⁶ Note marginale :/Marginal note:
(in New York) [auteur inconnu/author unknown]

limited in its effects and did *not* transform the Nationalists into an independent government of a sovereign State. *De jure* recognition of the Nationalists was only given in early 1939 when the defeat of the Republican Government became certain.

For these reasons recognition of the F.L.N. Government in exile as the *de jure* or *de facto* government of Algeria at the present time can be regarded as premature and a breach of international law. It should be appreciated that the direct result of *de jure* recognition would be to reduce the established French government to the status of a rebellious group and to raise the F.L.N. to the position of the legitimate government to which support and encouragement may lawfully be given. *De facto* recognition must also be described as premature and an unfriendly act when the F.L.N. can have no valid claim to exercise effective control over the greater part of Algerian territory.

J. L[ÉGER]

514.

DEA/12177-40

*Le secrétaire d'État aux Affaires extérieures
au haut-commissaire en Australie*

*Secretary of State for External Affairs
to High Commissioner in Australia*

TELEGRAM S-378

Ottawa, September 28, 1958

SECRET. OPIMMEDIATE.

Repeat Wellington, Pretoria, New Delhi, Karachi, Colombo, Kuala Lumpur, Accra, London, Paris, Washington, Permis New York (Information).

NON-RECOGNITION OF THE PROVISIONAL GOVERNMENT OF ALGERIA

Just at the time when General de Gaulle may be in a position to carry forward his plans for a settlement in Algeria, we are concerned about the complications which could result from a wider recognition of the "provisional government" which has been established in exile by the leaders of the FLN. In our judgment, which agrees with the UK and US assessment, the provisional government does not meet the minimum requirements necessary in international law to entitle it to recognition. It can make no valid claim to territorial control and it has not demonstrated that it represents the majority of the population. It is not in a position to secure law and order in the country nor to assume international obligations. On legal grounds alone, therefore, there is no entitlement to recognition.

2. There have been indications from some sources that some Commonwealth countries, notably Ghana and Pakistan, may be considering recognition. The French have drawn this to our attention and ask whether we would be prepared to intervene to attempt to dissuade them from this course. We have not undertaken to go that far but we have said that we will, as a matter of urgency, inform Commonwealth governments of our own attitude and also explain the basis for it. Would you, therefore, as soon as possible explain our position to the Foreign Office at a high official level. While you should not urge any particular course of action on them you might, after explaining our position as set out in paragraph one, draw attention to the disturbing consequences that would follow from the precedent of capricious recognition for political reasons of a government which does not meet the legal requirements. One has only to think of the chaotic situation which could develop from the abandonment of the traditionally accepted measures, in such areas as Central and South

America, the Middle East and elsewhere, if refugee political groups were able to gain recognition from their political sympathizers.

DEA/12177-40

515.

*Le secrétaire d'État aux Affaires extérieures
de l'ambassadeur en France*
*Secretary of State for External Affairs
to Ambassador in France*

Ottawa, September 29, 1958

TELEGRAM S-379

SECRET. OPIMMEDIATE.

Reference: Our telegram S-378 of Sep. 28.

NON-RECOGNITION OF THE PROVISIONAL GOVERNMENT OF ALGERIA

We shall be telling the French Ambassador here of the action we have taken on his request that we attempt to influence Commonwealth countries against recognizing the provisional government of Algeria. You might take an early opportunity to explain to the Quai what we have done. We shall keep you informed of the reaction in the Commonwealth capitals.

DEA/12177-40

516.

*L'ambassadeur en France
au secrétaire d'État aux Affaires extérieures*
*Ambassador in France
to Secretary of State for External Affairs*

Paris, September 30, 1958

TELEGRAM 1070

SECRET. PRIORITY.

Reference: Your Tel S-379 Sep 29.

Repeat London, Washington, Permisis New York, NATO Paris (Information).
By Bag Delhi, Karachi, Colombo, Kuala Lumpur, Accra from London.

NON-RECOGNITION OF PROVISIONAL GOVERNMENT OF ALGERIA

At lunch today, before we had an opportunity to raise the matter with him, Daridan thanked us in glowing terms for the action which the Canadian government had taken vis-à-vis Commonwealth governments. Since we wanted to be sure that Daridan understood the precise terms in which we were putting our views before Commonwealth governments, we showed him the text of your instructions to our missions, and he again expressed the most sincere thanks of the French government. We then went on to say that perhaps the results of the referendum would have a salutary effect on those countries which were now considering recognition. He hoped this might be so but expressed no repeat no real conviction.

2. In answer to a question he said they had not repeat not yet heard from the Moroccan or Tunisian governments concerning the French request that they refuse to have the FLN government on their territory. He was aware, however, that the Tunisians were more than

ever unhappy at the result of the referendum. Whatever other deductions might be made from the vote in Algeria it seemed to be a pretty conclusive rejection of the FLN; this, at a moment when Tunisia and Morocco had moved closer to Cairo and the provisional government.

517.

DEA/6938-40

*Note du sous-secrétaire d'État aux Affaires extérieures
pour le secrétaire d'État aux Affaires extérieures*

*Memorandum from Under-Secretary of State for External Affairs
to Secretary of State for External Affairs*

RESTRICTED

[Ottawa], September 30, 1958

In telegram 1061 of September 29† the Ambassador in Paris makes a few preliminary comments on the results of Sunday's referendum in which 79% of those who voted supported the new Constitution. He draws attention to the significance of the fact that the "no" vote, which was largely communist but which included the supporters of the dissident Radical Socialists, the socialist minority and others who were against the Constitution, fell about 5% short of what has been the normal communist percentage in general elections. This gives some weight to the repeated contention of French commentators that the 25% vote for communist deputies includes many Frenchmen who are not really communists. It is difficult to make an estimate of the actual communist content of the "no" vote but it would probably not exceed 18%. This is particularly significant in view of the fact that since mid-September the Soviet have maintained a particularly virulent attack against de Gaulle which was highlighted by an extremely critical statement by Khrushchev in a formal interview for *Pravda*.

In Algeria, the massive vote of 95% in favour of the new Constitution will probably attract criticism from those who think it is too good to be true but it is nevertheless a serious blow to the FLN. As the Ambassador points out, the political issues were much too complex for the majority of the Moslem voters, many going to the polls for the first time, to have formed any real judgement but it seems correct to assume that they were voting for the best chance to bring an end to the war and to the terrorism against Moslems by Moslems, and that they have not been convinced that this can best be brought about by supporting the FLN claim for immediate independence.

Of the overseas territories, only one voted "no" — Guinea, which is under the strong control of Sekou Touré. This was expected. But possibilities that Niger and Madagascar might also vote "no" have been proved unfounded by a strong majority in favour. Thus the General's offer of independence which frightened some into believing that the referendum would dissolve what remains of the French Empire has been demonstrated to be an astute political move which is bound to strengthen the French contention that association with France is what the territories want.

J. L[ÉGER]

518.

*L'ambassadeur en France
au secrétaire d'État aux Affaires extérieures*
*Ambassador in France
to Secretary of State for External Affairs*

Paris, October 1, 1958

TELEGRAM 1073

RESTRICTED. PRIORITY.

Reference: My Tel 1061 Sep 29.†

Repeat London, Washington, NATO Paris (Information).

POLITICAL TIMETABLE

The new constitution will be promulgated on October 5 after the complete referendum results are available. For up to 4 months from that date, the government will have, under the transitional provisions, full powers to put the new institutions into place and to fix by decree any matter having to do with public authority, including those normally reserved to the legislature. De Gaulle's legal investiture on June 1 has now been legitimized by a popular mandate which gives him a virtual blank cheque until the new institutions are functioning.

2. On October 2 and 3, de Gaulle will visit Algeria for the fourth time since coming to power. Whether or not repeat not he will on this visit make important announcements on the future status of Algeria is a matter for speculation (my despatch 806 September 26†). His full powers and the suspension of the old Assembly will, however, give him greater freedom to act than any other Prime Minister has had since the Algerian rebellion broke out.

3. An announcement is expected shortly on the electoral system for the forthcoming elections. The transitional provisions empower the government to decide on that system. General elections for the Assembly are expected to take place November 16 or 23. Thereafter there will be new municipal elections from the results of which will come in large part the electoral college for the presidential election. Election of the President of the Republic will take place either in December or early January, after which only will it be possible for a Prime Minister to be named by the President and to present himself for approval by the Assembly.

4. The institutions of the community must be in place within six months from promulgation of the constitution. A conference with representatives of the territories which have voted yes will be held to work out (a) their status within the community and (b) the setting up of the community institutions.

5. There is speculation that the government will take advantage of the full powers it enjoys to effect a number of reforms (in the fiscal system, in the administration system, in the educational system) which are in draft form but which have not repeat not been put forward to parliament or have not repeat not secured parliamentary approval. Whether or not repeat not it does so will depend primarily on how much time the government has left to devote to these reforms after discussion of its other preoccupations, including international ones. It will also have to set by decree at least the main outlines of the 1959 budget. Depending upon how the foreign exchange reserves hold out, the present government might have to tackle the problem of a new foreign loan.

6. I shall be reporting on these several subjects as they develop but I thought you would find it useful to have at least the outline of the major items on the political agenda for the next few months.

[PIERRE] DUPUY

519.

DEA/6938-40

*L'ambassadeur en France
au secrétaire d'État aux Affaires extérieures*

*Ambassador in France
to Secretary of State for External Affairs*

TELEGRAM 1095

Paris, October 8, 1958

RESTRICTED

Repeat London, Washington, NATO Paris (Information).

ELECTORAL REFORM

Following yesterday's Cabinet Meeting, Soustelle announced that government has decided upon electoral system to be used November 23 and 30 when French population elects first legislature under Fifth Republic. The "scrutin uninominal de circonscription à deux tours" will replace the "scrutin de liste départementale majoritaire à un tour avec apparentements." This means a reversion to system used widely between 1875 and 1939, and represents a victory for de Gaulle over some of his doubting ministers. Though no repeat no texts have been made public, from the announcement it appears that new system will apply throughout metropolitan France. (Since 1951, the two large departments of Seine and Seine-et-Oise have had slightly different systems from rest of the country.) In Algeria, elections will be based upon departmental lists rather than straight single member constituency vote as in metropolitan France. In overseas departments, existing procedures remain unchanged.

2. Elections for Assembly on November 23 and 30 will be followed by constitution of electoral college on December 7 which will elect new President of the Republic on December 14 (and 21 if a second round is necessary).

3. Most press and political comment indicates a rallying behind reform although earlier proponents of various alternatives opposed principle of single seat constituency which de Gaulle wants in order to make deputies more responsible to electorate and to reduce influence of the parties in France. The use under the Fourth Republic of party lists in multi-seat constituencies and apparentements (pooling of votes by several parties) was only partly and temporarily successful in circumscribing the Communist vote and it did lead to important party manoeuvring.

4. Impact of new system on composition of new assembly will not repeat not be clear until new constituencies are drawn up. Metropolitan France will have 465 seats in Assembly, a reduction from 544 under previous system. No repeat no indication has been given yet on whether Algerian and overseas representation will approximate that in metropolitan France which is roughly one seat per 100,000 people.

5. New system will place emphasis upon candidates, not repeat not the party, and could damage parties with widespread but thin support while favouring those with perhaps only regional but strong backing. Mayors and other local notables presenting themselves as

candidates will likely benefit from smaller constituency size. Most observers expect Communists to suffer from new electoral scheme while Socialists should gain. Until more precise details are public such speculation is probably premature.

6. Other changes in the systems are expected to increase candidates deposits, prevent entry of new candidates between first and second rounds, and require candidates in advance of first round to announce if they will step down in favour of other candidates before second.

7. Although much will depend upon way in which constituency boundaries are set, announced electoral reform clearly reflects de Gaulle's wishes to reduce importance of the party, increase importance of the candidate and his contact with the people, and incidentally in this way to diminish the influence of Communist Party in France.

[PIERRE] DUPUY

520.

DEA/6938-40

*L'ambassadeur en France
au secrétaire d'État aux Affaires extérieures
Ambassador in France
to Secretary of State for External Affairs*

TELEGRAM 1296

Paris, November 18, 1958

CONFIDENTIAL

Reference: My Desp 892 Oct 30.†

Repeat London, Washington, NATO Paris (Information).

GENERAL ELECTIONS IN FRANCE

With first round of voting less than a week away, there is a notable lack of political activity. Provinces are reportedly a little more lively than Paris area, but such political meetings as are taking place are on the whole poorly attended and rather spiritless. Situation is in marked contrast with feverish activity which preceded last general elections in January 1956.

2. Politically, France is still suffering from shock of May events. Inability of parliament and politicians to cope with crisis and the appeal to de Gaulle to take over undoubtedly accounts in large measure for apparent political lassitude at present time. Referendum gave blank cheque to de Gaulle and electorate seems little interested in complexion of National Assembly, which it considers will play secondary role. It looks to de Gaulle rather than to the politicians to find the answers to political problems. New electoral system, strange to both electorate and candidates, emphasizes local individuals and parish pump politics rather than parties and national issues.

3. This general atmosphere continues to make predictions hazardous, even after detailed examination of situation in individual constituencies. Lack of interest and of issues may result in high percentage of abstentions, perhaps as high as 30 percent as opposed to usual 20 percent (approximately) in post-war general elections. Strong Gaullist current obviously exists. It may lead to a heavy swing in favour of most clearly Gaullist party, Union pour la Nouvelle République (UNR), which hopes to emerge as new centre force controlling parliament by drawing support alternatively from left and right wings. On the other hand, the fact that all major parties except Communists claim to hold, in words of caption to recent

express cartoon, "a portion of the true cross of Lorraine," may scatter effect of de Gaulle's prestige, especially as he has not repeat not given his blessing to any party. While there is a desire for a change from the discredited Fourth Republic conditions, new men of the new parties labour under the disadvantage of not repeat not being as well-established locally as are many Socialist, Radical, MRP and Independent candidates.

4. There are approximately 2,800 candidates for the 465 metropolitan seats (not repeat not over 3,000 as expected when I wrote my reference despatch), or an average of 6 per constituency. Only after the sifting of the first round and the decisions on withdrawals for the second round will it be possible to see something of the shape of the Assembly to come. Unless during the next few days some clarity emerges in the confused pre-electoral situation, I shall not repeat not attempt to report further until after the first round on November 23.

5. As for the elections in Algeria, I see no repeat no reason to revise the initial analysis made in my telegram 1257 November 10.† Complete absence of moderate nationalist candidates and small number who might possibly be classed as liberals means that there is no repeat no cross-section of Algerian opinion. It is difficult to see how de Gaulle could discuss future of Algeria with those representatives who will be elected, and interest in election results is therefore minimal. Statements made by respected liberals of French origin who changed their original intention to run in Algeria suggest that lack of representative Algerian candidates is due not repeat not only to FLN intransigence toward elections but also to continuing pressures from the army despite de Gaulle's clear instructions to Salan. If these allegations are true, the elections are of even less interest, and, more important, the question of the army's obedience to the civil power in Paris is again to the fore.

6. In brief, I see nothing yet to suggest that the rehabilitation of political life in France is being assisted by the electoral campaign. The predominance of de Gaulle's prestige and the necessity of trying to benefit from that prestige have clouded discussion of important issues, on which de Gaulle has not repeat not yet pronounced. If this atmosphere persists, the first Assembly of the Fifth Republic may not repeat not be ungovernable, as were those of the Fourth Republic, but all too governable.

[PIERRE] DUPUY

521.

DEA/6938-40

*L'ambassadeur en France
au secrétaire d'État aux Affaires extérieures
Ambassador in France
to Secretary of State for External Affairs*

TELEGRAM 1335

Paris, November 24, 1958

RESTRICTED. OPIIMMEDIATE.

Reference: My Tel 1296 Nov 18.

Repeat London, Washington, NATO Paris (Information).

GENERAL ELECTIONS: FIRST ROUND

According to figures so far available, only 39 candidates have been elected on the first round, so that for the remainder of the 465 metropolitan seats a further ballot will be necessary on November 30. Predictions as to the final distribution of seats are difficult without

detailed analysis of the situation in all constituencies and, even moreso, without knowing the withdrawals which take place between the first and second rounds. Nevertheless, some comments can be made on the basis of the distribution of votes by percentages among the various parties.

2. The most notable feature is the success which has accrued to the neo-Gaullist Party, Union pour la Nouvelle République (UNR), of which Soustelle is the best-known leader, which has benefitted from the pro-Gaullist sentiment in the country beyond all predictions. It polled over 17 per cent of the vote, compared to some 4 per cent for its predecessor the RPF in 1956, thus reaching toward the RPF's figure of 20 per cent in 1951. Although this is not repeat not a landslide, the UNR emerges as a major party many of whose candidates, even though little known, threaten well-known political figures in the second round. Mendès-France and Laniel have been defeated by Gaullists, while Gaullists may well defeat Teitgen, Bourges-Maunoury, Mitterand, Edgar Faure, Baylet, Le Troquer, Daladier and Pineau. The UNR may get 120-130 seats in the Assembly.

3. Communist losses exceed predictions also. The Communists obtained only 19 per cent of the vote as opposed to the post-war average of 24 per cent, which implies that there were even more Communist defections than there were for the referendum. They won only one seat in the first round. Because of the electoral system, their representation in the Assembly will be very small, probably no repeat no more than 30.

4. Socialists have increased slightly their percentage (15.5 per cent) over 1956 but less than was expected. Independents have increased their percentage, and now exceed the Socialist vote by several percent. The Poujadistes have all but been wiped off the political map. The MRP have suffered slighter losses than were expected. The radicals have incurred the greatest percentage of losses, falling from 13 per cent to 5 per cent. The small groups of the left and centre-left have had very little success.

5. Of the members of the present government, Soustelle, Pflimlin, Jacquinet, Pinay, Lejeune and Buron have been elected on the first round, while Mollet and Cornut-Gentille are in a good position for the second round.

6. Abstentions in yesterday's vote were some 23 per cent, the highest in any general election since the war (average about 20 per cent) but lower than was predicted.

7. The new Assembly will certainly be oriented further to the right than the old one, with the UNR playing the role of the major centre to centre-right party. Under these circumstances, the SFIO could well form the nucleus of a loyal opposition rather than sharing in the responsibilities of government. If this happens, it will be against de Gaulle's hopes that the balance between left, centre and right would be such as to make a "national" government, from Socialists to Independents, the most practical. He may therefore have to be a more active arbiter than he hoped to be.

[PIERRE] DUPUY

522.

DEA/6938-40

*L'ambassadeur en France
au secrétaire d'État aux Affaires extérieures*

*Ambassador in France
to Secretary of State for External Affairs*

TELEGRAM 1362

Paris, December 1, 1958

RESTRICTED. PRIORITY.

Reference: My Tels 1357 Nov 28† and 1335 Nov 24.

Repeat London, Washington, NATO Paris (Information).

GENERAL ELECTIONS: SECOND ROUND

The second round of voting which took place yesterday has given strong amplification to the trends noted in first round. The strength of the trends has substantially exceeded predictions. According to present statistics the following will be distribution of seats for First Assembly of Fifth Republic: Communists 10; various left 2; SFIO 40; Orthodox Radicals 13; UDSR-RGR and Dissident (right-wing) Radicals 22; UNR 188; MRP 44 and Christian Democracy (Bidault followers) 13; CNI (Independent) 120 and other Conservatives 13; Poujadistes 0. If, as is likely at least at the beginning, most of Algerian deputies line up with UNR (though probably to its right), that party will have an absolute majority in the new Assembly.

2. Abstentions in the second round were approximate 24 percent compared with 23 percent in first round and a postwar average of 20 percent for general elections.

3. The most striking features of election results are:

(a) the strong swing in favour of the party, the UNR, thought to be most clearly Gaullist (with 26 percent of popular vote) and to the traditional right (with 24 percent of popular vote) a swing which has produced an Assembly which is probably somewhat to the right of de Gaulle, at least on Algerian policy;

(b) the virtual elimination of Communists as a political force, in spite of fact that they obtained over 20 percent of the vote in second round;

(c) the heavy losses inflicted on the parties most involved in government during the last legislature (Socialists and Radicals), on the well-known political figures of Fourth Republic (only 150 of the 475 deputies who stood for re-election were successful), and on the parties and individuals who were opposed to or even reticent toward de Gaulle and the new constitution.

4. The electorate wanted to make a clear break with the discredited Fourth Republic and to continue to entrust matters to de Gaulle. The people accepted with relief the politicians' abdication in favour of de Gaulle on June 1, confirmed their faith in the General with the referendum vote on September 28, and have now voted for the party most easily identifiable with de Gaulle. The UNR no doubt picked up most of the floating vote which in 1946 went MRP, in 1951 RPF, and in 1956 Poujadiste or Mendésiste, as well as some from the traditional right, the centre, the left and even the extreme left. So strong was the Gaullist sentiment that it overcame the predicted effect of single-member constituency, which was expected to favour well-known local individuals rather than broad currents of opinion. In many cases, relative unknowns bearing UNR label have overcome established figures of other parties. Casualties include former Premiers Daladier, Ramadier, Edgar

Faure, Laniel, Mendès-France and Bourges-Manoury; three Ministers of de Gaulle's government, Bacon, Thomas and Ramonet; former Ministers Cot (Progressiste) Lacoste, Gazier, Pineau, Defferre, Depreux, Jaquet, Moch, Naegelen (all Socialist), Mitterand, Morice, Lafay, Teitgen, Barrachin and others; and such personalities as Vigier, Le Troquer, Baylet, Duclos, Mme Vermeersch, Dides, Tixier-Vignancourt, Isorni and Clostermann. There is dramatic irony in the fact that the two parties most in favour of present electoral system, the Socialists and Radicals, suffered heavily while amongst those opposed, the MRP did better than it expected to do, thanks to careful local organization, and the UNR groundswell overcame any local disadvantages.

5. The complete change in political complexion of Assembly, the large number of novices and a new constitution which has reduced the importance of the Assembly vis-à-vis the executive make it risky to predict its political behaviour. UNR hoped to play the role of the hinge between a fairly evenly balanced right and left but the success of conservatives (CNI and others) and the severe reduction in ranks of left and centre-left make this role problematical. Nominally loyal to de Gaulle in large part, the Assembly may well resist his efforts to steer the centre-left course which is thought to be his personal preference. This resistance could apply particularly to a bold liberal Algerian policy for the Assembly will be tilted toward a conservative and integrationist policy.

6. Complete election results for Algeria are not repeat not yet known but in any event they are of limited interest because of the small range of choice offered the voter. The "spirit of May 13" and "integration" figure in varying degrees in all the lists which have been elected or are in the lead. The proportion of voters was approximately 70 percent compared with some 80 percent in the referendum.

7. The choice of Prime Minister and subsequent formation of a new government will not repeat not take place until after the election of the President of the Republic on December 21 (and December 28 if a second round is necessary). The government will have a free hand at least until Assembly meets in April and may face a fairly docile Assembly then, at least to begin with. It is generally expected that the first Prime Minister will be from the UNR, especially in view of results of second round. The names of Soustelle and Debre are still those most frequently mentioned. Even before the elections certain parliamentarians expressed the wish that de Gaulle remain as Prime Minister until the end of President Coty's term in 1960, particularly so that de Gaulle could retain firm and direct control of Algerian policy. Quite apart from the constitutional difficulties this would pose however I think it is a most unlikely possibility.

[PIERRE] DUPUY

DEA/12177-40

523.

*L'ambassadeur en France
au secrétaire d'État aux Affaires extérieures
Ambassador in France
to Secretary of State for External Affairs*

DESPATCH NO. 978

Paris, December 15, 1958

SECRET. CANADIAN EYES ONLY.

Reference: Our Tel. 1357 of November 28, 1958.†

VISIT TO ALGERIA BY MR. CREAN — NOVEMBER 26 - DECEMBER 4, 1958

In accordance with the notification contained in our Tel. 1341 of November 24,† Mr. Crean visited Algeria during the recent campaign for the election of the Algerian members to the National Assembly. I enclose two copies of a chronological report† prepared by Mr. Crean of his visit. I propose in this despatch to draw a few general conclusions on the Algerian problem.

2. As a result of the elections, a highly conservative group of members will sit in the National Assembly. Although they are not all technically supporters of the Committees of Public Safety, they are nonetheless highly conservative and represent a victory for the notion of "integration" with France. It would seem possible however that four or five of the Muslim members may in fact turn out to have rather independent views.

3. There can be no doubt that General Salan and his officers failed to carry out General de Gaulle's directive calling on the authorities to ensure that all shades of opinion be represented in the lists of candidates presented. Liberal Algerian opinion, whether French or Muslim, was not therefore represented during the election campaign and their voice will not be heard in the new Assembly. The main reason why representatives like Chevallier, and certain Muslim liberals, did not stand, is because they were convinced that the voting would be arranged against them, and that in such an event they would be discredited in the eyes of the Muslim population. In the upshot their suspicions were confirmed. Although the evidence as to the methods used either to influence Muslim voters or to pack the ballot boxes is variable and even conflicting on certain points, there have been quite enough complaints lodged by conservative candidates presenting themselves at the election to satisfy me that a good many improper measures were applied in different parts of the country. The overall turn-out of 65%, which appears moderately good at first sight, is a somewhat misleading figure, for in the towns the abstentions were much higher, e.g. 40% in the town of Algiers and 50% in Philippeville. If you add the 10% figure of blank ballots deposited in the ballot boxes (a normal method of expressing opposition to the lists presented) it leaves you with very few Arabs voting in Algiers-town itself. 127,151 people voted out of a total of 230,930 inscribed voters. Of the latter approximately 100,000 are Muslims. In Algiers-town, therefore, it seems that only a fraction of Muslims voted at all. If the vote in the country districts was higher, the army was also in a position more readily to turn out the voters, to tell them how to vote or alternatively to indulge in outright padding of the ballot boxes, using the undistributed voting cards unquestionably held in their possession in substantial numbers.

4. If the army used these methods a good deal less in the towns it is probably because they would have been too obvious. Indeed to have achieved the percentage obtained at the referendum would have appeared phoney on the internal evidence alone. However that may be, it is perhaps only fair to say that no election at all could have been held two years ago.

5. Although therefore the country was under sufficient control to hold the election without incident, and although the FLN did not apparently attempt to intervene, the unpleasant fact remains that the election has not produced genuine representatives of Muslim opinion. I can only conclude that the search for a liberal solution in Algeria has been made more difficult by the election results.

6. It is of course difficult to analyze Muslim opinion in a population of which perhaps as high as 85% is illiterate. Germaine Tillion in her book *L'Algérie en 1957* suggests that there are about two million Muslims whose cultural and economic standard of life is in any way comparable to that in metropolitan France. Whether one accepts the figure of 15 or

20%, it means that the bulk of the Muslim population will be led by the strongest elements in the literate community. Of that percentage perhaps two or three percent of the literate population are "plus français que les Français," and the balance are highly *francisé*, an inevitable result of a policy of using in the schools only a standard French curriculum in the French language. Except for the few FLN extremists, most of these people appear to belong to a liberal group, in the Algerian sense of the word; and they would see their future lying with the French, with a large measure of local autonomy.

7. The war has of course been nourished by the population especially by the teenagers who can get neither work nor schooling. The liberal elements feel that if a liberal solution is not imposed soon, their influence on the young will disappear. They are worried that a race element may be introduced into the conflict which, they maintain, has not been so up to now despite the propaganda of Nasser and the FLN to the contrary.

8. These liberal elements, French and Muslim alike, seem to be almost unanimous in their belief that the war can only be ended satisfactorily by negotiating with the FLN. They maintain this in the belief that if negotiations are conducted in secret the French Government will be able to settle with Ferhat Abbas and the moderates in the FLN. The extremists in the FLN would not matter because they would have no support in the country, and their military operations would accordingly fade away. The liberal elements, however, would not favour any negotiation which would lead to independence, or which would recognize the FLN as the Government of Algeria.

9. Although it is difficult to judge whether this analysis of the course negotiations would take is sound, it is worth remembering that Chevallier and a number of Muslim liberals were at university in Algiers with most of the present FLN leaders. Their interpretation of FLN psychology should, therefore, be taken into consideration. But even if they are right, they admit that this situation will not continue indefinitely, and the longer the situation is allowed to drift the more difficult negotiations on the lines they propose will become.

10. I would not care to pass a final judgment on the foregoing views. They may well be over-optimistic about a situation on which nearly all judgments have become charged with emotion.

11. On the other hand the Army High Command believe that the war can be brought to a close, and that it has almost been brought to a close, by military means, so long as no outside aid is provided. The barrage, they maintain, has been fairly effective in preventing outside aid, and the population is fed up with the war. The latter point is of course true; just as it is true that the *petit bourgeois* liberal Muslim has been paying caution money to the FLN. The answer here however seems to lie more in what happens to the young, for it is they who take to the hills, not the butcher and the baker. Theoretically, and even practically, a war of this type can go on indefinitely. For even if many of the young are not fighting for a cause, they are carrying on a strong tradition of brigandage in the Kabyle mountains and elsewhere.

12. However the war may be terminated, whether on the terms the army believe will occur or whether by negotiation with the FLN, the liberal elements in the Muslim population will have to be reckoned with if Algeria is not to be merely retained by force of arms and the Gestapo methods that have undoubtedly been used both by the police and the army.

13. In my opinion General de Gaulle faces a more difficult problem in Algeria after the election than before it. He has had his vote; it has not produced the so-called "interlocuteurs valables;" he does not have unquestioned control of the army in Algeria; and with a right-wing Assembly a liberal solution would have to be imposed on a potentially authoritarian Assembly and an undoubtedly authoritarian local régime. Amongst the

liberal Algerians with whom Mr. Crean talked during his visit, (and one heard of it in other quarters as well), there still remains an almost child-like faith in the ability of General de Gaulle to produce a solution. But no solution will be satisfactory if its terms are not genuinely carried out by the administration in Algeria. The appointment of Mr. Delouvrier, as the representative of the government in Algeria, is a step in the right direction. Unless, however, he is able to remove most of the military from their present civil functions, and replaces them with civilians who are capable and incorruptible, a liberal solution will not work. The moderate Muslim has already seen and knows what happened to the reform measures of 1947; even the illiterate has enough savoir-faire to understand that much. But it is at least encouraging that Mr. Delouvrier was sent by General de Gaulle on a special mission before his appointment and that he had discussions with the same representatives of liberal opinion, as Mr. Crean.

14. In the circumstances, the French Government cannot but remain a prisoner of Algerian politics for some time to come, and to that extent the hands of General de Gaulle will be tied.

15. Mr. Crean's report on his visit has been marked: "Canadian Eyes Only," because a number of those with whom he talked are regarded by the extremists in the army as virtually subversive, and they might, therefore, be in some personal danger in the future if the local authorities were aware that they had talked in this way to the representative of another power.

PIERRE DUPUY

524.

DEA/6938-40

*L'ambassadeur en France
au secrétaire d'État aux Affaires extérieures
Ambassador in France
to Secretary of State for External Affairs*

TELEGRAM 1429

Paris, December 22, 1958

RESTRICTED

Reference: My Tel 963 Dec 5.†

Repeat London, Washington, NATO Paris (Information).

POLITICAL SITUATION: DE GAULLE'S ELECTION AS PRESIDENT

De Gaulle's election on December 21 as First President of Fifth Republic was a fore-gone conclusion once he had formally presented his candidacy on December 13. He polled 78.5 percent of the vote in first round of voting by Presidential Electoral College. College numbers some 81,000 electors of metropolitan France (parliamentarians and local elected representatives), Algeria (senators and new deputies) and overseas France (parliamentarians and members of local assemblies) as set forth in Article 6 of the Constitution. De Gaulle's only opponents were the Communist candidate Marrane who polled 13 percent and Chatelet, Honorary Dean of Faculty of Science of Paris University, who stood on behalf of non-Communist "no" forces in the referendum vote and who polled 8.5 percent. That the percentage of votes contained by de Gaulle's opponents exceeds the 15 percent of "no" votes in referendum is in part attributable to fact that Electoral College has only been renewed insofar as deputies are concerned and is therefore not repeat not a full reflection of strong Gaullist sentiment in the country.

2. By this election de Gaulle becomes not repeat not only President of Republic but President of the Community as well. In Overseas States Members of Community he carried 98 percent of the poll. He will play a principal role in setting up of Community institutions which will begin to take form in January.

3. For another few weeks de Gaulle will remain head of government. He will be officially installed as President on January 8 when he will take over from President Coty. One of his first acts will be to name a Prime Minister. At the moment odds are strong in favour of Michel Debre present Minister of Justice and a faithful Gaullist of long standing, though Jacquinet's name is also mentioned. There is a possibility, however, that de Gaulle will choose someone from outside political circles (e.g. name of Armand, President of Euratom and onetime Director of French State Railways has been suggested to us privately by a member of *Le monde*), thus leaning toward a managerial-type or "technical" government. It is expected to be a Cabinet with a fairly small number of Ministers supplemented by Secretaries and Under-Secretaries of State. Cabinet may well include such members of present government as Soustelle, Pinay and Couve de Murville.

4. New National Assembly met in formal session on December 9 and elected as its speaker for duration of legislature Chaban-Delmas, a Gaullist who was Minister of Defence in Gaillard Government. He was elected on second round over Socialist Candidate Lejeune when Paul Reynaud of Independents withdrew after the first round. New government will present itself to Assembly in another short formal session about January 15 but will not repeat not have to be invested by Assembly. Thereafter the government will have a free hand until parliament meets for its first regular session toward the end of April.

[PIERRE] DUPUY

3^e PARTIE/PART 3

AUTRICHE : TRAITÉ D'ÉTAT AUSTRIA: STATE TREATY

DEA/50129-40

525.

*Note du sous-secrétaire d'État aux Affaires extérieures
pour le secrétaire d'État aux Affaires extérieures*

*Memorandum from Under-Secretary of State for External Affairs
to Secretary of State for External Affairs*

[Ottawa], September 15, 1958

CONFIDENTIAL

CANADIAN ACCESSION TO THE AUSTRIAN STATE TREATY

The Austrian Embassy have recently renewed the request that Canada accede to the State Treaty which ended the four-power occupation of Austria. We have reviewed the situation and I think that we should now accede to the Treaty.

2. The Austrian State Treaty was negotiated between Austria, the United States, the Soviet Union, the United Kingdom, and France. Other countries were not consulted. Provision was made, however, for the accession of others and since the Treaty is the foundation for the re-establishment of Austria as a sovereign state, Austria has been anxious for friendly countries to accede. So far, only Poland, Roumania, Czechoslovakia and Yugoslavia of the Eastern Bloc and Mexico and Brazil from the West have done so. The

Austrians feel embarrassed by the failure of other Western countries to accede and thus at least to balance the adherence of the Eastern European governments.

3. Apart from the right to take part in any negotiations to alter the Treaty, countries which accede do not acquire any particular privileges. On the other hand, accession would not increase our obligations to Austria. Under Article 2 we would be required to respect the independence and territorial integrity of Austria but would have no obligation exceeding that which flows from common membership in the United Nations. Austrian neutrality was established by Austrian national action subsequent to, and admittedly as a condition of, the re-establishment of Austrian independence. It is not a provision of the Treaty and therefore accession does not create any obligation in regard to its preservation.

4. Our accession would therefore be primarily a gesture of friendship and sympathy for Austria. It should establish a better basis for Canadian-Austrian relations and especially if our action were followed by other Western countries, as would seem quite possible, it would tend to strengthen the Austrian sentiment of belonging with the West. While scrupulously adhering to its undertaking to be militarily neutral, Austria has demonstrated its adherence to Western ideals as, for example, in giving assistance to Hungarian refugees in the face of Soviet threats.

5. When Canadian accession was last considered in 1956, our decision was to take action as soon as Belgium and at least one other Western European country was ready to accede. We have now consulted with the governments of Belgium, the Netherlands and Norway to determine their present positions. All three are prepared in principle to accede at a time appropriate to their national interests and believe accession to be desirable on political grounds. However, each of the three is delaying its accession pending satisfactory conclusion of bilateral discussions with Austria on financial claims. All three governments have stated specifically that Canadian accession at this time would not prejudice their negotiations with Austria. These negotiations, which appear to be proceeding at a leisurely pace, are exclusively in the domain of the national interests of the countries concerned and do not affect Austro-Canadian affairs nor the international position of Austria.

6. Austro-Canadian relations are established on a regular and friendly basis and we maintain our contacts through our respective Ambassadors and in the United Nations. There is therefore no valid argument for withholding accession to the Treaty, which is the foundation for Austria's existence which we have thus recognized.

7. The Canadian constitutional requirements are under study. A preliminary view is that accession can be legally accomplished by executive act and precedents suggest a reference to Parliament by presenting a resolution to support the government's decision to accede or by tabling the Instrument of Accession. Legislation is not believed to be necessary. The Department of Justice is being asked to confirm.

8. I should like to propose that the government decide in principle to accede and when the opinion of the Department of Justice is available, determine the method by which this would be accomplished. The matter is not one of great public interest and you may feel that it would suffice to table the Instrument when Parliament next meets. On the other hand, a parliamentary resolution might enhance the value of our action as a public gesture of friendship and solidarity with Austria.

9. The Austrian Foreign Minister, who mentioned this question to you last year in New York, is likely to raise it again when he sees you at the time of the General Assembly. You might therefore like to be in a position to tell him that the question is under active study and that, subject to the determination of the constitutional requirements, you hope shortly to recommend to the government immediate accession. You might wish to say that you do

not contemplate that Canadian action would be conditional on similar action by other Western powers (the Austrians are aware that this was a condition of the previous decision) but would be decided on the basis of the Canadian considerations involved.

10. If you agree that a decision in principle to accede should now be taken, I suggest that, before the formal act is carried out, we inform Australia, New Zealand and South Africa of our intention, to give them the opportunity of taking similar action if they so wish. These countries were consulted at the official level in 1956 and expressed an interest in the opportunity to co-ordinate their action on accession with ours. I would not suggest, however, that Canadian accession be conditional on a positive decision by these countries.¹⁷

J. L[ÉGER]

DEA/50129-40

526.

*Note du sous-secrétaire d'État aux Affaires extérieures
pour le secrétaire d'État aux Affaires extérieures*
*Memorandum from Under-Secretary of State for External Affairs
to Secretary of State for External Affairs*

[Ottawa], December 30, 1958

CONFIDENTIAL

CANADIAN ACCESSION TO THE AUSTRIAN STATE TREATY

Since receiving your approval to proceed with preparations for Canadian accession to the Austrian State Treaty, we have consulted with the other interested departments and, informally, with the Governments of Australia, New Zealand, South Africa and India. None of the departments have raised objections and the Department of Justice has advised that accession would not require legislation and could be accomplished by executive action. I attach a copy of a submission to Cabinet† which, if you agree, will be distributed at once.

The New Zealand Government has decided to accede and would like to do so simultaneously with Canada. If we are to proceed by parliamentary resolution, this might be difficult to arrange. In any case, it would seem more important that the two Governments announce their intentions at the same time. We have made this suggestion to the New Zealand authorities and indicated that the Canadian intentions to accede might be mentioned in the throne speech of January 15. I consider that this would be appropriate in view of the importance of accession in Austro-Canadian relations. If Cabinet agrees to Canadian accession, and if you agree that this decision should be mentioned in the throne speech, it might be done in the following terms: "My Government will ask Parliament to approve the 'State Treaty for the Re-Establishment of an Independent and Democratic Austria', which was signed in Vienna on May 15, 1955, and thus bring about Canadian accession to this

¹⁷ Note marginale :/Marginal note:
OK [Sidney Smith]

Treaty. This step is intended as a gesture of friendship to Austria with which Canada enjoys close and valuable relations."¹⁸

N.A. ROBERTSON]

4^e PARTIE/PART 4

RÉPUBLIQUE FÉDÉRALE D'ALLEMAGNE : VISITE DU PRÉSIDENT
ET DU MINISTRE DES AFFAIRES ÉTRANGÈRES À OTTAWA,
28 MAI AU 4 JUIN 1958
FEDERAL REPUBLIC OF GERMANY: VISIT OF PRESIDENT
AND FOREIGN MINISTER TO OTTAWA, MAY 28 TO JUNE 4, 1958

527.

DEA/10935-B-40

*Le secrétaire d'État aux Affaires extérieures
à l'ambassadeur aux États-Unis*

*Secretary of State for External Affairs
to Ambassador in United States*

TELEGRAM N-52

Ottawa, June 3, 1958

CONFIDENTIAL. OPIMMEDIATE.

Reference: Your telegram 1179 of May 28. †

Repeat Bonn, Paris, NATO Paris, London (Information).

CONVERSATION BETWEEN MR. SMITH AND MR. VON BRENTANO¹⁹

The following resumé of the discussions in Toronto on Saturday May 31st between the Minister and Mr. Von Brentano may be of interest and some assistance to you in connection with the latter's forthcoming visit to Washington.

¹⁸ Note marginale :/Marginal note:

I approve. Could I be supplied with a copy of the treaty please? S.E. S[mith]

Le Cabinet a approuvé l'accession du Canada au Traité d'État sur l'Autriche, le 14 janvier 1959. Une résolution approuvant ce traité a été adoptée à l'unanimité par le Parlement, le 20 mai 1959. Voir Canada, Chambre des Communes, *Débats*, 1959, volume III, pp. 4035 à 4038.

Cabinet approved the Canadian accession to the Austrian State Treaty on January 14, 1959. A resolution approving the Austrian State Treaty was adopted unanimously by Parliament on May 20, 1959. See Canada, House of Commons, *Debates*, 1959, Volume III, pp. 3646-3649.

¹⁹ M. Theodor Heuss, président de la République fédérale d'Allemagne, et M. Heinrich von Brentano, ministre allemand des Affaires étrangères, sont venus au Canada, entre le 28 mai et le 4 juin 1958. Ils se sont rendus à Québec, à Montréal, à Niagara Falls et à Toronto avant de passer les quatre dernières journées de leur visite à Ottawa.

Theodor Heuss, President of the Federal Republic of Germany, and Heinrich von Brentano, the Republic's Foreign Minister, visited Canada between May 28 and June 4, 1958. They toured Quebec City, Montreal, Niagara Falls, and Toronto before spending the final four days of the visit in Ottawa.

France

2. The focus of discussions on this subject was the attitude which de Gaulle would take in the direction of French foreign policy.²⁰ Mr. Smith expressed the fear that de Gaulle might not hesitate to present U.S. policies unfavourably, exploiting French public opinion in this regard and driving France further away from one of its major allies. In this connection he also spoke to Mr. Brentano about the role which the U.K. could play in helping to prevent France being driven into international isolation. In general Mr. Smith thought that the U.K. might be expected to show a greater degree of sympathy and understanding towards present French difficulties than the U.S. and as a result the U.K. could well become the most influential channel to the new French government. As for NATO Mr. Smith mentioned that Mr. Spaak, while he could not be certain of what attitude de Gaulle would take in this matter, expressed the opinion when he was here in Ottawa that as a loyal Frenchman de Gaulle could not let the Organization drop.

3. Mr. Brentano declared his full agreement with Minister's assessment and said that everything must be done to prevent France under a new government from being driven into isolation. If nationalism were aroused with France in an isolated position it would go along with Communism and France would then thrash about like a drowning man.

4. Recognizing the interest which the Federal German Republic had shown in promoting economic cooperation in Europe, Mr. Smith wondered what de Gaulle's attitude in this matter would be and whether he would "think as a European." Mr. Brentano replied he believed he could say that de Gaulle does not want European integration. His often declared opinion is for cooperation perhaps in the form of an alliance with strong emphasis on unrestricted sovereignty. De Gaulle does not agree with everything that is designated as European integration. Mr. Brentano then stated that he would not at first like to assume that a government under de Gaulle's premiership would withdraw from its treaty obligations. He thought, however, that France would display less fervour in fulfilling these treaties and would assume an even more negative attitude towards the Free Trade Area than before. He felt that the European Community will sometime have to consider whether a certain special status with additional advantages in the Common Market should not be granted to France, in order to prevent France from putting any more difficulties in the way of the Free Trade Area. He believed that the Free Trade Area at the present time is economically and, above all, politically of even greater importance than ever before.

Foreign Aid Programmes

5. When asked by Mr. Smith for an expression of the Federal German Government's attitude towards aid for underdeveloped countries, in particular India, Mr. Brentano replied that relations between the Federal Republic and the African countries are very good. The Federal Republic has also reached an agreement with the United Arab Republic, he said. He felt it right to follow an elastic policy here. He was convinced that Tunisia and Morocco are absolutely and consciously anti-Communist. He also has the impression that influential political circles in Cairo are anti-Communist. They naturally tried to obtain support from both sides and to play one against the other. The West has also made it easy for these countries, as it has not yet succeeded in reaching a common policy for the near East. The right hand never knew what the left was doing. The attitude of the U.S. has also

²⁰ Se reporter à la 8^e Partie du Chapitre II et à la 2^e Partie de ce chapitre pour un compte rendu de l'accession au pouvoir de de Gaulle et des grandes lignes de sa politique étrangère.
See Chapter II, Part 8 and Part 2 of this chapter for an account of de Gaulle's rise to power and his foreign policy outlook.

not been very clear. He thought it NATO's task to reach a common policy in the near East. This will not be easy, as the views of the allies are not identical. But these countries must not be excluded.

6. Mr. Brentano went on to state that what he had said also applied to the relations of the Federal Republic with the countries of Southeast Asia. The Federal Government has always tried to pry these countries loose from the Communist sphere of influence. He has the impression that Prime Minister Nehru is much more critical of the Soviet Union today than he was before. Here too it should be the task of NATO to coordinate the economic policies of its member countries. It must be recognized, however, that one can only talk to these countries if no political conditions are attached to an offer. If this is not done, there is a danger of losing both the near East and Southeast Asia.

*Summit Meeting*²¹

7. When asked by Mr. Smith whether the Federal German Government was of the opinion that reunification need not necessarily be placed on the agenda of the first summit conference, Mr. Brentano replied that he could answer this question in the same way he had done in Copenhagen. Reunification continues to be one of the most important problems for German policy, not only from the point of view of German interest, but from the conviction that continued division of Germany is like a mortgage encumbering peace. Statements made by the Federal Chancellor and himself might perhaps have been misunderstood. It is not the intention of the Federal Government, by insisting on first priority treatment of reunification in international discussions, to create the impression that the Federal Government is sabotaging a promising summit conference. Mr. Brentano believed, however, that any discussion on disarmament must inevitably lead to the German question once conversations took place as to how this disarmament should be carried out and who shall participate. In the same way, every conversation on European security leads to the German problem, if the question is asked who should participate in an agreement on German security, and what status the participating powers should be given. For this reason, the Federal Government is of the opinion that the German question cannot be excluded from this discussion. If the Soviet Union vetoes this, she herself is sabotaging the summit conference. If, however, the agenda were so arranged as to allow discussion of all political problems, the German Government would be satisfied, because this would mean that the German problem would have to be discussed. It could then be seen what constructive contribution the Soviet Union would make in this connection. The Federal Government would never agree to an exclusion of the German question from international discussions, but would agree to an agenda on which the German question was not expressly mentioned, if it can be certain that this question will be discussed, under whatever heading, at the meeting.

²¹ Voir volume 25, chapitre IV./See Volume 25, Chapter IV.

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*L'ambassadeur en République fédérale d'Allemagne
au chargé d'Affaires en République fédérale d'Allemagne*

*Ambassador in Federal Republic of Germany
to Chargé d'Affaires in Federal Republic of Germany*

Ottawa, June 6, 1958

PERSONAL AND SECRET

Dear Lynn [Stephens],

Since I will be seeing you for only a day between my visit to Canada and my tour to Hamburg and Bremen, I will probably not have time to tell you much about the Heuss visit to Canada. For this reason, I am dictating in some haste just before leaving Ottawa an informal report which will supplement the more formal reports²² you will receive from the Department on the visit. I know that you will realize that these are not considered comments on the visit but hasty impressions.

To my mind, the principal benefit which we may expect to flow from the visit is that it may do something to correct the error which it seems to me so many Germans make in under-estimating Canada.

Perhaps I may be wrong on this but my impression from my three or four months in Bonn is that the Germans do seriously under-estimate the power of Canada, its influence and the independence of its judgment and actions. In India, the Indians tend to exaggerate our power and influence and independence. They rank us among the first six countries in importance. My guess is that the Germans rank us among the second dozen.

My hope is that the visit of Heuss and Brentano has impressed the Germans with our wealth and economic development. They saw the St. Lawrence Seaway, the great power development at Niagara and — what may have been even more impressive to them — the way in which the new highway is being slashed across the countryside from the United States border to Toronto.

I did with the Germans what I never would have done with the Indians and that is to draw attention to the way in which we throw money around. Thus, at the lunch given in Ottawa by Mr. Fulton, I was sitting opposite Mr. Pearkes and Brentano. I got the two of them in conversation and then asked Mr. Pearkes about "having spent" our \$300 million in developing the Arrow plane. Pearkes first of all said that it was only \$220 million but then said that you could really add another \$180 million, making a total of \$400 million for the development cost of the Arrow and a number of other planes. Brentano seemed impressed.

Heuss, as you can well understand, charmed everyone he met. How far his charm got over on television and radio I do not know.

The newspaper editorials on him were extremely friendly. I think that the German Embassy here had done a good job in sending out information about him. One of the best of the editorials was that in the *Toronto Telegram*. He was certainly a good advertisement of a new Germany since he gave the impression of being everything which the Nazis were not.

²² Non localisé./Not located.

His interpreter, Weber, was excellent, and Heuss' lack of knowledge of English did not make impossible his conducting eloquent conversations with the people he sat beside at official luncheons and dinners.

Brentano, as you know, is shy and nervous and capable at times of those unintentional rudenesses in conversation which perhaps Germans are more subject to than many other people. The only one rudeness I actually heard was in the discussion in the Under-Secretary's Office. Mr. Léger brought the conversation around to disengagement and made some very gentle remarks about our studies of disengagement. Brentano said that someone had recently said to him that it seemed that everybody in the world thought they ought to draw up their own private plan of disengagement.

I was present at only two of Brentano's private talks. The one with the Minister in Toronto and the one in the Under-Secretary's Office here. You will have received a fairly full report of the talk in Toronto. Brentano was at his best in that talk. His exposition was clear and logical.

I have not yet heard how far the Prime Minister and the Ministers of Finance and Trade and Commerce were impressed by their talks with Brentano. I shall try to find out.

Because of the delicacy of the situation in France, Brentano was extraordinarily cautious in his references during these conversations to the situation in France — so cautious that he may have been somewhat misleading. He at no time talked as frankly in Ottawa as he had talked to me on the trip. During our private conversations, he displayed the most profound pessimism about what was likely to happen in France. On three separate occasions, he talked of civil war as an imminent possibility — on the day we left Germany, on the Monday after our arrival in Ottawa, and on one day between. He referred to the outburst of xenophobia in France. The outcome might be national bolshevism. He also referred earlier in our trip to the danger of a war in North Africa.

Whether he has anything more to go on than the report which he no doubt received from Carlo Schmidt, he is certainly apprehensive about de Gaulle doing a deal with the Soviet Union.

He is also apprehensive that de Gaulle may not be able to hold the line against the extremists who helped to put him in power. He thinks it possible that they may sooner or later force de Gaulle out and put one of their own men in. As the Italian Ambassador in Bonn put it "We know who the French Neguib is — we do not yet know who is the French Nasser."

He emphasized, both in his talks with me and in his talks with the Minister and the Under-Secretary, the special position of Germany in relation to France because the xenophobia in France is directed against Great Britain and the United States and not against Germany. This creates for Germany an opportunity and an obligation.

To me, it seemed that the implication of this kind of remark and of his reiteration of the necessity of real discussion in NATO is that Germany may from now on pursue a more active foreign policy especially in NATO.

You remember that shortly before I left Bonn, Echart spoke to me about his worry that Germany may be forced to leave the back seat in international discussions which it has deliberately been occupying. Brentano may not be as apprehensive about this premature development as I think Echart and probably Chancellor Adenauer are.

Where I think we will find that the German views will differ from ours on questions which affect France is that they will be willing to pay a higher price than we to reduce the risk of France isolating itself and of its xenophobia increasing.

All these comments on Brentano's views should be taken with a large grain of salt, particularly since I am sure that the Germans will fit their views to the views which they find to exist in Washington.

On the whole, the tour went off well. I know that the Germans found the dinner at the Lieutenant-Governor's residence in Quebec City to be most pleasant. They liked the surroundings at Bois de Coulonge. One of the other places that they found extremely pleasant was the Forest and Stream Club which is right on the waterfront near Ste-Anne-de-Bellevue. It was raining when we arrived in Ottawa but for Monday, Tuesday and Wednesday, the morning of their departure, the weather was perfect for an official visit, bright, sunny and crisp.

Above all, Heuss and Brentano liked Government House in Ottawa. They found it most pleasant and restful.

I would not be surprised if the high point in the trip for Heuss was the reception which the German Club in Toronto gave to him. I was present at it and I could see that the audience was greatly moved and that he too was greatly moved. I think, also, he liked the simplicity of the Convocation at Laval University.

Heuss' own speeches and statements were very good. I think his best was the impromptu one which he gave at the luncheon which the Prime Minister gave for him on his last day here.

With any such visits there are bound to be some unfortunate incidents. Perhaps we had a little over our fair share on this visit. The excellent formal reception at Quebec with a Guard of Honor from the Royal 22nd was spoiled by three TCA Viscounts which made so much noise that nothing could be heard. We arrived at the Brock Hotel in Niagara on a Friday which turned out to be one of the great American holidays and the hotel was like an ant hill with tremendous confusion. The confusion was so great that it did not seem to be possible to get proper dinner service. The worst incident was of course the slim attendance of Members for the President's speech to Parliament. When I entered with the official party, I heard a gasp from someone in front and I imagine I also gasped. Apart from the Senators who were sitting in the gangway, the rest of the House seemed virtually deserted. I think less than one-sixth of the seats were occupied. If I had been a German, I might have thought that this was a calculated insult.

Fortunately, by the time the Prime Minister had finished his introduction and the President rose to speak, there were a respectable number of people in the House. About half of the Members may have been there.

The main reason for what happened was that the Members, especially the new ones, expected to be summoned to the meeting by a division bell. The division bell is not, however, rung except for formal meetings of the House. There was another reason, that is that it was Monday morning and many members do not get back to Ottawa until Monday afternoon.

I am sure that Heuss has accepted fully the explanation of the scant attendance when he entered the House with the Prime Minister. Some of the other members of the President's party may not be so willing to accept the explanation as sufficient.

They may think that the slight attendance demonstrated a lack of interest in the visit of Heuss or a lack of respect for the President of Germany.

They may be encouraged in their suspicions that there was a lack of interest by the rather inadequate newspaper coverage of Brentano's press conference. The *Toronto Globe* gave it about 10" of space but the *Montreal Gazette* gave it not more than about 1".

When I get back, you must ask me about the wine that was served for the President at most of the meals. I think this helped to persuade some of the Germans that we are not very sophisticated.

The term "not very sophisticated" was mentioned to me by Echardt about the questions which were put to Brentano at his press conference.

Etzdorf, when speaking to me at the end of the President's reception about the President's impressions of the visit to Canada, said that the President had been so very pleased by the atmosphere which he said was so *gemütlich*.

* * * * *

As you know, I have been determined to stick to my decision not to generalize about Germany until August when I will have been in Germany for six months. Under questioning here, I have found it difficult not to make some generalizations. I have even, you will be amused to know, been developing some principles of German foreign policy. I have developed three main principles. The first two are Franco-German reconciliation and Western European Unity. The third is their firm intention to persuade the United States that Germany is their strongest and most loyal partner. I have said that these seem to be the three principles of their foreign policy and that the motto of their diplomacy is patience, modesty and humility and that in pursuing this diplomacy, they do their best to remain in the back seat.

I have also repeated here my specious generalization that on such issues as disarmament, disengagement, European security, the foreign policy of the German Government equals the foreign policy of Washington and the foreign policy of the Socialists equals the foreign policy of the British Labour Party so that on these matters, there is no point in our Embassy in Bonn reporting.

Finally, I have said that it seems to me that perhaps the principal task of the Embassy in Bonn, in addition to reporting on economic matters and trying to influence the Germans to be more liberal in their international economic policy, is to try to persuade the Germans that they are under-estimating Canada.

Perhaps we could have a talk about this when I return. It seems to me that we might be able to use my article on Canadian foreign policy as one small opening gun since the argument in this article is that Canadian influence was decisive in certain matters in the negotiations on the North Atlantic Treaty.²³ It may be that we can keep pressing the kind of argument made in my article on Canada and Canadians about the wealth and rate of economic development of Canada and I hope the kind of speech which I am to give in Hamburg may also be helpful.

I am not alone in gaining the impression from Brentano's discussion in the Under-Secretary Office that he was not really interested in Canadian views. One of my colleagues here would add that this lack of interest in Canadian views on such matters is a Western European phenomenon not just a German phenomenon.

Yours ever,

ESCOTT [REID]

²³ Escott Reid, "The Revolution in Canadian Foreign Policy" *India Quarterly*, volume 14 (avril/juin 1958), pp. 188 à 196.

Escott Reid, "The Revolution in Canadian Foreign Policy" *India Quarterly* Volume 14, (April/June), pp. 188-196.

5^e PARTIE/PART 5COMITÉ INTERMINISTÉRIEL POUR LES MIGRATIONS EUROPÉENNES
INTERGOVERNMENTAL COMMITTEE FOR EUROPEAN MIGRATION

PCO

529.

*Note du secrétaire d'État aux Affaires extérieures
pour le Cabinet**Memorandum from Secretary of State for External Affairs
to Cabinet*

CABINET DOCUMENT NO. 179-57

[Ottawa], August 15, 1957

CONFIDENTIAL

CONTINUED CANADIAN MEMBERSHIP IN THE INTERGOVERNMENTAL COMMITTEE
FOR EUROPEAN MIGRATION (ICEM)

Canada has been a member of the Committee, and twenty-seven states now have membership on it since its establishment in December 1951. The functions of ICEM are to make arrangements for the transport of migrants from Europe who could not otherwise be moved, and to promote the increase of the volume of migration from Europe by providing training for migrants and migration services (including processing, reception and placement) which some member governments and other international organizations are unable to supply.

On June 15, 1955, Cabinet agreed that Canadian "membership in the Intergovernmental Committee for European Migration be continued until the end of 1957" and "that the position be reviewed in ample time for Canada to give formal notice of its intention to withdraw at the end of 1957, and in the meantime, the Organization be advised that Canada planned to withdraw at that time and considered that the Organization could and should be wound up then."

Under the ICEM Constitution, four months' notice of withdrawal must be given; Canada would therefore need to notify ICEM of its intention to terminate its membership by September 1, 1957, for withdrawal to take effect at the end of 1957.

It would appear that the Cabinet decision of June 15, 1955, envisaged the early dissolution of ICEM on the assumption that the Committee had to a large extent completed its work. An important factor in the decision may have been that the scarcity of shipping facilities which had prompted Canada to join the Committee in 1951 appeared by 1955 to have been resolved, to the point where the services of the Committee were thought no longer essential to the Canadian immigration programme.

However, it has since become apparent that, whether or not Canada withdraws from ICEM, the Organization is likely to carry on its activities with the support of the U.S. Government. In the circumstances, Canadian withdrawal might affect the goodwill of other nations towards Canada, inasmuch as these nations are convinced that participation in such a committee is essential to them and a matter of international co-operation on the part of other nations.

Besides, since the decision was taken by Cabinet, certain significant developments have occurred which have led Canada to resort again to the Committee's assistance. Mainly, the Committee has acted as Canada's agent for the operation of the airbridge to Canada when

transportation facilities from the United Kingdom appeared again to be insufficient to meet the requirements of the Canadian programme. Also, following the Hungarian uprising, the Committee played a major role in organizing transportation of refugees to Canada. Actually, the Committee has pretty much acted as the transportation agent for the whole Hungarian lift, in close co-operation with the United Nations High Commissioner for Refugees.

Apart from the payments it makes to the Committee for services rendered to Canada, the Canadian Government shares in the administrative overhead costs of the Organization. The administrative assessment for 1957 is approximately \$200,000.

It should not be anticipated that ICEM can continue to give Canada assistance of the order of magnitude which it has been able to provide the past eighteen months. That assistance arose out of special circumstances which are not experienced in dealing with the normal pattern of migration. Nevertheless it would be necessary to evaluate these events to see whether they introduce new factors which might be of sufficient importance to Canada to justify continued participation. Participation may also be justified for the political reason which has been mentioned earlier in this Memorandum. It would be prudent to allow more time to evaluate properly these considerations. As a consequence it would seem desirable to take an interim decision to continue participation till the end of 1958 and in the meantime to re-examine thoroughly the whole matter of Canada's interest in ICEM.

The Undersigned Recommend²⁴ therefore

THAT, Canada continue its membership in ICEM for another year. Further consideration will be given to all aspects of the matter in 1958 so that a final recommendation can be made in the early summer of 1958 about retaining or withdrawing from membership at the end of 1958.

JOHN G. DIEFENBAKER
Secretary of State for External Affairs
E.D. FULTON
Acting Minister of Citizenship
and Immigration

²⁴ Approuvé par le Cabinet le 27 août 1957./Approved by Cabinet on August 27, 1957.

Extrait des conclusions du Cabinet
Extract from Cabinet Conclusions

[Ottawa], February 4, 1958

SECRET

Present

The Prime Minister (Mr. Diefenbaker) in the Chair,
The Minister of Public Works and
Acting Minister of Defence Production (Mr. Green),
The Minister of Finance (Mr. Fleming),
The Minister of Transport (Mr. Hees),
The Solicitor General (Mr. Balcer),
The Minister of National Defence (Mr. Pearkes),
The Minister of Trade and Commerce (Mr. Churchill),
The Minister of Justice and
Acting Minister of Citizenship and Immigration (Mr. Fulton),
The Minister of National Revenue (Mr. Nowlan),
The Minister of Agriculture (Mr. Harkness),
The Secretary of State (Mrs. Fairclough),
The Minister of Fisheries (Mr. MacLean),
The Minister of Labour (Mr. Starr),
The Postmaster General (Mr. William Hamilton),
The Minister without Portfolio (Mr. Macdonnell),
The Minister of Mines and Technical Surveys (Mr. Comtois),
The Minister of National Health and Welfare (Mr. Monteith),
The Minister of Northern Affairs and National Resources (Mr. Alvin Hamilton),
The Secretary of State for External Affairs (Mr. Smith), (for morning meeting only).
The Secretary to the Cabinet (Mr. Bryce),
The Assistant Secretaries to the Cabinet (Mr. Fournier), (Mr. Martin).

CANADIAN PARTICIPATION IN THE INTERGOVERNMENTAL COMMITTEE
FOR EUROPEAN MIGRATION

11. *The Acting Minister of Citizenship and Immigration* stated that it would be necessary to settle the policy to be adopted on Canadian participation in the Intergovernmental Committee for European Migration. The constitution of the Committee, which had been drafted in 1943, had been ratified by the Canadian I.C.E.M. as a booking agent for migrants coming forward from Germany under Canada's Assisted Passage Loan Scheme, and in 1957 I.C.E.M. moved, or participated in the movement of, more than 25,000 Hungarian refugees to Canada in addition to operating the air bridge to Canada for migrants from the United Kingdom. The purposes and functions of the committee were to make arrangements for the transport of migrants, for whom existing facilities were inadequate, and who could not otherwise be moved, from European countries having surplus population to countries overseas which offered opportunities for orderly immigration. The committee also promoted the increase of the volume of migration from Europe by providing, at the request of and in agreement with the governments concerned, services in the processing, reception, first placement, and settlement of migrants which other international organizations were not in a position to supply. These latter services, of course, were considered by Canada as essentially national in character and would be provided by the countries concerned. Canada's main interest in I.C.E.M. activities, therefore, had been related principally to the committee's ability to provide transport.

Since 1953, some doubt had been expressed as to whether Canada actually required membership in I.C.E.M. in order to maintain immigration programmes. A certain amount of friction was bound to arise in Australian-Canadian relationships, because of Australia's contention that I.C.E.M. should underwrite the cost of emigration from Europe to Australia. There had also been some feeling that the organization was inclined to expand its activities beyond the original intent, particularly in the field of migration services. Because of the foregoing considerations, the previous government had decided that Canada's membership in I.C.E.M. could not be continued beyond 1957, and the organizations had been advised informally of Canada's intention to withdraw. In August 1957, however, it was decided that membership should be continued for 1958 and that, in the meantime, a complete review should be made of Canada's position in relation to I.C.E.M. Since the inauguration of I.C.E.M., Canada's membership had only been on a year to year basis. There was little doubt that the transient nature of our membership had resulted in a tendency to adopt a somewhat negative attitude towards the committee and its activities.

The Minister said a complete review had now been made of Canada's interests in the migration field in relation to I.C.E.M. and he, with the Secretary of State for External Affairs, considered that it would be in Canada's interest to remain a member of the committee on a continuing rather than a year to year basis, and to adopt a more positive attitude towards the activities of the organization.

An explanatory memorandum was circulated. (Joint Memorandum, Secretary of State for External Affairs and Acting Minister of Citizenship and Immigration, Jan. 15, 1958; Cab. Doc. 35-58†)

12. *The Cabinet* noted the report of the Acting Minister of Citizenship and Immigration concerning Canadian participation in the Intergovernmental Committee for European Migration and approved the joint recommendation of the Acting Minister of Citizenship and Immigration and the Secretary of State for External Affairs,

(a) that, subject to an annual review, Canada's membership in the I.C.E.M. be continued on an indefinite rather than a year to year basis and that this decision be made known to the I.C.E.M. administration and member governments of the organization;

(b) that Canada utilize such I.C.E.M. services as were available and useful to Canada's immigration programmes;

(c) that Canadian delegates to the I.C.E.M. exhibit a positive approach towards the organization, and endeavour to assist in the achievement of I.C.E.M. objectives within the framework of the committee's constitution;

(d) that Canada endeavour to influence the termination of I.C.E.M. activities in the direct provision of migration services within a reasonable period, with the progressive transfer of I.C.E.M.'s responsibilities in this field to member governments as soon as possible; and

(e) that Canada participate fully in the deliberations of the I.C.E.M. with a view to establishing equitable methods of financing and a sound basis of operations.

...

531.

PCO

Extrait des conclusions du Cabinet
Extract from Cabinet Conclusions

[Ottawa], September 5, 1958

SECRET

Present

The Prime Minister (Mr. Diefenbaker) in the Chair,
 The Minister of Public Works (Mr. Green),
 The Minister of Finance (Mr. Fleming),
 The Minister of Veterans Affairs (Mr. Brooks),
 The Minister of Transport (Mr. Hees),
 The Solicitor General (Mr. Balcer),
 The Minister of National Defence (Mr. Pearkes),
 The Minister of Trade and Commerce (Mr. Churchill),
 The Minister of Justice (Mr. Fulton),
 The Minister of Agriculture (Mr. Harkness),
 The Minister of Fisheries (Mr. MacLean),
 The Minister of Labour (Mr. Starr),
 The Minister without Portfolio (Mr. Macdonnell),
 The Minister without Portfolio (Mr. Browne),
 The Minister of National Health and Welfare (Mr. Monteith),
 The Minister of Northern Affairs and National Resources (Mr. Alvin Hamilton),
 The Secretary of State for External Affairs (Mr. Smith),
 The Minister of Defence Production (Mr. O'Hurley),
 The Secretary of State (Mr. Courtemanche).
 The Secretary to the Cabinet (Mr. Bryce),
 The Assistant Secretaries to the Cabinet (Mr. Martin),
 The Registrar of the Cabinet (Mr. Halliday).

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INTERGOVERNMENTAL COMMITTEE FOR EUROPEAN MIGRATION; CONTRIBUTION
 TO 1958 FAR EASTERN PROGRAMME; MOVEMENT OF EUROPEAN REFUGEES
 OUT OF CHINA

5. *Secretary of State for External Affairs* recommended that a contribution of \$60,000 be made to the Intergovernmental Committee for European Migration for moving European refugees out of China. Since 1952, I.C.E.M. had moved approximately 10,000 refugees, mostly White Russians from the Bolshevik Revolution of 1917, or their children, to overseas destinations. Since August 1957, the flow of refugees has been restricted for lack of funds to meet transportation costs. There were an estimated 10,000 European refugees still in China, of which 6,000 already had visa assurances to countries of permanent settlement. There were some 850 in Hong Kong with visas for other countries.

I.C.E.M. plans for the first six months of 1958, providing for a movement of 1,300, would exhaust available funds. For the second half, a move of a further 2,300 was planned if additional contributions of \$1.2 million could be obtained. The United States had pledged up to \$450,000 on a 45 per cent matching basis so that a Canadian contribution of \$60,000 would make a further \$49,000 available from U.S. funds.

An explanatory memorandum had been circulated, (Minister's memorandum, July 22 — Cab. Doc. 224-58†).

6. *Mr. Smith* pointed out that the Minister of Finance concurred in this recommendation.

7. *The Cabinet* agreed that the Secretary of State for External Affairs be authorized to announce the intention of the Canadian government to seek parliamentary approval for a contribution of \$60,000 to the Intergovernmental Committee for European Migration, and that these figures be included in the final supplementary estimates for 1958-59.

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CHAPITRE V/CHAPTER V
ÉNERGIE ATOMIQUE
ATOMIC ENERGY

PREMIÈRE PARTIE/PART 1
EXPORTATIONS D'URANIUM
URANIUM EXPORTS

PCO

532.

*Note du secrétaire d'État aux Affaires extérieures
pour le Cabinet*

*Memorandum from Secretary of State for External Affairs
to Cabinet*

CABINET DOCUMENT NO. 177-57

[Ottawa], August 15, 1957

SECRET

EXPORT OF URANIUM FROM CANADA

I. URANIUM SUPPLY AND MARKETS

Under existing contracts it is estimated that Canada will produce 81,303 tons of uranium in the period from July 1, 1955 to March 31, 1963. This production will have a gross value of approximately \$1,662,000,000. It is expected that production by mid-1958 will be at the annual rate of 15,700 tons with a gross value of some \$325,000,000. Under existing arrangements this production will be sold, apart from Canada's small domestic requirements, to the United States and the United Kingdom under contracts extending in some cases to 1962 and in others to 1963. Of the total production scheduled some 85% is for the United States and 13% for the United Kingdom.

At least the great bulk of the United States requirement is for the atomic weapons programme, and it must be recognized that this requirement may not continue at the present level after the completion of existing contracts. Military requirements might decrease as a result of an international agreement to limit or cease the production of atomic weapons, or merely because the quantities of fissionable material stockpiled by 1962 might appear sufficient to meet any expected need. Preliminary estimates indicate that uranium production in western countries will be more than sufficient to meet the requirements for uranium for civil purposes during the mid-1960's, and that civil use of atomic energy will not reach a level sufficient to take up the available supply until a date in the neighbourhood of 1970. Accordingly there may be keen competition for markets among uranium producing countries and difficulty in disposing of our full uranium output in the years following 1962.

At present there is no problem, as the existing contracts cover our entire output and in addition a number of other friendly countries are seeking uranium from Canada for peaceful use. The present requirements of these countries are small, as their programmes are just beginning, but at least some of them (such as Germany and Japan) will want significant

quantities by the mid-1960's. In order to protect our access to those markets in a period when we may be very glad to have them, it appears desirable to do what we can to meet their present needs. In addition, of course, this is desirable on general political grounds.

The United States has agreed to permit the diversion of up to 200 tons per year from deliveries scheduled under the present contracts to meet requirements of other countries. On the basis of present information, moreover, it is probable that certain of the mines under contract will be able to produce at rates higher than those specified in their contracts. The United States Atomic Energy Commission and the United Kingdom Atomic Energy Authority have indicated no interest in accepting deliveries at an accelerated rate. Accordingly any production in excess of the amounts scheduled would be available for sale to other countries and would produce an increase in the figure of 200 tons per year now available for such sales. It is anticipated that this excess would begin to be available in the period after July 1, 1959.

It was with these considerations in mind that the Government announced in the House on February 18, 1957,¹ that it was prepared to negotiate bilateral agreements with friendly governments covering cooperation in the peaceful uses of atomic energy and, in particular, the supply of natural uranium for such uses. While the amounts of uranium which could be made available under such agreements at present were not large because of existing contractual commitments, the view was expressed that these quantities would be sufficient to meet the current requirements of those governments which had indicated an interest in obtaining uranium from Canada.

It has become a matter of some urgency to determine the detailed position to be taken in negotiation of such bilateral agreements, as there are six governments now awaiting our proposals in order to enter into negotiations. These six are Germany, India, Japan, Pakistan, Sweden and Switzerland; at one time France also was interested, but this interest has fallen off partly because of improvement in the prospects for French domestic production of uranium and partly for a reason to be mentioned below.

II. THE PROBLEMS OF CONTROLS

It has for some years been an objective which Canada has shared with the United Kingdom and the United States that the production of atomic weapons by "fourth powers" (i.e. countries other than the U.K., the U.S.A. and the U.S.S.R. which are already producing them) should be discouraged.² It has been considered that such "fourth power" production would involve grave risks to peace and security, in particular by increasing the possibility of irresponsible use of atomic weapons. The problem of "fourth power" production is complicated, having implications for our policies on disarmament and on NATO's defence programme, but for purposes of this paper it is sufficient to recognize a particular consequence of this general policy, upon which the three governments have been similarly in agreement, namely that uranium and other items essential to an atomic programme should be supplied to other countries only for civil use, and under conditions ensuring that they will not be used to assist the production of atomic weapons.

At least in the case of some prospective recipient countries such conditions would require the application of actual physical controls against diversion to military use; assur-

¹ Voir Canada, Chambre des Communes, *Débats*, 1957, volume II, pp. 1425 à 1426.

See Canada, House of Commons, *Debates*, 1957, Volume II, pp. 1365-1366.

² Pour un compte rendu de la question du quatrième pouvoir avant l'élection du gouvernement Diefenbaker en 1957, voir volume 23, chapitre 7, document 806.

For an account of the Fourth Power issue prior to the election of the Diefenbaker government in 1957, see Volume 23 Chapter 7, Document 806.

ances alone might be sufficient in the case of some countries, but not of all. It can be demonstrated that adequate controls against diversion of any uranium supplied by Canada would in practice be sufficient for the foreseeable future to guard against the possibility that a country might employ Canadian uranium for peaceful purposes while using uranium available from domestic or other foreign sources for a military programme. It is assumed that, in accord with the general policy referred to above, Canada would be unwilling to provide uranium to a country conducting an atomic weapons programme even if that programme were not directly dependent on the Canadian supply. Fortunately, therefore, this situation can be prevented without resorting to the politically difficult course of imposing conditions upon the use which a recipient country might make of uranium from a source other than Canada, merely by requiring adequate controls against diversion of uranium of Canadian origin.

These various points lead to the conclusion that uranium should be supplied from Canada to countries other than the United States and the United Kingdom only under inter-governmental agreements containing provision for adequate controls (which might be applied either by Canada or by a suitable international authority; the International Atomic Energy Agency is the most obvious but not the only possible agent) to ensure that none of the uranium supplied is diverted to any military use. It was in accordance with these considerations that the announcement of February 18, 1957, specified that our bilateral agreements would contain control provisions similar to those in the Statute of the International Atomic Energy Agency. Some countries have indicated a wish to negotiate with us on this basis, others have indicated a greater or lesser reluctance to agree to controls. France, in particular, which is seeking to produce atomic weapons, is unwilling to accept such controls; this is the second reason (referred to above) for the decline in France's interest in obtaining uranium from Canada.

There is attached as Appendix A a draft bilateral agreement designed to serve as a basis of negotiation with interested governments. This agreement provides a permissive umbrella, under which various forms of cooperation on a mutual basis may be arranged and which in particular envisages the conclusion of contracts for the supply of uranium and other materials and equipment from one party to the other on a commercial basis. The control provisions, modelled on those in the Statute of the International Atomic Energy Agency, include inspection and other appropriate forms of control at all relevant stages. In negotiation we should adhere firmly to these provisions so that the necessary legal powers may be fully established in our bilateral agreements; the rigour with which these powers will be exercised in particular cases could be determined on a practical basis in the light of the individual circumstances. There is not yet sufficient experience to determine, for example, the circumstances in which resident inspectors would be required and when periodic visits by inspectors might be sufficient, but such questions are being examined both by our own officials concerned and by those who are planning the safeguards system to be operated by the International Atomic Energy Agency. The draft agreement spells out all the powers which it might be necessary in extreme cases to invoke, but specifies that they may be exercised only to ensure that the items subject to control are not diverted to military use.

It should be recognized that our requirement for controls will remain tenable only if other major uranium producing countries follow a similar policy, and if through their failure to do so we appear likely to lose markets for uranium to them it might in the future become expedient to relax our conditions. For the present, however, virtually no free supplies are available from other sources and it would seem very much in our interest, as the world's largest supplier, to get the highest practicable standards of behaviour established from the outset among user countries. To this end we should take a firm line ourselves, and

seek to enlist the support of other potential suppliers, particularly Australia, South Africa and Belgium; none of these has yet made known its policy on this question, but there is reason to hope that all might follow a vigorous lead by Canada to require adequate controls on exports of natural uranium.

III. CONCLUSIONS

In summary, therefore, we must recognize that while there are satisfactory markets for our uranium at present there may be difficulty in disposing of our full output in the mid-1960's. A number of countries, however, now want from us small quantities of uranium which we could supply and the provision of which would help us to sell larger quantities in that later period. For these reasons, and for political reasons also, it is in our interest to meet these requests.

Because we oppose the production of atomic weapons by "fourth powers," however, we would wish to ensure that uranium which we supply will not be diverted from peaceful uses. To achieve this purpose we should be prepared to supply uranium for peaceful use (i.e. to countries other than the U.K. and the U.S., whose atomic weapons programmes we support) only under intergovernmental agreements similar to the attached draft and in particular containing provisions for adequate controls. We know that the United States and the United Kingdom will support us in this policy, and from its behaviour in discussions relating to disarmament and to the International Atomic Energy Agency there is reason to hope that the U.S.S.R., at least tacitly, may follow a similar line.

With the concurrence of the Minister of Trade and Commerce, I recommend that:

(a) The export of uranium from Canada for civil use (elsewhere than in the U.K. and the U.S.) be arranged under intergovernmental agreements providing for adequate controls against military use of the uranium so supplied;

(b) We now make available to interested governments (and at this time these include the governments of Germany, India, Japan, Pakistan, Sweden and Switzerland) the draft bilateral agreement attached;

(c) Officials negotiate with representatives of those governments on the basis of the attached draft with a view to the conclusion of bilateral agreements conforming as closely as possible to that pattern;

(d) We be prepared to consider approving such agreements individually as they are negotiated.

(e) We seek the early establishment by the International Atomic Energy Agency of the control machinery envisaged in its Statute, in order to provide an alternative to the application of controls by Canada.

JOHN G. DIEFENBAKER

Concurred in:

GORDON CHURCHILL

Minister of Trade and Commerce

[PIÈCE JOINTE/ENCLOSURE]

*Appendice A**Appendix A*

[Ottawa], April 12, 1957

CONFIDENTIAL

BILATERAL AGREEMENT TO PROVIDE FOR COOPERATION
IN THE PEACEFUL USES OF ATOMIC ENERGY*Contents*

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PREAMBLE

The Government of Canada and the Government of _____,
 Conscious of the many benefits, including the increase of energy supplies, the raising of agricultural and industrial production, the wider availability of knowledge and means to combat disease, and the assistance of research directed to wholesome and fruitful purposes, which the application of atomic energy to peaceful uses may be expected to provide,

Desiring to accelerate and enlarge the contribution which the development of atomic energy can make to the welfare and prosperity of their peoples,

Recognizing the advantages to them both of effective cooperation in the promotion and development of the peaceful uses of atomic energy,

Intending, therefore, to cooperate with one another to these ends,

Have agreed as follows:

ARTICLE I

SCOPE OF THE AGREEMENT

1. The cooperation intended by this Agreement may include

(a) the supply of information relating to peaceful uses of atomic energy and, in particular, to

(i) research and development,

(ii) problems of health and safety,

(iii) equipment and facilities (including the supply of designs, drawings and specifications), and

(iv) uses of equipment, facilities, materials, source material, special nuclear material and fuel;

(b) the supply of equipment, facilities, materials, source material, special nuclear material and fuel;

(c) transfer of patent rights;

(d) access to and use of equipment and facilities.

2. The cooperation provided for in this Article shall be effected on terms and conditions to be agreed.

ARTICLE II

PARTICIPANTS

1. Governmental enterprises of either Contracting Party may

(a) deal directly with or perform services for the other Contracting Party, governmental enterprises of the other Contracting Party or authorized persons under the jurisdiction of the other Contracting Party in matters within the scope of this Agreement;

(b) acquire from the said Contracting Party information, equipment, facilities and materials obtained pursuant to this Agreement, and identified material.

2. Persons under the jurisdiction of either Contracting Party may,

(a) with the general or specific authorization of their Government, deal directly with or perform services for persons under the jurisdiction of the other Contracting Party as authorized by the latter, or the other Contracting Party or governmental enterprises of the latter, in matters within the scope of this Agreement;

(b) unless otherwise specified by the other Contracting Party at or before the time of transmission, acquire from their Government information, equipment, facilities and materials obtained pursuant to this Agreement, and identified material.

3. Either Contracting Party may transfer to international organizations, or to third Governments, or to enterprises or individuals under the jurisdiction of third Governments,

(a) information, equipment (other than nuclear reactors), facilities and materials obtained pursuant to this Agreement, unless otherwise specified by the other Contracting Party;

(b) identified material after irradiation, for chemical processing or storage, subject however to the terms of a written authorization of the supplying Contracting Party.

4. Each Contracting Party shall be responsible towards the other for ensuring that the provisions of this Agreement are accepted and complied with by all of its governmental enterprises, and by all persons under its jurisdiction, to which authorization has been granted by or pursuant to this Agreement.

ARTICLE III

CONDITIONS OF SUPPLY

Any supply pursuant to this Agreement shall be subject to the provisions of this Agreement and, in particular, to the following conditions:

(a) Information, equipment, facilities and materials obtained pursuant to this Agreement, and identified material, shall not be transferred unless such transfer is authorized by or pursuant to the provisions of Article II of this Agreement;

(b) Source material, special nuclear material and fuel shall not be supplied in quantities exceeding those actually needed for research and development purposes or for the efficient and continuous operation of specified nuclear reactors;

(c) source material, special nuclear material or fuel shall be supplied subject to the granting of an option to the supplying Contracting Party to acquire any quantity of special nuclear material derived from the use of identified material as may be in excess of the

quantities needed by the recipient Contracting Party for its own use and by persons under its jurisdiction for their own use;

(d) source material, special nuclear material and fuel obtained pursuant to this Agreement shall not be processed or altered in form or content after irradiation except as authorized in writing by the supplying Contracting Party, and processing and alteration so authorized shall be effected in facilities approved by the supplying Contracting Party;

(e) identified material shall be secured with precautions acceptable to the supplying Contracting Party.

ARTICLE IV

SAFEGUARDS

1. Each supplying Contracting Party shall be permitted to assure itself that the provisions of this Agreement are complied with and, in particular, that identified material is being used for peaceful purposes only, and to that end the supplying Contracting Party shall have the right

(a) to examine the design of equipment (including nuclear reactors) or facilities in which identified material is to be used or stored, with a view to ensuring that such identified material will not further any military purpose and that effective application of the safeguards provided for in this Agreement shall be feasible;

(b) to require the maintenance and production of adequate records to assist in ensuring accountability for identified material;

(c) to call for and receive progress reports;

(d) to approve the means to be used for the chemical processing of identified material after irradiation, with a view to ensuring that such processing will not lend itself to diversion of identified material to military use;

(e) to send representatives, designated by it after consultation with the other Contracting Party, into the territory of the latter, which representatives shall have access at all times to all places, equipment and facilities where identified material is used, stored or located, to all data relating to such identified material, and to all persons who by reason of their occupation deal with such identified material or such data, as may be necessary to account for all identified material and to determine whether such identified material is being used for peaceful purposes only. Such representatives, provided they shall not thereby be delayed or otherwise impeded in the exercise of their functions, shall be accompanied by representatives of the other Contracting Party if the latter so requests.

2. At or after the time the International Atomic Energy Agency is in a position to carry out the safeguards functions provided for in its Statute, the Contracting Parties will consult together to determine whether and to what extent they may wish to modify the safeguards provisions set out in this Agreement so that they may conform more closely with those of the said Statute, and to have the application of safeguards carried out by the said Agency.

3. Each Contracting Party, if it has determined that identified material is furthering a military purpose, shall have the right to suspend or cancel scheduled delivery of source material, special nuclear material, and fuel, and to require the return of all identified material under the control of the other Contracting Party.

ARTICLE V

EXCEPTIONS

1. There shall be excluded from the scope of this Agreement:
 - (a) the supply of information, equipment, facilities or materials, and access to equipment or facilities considered by a Contracting Party as primarily of military significance, and the employment for any military purpose of information, equipment, facilities or materials obtained pursuant to this Agreement or identified material;
 - (b) the supply of information and the transfer of proprietary patent rights received from another government under terms preventing such supply or transfer;
 - (c) the supply of information developed or owned by, and the transfer of proprietary or patent rights owned by, persons under the jurisdiction of the supplying Contracting Party unless with the consent of and under terms to be specified by such persons;
 - (d) the supply of information regarded by a supplying Contracting Party as being of commercial value unless under terms specified by the said Contracting Party.
2. This Agreement shall have effect subject to the laws, regulations and licensing requirements of each Contracting Party.
3. Unless otherwise specified at the time of transmission nothing in this Agreement shall be interpreted as imposing any responsibility with regard to the accuracy of any information supplied pursuant to this Agreement, or with regard to the suitability for any particular use or to the accuracy of specifications of equipment, facilities, materials, source material, special nuclear material or fuel supplied pursuant to this Agreement.

ARTICLE VI

DEFINITIONS

For the purpose of this Agreement, except as otherwise specified therein,

- (a) "Equipment" means any apparatus, device, or machine of particular utility in research, development, use, processing, or storage relating to atomic energy activities;
- (b) "Facilities" means all plants, buildings or structures containing or incorporating equipment as defined in Paragraph (a) of this Paragraph, or otherwise particularly suited or used for atomic energy activities;
- (c) "Materials" means all radioactive substances, all other substances of special applicability to or importance in atomic energy activities (such as heavy water and zirconium), and such other substances as may be agreed between the Contracting Parties; but materials shall not include identified material as defined in Paragraph (g) of this Article;
- (d) "Source material" means uranium containing the mixture of isotopes occurring in nature; uranium depleted in the isotope 235; thorium; any of the foregoing in the form of metal, alloy, chemical compound, or concentrate; any other material containing one or more of the foregoing in such concentration as may be agreed between the Contracting Parties; and such other material as may be agreed between the Contracting Parties;
- (e) "Special nuclear material" means plutonium; uranium-233; uranium-235; uranium enriched in the isotopes 233 or 235; any material containing one or more of the foregoing; and such other material as may be agreed between the Contracting Parties; but the term "special nuclear material" shall not include source material;
- (f) "Fuel" means source material or special nuclear material or both when intended or suitable in form and quantity for introduction into a nuclear reactor to assist in producing or maintaining a nuclear chain reaction;

(g) "Identified material" means source material, special nuclear material or fuel obtained pursuant to this Agreement, or special nuclear material derived from the use of source material, special nuclear material or fuel obtained pursuant to this Agreement or produced in a nuclear reactor obtained pursuant to this Agreement;

(h) "Governmental enterprises" means Atomic Energy of Canada Limited and Eldorado Mining and Refining Limited as for the Government of Canada, _____ as for the Government of _____, and such other enterprises as may be agreed between the Contracting Parties.

(i) "Persons" means individuals, firms, corporations, companies, partnerships, associations and other entities private or governmental, and their respective agents and local representatives; but the term "persons" shall not include governmental enterprises as defined in paragraph (h) of this Article.

ARTICLE VII

COMMENCEMENT AND TERMINATION

1. The present Agreement shall be ratified and the exchange of the instruments of ratification shall be held at _____ as soon as possible.

2. The present Agreement shall come into force upon the date of the exchange of the instruments of ratification.

3. It shall remain in force for a minimum period of [ten] years, and thereafter until [six] months after notice of termination has been given by either Contracting Party to the other, unless such notice has been given [six] months prior to the expiry of the said period of [ten] years.

In witness whereof the undersigned, duly authorized for this purpose by their respective governments, have signed the present Agreement and have affixed thereto their seals.

Done at _____ this _____ day of _____ in the English [and _____] language[s], both texts being equally authentic].

533.

PCO

Extrait des conclusions du Cabinet
Extract from Cabinet Conclusions

SECRET

[Ottawa], August 22, 1957

Present

The Prime Minister and
Secretary of State for External Affairs (Mr. Diefenbaker) in the Chair,
The Minister of Public Works and
Acting Minister of Defence Production (Mr. Green),
The Minister of Finance (Mr. Fleming),
The Minister of Veterans Affairs (Mr. Brooks),
The Solicitor General (Mr. Balcer),
The Minister of Trade and Commerce (Mr. Churchill),
The Minister of National Revenue (Mr. Nowlan),
The Secretary of State (Mrs. Fairclough),
The Minister of Fisheries and
Acting Minister of Citizenship and Immigration (Mr. MacLean),
The Minister of Labour (Mr. Starr),
The Postmaster General (Mr. William Hamilton),
The Minister without Portfolio (Mr. Browne),
The Minister of Mines and Technical Surveys (Mr. Comtois),
The Minister of Northern Affairs and National Resources (Mr. Alvin Hamilton),
The Minister of National Health and Welfare (Mr. Monteith),
The Secretary to the Cabinet (Mr. Bryce),
Registrar of the Cabinet (Mr. Halliday),
Mr. P.M. Dwyer, Privy Council Office.

...

URANIUM; EXPORT FROM CANADA

21. *The Prime Minister* submitted a draft bilateral agreement to provide for cooperation in the peaceful uses of atomic energy, and said the agreement was designed in particular to provide for the export of uranium from Canada for peaceful uses under adequate controls against the diversion of fissile material produced from it into military use.

He explained that, between July 1st, 1955 and March 31st, 1963, Canada had contracted to produce some 81,300 tons of uranium with a gross value of approximately \$1,662 million. Of this total production, 85 per cent would go under agreements to the United States, largely for atomic weapons, and 13 per cent to the United Kingdom. However, military requirements might decrease after 1962 and the demand for uranium for civil purposes would not equal the output until about 1970.

Germany, India, Japan, Pakistan, Sweden and Switzerland now required small amounts of uranium which could be provided out of a diversion from the U.S. contracts, agreed to by the U.S. government, of 200 tons, and out of any excess Canadian production. It was important to enter these markets immediately in order to protect Canada's future interests. It was for this reason that the previous government had announced Canada's intention in principle to enter into bilateral agreements with interested countries.

The draft bilateral agreement gave full force to Canada's objective, shared with the U.K. and the U.S., that uranium and other items essential to an atomic programme should be supplied to "fourth powers" (i.e. countries other than the U.K., the U.S.A. and the U.S.S.R.) only for civil use and under conditions preventing their use for atomic weapons.

Thus the draft agreement, under which Canadian uranium and other materials and equipment would be supplied, made firm provision for inspection and other controls to be applied either by Canadian representatives or by a suitable international authority, within the borders of the other contracting party. In practise, the powers thus provided could be applied with more or less vigour as circumstances required.

Should other uranium-producing countries fail to follow a similar policy, with the result that Canada might lose markets to them, it might become necessary to relax the controls set forth in the draft agreement. For the present, however, Canada should attempt to ensure the highest practicable standards of behaviour among user countries. For this purpose it would be necessary to enlist the support of Australia, South Africa, and Belgium, the other potential suppliers.

These proposals had been concurred in by the Minister of Trade and Commerce.

An explanatory memorandum had been circulated (Memorandum, Secretary of State for External Affairs, Aug. 15, 1957, Cab. Doc. 177-57).

22. *Mr. Diefenbaker* emphasized that, at the recent conference of Commonwealth Prime Ministers, considerable thought had been given to the problem of reconciling the need for the development of atomic energy for peaceful purposes with the danger that fissile material could be diverted to atomic weapons. It had been estimated that some twenty countries would have atomic programmes within ten years; and, therefore, as an important supplier of uranium it was essential for Canada to attempt to impose upon customers a complete and thorough control system requiring the production of records, progress reports, and the admission of inspectors. He was satisfied that such a system would provide all assurance possible against diversion to weapons of material supplied by Canada.

The problem needed to be considered in the light of present disarmament proposals which the western powers were planning to put forward in the U.N. Sub-Committee on Disarmament.

23. *During the course of discussion* the following points arose:

(a) An experiment in the U.K. had shown that detailed inspection could prevent any serious diversion of fissile material. The controls, however, were more difficult to maintain adequately in larger plants.

(b) There was little likelihood that any international organization in the immediate future would be able to impose adequate controls on all uses of atomic energy. Such general control as might be possible would most likely result from the provisions of a disarmament agreement; there was, however, no present cause for optimism in this respect.

(c) In bilateral agreements on exchange of information and materials, the United States required controls similar to those envisaged by Canada. It was expected that the United Kingdom would follow a similar policy.

(d) Canada's assumption of moral leadership in exercising control of uranium exported to other countries would be more effective if Canada herself did not intend to manufacture atomic weapons. In this respect it could be said that Canada did not intend to make such atomic weapons for the time being, but might at some time find it necessary to obtain small atomic weapons for defence. There was the possibility that Canada might acquire small "tactical" weapons as a part of her N.A.T.O. commitments.

(e) There could be no assurance that the Soviet Union might not supply atomic materials to fourth powers without the imposition of controls. There was, however, some evidence that the Soviet Union did not wish to see atomic weapons in the possession of fourth powers.

(f) It was most important that Canada should make every effort to gain support for the proposed policy from other uranium suppliers, such as South Africa, Australia, and Belgium; in this way it would be possible to preserve both Canada's economic interests and her responsibilities towards the preservation of peace.

(g) In view of widespread public concern over the testing of atomic weapons, it was important that the government should avoid provoking any ill-informed criticism that it was contributing, through the sale of uranium, to the uncontrolled development of atomic weapons. For this reason, any publicity should be delayed, and should eventually be related to Canada's policy on disarmament.

24. *The Cabinet* approved the recommendations of the Prime Minister that,

(a) the export of uranium from Canada for civil use (other than in the U.K. and the U.S.) be arranged under intergovernmental agreements providing for adequate controls against military use of the uranium so supplied or the fissile products derived from it;

(b) Canada now make available to interested governments at this time, (including the governments of Germany, India, Japan, Pakistan, Sweden, and Switzerland) a draft bilateral agreement substantially in the form proposed;

(c) officials negotiate with representatives of those governments on the basis of the draft agreement with a view to the conclusion of bilateral agreements conforming as closely as possible to that pattern;

(d) the government consider approving such agreements individually as they were negotiated;

(e) Canada seek the early establishment by the International Atomic Energy Agency of the control machinery envisaged in its statute, in order to provide an alternative to the application of controls by Canada;

and decided that the draft bilateral agreement should not be made public at present, and when publicity became necessary, care should be taken to ensure that the public fully appreciated the safeguards which had been included.

...

534.

DEA/14002-2-6-40

*Note de la Direction économique
pour le sous-secrétaire d'État aux Affaires extérieures*

*Memorandum from Economic Division
to Under-Secretary of State for External Affairs*

SECRET

[Ottawa], August 30, 1957

EXPORT OF URANIUM FROM CANADA

I attach for your information a copy of the memorandum on the export of uranium from Canada which was considered by Cabinet on August 22. Cabinet approved the recommendations on the condition that no public announcement be made at present. In accordance with this decision we have this week given the draft bilateral in confidence to the representatives in Ottawa of the U.K., the U.S.A., Germany, India, Japan, Pakistan, Sweden and Switzerland.

We have not yet given the text to Australia and South Africa, because the State Department last week called in the U.K. and Canadian Embassies in Washington to say that the

U.S.A. proposed to approach these two governments on the subject of controls for exports of natural uranium. This action was considered desirable because several prospective purchasers had approached these governments, and they in turn had approached the Combined Development Agency (the Canada-USA-UK joint purchasing agency) to seek approval for small diversions from existing contracts. This approval the U.S.A. would not wish to give without assurance from South Africa and Australia that controls would be imposed on such exports. I attach the two relevant telegrams† from Washington, the reply which we sent yesterday, and two telegrams which Earnscliffe subsequently gave us containing U.K. views on the question. You will notice that our reply accepts the U.S.A. position in substance but puts forward the thought that an approach to Australia and South Africa by Canada as a fellow exporter might receive more favourable consideration.

A further thought, which we tried out informally on Earnscliffe, is that the U.K.'s unwillingness to request controls on its exports (especially of reactors) to "Old Commonwealth" countries is likely to make the collective policy of requiring controls more difficult to enforce in other cases. While we can well understand the reasons why the U.K. is unwilling to suggest to "Old Commonwealth" countries that they accept controls on atomic imports from the U.K., there would nevertheless be advantage for all in applying the control policy to outsiders if we were to make a point of applying controls on peaceful transactions among ourselves.³ If the initial approach to South Africa and Australia were favourably received, therefore, Canada might consider proposing such a self denying ordinance within the group of five. The controls would no doubt be more a matter of form than substance, and of course would not apply to exports known to be intended for military use (i.e., uranium shipments to the U.K. and the U.S.A.). Earnscliffe have undertaken to let us know London's reaction to this thought as soon as it is received.

RODNEY GREY

DEA/14002-2-6-40

535.

*Le secrétaire d'État aux Affaires extérieures
à l'ambassadeur aux États-Unis*

*Secretary of State for External Affairs
to Ambassador in United States*

Ottawa, September 10, 1957

TELEGRAM E-1356

CONFIDENTIAL. OPIMMEDIATE.

Reference: Ritchie-Kirkwood telephone conversation September 9.
Repeat London (Information).

CONTROLS FOR BILATERAL EXPORTS OF URANIUM

In discussion with Earnscliffe some days ago of the USA proposals reported in your telegrams nos. 1805 and 1806 of August 21,† we raised informally a point which we have not so far submitted to you. This is because we have not yet considered it here in any detail and have not decided whether it is one which we would wish to follow up; it was put to Earnscliffe on a personal basis only, Earnscliffe apparently reported it to London, however,

³ Note marginale :/Marginal note:

I don't understand this: what is there to be controlled in Australia, South Africa, & Canada if those countries continue to sell the bulk of their uranium for military purposes to U.K. & U.S.? J. L[éger]

in terms which led the CRO to regard it as a formal Canadian proposal. The CRO has reacted unfavourably, has asked us not to propose our idea to the USA, Australia or South Africa, and has warned that if we do it may not be possible for them to follow suit.

2. In essence the tripartite policy has been that exports of uranium or other items essential to an atomic programme should be exported, for peaceful uses, only under safeguards. We have told several governments (e.g. India and France) that we are not prepared to make exceptions to this policy because once we agreed to an exception for any one government it would become difficult or impossible to refuse similar concessions to others. When they ask how we reconcile this position with our willingness to export uranium without controls to the United Kingdom and the United States, we have replied that those two countries are conducting atomic weapons programmes, within the NATO framework and with our support; we export uranium to those countries knowing that it may be used for the production of atomic weapons, and in such circumstances controls would be pointless. In these cases we are willing to export uranium without controls but only because we know it may be used for military purposes and are prepared to allow such use. It is in this sense that we have interpreted the agreed tripartite policy of requiring controls on atomic exports intended for peaceful use.

3. In recent months, however, we have been given indications that the UK approach has been somewhat more empirical. Specifically, the UK is supplying a reactor to Australia, and is apparently prepared to do the same for South Africa and New Zealand, without raising any question of controls.

4. It was our informal suggestion to Earnscliffe that when such exceptions to the general rule became known to other governments, as they are bound to do, it will increase the difficulty (already considerable) in inducing such governments to agree to controls on deliveries to them. While we could well understand that the UK would for obvious political reasons be reluctant to press Australia, New Zealand or South Africa to accept controls on deliveries from the UK, there would after all be some advantage to South Africa and Australia as well as to us in avoiding a situation which would contribute to the difficulty of following the policy which we hope to induce them to adopt. In these circumstances, it might be useful after there has been agreement reached on requiring controls for peaceful atomic exports to other countries to discuss on a five-power basis (i.e., U.K., U.S.A., Canada, Australia and South Africa) the pros and cons of applying among ourselves the policy which we expect to apply towards others. Agreement to apply such a self-denying ordinance would not, of course, affect uranium deliveries from the three exporters to the UK or the USA for reasons given in my paragraph 2. It would, on the other hand, call for the application of at least nominal controls upon atomic items supplied to the three (Canada, Australia and South Africa) which have only peaceful programmes.

5. We have now been given (possibly inadvertently) the text of the CRO telegram to Earnscliffe setting out London's objections to this approach. We are repeating the text to you,† but would not wish you to reveal even to UK representatives that you have it. In the light of the UK objections, and in any case because we have not ourselves decided as yet that the idea is worth pursuing, you should of course not mention the matter to USA, Australian or South African representatives, nor take any initiative to discuss it with UK representatives.

6. The terms of the UK objections, however, have a bearing on your presentation of our own position concerning sales of uranium to outside countries. We should not make absolute commitments in a tripartite discussion for which the UK brief concludes with the following passage:

7. "But we should maintain that the question of applying safeguards as between Commonwealth countries is one on which we would wish to preserve complete freedom of movement and are not prepared at this stage to take a hard and fast line. None of this means that we do not understand and sympathize with the Canadians' difficulties with India, in fact we fully agree with the line they are taking with the Indians. But we do not think that this alone should lead us into changing our policy towards the more reliable members of the Commonwealth, nor do we think that it would make any significant difference to the Indian problem were we to do so."

8. In explaining in the tripartite meeting our present policy as recently approved by ministers, therefore, you should take care to preserve our freedom of manoeuvre for the future. This might be done by referring to the fact that such a policy is tenable, of course, only so long as it is paralleled by other principal supplying governments, and that while we shall pursue this line vigorously as long as it appears practical we shall keep developments elsewhere under review in order to determine whether at any time some modification might become necessary.

536.

DEA/14002-2-6-40

*L'ambassadeur aux États-Unis
au secrétaire d'État aux Affaires extérieures
Ambassador in United States
to Secretary of State for External Affairs*

TELEGRAM 1923

Washington, September 12, 1957

CONFIDENTIAL. PRIORITY.

Reference: Our Tel 1900 Sep 10.†

By Bag Pretoria, Canberra from London (Information)

CONTROLS FOR BILATERAL EXPORTS OF URANIUM ETC.

On September 10 representatives of the State Department, the AEC and the British and Canadian Embassies, met informally to discuss how and in what terms the approach to the South Africans and the Australians should be made. It was agreed that in order to take advantage of a gap in Van Rhijn's timetable yesterday morning the first approach should be made to the South Africans and that the Australians should be approached later in the week. Both approaches would be made along similar lines. (In point of fact, the approach to the Australians will be made today.)

2. Accordingly, we met yesterday with Van Rhijn at the Atomic Energy Commission. The principal spokesmen for the USA were Farley and John Hall. Wiggin represented the British Embassy. Van Rhijn was accompanied by Osborne and Stewart, the new counselor of the South African Embassy. Ritchie represented the Canadian Embassy.

3. Hall introduced the subject in general terms to which Van Rhijn replied that as a producer, South Africa had to adapt its policies to the wishes of its customers, and the growing uranium industry in South Africa and, for this reason, had tended to look upon each request sympathetically. Even so, practically all South Africa's production was taken up by the C[ombined] D[evelopment] A[gency], leaving very little for outside sales. He nevertheless welcomed the opportunity to hear the views of the USA, UK and Canada on the need for safeguards and on the methods by which bilateral sales could be controlled.

4. Farley said that the three countries were becoming increasingly concerned with the need to work out an effective and practicable arrangement to assure that quantities marketed would be used for peaceful purposes only and that potential purchasers would not be able to play one producer off against another on the controls aspect. Inevitably, this meant an agreed understanding on safeguards. If policies on control requirements were followed by each supplier, matters could speedily get out of hand. There was an opportunity for the question to be looked at now but in four or five years time the situation might make it almost impossible to do so. The USA had always included in its bilateral arrangements clauses dealing with safeguards governing any sale of natural uranium and the same is true for enriched uranium. It was their view that if it should prove feasible to work out a common policy on sales a useful step forward will have been taken. At this point, Farley mentioned to the Minister that the three countries would be speaking to the Australians later this week in similar terms. The three countries were considering the possibility of setting up a five-country working group in Washington which would look in somewhat greater detail into the question of what type of controls would be required. For this reason he asked the Minister if he would consider the problem "as among friends" and enable South African representatives to take part in the projected working group discussions.

5. In reply to a question from Osborne, Hall said that outside Combined Development Agency he envisaged safeguards on all essential reactor materials would be included, not merely natural uranium, but also heavy water, enriched uranium, plutonium and reactor components. Hall thought some progress could be made on a bilateral basis but any action taken now by the five countries primarily concerned could not but fail to strengthen the agency. Any arrangements agreed to conceivably would be on only an interim basis if the parties so wished. It was difficult to tell at this stage what the future might require as the field was full of unknowns.

6. In answer to a further question, Farley said that the controls envisaged were generally those contained in Article 12 of the Statute and in bilateral agreements negotiated by the USA. He also made it clear that any producing country would not have to ask the permission of the other four to undertake a sale.

7. At this point, Ritchie outlined the Canadian views in general terms. Along with the USA and the UK we held the view that it was in our common interest to see that sales of source material were subject to safeguards. This objective could only be pursued effectively if all main producers were pressing purchasers to accept similar controls. He gave the Minister a copy of the draft Canadian bilateral agreement pointing out that he would, of course, have an opportunity to discuss this in greater detail while in Ottawa. Wiggin then outlined the UK views skirting, however, the question of preferential treatment for members of the Commonwealth.

8. When Van Rhijn asked whether the USA authorities considered that there was any danger of countries other than France and Germany (and of course Soviet Bloc countries) manufacturing atomic weapons, Hall replied in the affirmative, adding, however, that this was not an immediate possibility. He mentioned the obvious danger of countries in sensitive areas such as the Mideast coming into possession of nuclear weapons by one means or another, or developing their own, as might be done by the Argentine. Hall admitted that purchasers might object to safeguards and particularly inspection as an infringement on their national sovereignty. He thought it would be easier to deal with the problem if all producers are known to require safeguards and if the purchasers develop closer contacts with, and more confidence in, the technical personnel of supplying countries. This was already the experience of the USA with Japan and The Netherlands. He looked forward to

the day when the irritations connected with inspection would be removed as inspection came to be regarded more as "technical consultation."

9. Van Rhijn said that he had been turning over in his mind the idea that some of the technical and psychological difficulties connected with inspection could be overcome to a large extent by limiting quantities which can be purchased. (We pointed out that besides the other safeguards, the draft Canadian agreement provided for a check on quantities.) In any event, he agreed that "something must be done" as the problem was real and present. While he could not, of course, bind his government, he could personally see no reason why South Africa should "stay outside." He expressed the hope that any safeguards agreed upon would not be too "irksome" (a word previously used by Hall). He promised to consult with his government on the principle of collective agreement to control purchases and personally hoped that his government would agree. To avoid delay, the Minister also agreed that a South African representative sit in on the proposed working group talks. Information obtained in this way would be of material assistance in determining the final position of his government. Farley promised the Minister that a "piece of paper" would be given to the South African Embassy to facilitate the South African government's consideration of the matter. We assume this piece of paper will be similar to the aide mémoire given us on August 21.

10. We might add that the Minister asked us the direct question whether Canada was very much in favour of the trilateral proposal. We assured him that we were. We venture to believe that this assurance from a competitive supplier carried considerable weight with him and may have influenced his response as outlined above.

537.

DEA/14002-2-6-40

*L'ambassadeur aux États-Unis
au secrétaire d'État aux Affaires extérieures*
*Ambassador in United States
to Secretary of State for External Affairs*

TELEGRAM 1935

Washington, September 13, 1957

CONFIDENTIAL

Reference: Our Tel 1923 Sep 12.

Repeat London (Information).

By Bag Pretoria, Canberra from London.

CONTROL OF BILATERAL EXPORTS OF URANIUM

The trilateral approach to the Australians was made yesterday afternoon at the State Department with Booker, the Counsellor of the Australian Embassy, representing the ambassador. Farley, who made the presentation, spoke along the same lines as he and Hall had spoken to the South African Minister of Mines the previous day (our reference telegram). Farley also promised the Australians a "piece of paper." Booker could only promise that he would consult his government right away and he hoped to have an answer next week. In spite of gentle pressure applied by Farley he was not prepared to agree to an Australian sitting in on an early meeting of the proposed working group without authority from his government. As a consequence we do not expect that the working group will get under way until later next week at the earliest.

538.

DEA/14002-2-6-40

*L'ambassadeur aux États-Unis
au secrétaire d'État aux Affaires extérieures*

*Ambassador in United States
to Secretary of State for External Affairs*

TELEGRAM 2041

Washington, September 26, 1957

CONFIDENTIAL

Reference: Our Tel 2037 Sep 25.†

Repeat London (Information).

By Bag Pretoria, Canberra from London.

FIVE-POWER WORKING GROUP — CONTROLS FOR EXPORT OF URANIUM

Winfree phoned us this morning to say that Booker, the Counsellor of the Australian Embassy, had just called at the State Department to say that the Australian government agreed in principle to participation in the 5-Power working group. At the same time, the Australians asked the State Department whether the other members of the group would be agreeable to holding the group's meetings in Vienna rather than Washington. The reason given for this suggestion was that the Australian technical experts, such as Hood, best qualified to discuss controls, will be in Vienna in connection with the meeting of the Agency and they assume that this would also be the case with most of the countries represented on the working group. Winfree added that the State Department have no objection to this suggestion; the British Embassy are ascertaining London's views and he would be speaking with the South Africans later in the day.

[N.A.] ROBERTSON

539.

DEA/14001-3-3-40

*Le chef de la délégation à l'Agence internationale de l'énergie atomique
au sous-secrétaire d'État aux Affaires extérieures*

*Head, Delegation to International Atomic Energy Agency,
to Under-Secretary of State for External Affairs*

LETTER NO. 6

Vienna, October 11, 1957

CONFIDENTIAL

Reference: My telegram No. 10 of October 10.†

INTERNATIONAL ATOMIC ENERGY AGENCY

I attach three self-explanatory memoranda dealing with the following subjects:

1. Controls and Safeguards.
 2. Personnel for the Agency.†
 3. Initial financing of Agency.†
2. In addition I am enclosing a memorandum of a discussion with Sterling Cole regarding personnel for the Agency.†

3. A copy of this letter, together with its enclosures has been given to Mr. Watson for the information of the AECL. Three additional copies are enclosed to facilitate reference to other interested Departments.

4. I hope, as suggested in our telegram under reference, that it will prove possible to arrange in the very near future a meeting of the senior officials concerned to discuss the problems raised in the attached memoranda.

M.H. WERSHOF

[PIÈCE JOINTE/ENCLOSURE]

Note du chef de la délégation à l'Agence internationale de l'énergie atomique
Memorandum by Head, Delegation to International Atomic Energy Agency

Vienna, October 11, 1957

CONFIDENTIAL

CONTROLS ON THE EXPORT OF URANIUM

On the receipt on October 5th of a copy of telegram 2041 from Washington and of External Affairs' reply E-1539,† we thought it would be desirable to have a joint preliminary discussion with the U.K. and the U.S. before having a five power talk. Accordingly, Pollock and Watson had an evening session with Breithut and Kirk (U.S.) and Michaels and Cape (U.K.) on October 7. External Affairs' telegram AE-6† arrived just in time: the copy of the letter from the U.S. to the Australian and South African Governments will not arrive here until Monday, October 14th.

2. At the meeting none of us were quite clear on what we were to discuss. The presence of technical staff in Vienna suggested that the intention might have been to limit the discussion to the technical involved in the implementation of safeguards. On the other hand the policy question of encouraging the South Africans and the Australians to recommend to their Governments the adoption of common safeguards provisions seemed to be an essential prior step.

3. Both the U.S. and the U.K. began the discussions by staunchly stating that they intended to transfer to the Agency as soon as possible the carrying out of the safeguards provisions in their bilaterals. They assumed that this was the Canadian position too. Fortunately, they did not ask about the text of our proposed German bilateral Agreement. The U.S. went so far as to say that if in due course a country would not accept Agency safeguards rather than U.S. ones they would terminate their agreement.

4. The U.K., on their own volition, mentioned that they intended to have special control-free relationships with Australia and South Africa. This came as a shock to Breithut and Kirk, though Michaels said he had mentioned it when he was last in Washington. We made no comment except that we knew of the position.

5. Later in the evening, the U.K. admitted that as a member of O.E.E.C., they would no doubt have to accept O.E.E.C. controls rather than Agency controls on reactors and materials they supplied to the Western Europe countries. Also, when we asked the U.S. what they would really do when they had supplied a reactor to a country under U.S. controls and the country subsequently refused to accept Agency controls, they were at a loss for an answer. It would appear that the positions of the U.K. and the U.S. will not be as firm in practice as they now declare them to be.

6. A five power meeting was held on October 10. Baxter and Hood (Australia); Sole and Shuttleworth (South Africa); Breithut and Kirk (U.S.); Michaels and Cape (U.K.) and Barton, Pollock and Watson were present. Watson was put in the chair.

7. He began by pointing out that the U.S., U.K. and Canadian Governments had publicly taken the position that they would not export reactors, uranium or other special atomic energy materials and equipment without first having concluded a Governmental bilateral agreement with the recipient country concerned which included safeguards provisions. The existing U.S. and bilateral agreements contained language on safeguards similar to that in the International Atomic Energy Agency Statute. The draft Canadian bilateral also contained similar language.

8. Several interested purchasers of uranium had recently been shopping around enquiring about terms and conditions of supply. If a major producer of uranium were willing to sell uranium without the application of safeguards then the whole safeguards concept would be seriously impaired. It would only be a short time before other suppliers would follow suit and the safeguard protection would then collapse. On the other hand, if the major uranium producing countries together stood firm on safeguards then there was a real chance that safeguards could be effective for some years. Reference was made to the statements made at the Conference on the Agency Statute held in New York last October.

9. Baxter stated that Australia was not at present contemplating the sale of uranium to any country other than the U.K. and the U.S. He went on to say that Australian uranium cannot compete with Canadian prices. While it might be argued that Australia should not mine uranium if it cannot be done competitively, nevertheless they now had a uranium mining industry, and it was a powerful group. Australia would have to continue to sell uranium. In these circumstances he was sure that no government of Australia would ever be able to reach an understanding with other governments which might restrict the sale of uranium beyond that which Australia would itself approve. This was not to say that they would not apply safeguards. What he felt his Government would do would be to supply uranium without controls to special friendly countries and to supply with controls to others. He went on to say that if the "big countries" wanted Australia to apply controls universally then they would have to agree to a fixed price for uranium which was either high enough to allow an adequate profit for the Australian mines or make a suitable financial contribution to Australia if the fixed price decided upon was lower than this.

10. Sole of South Africa said that Dr. Van Rhijn (South African Minister of Mines and Economic Affairs) would be putting this question of controls to his Government. In the meantime the Minister had agreed to them taking part in a working group. In order to help them in their thinking he would appreciate receiving on a confidential basis some details of the control mechanism which the U.S., U.K. and Canada had in mind. He was particularly interested in the case of the supply by Canada to India of the C.I.R. reactor.⁴ When the Indians make their own fuel elements for this reactor, this will then be an early example of a reactor which has been supplied without controls, and in his view it will make nonsense of the watertight control ideal being advocated.

11. During the discussion, the urgent need for the Agency to develop, at the scientific working level, a suitable system of controls was generally accepted. This could then be the pattern to be adopted in bilateral agreements. The controls on reactors and fuel in themselves would not be too arduous but the technical problems would become much more complex when countries begin their own chemical processing of irradiated fuel. In most cases this might be 5 - 10 years away. By then countries such as France and Germany

⁴ Voir volume 21, les documents 254 à 285./See Volume 21, Documents 254-285.

would also be in a position to export reactors and other atomic energy equipment and would no doubt do so without controls to many countries if not to all. As a result, the chances of effective universal controls being in existence after a few years from now appeared most unlikely.

12. Both the South Africans and the Australians promised without reservation that they would not make any sales of uranium without controls without first getting in touch with the other Combined Development Agency powers. They suggested that during the next few months a detailed proposal be forwarded to their Governments for their study and consideration.

M.H. W[ERSHOF]

540.

DEA/14002-2-6-40

*L'ambassadeur aux États-Unis
au secrétaire d'État aux Affaires extérieures*

*Ambassador in United States
to Secretary of State for External Affairs*

TELEGRAM 2426

Washington, November 15, 1957

CONFIDENTIAL

Repeat London (Information).
By Bag Canberra, Pretoria from London.

FIVE-POWER WORKING GROUP — CONTROLS ON EXPORT OF URANIUM

Winfree phoned us today to suggest an informal meeting with ourselves and the UK Embassy to discuss what steps ought to be taken to advance the discussions with the Australians and the South Africans on this question. Winfree said that the line taken by the Australians and the South Africans at the one meeting which was held in Vienna indicated that the State Department's earlier optimism that the South Africans and the Australians would be willing to join the USA the UK and ourselves in a system of safeguards governing sales of uranium and atomic energy materials had perhaps not been justified. He, therefore, thought that it would be useful if we could explore the situation together to see what further steps might be advisable. Such a meeting has been tentatively set for November 28.

2. This afternoon, Winfree read to us portions of a report received from the two USA officials who attended the one meeting held in Vienna. This report was very much along the lines of letter 6 October 11 from the Canadian delegation to the IAEA. One or two additional facts emerged, however. The Australian representative appeared to stress the internal political problems faced by the Australian government on this problem whereas the South African representative stressed the external. Both, it seems, have been under a good deal of pressure from the French. The Australians are particularly conscious of a small but vocal uranium mining group which, as production expenses are high, cannot sell natural uranium for less than 13 dollars a pound. Winfree said that it seemed clear that the Australians were attempting to put a price on their cooperation, a position he found difficult to understand as Canada, for example, could undersell Australia at any time, which would leave matters where they are now. Almost all South Africa's production at the present rate is committed to the CDA, a situation which is likely to continue for some ten years. The representatives of both countries seem to give the impression that they would

prefer to work through the Agency, seemingly forgetting, Winfree noted, that the Agency would not be in a position to cope with the question of safeguards on sales for some three or five years.

3. We should be grateful for any comments and suggestions you would wish us to put forward at the proposed meeting.

541.

DEA/14002-2-6-40

*L'ambassadeur aux États-Unis
au secrétaire d'État aux Affaires extérieures
Ambassador in United States
to Secretary of State for External Affairs*

TELEGRAM 2466

Washington, November 20, 1957

SECRET

Reference: Our Tel 2426 Nov 15.

CONTROLS ON EXPORT OF URANIUM

We were told today by one of the fairly senior officers on the atomic energy side of the State Department that they are currently having another look at certain aspects of their position on the question of safeguards. They have apparently been much impressed recently by the problems involved in making EURATOM the kind of organization which they would wish it to be and by the difficulties standing in the way of a satisfactory relationship between the USA and that organization.⁵ At least some of the senior officials concerned in the State Department do not see any likelihood of the European countries accepting the kinds of restrictions previously contemplated, particularly if the USA itself is not subject to any restraints. They have also been somewhat troubled by the position taken by Australia and South Africa in the Vienna talks on safeguards. They understand that the attitude of these two countries has been influenced in part by the difficulty which they anticipate in getting customers to accept the proposed safeguards, and partly also by the considerable costs (both in money and personnel) which such safeguards would involve for both importing and exporting countries.

2. In the light of these tendencies some of the senior officials in the State Department have been considering whether the situation might be improved if:

(a) the USA authorities were to offer to bring the civil element of their programme under agency-type controls or safeguards; and

(b) the range of items subject to control were to be reduced.

3. The official with whom we talked emphasized that although a good deal of support was developing in the State Department for such changes in the USA position, the Atomic Energy Commission had not yet been persuaded.

4. It is appreciated in the State Department that even a largely formal separation of the civilian and military elements of the USA programme would present certain technical difficulties and entail considerable additional expenditures for the USA. It appeared, however, that such a segregation of the civilian part of the programme was feasible and that the extra

⁵ Pour une discussion sur la position du Canada au sujet de l'EURATOM, voir la 3^e partie de ce chapitre.
For a discussion of the Canadian position towards EURATOM, see Part 3 of this chapter.

expense was not too high a price to pay if such a gesture by the USA (and presumably the UK) would increase the acceptability of controls to countries importing atomic materials and make the Australians and South Africans more willing to insist on the acceptance of safeguards by their prospective customers.

5. Concerning the scope of the controls to be imposed on other countries, State Department officials are wondering whether it is really necessary to have safeguards apply to all of the items which might be regarded as having even a remote connection with atomic activity. Could not the catalogue of such items be considerably shortened without lessening effective control over potentially mischievous or dangerous activities? Might it not be sufficient to limit control to a minimum number of key items? In the view of this State Department official it was doubtful that even heavy water needed to be kept under strict control. If the list could be shortened, the costs of any control system might be substantially reduced.

6. We were told that such ideas as these might be thrown into the tripartite discussions scheduled for November 29 even if complete agreement on them has not been reached on the USA side by that time. We were given the impression that the comments which we or the UK representatives might make on the value of these ideas in helping to overcome the present difficulties could conceivably influence the attitude of those members of the USA side who may not by then have accepted them. We should be grateful, therefore, for even your preliminary views. We did not, of course, make any substantial comments during this conversation. We did remark, however, that if a particular item (e.g. natural uranium) were to be retained on the control list, presumably other items which might be directly competitive (e.g. enriched uranium) would also continue to be subject to control.

7. We also gathered that at the meeting a week from Friday the USA side will propose that some communication be sent to the Australians and South Africans recording the willingness which those countries expressed in Vienna to consult the other countries in the group in advance of the completion of any sale of uranium. USA officials consider it important to have this undertaking recorded. They do not, however, regard such prior consultation as an adequate substitute for an eventual agreement on safeguards. They also do not think that it will for long be found practicable to carry out such advance consultations on individual transactions. They will therefore probably propose that the communication to the Australians and South Africans should observe that, while the assurances about consultations are welcomed as a provisional arrangement, there would still seem to be merit in attempting to reach agreement among the five countries on safeguards. We should appreciate your views on this suggested communication.

DEA/14002-2-6-40

542.

*L'ambassadeur aux États-Unis
au secrétaire d'État aux Affaires extérieures
Ambassador in United States
to Secretary of State for External Affairs*

TELEGRAM 2479

Washington, November 22, 1957

CONFIDENTIAL

CONTROL OF URANIUM EXPORTS

In preparation for the proposed discussion with USA and UK officials here (which has now been postponed until December 3) we should be grateful to have, for our own infor-

mation, an up-to-date report on arrangements which have been negotiated, or may be under negotiation, with various foreign countries. In particular we should be interested in knowing the extent to which the kinds of safeguards included in our draft bilaterals are proving acceptable to such other governments. You might also let us know whether there have been any recent significant developments in arrangements for fuelling the Canadian-Indian reactor.

2. We would of course be very discrete in using any of this information in the tripartite discussions. Even in those where it would not be desirable to pass such information on to the USA or UK it would nevertheless be helpful for us to have as much background as possible in order to be able to deal appropriately with such questions as may be raised concerning Canada's current activities.

543.

PCO/R-100-1-U

*Le sous-secrétaire d'État aux Affaires extérieures
au secrétaire du Cabinet*

*Under-Secretary of State for External Affairs
to Secretary to Cabinet*

SECRET

Ottawa, November 29, 1957

CONTROLS ON EXPORTS OF URANIUM⁶

Dear Sir,

You may have seen three recent telegrams on this subject from Washington (Nos 2426, 2466 and 2479 — copies attached). These report that an informal meeting of Canada, the U.K. and the U.S.A. will take place on December 3 to consider the next steps to be taken to bring about the type of control régime the three governments consider desirable.

I am outlining below some points arising from these telegrams which we would propose to incorporate in instructions to be sent to the Embassy late on Monday. Unless we hear from you (or Mr. Bennett or Mr. Plumpre, to whom I am sending copies of this letter) to the contrary by 5 p.m. Monday we shall assume that you agree.

In telegram No. 2426 the attitudes of Australia and South Africa are examined. We agree that if one or more established producers should decide to sell uranium without controls others will probably be forced to do the same, and hence there is little likelihood that any one exporter could gain a favoured competitive position (which might offset the disadvantage of higher costs of production) by refusing to join with others in requiring controls. Indeed such lack of cooperation would merely increase the likelihood that the other producers would exploit without restraint any competitive advantages they may have such as lower costs, without regard to the consequent injury to the non-cooperating country. This point could be made (somewhat more diplomatically, no doubt) to Australia and South Africa.

⁶ Note marginale :/Marginal note:

Dwyer: see p. 4 [voir note 7/see footnote 7] — call Couillard & do note for me to J. L[éger] confirming. Speak to Watson at AE of C as to their line. R.B. B[ryce]

An additional point is that Germany and Switzerland have already agreed in negotiations to accept the control provisions in our standard agreement, and several other countries have declared themselves willing to negotiate agreements on the basis of that draft. (Japan, incidentally, has been bargaining vigorously for more liberal control provisions in its negotiations with the U.K. and the U.S.A., and has put off sending a negotiating team to Canada until next year in spite of earlier expressions of concern that delivery of uranium from Canada should begin soon; perhaps Japan has had second thoughts about accepting our control pattern). In the light of these facts the point could be made to Australia and South Africa that we have found several prospective purchasers already willing (if not eager) to accept controls; matters are probably far enough advanced so that we could safely refer to the expected signature of the agreements with Germany and Switzerland, and we could express some expectation that when the fact of their acceptance becomes known it may lead others to fall in line. We could express the view that insistence on controls will not prevent sales, and while it may make negotiation of individual agreements somewhat more difficult it does have the advantage of enlarging substantially the list of countries that we and other like-minded governments would consider acceptable customers.

Telegram No. 2466 outlines some interesting new developments in U.S.A. thinking about controls. We might in general and non-committal terms express agreement with the two main ideas. The first is that the application of controls (even if only in form) to the U.S.A. and other atomic exporters should facilitate their acceptance by importers; our representatives could express a personal expectation that the Government would probably agree to some form of control of the Canadian programme if similar arrangements were accepted by the U.K. and the U.S.A. The second idea is that controls might appear less formidable to importers if the range of things to be controlled could be reduced to a small list of specific and essential items (e.g. reactors, reactor fuel, fuel fabricating or processing plant, etc.). This we could support in principle, and indeed with some advantage in that already our standard agreement has control provisions which inadvertently are somewhat less comprehensive in this respect than those of the U.K. and the U.S.A. (In negotiation with the U.K. the Japanese have pointed out that our controls focus upon fuel which we may supply, or fuel used in or produced by reactors which we may supply; the U.K. requirement covers equipment in general rather than merely reactors, and the Japanese asked for the more limited language of our draft.)

While we might cautiously approve in general terms these new departures in U.S.A. thinking about controls, our representatives should not themselves get into details at the December 3 meeting. Rather they should seek as full information as possible on U.S.A. thinking and on the U.K. reaction, leaving the statement of a specific or authoritative Canadian response until a later occasion.

I have in mind that the control picture has become somewhat blurred and shaken up recently, and it is by no means clear that matters are developing in a manner consistent with our objectives. Hence it would probably be desirable for us to hold a meeting fairly soon to review developments. If you agree, I would suggest that the meeting might usefully take place after receipt of a report from Washington on the December 3 meeting. In the light of U.S.A. and U.K. views as expressed at that meeting I would hope that we could

reach some useful conclusions as to points we should pursue in further discussions in Washington.⁷

Yours sincerely,
JULES LÉGER

544.

DEA/14002-2-6-40

*Le secrétaire d'État aux Affaires extérieures
à l'ambassadeur aux États-Unis*

*Secretary of State for External Affairs
to Ambassador in United States*

TELEGRAM E-1864

Ottawa, December 2, 1957

SECRET. OPIMMEDIATE.

Reference: Your telegrams 2426, 2466 and 2479.

Repeat Geneva, Permis New York, London, Paris, NATO Paris (Information).

By Bag Vienna from London.

INFORMAL TRIPARTITE MEETING ON CONTROL OF URANIUM, ETC.

1. There are various developments of recent weeks on the subject of atomic controls which have not yet been discussed in any detail by the senior officials concerned here in Ottawa. Upon receiving word of to-morrow's meeting we at first thought of arranging such a discussion prior to the meeting. This would have been difficult, however, and in any case such a discussion may well prove more useful after we receive your report of the meeting. Hence we have no major point to make or initiative to propose at this time, and our various points below are put forward on the understanding that your primary role at the meeting will be to receive current USA views and to note UK reactions to them. Your report, however, might usefully contain as well any general thoughts on the subject, not necessarily arising from the discussion; your ideas will be valuable for the meeting of senior officials which we would hope to arrange here soon.

2. On points raised in your telegram No. 2426, we agree with the view that if one or more established producers should decide to sell uranium without controls others will probably be forced to do the same, and hence there is little likelihood that any one exporter could gain a favoured competitive position (which might offset the disadvantage of higher costs of production) by refusing to join with others in requiring controls. Indeed such lack of cooperation would merely increase the likelihood that the other producers would exploit without restraint any competitive advantages they may have such as lower costs, without regard to the consequent injury to the non-cooperating country. This point could be made (somewhat more diplomatically, no doubt) to Australia and South Africa; if they reply that they would propose to apply controls for "unreliable" importers but not for their friends, it could be pointed out that sale without controls to "friends" would make it difficult or impossible to require them for others. The diplomatic task of informing a government with

⁷ Note marginale :/Marginal note:

I think this general line is OK and we should not neglect the possibility of appeal to Australia at a higher Ministerial level in due course if that appears necessary. We should persevere with this policy while it is still primarily a matter of principle and relatively small sales. The Australians are not in a strong position & S[outh] Af[ricans] not really interested in general exports for years. R.B. B[ryce]

which relations were maintained (e.g. India) that it was not regarded as friendly would be formidable.

3. An additional point is that Germany and Switzerland have already agreed in negotiations to accept the control provisions in our standard agreement, and several other countries have declared themselves willing to negotiate agreements on the basis of that draft. (Japan, incidentally, has been bargaining vigorously for more liberal control provisions in its negotiations with the UK and the USA, and has put off sending a negotiating team to Canada until next year in spite of earlier expressions of concern that delivery of uranium from Canada should begin soon; perhaps Japan has had second thoughts about accepting our control pattern.) In the light of these facts the point could be made to Australia and South Africa that we have found several prospective purchasers already willing (if not eager) containing our standard control provisions will be signed in the near future, and that when these agreements become known the acceptance of controls by these two countries may lead others to fall in line. Our experience to date suggests that insistence on controls will not prevent sales, and while it may make negotiation of individual agreements somewhat more difficult it does have the advantage of enlarging substantially the list of countries that we and other like-minded governments would consider acceptable customers.

4. Your telegram No. 2466 outlines interesting new developments in USA thinking about controls. You may in general terms express agreement with the two main ideas. The first (one which you may wish to point out, Canada put forward two years ago in the tripartite forum) is that the acceptance of controls, even if only in form, by the USA and other atomic exporters should facilitate their acceptance by importers. It might be appropriate for you to express as a personal view the expectation that the government would probably agree to some form of control for the Canadian programme if similar arrangements were accepted by the UK and the USA. Indeed if this concept is being applied to the USA and others as *importers* we have already accepted the principle of application of controls to Canadian imports through the reciprocal features of our draft bilateral agreement.

5. The second new USA idea is that controls might appear less formidable to importers if the range of things to be controlled could be reduced to a small list of specific and essential items (e.g. reactors, reactor fuel, fuel fabricating or processing plant, etc.). This we can agree with in principle, and indeed our own control provisions relate specifically to fuel or reactors only. We regard the provision that items or commodities shall be supplied "on terms and conditions to be agreed" as giving us the means to require controls on other important items (e.g. fabricating or processing plant) if we should at some time contemplate (as we have not yet done) their export. (The UK have informed us that the Japanese in their bilateral negotiation referred to our standard draft and wished to replace the UK control provision relating to "equipment" with the more restricted reference to "reactors"). However, we would not wish to see the range reduced to the point where "hardware" was largely uncontrolled and the main emphasis laid on fuel; this would unfairly fasten the odium of insisting on controls upon fuel suppliers while leaving exporters of reactors, etc., to seek markets without on the one hand inhibitions or on the other the handicap of requiring a commercially unattractive condition. Equally, as you have already pointed out, we wish to ensure that our exports within the general field of fuel will not compete on disadvantageous terms with those of other exporters.

6. You will probably not wish yourself to go into details at to-morrow's meeting, but we shall of course be interested in details of UK and USA attitudes if they are available. At your discretion you may say that we have not yet given the Yugoslavs an answer on their request of this last summer for assistance in setting up a uranium treatment plant, a request

which we understand was also put to the UK, the USA and one or two others. This would appear to raise questions of direct concern to the meeting, and we should be interested to learn the views of the UK and the USA as well as the reactions (if they are known) of the other countries to which the request was directed. (Incidentally, we find it a little surprising that this particular case has not previously been raised in the group).

545.

DEA/14002-2-6-40

*L'ambassadeur aux États-Unis
au secrétaire d'État aux Affaires extérieures*

*Ambassador in United States
to Secretary of State for External Affairs*

TELEGRAM 2564

Washington, December 4, 1957

SECRET. PRIORITY.

Reference: Your Tel E-1864 Dec 2.

Repeat Permis New York, London, Paris, NATO Paris (Information).

Repeat Geneva from Ottawa.

By Bag Vienna from London.

INFORMAL TRIPARTITE MEETING ON CONTROL OF URANIUM, ETC.

The discussion yesterday morning was rather rambling and inconclusive. We had the impression that the main purpose served by the meeting was to enable State Department officials to put some of their ideas to their colleagues from the Atomic Energy Commission in the presence of UK and Canadian representatives. The intention is that another discussion will be held in about a week or ten days' time. Meanwhile there will undoubtedly be further exchanges between the State Department and the AEC. The interval will also provide an opportunity for the UK and Canadian authorities to consider what, if any, additional comments they might wish to make at the next meeting, pending clarification of USA views.

2. The principal concrete suggestion made by the State Department officials at the meeting was that consideration might now be given to the desirability of another approach to the Soviets on the question of safeguards, in advance of the discussion which must take place on this subject at an early stage in the International Atomic Energy Agency. There was some speculation about the Soviet attitude towards controls and about their probable reaction to the suggested approach. The impression of USA officials from such evidence as they had seen was that the Soviets were not taking many risks in their atomic relations with other countries. They had been quite cautious in the arrangements which they had made with Burma, Egypt and Yugoslavia and apparently in the proposal which they had made to Norway. While there were no provisions in these arrangements for formal safeguards or controls, the programmes appeared to be of such a modest size, and involved material of such low enrichment, that there was little chance of the recipient countries doing any damage with the product (most of which would in any event have to be processed in the USSR because of the lack of facilities in the other countries concerned). The general view was that by the nature of these programmes the Russians had been able so far to get much the same effect as would be envisaged under a control system without having to impose safeguards formally on the recipients or extract formal undertakings from them. They were probably quite happy to see the Western countries take the blame for advocating onerous

controls while they themselves received the credit for respecting the sovereignty and sensibilities of the countries with which they were dealing. They might well consider that they could safely proceed in this manner for some five or six years since the programmes of the countries with which they are mainly concerned will probably continue for that length of time to be limited in size and complexity and since none of those countries is likely to reach the stage of carrying out chemical processing for several years. The Soviets might feel quite differently if it appeared that the main Western suppliers were relaxing their insistence on safeguards or that the acceptance of controls by some of the more industrialized countries in the West was being endangered by the absence of international agreement and by the lack of progress in working out detailed arrangements through the Agency. Generally, therefore, it was considered that something might come from a further approach to the Russians since the balance of the evidence did not suggest they had lost interest in some kind of safeguards against possible misuse of atomic materials. In any event, the making of a further effort to reach an understanding with the Soviets might have political advantages for the West and, in particular, might put the USA, UK and Canada in a better position to urge other Western supplying countries to insist on safeguards since this action would show that the possibility of the Soviet nullifying any control arrangements was not being entirely overlooked.

3. There was some discussion on the form which a new approach to the Soviets might take. It was observed that the previous exchange of notes had been in rather general terms. The view was expressed that any further communication (which presumably would be made by the USA on behalf of the main Western suppliers) should probably be somewhat more specific and detailed if it was not desired to invite a repetition of the earlier Soviet doubts about the practicability of implementing any general principles that might be stated. For this purpose it would be necessary for the Western countries to have a clearer understanding than exists at present about some of the definitions and control techniques involved.

4. It was agreed to discuss these matters again at the next meeting. In the meantime the AEC would see what might be done to make the various definitions more precise and to describe more exactly the kinds of control arrangements (including numbers of personnel) now envisaged. We should be grateful for your comments and particularly for your own ideas on the detailed control arrangements contemplated under the recently negotiated Canadian bilateral agreements which presumably may go into effect fairly soon.

5. At yesterday's meeting the State Department representatives also tried out rather tentatively on their AEC colleagues (and, incidentally, on the UK representative) the idea of offering to open up the non-military sector of their atomic programme for international inspection, particularly if the USSR would do likewise. They recognized that this move might be quite expensive but they thought it could have a salutary effect on the attitudes of others (including not only the Soviets but also Western or neutral countries which were troubled by the thought of having to accept controls which were irksome and which were not applicable in any degree to some of the larger and wealthier countries). As they expressed it, this gesture might not be too meaningful but could "take at least some of the curse off the present double standard." They considered that most of the changes which had taken place during the past several months in the international situation and in the market for uranium had worsened rather than improved the prospects for effective controls. Without some new initiative the acceptance of safeguards by supplying and importing countries generally was becoming more and more difficult. The State Department officials suggested that if such an inspection offer were made and failed to produce a response from the Soviets, the USA might then even consider unilaterally volunteering to

have certain selected plants subjected to international inspection. We welcomed these suggestions and expressed the hope that they might be developed further. The AEC representatives showed some willingness to have these ideas examined. It did not appear that such suggestions could be fully considered in time to permit of their possible inclusion in the proposed early approach to the Soviets referred to above.

6. Concerning the rest of the discussion at yesterday's meeting, the following information may be of some interest:

(a) According to the USA and UK representatives, discussions with the Japanese are proceeding very slowly. The principal negotiations at the moment are apparently taking place with the UK. The Japanese are continuing to argue that the safeguards in Article XII of the Agency's statute are applicable only to first generation products and are not intended to apply to second and subsequent generations. They have apparently pressed for the transfer of the exact language of Article XII into the bilateral, leaving the subsequent interpretation of these provisions to the Agency. An alternative suggestion which the Japanese have apparently made is that there should be an exchange of notes interpreting Article XII and the comparable language of the bilateral in an agreed manner, but the UK have objected to this on the ground that it would be improper for two countries to prejudice the interpretation which the Agency may eventually give to these provisions. We gathered from the discussion yesterday morning that there may be some inclination (particularly on the USA side) to reconsider this idea of an interpretative note since they are apparently coming around to the view that if a reasonable interpretation could be agreed upon the Japanese might find it awkward to press for a looser interpretation subsequently in the Agency. The State Department officials concerned are wondering if anything would really be lost by accepting the best interpretation that can be secured now, particularly as it would undoubtedly be a good deal tighter than the kind of interpretation which can be expected to emerge from later discussions among the full membership of the Agency. The Japanese have also made a suggestion to the UK that the bilateral should include a provision for the more or less automatic turning over of control responsibility to the Agency even though the Agency might not be capable of exercising control effectively at the time. This suggestion has apparently been rejected.

(b) Both the USA and UK representatives referred to the requests which they had received from Yugoslavia for assistance in setting up a uranium metal plant. They reported that the Yugoslavs had also put this request to the Soviets but had not received much encouragement. The Russians are alleged to have replied that far from merely assisting with the construction of such a plant, they would themselves set it up for the Yugoslavs. This degree of Soviet involvement was apparently not welcomed by the Yugoslavs. In any event the Yugoslavs have indicated that nothing more has been heard from the Russians recently. The UK and USA are considering the request quite cautiously and appear to have no intention of giving a definite answer to the Yugoslavs in the near future.

(c) The Australians have apparently made a good deal out of the lack of federal authority over the states and have given this (along with the pressure of uranium mining interests) as the reason why it would be difficult for Australia to apply export controls. They have apparently indicated that the cooperation of the local interests concerned would probably be forthcoming only if a market were assured for the bulk of the country's uranium production and if a floor price of something like 13 dollars a pound could be guaranteed (presumably by the USA). The State Department officials wondered whether the Canadian authorities might consider themselves in a position to warn the Australian (and also the South African) government of the risks not only to their security but also to their commercial marketing prospects if the main supplying countries indulge in reckless competition.

They felt that the producers in those countries might be most impressed by such a warning from us in view of our strong competitive position.

PCO

546.

Extrait des conclusions du Cabinet
Extract from Cabinet Conclusions

[Ottawa], December 9, 1957

SECRET

Present

The Prime Minister (Mr. Diefenbaker) in the Chair,
The Minister of Public Works and
Acting Minister of Defence Production (Mr. Green),
The Minister of Finance (Mr. Fleming),
The Minister of Transport (Mr. Hees),
The Solicitor General (Mr. Balcer),
The Minister of National Defence (Mr. Pearkes),
The Minister of Justice and
Acting Minister of Citizenship and Immigration (Mr. Fulton),
The Minister of National Revenue (Mr. Nowlan),
The Minister of Agriculture (Mr. Harkness),
The Secretary of State (Mrs. Fairclough),
The Minister of Fisheries (Mr. MacLean),
The Minister of Labour (Mr. Starr),
The Postmaster General (Mr. William Hamilton),
The Minister without Portfolio (Mr. Macdonnell),
The Minister without Portfolio (Mr. Browne),
The Minister of Mines and Technical Surveys (Mr. Comtois),
The Minister of National Health and Welfare (Mr. Monteith),
The Secretary of State for External Affairs (Mr. Smith),
The Leader of the Government in the Senate (Senator Haig).
The Secretary to the Cabinet (Mr. Bryce),
The Assistant Secretaries to the Cabinet (Mr. Fournier), (Mr. Martin).

ATOMIC ENERGY; BILATERAL AGREEMENTS WITH GERMANY AND SWITZERLAND
(PREVIOUS REFERENCE AUGUST 22)

12. *The Secretary of State for External Affairs* submitted agreements with Germany and Switzerland for cooperation in the peaceful uses of atomic energy. These had been negotiated in accordance with the principles established by the Cabinet, when it had last considered the matter, and conformed in all major respects, including the control provisions, to the original Canadian draft.

It was proposed that the German agreement be signed and subsequently brought into force through an exchange of notes. The Germans were anxious that this be done before January 1st. As for Switzerland, it was provided, that, after signature, the agreement be ratified and brought into force upon the exchange of instruments of ratification.

The Minister recommended, with the concurrence of the Minister of Trade and Commerce, that these agreements be approved and signed.

An explanatory memorandum had been circulated, (Minister's memorandum, Dec. 3, 1957 - Cab. Doc. 315-57†)

13. *During the discussion* it was said that there was no danger in approving the agreements provided there were adequate controls to ensure that the uranium to be sold by Canada would be used for peaceful purposes. This seemed to be assured. Worry was expressed about the position into which the agreement would put Germany. However, the present German government had indicated it did not intend to manufacture nuclear weapons. If the worst came to the worst, uranium shipments could be suspended. An announcement on these arrangements, stressing the safeguards, should be made soon.

14. *The Cabinet,*

(a) approved the recommendations of the Secretary of State for External Affairs that he be authorized to sign agreements with Germany and Switzerland for co-operation in the peaceful uses of atomic energy,⁸ and that he be authorized to take such steps as were necessary to bring them into force; and,

(b) agreed that an appropriate announcement be made in Parliament which would mention in particular the provision of controls against military use of the uranium supplied by Canada.⁹

(An order in council with respect to (a) above was passed accordingly; P.C. 1957-1631, Dec. 9)

...

547.

DEA/14002-2-6-40

*L'ambassadeur aux États-Unis
au secrétaire d'État aux Affaires extérieures
Ambassador in United States
to Secretary of State for External Affairs*

TELEGRAM 2675

Washington, December 18, 1957

SECRET. PRIORITY.

Reference: Our Tel 2643 Dec 13.†

INFORMAL TRIPARTITE MEETING ON CONTROL OF URANIUM ETC.

The discussions Tuesday morning centered on two topics; how to deal with South Africa and Australia and how to spell out more exactly how controls might be applied. Throughout the discussions there was a greater feeling of urgency, that time was beginning to run out. There also seemed to be an unexpressed foreboding that safeguards might prove too complex and costly to be practical.

2. The discussions on how to deal with South Africa and Australia considered two problems; how to induce them to incorporate safeguard clauses into their agreements and

⁸ Pour le texte de l'accord signé entre le Canada et l'Allemagne, les 11 et 18 décembre 1957, voir Canada, *Recueil des Traités*, 1957 N° 29. Pour le texte de l'accord signé entre le Canada et la Suisse, le 6 mars 1958, voir Canada, *Recueil des Traités*, 1958, N° 8.

For the text of the agreement between Canada and Germany signed on December 11 and 18, 1957, see Canada, *Treaty Series*, 1957 No. 29. For the text of the agreement between Canada and Switzerland signed on March 6, 1958, see Canada, *Treaty Series*, 1958, No. 8.

⁹ Voir Canada, Chambre des Communes, *Débats*, 1957-58, volume III, pp. 2286 à 2287.
See Canada, House of Commons, *Debates*, 1957-58, Volume III, pp. 2178-2179.

how to deal with the request from South Africa to the CDA for permission to sell eight tons of natural uranium to Japan.

3. Roper from the UK Embassy stated that South Africa had already been informed by the CDA that the two governments were prepared to discuss the sale of eight tons of uranium to Japan. No one present however was aware that any decision had been reached on how to handle the situation. As South Africa would likely seek this discussion rather soon a formula had to be evolved quickly.

4. Roper proposed personally that the sale be agreed to on an ad hoc basis requiring from Japan only an undertaking not to use the uranium for military purposes and setting forth in legal terms that this sale would not constitute a precedent. There was unanimous feeling that this would be interpreted as a softening attitude towards safeguards and would seriously undermine the entire control concept. It was felt that the problem of this particular sale had to be solved within the general framework of convincing South Africa and Australia that safeguard clauses should be included in their agreements.

5. It was agreed that it was useless to go back again to these two countries on the basis only of the principle of safeguards; it was obvious that they wanted safeguards defined in more practical terms.

6. After discussions Schaezel of the State Department agreed to produce within a week a document that might be submitted to South Africa in connection with the possible Japanese transaction (and possibly also to Australia) that would set forth the type of language on safeguards which the USA, the UK and Canada would like to see incorporated in any early agreements which South Africa (or Australia) might make and suggest that these safeguards might be reserved for implementation by IAEA or by some friendly technologically advanced country that was naturally involved in the matter by the provision of materials or equipment for the same project (e.g. heavy water, reactors etc.).

7. On the matter of the practical implementation of inspection and safeguards Roper indicated that the UK had established a working group to grapple with this problem. The group contains both scientists and political people to maintain a balance between what the scientists might desire and what might be politically negotiable and financially tolerable. The group does not anticipate that they can prepare a report before April.

8. The USA indicated that they were working on the problem and might be in position to discuss the matter by April. It was agreed to aim at a meeting in April to compare ideas and seek general agreement on the methods to be applied.

9. It came out that the UK had already done useful work on the definition of components to be controlled and that the USA had worked on manpower and budgetary requirements and had developed ideas on the controls for some of the more straightforward installations. It was agreed to foster, between now and April, an informal exchange at the working level as discussions within each of the three governments progressed. These exchanges might relate to problems encountered or anticipated and to any tentative solutions under even preliminary study.

10. Roper enquired if the idea was to have a small inspection team on the various sites to throw up a warning if anything seemed amiss, and larger roving teams to move in when warned and pinpoint the trouble. Kirk claimed the difficulty with this idea was statistical; because of the complication of natural losses and fluctuations it would take three months for the site team to establish a statistical trend and another three months for the roving team to come up with statistically acceptable proof.

11. Kirk postulated a number of control problems some of which seemed to have an aspect of unreality. What margin of error is permissible and in what terms should it be

stated. One percent error? One bomb every ten years? How is this idea affected if the country has a separate uncontrolled military atomic programme? Does one simply approve a reactor plan and assume it will be built according to plan or does one need an inspector on the site to ensure that a secret by-pass is not built into the reactor? He also postulated that employees might move around an installation carrying bottles of water but occasionally a bottle might contain product that they are diverting. Kirk mentioned that losses inherent in a system complicated control and cited a case in one of their processing plants where 15 kg of materials disappeared and it required five or six consecutive washdowns of the plant to account for the supposedly lost material.

12. As Canada will be faced with the necessity of implementing safeguards under her own bilaterals it would seem desirable for Canada to plan to participate actively in the proposed April meeting and the interim informal exchange of ideas. Presumably Canada's immediate interest is in the control of source materials and in this field she has more at stake and more to contribute than either the USA or the UK. In addition, Canada might be interested in influencing decisions in fields that she might reasonably enter at some future date. It would seem then that you might wish to consider establishing a Canadian working group on this matter at an early date.

548.

DEA/14002-2-6-40

*L'ambassadeur aux États-Unis
au secrétaire d'État aux Affaires extérieures
Ambassador in United States
to Secretary of State for External Affairs*

TELEGRAM 2703

Washington, December 23, 1957

SECRET. PRIORITY.

Reference: Our Tel 2675 Dec 18.

TRIPARTITE MEETING ON CONTROL OF URANIUM ETC.

A meeting was held Friday morning at the State Department to discuss Schaezel's draft document mentioned in paragraph 6 of our reference telegram. The text of this draft document as revised at our meeting will be despatched as soon as available.

2. The original document sought to advance the current situation by

(a) Recording in writing that South Africa and Australia agreed in Vienna to consult the other three governments prior to completing negotiations on agreements or contracts.

(b) explaining that although the USA, UK and Canadian governments were giving active technical consideration to the practical aspects of safeguards these studies had not reached a point where answers could be given to the practical questions raised by Australia and South Africa.

(c) Recommending that South Africa include in any bilateral agreement or contract provision that the IAEA would administer the safeguards.

(d) Suggesting that in the interim before the Agency can administer these safeguards the USA and the UK would be willing to consider arrangements with South Africa, if the need arose, to undertake the inspection functions on behalf of South Africa.

3. Roper of the UK Embassy flatly rejected the substance of subpara (d) saying it would undoubtedly be unacceptable to the UK, South Africa and any second party to a South African bilateral. This idea, therefore, was struck from the document.

4. The discussion on the matter in subpara (c) above pivoted on the knowledge that the South Africans appear reluctant to require safeguards that other countries know they do not have the technical competence to administer. The UK discussions with the Japanese have indicated also that the latter are resistant to the extensive listing of safeguards item by item. To accommodate both these matters Roper roughed out the following wording "with respect to any Japanese project employing material supplied by the Union of South Africa under this agreement, the Union shall have the same safeguard rights as are conferred upon the International Atomic Energy Agency by Article XII of its statute with regard to any Agency project." A companion clause would reserve the right of the Union to turn over the safeguards to the International Agency for administration. It is not intended that these or similar wordings be incorporated in the document but that they be suggested to the South Africans informally.

5. It was visualized that the document would be drafted as an aide mémoire from the State Department and the wording would show clearly that it reflected the opinions of all three governments.

6. It is also intended to see if South Africa will concur in a copy of the document being passed to Australia. If they balk at this it is intended that a suitably modified but similar document be prepared for presentation to Australia.

7. During the meeting it became evident that the USA and the UK feel that a uranium exporting country, if it is competent to do so, is obligated to follow its uranium through fabricating plants, reactors, chemical processing plants etc to ensure that it is not diverted to non-peaceful uses. Is Canada prepared to subscribe to this at the present moment? Undoubtedly, since future situations are unpredictable, Canada would want to reserve, and is reserving, a full complement of safeguard rights but does Canada visualize becoming involved at a relatively early stage in policing advanced installations? Might not a country that is involved in exporting only source materials argue that its responsibility is finished when it has seen its exports safely into use in a plant built (or equipped) and safeguarded by a competent and friendly nation? If Canada wishes to distinguish between the safeguards it will require in agreements and the safeguards it will actually implement at present this distinction should soon be made clear.

549.

DEA/14002-2-6-40

*L'ambassadeur aux États-Unis
au secrétaire d'État aux Affaires extérieures*

*Ambassador in United States
to Secretary of State for External Affairs*

TELEGRAM 2715

Washington, December 24, 1957

SECRET. PRIORITY.

Reference: Our Tel 2703 Dec 23.

INFORMAL TRIPARTITE MEETING ON CONTROL OF URANIUM, ETC.

Following for your comments as soon as possible is the text of the proposed aide mémoire to South Africa as revised by State Department officials after the December 20 meeting and mentioned in our reference telegram:

"At meetings in Washington in late summer, followed by discussions in October in Vienna among representatives of the British, Canadian, South African, Australian and American delegations, consideration was given to common action with respect to the development of a system which would safeguard atomic energy materials against diversion to military uses. It will be recalled that on February 6 the Canadian government circulated to various interested governments suggestions as to the manner in which like-minded countries might handle this problem. A problem of immediate concern in this field has been to insure that bilateral agreements in the atomic energy field contained safeguard provisions consistent with Article XII of the International Atomic Energy Agency Statute. The British Canadian and USA governments welcomed the intention expressed by the South African and Australian representatives at Vienna that the two governments would consult with the other three governments prior to the consummation of agreements or contracts South Africa or Australia had under negotiation. In this connection it is gratifying that South Africa has now advised the Combined Development Agency of the interest of the Japanese in acquiring eight tons of natural uranium from South African producers.

"These governments assume that particularly the countries which were represented at the informal discussions in Vienna last October have a common interest in the development of an effective safeguard system. This interest is reinforced by our adherence to the Statute of the IAEA and particularly to Article XII. It is the conviction of these governments, the countries which have heretofore been most directly concerned with this problem due to the steps they have already taken to make available internationally nuclear materials, that it is most important during this formative period that action be avoided which would tend to prejudice the potential activity of the IAEA in the safeguards field.

"We have under active consideration by technical experts the practical aspects of a safeguard system — the degree and precision of accountability to be sought, the role to be played by instrumentation, the need to locate experts near facilities, the actual financial cost of this function, and the personnel requirements. We are not yet at the point where it has been possible to reach conclusions on these difficult questions. As a consequence, it has not been possible to answer the inquiries made by either the South African or the Australian governments as to what is involved in the practical application of the safeguard provisions presently contained in British Canadian and American bilateral agreements.

"Despite our inability to provide for some months detailed information which your government understandably desires, we earnestly hope that both the South African and the Australian governments will be prepared to include in any bilateral agreements or contracts negotiated in the meantime language which would maintain safeguard rights in order that a common front may be maintained by the principal supplying nations.

"Bearing in mind that the International Agency is now in existence, the problem of the exercise of this right might be met by the inclusion in any bilateral agreement or contract of provisions to the effect that the International Agency would administer the safeguard provisions. In view of the time required for the actual shipment of natural uranium, the constructing of facilities, and the necessary interval of exposure of such material in a reactor, it would seem entirely reasonable to assume that the new agency would be in a position to exercise the safeguard functions when the occasion for this action arose.

"In conclusion, it should be emphasized that we are at a critical stage in the evolution of an international safeguard and accountability system, the long-range importance of which

can hardly be overestimated. We fear that any breach in the ranks of governments that have traditionally worked together in this and related fields may very well cast in doubt the development by the Agency of an effective safeguard system."

2. The Canadian document referred to in the first paragraph is the aide mémoire transmitted to this embassy under your telegram E-175 February 1.† The appropriateness of referring to it in the South African aide mémoire would seem questionable. If it were desired to omit this reference neither the USA nor the UK would object.

3. For your information, Roper of the UK Embassy has read the text repeated above and has stated his personal satisfaction with the document as it now stands.

4. Roper's rough draft contained in paragraph 4 of our reference telegram has been examined by an AEC lawyer who prepared the following version.

"With respect to any Japanese project employing source materials supplied under this agreement by the government of South Africa or persons under its jurisdiction, the government of the Union of South Africa shall have the same rights with regard to the safeguarding of such material as are conferred upon the IAEA by Article XII-A of its statute if this transaction were an Agency project subject to safeguards."

DEA/14002-2-6-40

550.

*L'ambassadeur aux États-Unis
au secrétaire d'État aux Affaires extérieures*

*Ambassador in United States
to Secretary of State for External Affairs*

Washington, January 21, 1958

TELEGRAM 143

CONFIDENTIAL. PRIORITY.

Repeat London (Information).

By Bag Capetown, Canberra from London.

TRIPARTITE MEETING ON CONTROL OF URANIUM

Yesterday afternoon Stewart, Counsellor of the South African Embassy, and Booker, Counsellor of the Australian Embassy, were given separately copies of the aide mémoire which had been agreed upon by the three governments in whose name the document was presented.

2. The final version of this aide mémoire reads as follows: Begins:

"At meetings in Washington in the late summer, followed by discussions in October in Vienna among representatives of the Australian, Canadian, South African, USA and UK delegations, consideration was given to common action with respect to the development of a system which would safeguard atomic energy materials and equipment supplied for peaceful purposes against diversion to military uses. A problem of immediate concern in this field has been to insure that bilateral agreements in the atomic energy field contained safeguard provisions consistent with Article XII of the International Atomic Energy Agency Statute. The governments of Canada, the USA and the UK have welcomed the statement of the South African and Australian representatives at Vienna that the two governments would consult with them prior to the consummation of agreements or contracts for the supply of uranium by Australia or South Africa to other governments. In this connection it is understood that the South African Atomic Energy Board has advised the

Combined Development Agency of the interest of the Japanese in acquiring eight tons of natural uranium from South Africa.

It is clear that the countries which were represented at the informal discussions in Vienna last October have a common interest in the development of an effective safeguard system. All of them took an active part in insuring the incorporation in the Statute of the International Atomic Energy Agency of the safeguard provision, notably Article XII. It is the conviction of the governments of Canada, the USA, and the UK that it is most important during this formative period that action be avoided which would tend to prejudice the potential activity of the International Atomic Energy Agency in the safeguards field.

The three governments have under active consideration by technical experts the scope and practical means of implementing a safeguard system, whether under the auspices of the International Atomic Energy Agency or under the provisions of bilateral agreements. They are not yet in a position to formulate detailed proposals on these difficult questions. As a consequence, it is not yet possible to answer the inquiries of the Australian and South African governments as to what would be involved in the practical application of such safeguards.

Despite their inability to provide for some months the detailed information which your government desires, the three governments trust that the South African government will be prepared in bilateral agreements or contracts negotiated in the meanwhile to include language which would maintain safeguard rights in order that a common front may be maintained by the principal supplying nations.

Bearing in mind that the International Agency is now in existence, the problem of the exercise of this right might be met by the inclusion in any bilateral agreement or contract of provisions to the effect that the International Agency would administer the safeguard provisions in view of the time required for the actual delivery of natural uranium, the constructing of facilities, and the necessary interval of exposure of such material in a reactor, it would seem entirely reasonable to assume that the new Agency would be in a position to exercise the safeguard functions at the time when the uranium could be used for the production of plutonium and more extensive procedures would be required, and such implementation was therefore a practical necessity." Ends.

3. The foregoing is the text of the aide mémoire given the South Africans. The aide mémoire given the Australians omitted the last sentence of paragraph one and substituted "Australian government" for "South African government" in paragraph 4. You will note the redundancy at the conclusion at the end of the final paragraph. This was the result of a misunderstanding between the State Department and the British Embassy, the former believing that both phrases ("more extensive procedures will be required" and "such implementation was therefore a practical necessity") were to be included rather than only the latter. The inclusion of both phrases does not make for good English but does not alter the sense of the paragraph.

4. Stewart accepted the aide mémoire and promised to forward it to the South African government as quickly as possible. He asked a few questions, principally in order to clarify his own understanding of the situation, and also referred briefly to the political and economic pressures faced by his government, but his attitude was generally non committal.

5. Booker, on the other hand, gave the impression of being much better briefed and asked some searching questions. It was his impression (and he made it clear that he might not be wholly up to date on the thinking of the Australian Atomic Energy Commission) that the Australian approach to the general questions of sales of natural uranium was not so widely different from that of the UK, USA, and ourselves. His government wholeheartedly supported the concept of a safeguards system and as far as he was aware the Australians

intend to make certain that the Agency assume responsibility for implementing the safeguards procedures set out in Article XII of its Statute. He was doubtful, however, whether the Agency would be an effective body for this purpose because of Soviet participation. Principally for this reason he was not too attracted to the proposal in the aide mémoire that the "Agency would administer the safeguard provisions" (last paragraph). He felt certain that his government would not wish as a matter of principle to assume responsibility for safeguards in the absence of detailed knowledge of techniques, requirements and costs involved in implementing a safeguards system which details he had hoped to receive from us as he knew his government was awaiting them. He believed that Australia would prefer simply to reserve the safeguards rights with the proviso that the Australian government might at some future date transfer the responsibility of implementing the safeguards to the Agency. Like Stewart, Booker referred to the domestic problems faced by his government. Finally, he undertook to communicate with the Australian government and to let us have their reactions as soon as possible.

6. As stated above, Booker said that he was not wholly clear as to the present thinking of the interested Australian authorities on this general question. It is therefore difficult to say whether the views he expressed would be concurred in by his government. If this should prove to be the case, then clearly the Australians are closer to our thinking than we realized.

PCO

551.

Extrait des conclusions du Cabinet
Extract from Cabinet Conclusions

[Ottawa], May 1, 1958

SECRET

Present

The Prime Minister (Mr. Diefenbaker) in the Chair,
The Minister of Finance (Mr. Fleming),
The Minister of Veterans Affairs (Mr. Brooks),
The Minister of Transport (Mr. Hees),
The Solicitor General (Mr. Balcer),
The Minister of National Defence (Mr. Pearkes),
The Minister of Trade and Commerce (Mr. Churchill),
The Minister of Justice and
Acting Minister of Citizenship and Immigration (Mr. Fulton),
The Minister of Agriculture (Mr. Harkness),
The Minister of Labour (Mr. Starr),
The Minister without Portfolio and
Acting Minister of Fisheries (Mr. Browne),
The Minister of Mines and Technical Surveys (Mr. Comtois),
The Minister of National Health and Welfare (Mr. Monteith),
The Minister of Northern Affairs and National Resources (Mr. Alvin Hamilton),
The Secretary to the Cabinet (Mr. Bryce),
The Assistant Secretaries to the Cabinet (Mr. Fournier), (Mr. Martin).

URANIUM; SALE OF SURPLUS

62. *The Minister of Trade and Commerce* said that Eldorado Mining and Refining Limited has been the sole purchaser of uranium from the mines in Canada. The uranium was then sold under contract to the United States Atomic Energy Commission and to the

United Kingdom Atomic Energy Authority. In some cases the contracts called for deliveries to be completed by March 31st, 1962, in others by March 31st, 1963.

Recently, it had become apparent that certain of the mines would be able to produce more than required by their contracts with Eldorado. Both the U.K. and the U.S. atomic energy authorities had stated they were not prepared to accept any more uranium than the overall amount they had originally undertaken to buy. In these circumstances, consideration had been given to the best way of disposing of uranium that would become surplus. Although requirements of friendly countries other than the U.S. and the U.K. would not be large over the next few years, it would be desirable to establish trading relations with them soon with a view to opening up new markets for the future. The U.S. authorities were now considering an arrangement which would permit U.S. producers to sell abroad.

Because price might well be a decisive factor in capturing limited markets, it would be impossible for Eldorado to act as sales agent for competing Canadian producers. Accordingly, Eldorado recommended that producers be permitted to make their own arrangements for the sale of uranium surplus to contract requirement, subject to obtaining an export permit. Permits should only be granted for export to a country with which Canada had a bilateral agreement for co-operation in the peaceful uses of atomic energy. When sales were only for small quantities for testing and research, permits might be granted for exports to a friendly country without a bilateral agreement for a sale up to 100 kilos; the aggregate sales to any such country should not exceed 1,000 kilos.

It was very much in Canada's interest that the uranium be in as finished a form as possible. Facilities for the production of uranium oxide and metal existed and could be made available to the producers on a custom basis.

An explanatory memorandum had been circulated. (Memorandum, undated and unsigned, Cab. Doc. 96-58†)

63. *Mr. Churchill* concurred in the proposal and recommended it for approval. Indeed, he saw it as the only course open in the circumstances.

64. *During the discussion* it was pointed out that uranium exports were now running at the rate of about \$200 million a year. There would be a serious marketing problem when the contracts with the U.K. and the U.S. expired. If Canada did not take steps to meet the needs of potential purchasers they would buy elsewhere.

65. *The Cabinet* noted the report of the Minister of Trade and Commerce on the potential surplus of uranium, and agreed that individual producers be authorized to make their own arrangements for the sale of any uranium surplus to contract requirements with Eldorado Mining and Refining, Limited, subject to obtaining an export permit under the conditions proposed by the Minister.

...

552.

DEA/14002-2-6-40

*L'ambassadeur aux États-Unis
au secrétaire d'État aux Affaires extérieures
Ambassador in United States
to Secretary of State for External Affairs*

TELEGRAM 1041

Washington, May 14, 1958

CONFIDENTIAL. PRIORITY.

Reference: Your Tel E-619 Apr 23.†

Repeat London (Information).

Repeat Geneva from Ottawa, Vienna from Geneva.

CONTROL OF ATOMIC EXPORTS

At the conclusion of the USA-Canada-UK discussions on recent USA developments with Euratom (our telegram 1035 May 13†) Schaezel raised the question of our tripartite approach to South Africa and Australia last fall on the control of atomic exports. None of the three countries was able to report any response. It was felt that in view of the recent USA and Canadian announcements concerning private sales of uranium and the USA-Euratom discussions and in view of the length of time that has elapsed that it would be appropriate to talk to Australia and South Africa again.

2. Roper of the UK Embassy expressed the opinion that both countries had been disturbed last fall to be called in to the State Department to find themselves confronted not repeat not by State alone, but by the three countries in a somewhat formal fashion. It was not repeat not felt that this reaction was justified but nevertheless it was agreed that on this occasion State alone would sound them out and in a more informal manner.

3. After Roper left we raised with Breithut and Schaezel the question of Van Rhijn's alleged proposal for a price stabilization board for uranium. They were not repeat not aware of any such proposal and State Department was not repeat not considering the idea. They had gathered in a general way while Van Rhijn was here that South Africa wished there were a floor price for uranium but the subject was never advanced in a direct or serious manner and it had been paid scant attention. They expressed dissatisfaction with Van Rhijn and implied that he had returned to South Africa with a number of vague misconceptions. Jesse Johnson who heads AEC's Division of Raw Materials has just returned from South Africa and State Department plans to see if he can throw any light on the matter. As we might get more information via State than directly we left the matter at this stage.

4. The working parties on controls in both the UK and the USA have been working actively but Roper says it will be July before the UK group has its paper ready. Vander Weyden of AEC tells us that they completed their paper three months ago but other work has prevented the commission from reviewing it. There was disagreement among the staff and the report incorporates both majority and minority views. Vander Weyden thought that they would be ready by July also. The original idea that in the interim the working parties would keep in touch with each other informally appears to have gone by default.

553.

DEA/14002-2-6-40

*Note du chef de la Direction économique
pour le sous-secrétaire d'État aux Affaires extérieures*

*Memorandum from Head, Economic Division,
to Under-Secretary of State for External Affairs*

CONFIDENTIAL

[Ottawa], May 30, 1958

EXPORT OF URANIUM¹⁰

Although the new uranium sales policy announced by the Minister of Trade and Commerce on May 7 permits private producers to make their own arrangements for the sale of uranium surplus to their contractual commitments to Eldorado, and also provides that small research quantities of uranium may be exported to countries with which Canada has not concluded an agreement for cooperation in the peaceful uses of atomic energy, the Government's policy continues to be that more substantial quantities of uranium may only be exported to countries with which we have such an agreement. The conclusion of a bilateral agreement of this kind is therefore antecedent to the sale of uranium abroad and it is clearly desirable for this reason (as well as for many others) that we conclude bilateral agreements with as many friendly countries as possible. Following the announcement of the new sales policy, we have received letters from uranium producers indicating their concern and interest in this matter, and we must assume that Mr. Pearson's question to the Minister on Wednesday about "negotiations for the sale of uranium" was prompted by similar feelings. It is the primary responsibility of this Department to undertake negotiations for such bilateral agreements and we have already done so in a number of cases. The purpose of this memorandum is to relate our responsibilities in this respect to the problem of the sale of uranium abroad in a realistic way, to describe what we have done to initiate negotiations with interested countries and to suggest what further action might be taken.

2. It has been clear for some time that Canadian uranium producers would be developing productive capacity in excess of that necessary to meet their contractual commitments to Eldorado. It has also been clear that, with the expiry of the U.S. contracts for the purchase of Canadian uranium (the expiry dates for the various contracts fall between March 31, 1962 and March 31, 1963), Canadian producers might face an extremely difficult marketing problem, the gravity of which would, of course, depend on the extent to which the U.S. exercises its options to purchase Canadian uranium after the expiry of the present contracts and on the development of other markets abroad. It was, in part, to enable producers to begin making their own efforts to meet these problems that the Minister of Trade & Commerce on May 7 announced the new sales policy.

¹⁰ Notes marginales :/Marginal notes:

This seems to me a conspicuously clear and sensible memorandum. The recommendations in para. 10 have my full support. D.V. LeP[an]

This is a very good memorandum. I agree with the recommendations in para. 10. J. L[éger]

See note p. 6. [voir note 14/see footnote 14] Mr. Crowe: Altho[ugh] this is somewhat out of date, please see together with note. J. L[angley] 4/6

3. The extent of the marketing problem after 1962 cannot yet be estimated even approximately. We have, however, some data on the situation which faces the industry in the immediate future. Two Canadian uranium mines, Algom and Bicroft, have developed excess capacity for which no market exists after July 1, the date from which Eldorado will not accept uranium deliveries in excess of contractual commitments (the fact that the operations of some uranium mines have been behind schedule has, up to the present, permitted Eldorado to accept deliveries in excess of contractual commitments from the mines capable of making these deliveries.) We do not know precisely what the excess capacity of Bicroft will be but we understand that Algom can produce 500 tons a year above its contractual commitments. Even considering the capacity of the Canadian industry (15,000 tons per year) this is a substantial quantity.

4. As is natural, Canadian producers have been showing signs of concern at the marketing problems, both short and long term, with which they are faced. Before the announcement of the Government's new policy, the Rio Tinto group and Bicroft Uranium Mines both wrote on this subject to us. Since the announcement of the policy, uranium producers, who have formed a Uranium Producers Association affiliated with the Canadian Metal Mining Association, have sent Mr. V.C. Wansbrough, Managing Director of the CMMMA to Ottawa to seek the views of the interested Departments on this general problem. Mr. Wansbrough called on us and a copy of a memorandum which he prepared, for the benefit of the members of the UPA as a result of his visit, is attached.†

5. In the potentially difficult situation which faces the uranium industry there has been a tendency to regard the conclusion of bilateral agreements between Canada and other countries as a critical element in the immediate solution of marketing problems. As we pointed out to Mr. Wansbrough, the relationship between these agreements and uranium sales is double-edged. While it is true that they are a *sine qua non* of the export of Canadian uranium, it is equally true that successful efforts by Canadian producers to market their product abroad will give the foreign governments concerned an added incentive for entering negotiations with us for the conclusion of agreements which they may not otherwise feel are very urgent.

6. In any case, a realistic appraisal of the relationship between bilaterals and sales must take account of the market outlook for uranium over the next few years. While very little definite data is available, it is clear that markets will only develop as the countries concerned get their power programmes under way. Outside of the U.K. there is only one full scale power reactor in operation (the Shippingport reactor in the United States) and studies by AECL indicate that a market for only minimal quantities of Canadian uranium will be available for the next few years. Last year, before the announcement of the Government's new policy and before it was realized that the Canadian industry would be developing excess capacity, Eldorado made arrangements with USAEC to withhold from delivery to the United States a quantity of uranium estimated as being sufficient to meet the requirements of all the countries who might wish to purchase this material in Canada during the next five years. The figure, which is strictly confidential, was 200 tons per year for five years and of this 100 tons per year has been earmarked for delivery to Germany. It will therefore be seen that Eldorado estimated the total requirements for Canadian uranium, apart from contracts at that time in effect, at a figure which we must regard as almost negligible in relation to total Canadian production. The situation with regard to Japan, which we regard as one of our better customers, will serve as an example. Our Ambassador in Tokyo has reported that Japanese requirements for uranium for the current year are less than eight tons and that "Japanese demand for uranium from us seems unlikely to exceed relatively small amounts for research purposes until Japan produces her own power reac-

tors." It is, of course, possible that Canadian producers may be able to find markets on their own abroad but it would seem that the main value of their efforts will lie less in immediate sales than in establishing contacts for the future.

7. Faced with these difficulties, there may well continue to be a tendency on the part of producers, who find themselves with excess capacity, to argue that they are at a disadvantage *vis-à-vis* their U.S. competitors in their search for foreign markets because Canada has, at the present time, bilateral agreements or arrangements only with the U.K., the U.S., Germany and Switzerland, whereas the U.S. has comprehensive bilateral agreements with fourteen countries. However unjustified, this argument has popular appeal, is not easy to counter effectively and is politically tricky. It also contains a grain of truth which will become increasingly significant as we move towards the early 1960's. Essentially, the fact is, of course, that the Canadian Government is anxious to enter into agreements for cooperation in the peaceful uses of atomic energy with other friendly countries and has taken active steps to do so, including the circulation of our draft standard bilateral agreement to interested countries and follow-ups to this, both formal and informal.

8. The United States is making a very large effort in international cooperation in this field. For example, it has a standing offer to supply half the cost of research reactors in friendly foreign countries (within a ceiling of \$350,000) and it has concluded some fifty research agreements with such countries. These agreements are not relevant in the present context, since they do not provide for the export of nuclear materials apart from a few pounds of enriched uranium, but there will in future be a tendency for the countries concerned to look to the United States for cooperation in their power programmes and as a supplier of materials. Incidentally, the U.S. is the only country now in a position to sell enriched uranium abroad and is, with the United Kingdom, the only experienced supplier of nuclear plant in the Western World.

9. Apart from its research agreements, the U.S. has comprehensive agreements with the following countries: Australia, Belgium, Brazil, France, Federal Republic of Germany, Italy, The Netherlands, Norway, Peru, South Africa, Spain, Switzerland and the U.K., in addition of course to its agreement with Canada. We already have agreements with three of these countries and are engaged in negotiations with one other (Australia). In addition we have sent a copy of our draft standard bilateral agreement to four of the other countries (Belgium, France, Italy and South Africa). There remain Brazil, The Netherlands, Norway, Peru and Spain, with whom we have not been in touch since they had not, at the time our standard agreement was being prepared, expressed any interest in cooperating with us in this field or in purchasing our uranium. On the other hand, we have passed our bilateral agreement to a number of other countries which have expressed such an interest (namely, India, Sweden, Pakistan, Denmark and Japan). We have reason to believe that negotiations with Japan for the conclusion of an agreement will open this summer but none of the remaining countries have shown an inclination to pursue the matter. Indeed, the Swedes have informed us that they are not ready, at this time, to open negotiations for the conclusion of an agreement although they hope that the informal cooperation which has taken place between our two countries in this field for a number of years will continue and expand.

10. This brings us to the core of the political problem involved. We can only negotiate agreements for cooperation in this field with countries who are prepared to cooperate with us on a mutually acceptable basis and there is clearly a limit to the approaches which we

can appropriately and with dignity make to them on this subject. I think, however, that we have not yet exhausted these possibilities and would suggest that we should:

(a) Send copies of our draft standard bilateral agreement, under cover of an appropriate Note, to the countries which might be interested but have not yet received a copy. (The Netherlands,¹¹ Norway, Spain, Finland and certain Latin American countries, perhaps including Argentina, Brazil, Chile, Cuba and Peru.)

(b) Again formally approach any country which has shown a definite and precise interest in entering negotiations with us. At the moment I think that only Pakistan falls into this category.¹²

(c) Ask our missions abroad to seek an opportunity of asking other countries to whom we have passed a copy of our draft standard bilateral agreement informally whether they would be interested in entering negotiations.

(d) Consider, in due course, whether any further approach to the French may be desirable.¹³

It would be unprofitable to regard ourselves as being in competition with the United States for the conclusion of bilateral agreements. The interest of many foreign countries in entering such agreements with the U.S. is immediate and material (for the reasons given in paragraph 8). On the other hand, we must seek to expand our own cooperative relations as rapidly as possible and the foregoing suggestions provide one way of doing so. Although we cannot offer the same facilities or financial inducements as the United States, I think that cooperation with Canada has much to offer the countries concerned in the future: to mention but a few, we are a leading atomic power, foreign scientists seem anxious to visit Chalk River and exchange information with us, we propose to establish a reactor school there shortly and the Universities are also developing training facilities and we do offer a stable and assured source of natural uranium.

11. It must be recognized that the present uncertainty with regard to arrangements for safeguards against the diversion of uranium to military uses may well be a factor in determining the attitude of foreign countries to any proposal on our part that we enter negotiations for a bilateral agreement. We have inferred from our talks with Swedish officials that this was one reason they do not wish to negotiate an agreement with us at this time and the U.S. negotiations with EURATOM, which have further confused the situation regarding safeguards, will not have passed unnoticed abroad. It is possible that other countries will follow the Swedish lead and that the response to the *démarches* suggested in the preceding paragraph will be disappointing. I would not suggest that this should lead us to recommend a change in Canadian Government policy on safeguards at this time but I think that we should continue to press for progress in the work on this subject which we have undertaken jointly with the USA and UK and that we should reconsider our position if it seems unlikely that a workable cooperative safeguards system can be evolved. We must also keep the EURATOM situation under review since it is not certain at this time in what way the safeguards (which have still to be agreed upon in detail) will operate in practice and we cannot afford to apply more stringent conditions than those of the U.S. and other leading countries. In this connection, we have sent Roger Smith, the AECL official most intimately

¹¹ Note marginale :/Marginal note:
Done informally [J. Langley]

¹² Note marginale :/Marginal note:
Done. J. L[angle] Also Euratom & Japan.

¹³ Note marginale :/Marginal note:
No [auteur inconnu/author unknown]

connected with Chalk River's safeguards system, to Washington to review technical progress of the Working Parties considering this question and his preliminary report is encouraging in some respects. We should be in a position to meet with British and U.S. officials soon. If the general approach suggested in this memorandum seems sensible, we must recognize that a delay in beginning negotiations for bilateral agreements with some foreign countries may be the price which we have to pay for our willingness to pursue further the attempt to set up a safeguards system in cooperation with other friendly countries.¹⁴

L.E. COUILLARD

554.

PCO/R-100-1-U

*Le groupe de travail aux garanties
de la Commission consultative sur l'énergie atomique
au Comité sur l'énergie atomique*

*Safeguards Working Group, Advisory Panel on Atomic Energy,
to Atomic Energy Committee*

SECRET

Ottawa, July 30, 1958

Mr. Bryce has asked that the attached memorandum entitled "The Application of Safeguards to Nuclear Exports" be circulated to the members of his informal atomic energy committee.¹⁵ This memorandum has been prepared by the Working Group established by the Committee to study the safeguards problem and make recommendations on the safeguards system which might be applied to uranium exported from Canada to friendly countries under the terms of bilateral agreements for co-operation in the peaceful uses of atomic energy. It is intended to serve as a basis for discussion in the Committee and, possibly, for the preparation of a Canadian paper to be submitted to the United Kingdom and United States authorities when the tripartite discussions on safeguards are resumed.

¹⁴ Note marginale :/Marginal note:

Note. We have further approached Japan, Pakistan, and Euratom countries. It was decided that further approaches, which would involve submission of bilateral agreement, should be delayed pending: (a) clarification of safeguards; (b) preparation of revised standard agreement. The latter is in hand, as is the drafting of a suitable standards note to be circulated to interested missions with a despatch outlining our interest in negotiations and giving an account of Canadian policies on sales and of development of safeguards. L. C[ouillard]

¹⁵ À une réunion tenue en février 1958, et dont on n'a trouvé aucun compte rendu, la Commission consultative sur l'énergie atomique a demandé au ministère des Affaires extérieures de rédiger un document sur la question des garanties. M. D.H.W. Kirkwood en a écrit la version provisoire, qui a été communiquée aux organismes et ministères gouvernementaux concernés au cours de la deuxième semaine de mai 1958. Après l'affectation de M. Kirkwood à Athènes, M. J.C. Langley a supervisé les changements apportés au document présenté à la Commission consultative sur l'énergie atomique qui est imprimé ici.

At a meeting held during February 1958, for which no minutes were located, the Atomic Energy Advisory Panel instructed the Department of External Affairs to draft a paper on the safeguards question. D.H.W. Kirkwood wrote the preliminary draft of this paper that was circulated to interested government agencies and departments in the second week of May 1958. After Kirkwood was posted to Athens, J.C. Langley supervised the drafting changes in the document presented to the Atomic Energy Advisory Panel that is printed here.

The attached memorandum does not deal specifically with the situation created by the "self-inspection" provisions of the recently signed U.S.A.-Euratom Atomic Energy Agreement.

J. LANGLEY

[PIÈCE JOINTE I/ENCLOSURE I]

Note

Memorandum

SECRET

THE APPLICATION OF SAFEGUARDS TO NUCLEAR EXPORTS

PART I — GENERAL CONSIDERATIONS

It is the policy of the Canadian Government that safeguards against diversion to military use should be applied to nuclear materials exported from Canada for peaceful use. A similar policy is pursued by the United States and United Kingdom Governments in respect of such exports from their countries and the bilateral agreements of all three countries with other countries or regional organizations provide for the application of safeguards.

The Standard Safeguards Article in Canadian bilaterals, which is reproduced as Appendix B of this report, provides for the application of safeguards to identified material only (i.e. as defined in the Agreement, this means, broadly speaking, uranium and derived substances). Other nuclear materials, such as heavy water, reactors, etc., serve an essential role in the production processes by which nuclear source materials are converted into fissile materials usable for military purposes. These items must therefore be controlled in any comprehensive safeguards system. However, since it will be several years before Canada is in a position to export such items, we will have neither the right nor opportunity to exercise safeguards over them during this period. The remainder of this paper will therefore address itself to the problem of applying safeguards to nuclear source and fissile materials. It must, however, be recognized that nuclear plant is as essential to the production of fissile material as are nuclear source materials, that safeguards during the process of production of fissile materials must be applied in the nuclear plant itself and that it would be inequitable to expect the producers of source materials alone to bear both the burden and possible commercial disadvantage of applying a safeguards system.

Objectives of a Safeguards System

3. While nuclear energy has a variety of military applications, including propulsion, power supply and materials' irradiation, the essential object of a safeguards system from Canada's point of view is to prevent the diversion of uranium supplied for peaceful uses to the manufacture of atomic weapons.

4. Natural uranium cannot itself be used for this purpose since the concentration of the fissile isotope (U 235) is far too low. Atomic weapons can, however, be made from uranium in which the content of the fissile isotope has been increased from the natural concentration of 0.7% to something over 20% or from plutonium, which is created by the irradiation of natural uranium in a reactor. [Atomic weapons can, incidentally, also be made from another fissile isotope of uranium, U 233, which is created by the irradiation of thorium in a reactor.]

5. The isolation of plutonium and of the fissile isotopes of uranium in quantities which would serve a weapons programme requires treatment of the source materials in a processing plant. By passage through an isotope separation plant, natural uranium can be processed to yield a high concentration of U 235. Similarly, plutonium formed in natural uranium which has been irradiated in a reactor can be isolated in a chemical processing plant.

6. Since isotope separation plants are extremely expensive to build and operate, it is doubtful whether any country other than the USA, UK and USSR (which at present process such plants) and France (which is considering building a plant) would contemplate their construction in the near future and it is even more doubtful whether, if they should decide to do so, the construction and operation of such a plant could be kept secret. This is not, however, true of a chemical processing plant which would be substantially cheaper and might be clandestinely constructed and operated.

7. In view of the foregoing, it is considered that for the next few years the main problem facing Canada will be to apply safeguards against the diversion of natural uranium to the manufacture of atomic weapons via the plutonium cycle. Natural uranium might be diverted with a view to its irradiation and processing in clandestine plants or the plutonium might be diverted either before or after chemical processing. It is therefore necessary to contemplate the application of safeguards to natural uranium in all of the forms in which it may be supplied by this country and at all stages in its processing and use abroad: during refining, during fabrication into metal and fuel elements, during irradiation and subsequent storage, during chemical processing and, finally, safeguards will also be required over the plutonium produced and over the further uses of this plutonium.

Note: The foregoing does not cover the possible uses of the thorium - U 233 cycle for military purposes but similar considerations arise.

Some Limitations of the Safeguards Concept

8. For both technical and practical reasons, no safeguards system can completely prevent wilful diversion of uranium and plutonium. Except for uranium metal it is not possible, even for those responsible for operating nuclear plants, to make completely accurate inventory reports of these items. For example, plutonium formation in a given quantity of uranium irradiated at a known power output level for a given time in a reactor of known characteristics, can often not be predicted within 5%. There is thus a margin of error in all such reports and, in addition, operating staff could wilfully falsify records, instruments, etc. to provide a much larger margin for diversion. A safeguards system can limit the amount of diversion possible but the narrower these limits are to be, the more elaborate, costly and onerous the system required. It has been suggested that a simple audit of operating records might detect 25% diversion from a reactor complex, while the best figures which can be achieved by a full time resident staff of inspectors in such a complex might be about 2%.

9. Assuming that the "recipient" country has access to an "uncontrolled" reactor and chemical processing plant, any safeguards system would be ineffective and would give endless opportunity for evasion and deception, if the major uranium producing countries did not subscribe to it. An effective safeguards system would require the closest collaboration between producing countries in order to permit strict accounting of materials supplies to each "recipient" country. The chances of achieving agreement of this kind on a safeguards system are highly uncertain. Among the major producing countries are some which may seek a commercial advantage by offering "uncontrolled" uranium (Australia and South Africa may fall in this group), others which are in principle opposed to safeguards

and do not think that they will work (France and India) and still others whose position is as yet undefined but probably opposed to safeguards (USSR).

10. The views of "recipient" countries are equally important. Probably no such country would voluntarily submit to safeguards as a matter of principle under present circumstances. Some countries have accepted them, lacking any alternative means of obtaining nuclear materials, but other countries (India, Sweden and France, for example) have curtailed their nuclear programmes or embarked on high-cost production of their own rather than purchase available material which entailed safeguards. A number of recipient countries are probably at present withholding judgment on this issue pending the establishment of a working safeguards system. From this point of view, it is desirable that such a system be put into effect as soon as possible, that it be adopted as widely as possible and, in consequence, be no more onerous than absolutely necessary and fully protect the *amour propre* and sovereignty of recipient governments.

Some Methods of Applying Safeguards

11. The most effective means of preventing the diversion of fissile materials is by the international ownership of isotope separation and chemical processing plants, combined with a small staff of inspectors to detect the construction and operation of clandestine plants. Since plutonium is the main object of concern during the next few years, the international ownership of chemical processing plants could suffice during this period. There are, however, grave difficulties in the way of this solution. Not least among these is the fact that, since the three most advanced atomic powers would probably not consider accepting such a system themselves, national pride would certainly lead some other countries to a similar refusal.

12. The most effective safeguards system which could be established on the basis of inspection rather than ownership, would demand a fairly large resident inspection staff in each reactor complex. The Working Group understands that the US AEC has been working on the details of such a system and it has, therefore, not duplicated this work. From the information available, however, it would seem that the costs and staff required for such a system are substantial. One estimate suggests that an inspection staff of 111 persons would be required, at an annual cost of about \$1 million, for the application of safeguards to a complex of ten reactors with a total electrical output of 250 mw. This may well be an extreme case, but it indicates the order of magnitude of the effort required. It should also be borne in mind that such a system might well give rise to friction with the recipient country and that diversion could only with certainty be restricted to 2% - 3%.

13. A third alternative would be a system based on a regular periodic audit of nuclear materials supplied to a recipient country, supplemented by spot checks by traveling inspectors. These checks would be designed to verify the accuracy of the audit reports. Such a system could probably not with certainty detect diversion of below 5% - 10%.

14. The Working Group considered whether it would be possible to make a choice between the foregoing alternatives on the basis of a mathematical calculation. For example, the NRX and projected CANDU reactors may be taken as typical of a large research and of a large power reactor respectively. Their thermal outputs are 40 mw and 800 mw and their annual plutonium production 9 kg and 185 kg respectively. On the assumption that 10 kg is the quantity of fissile material required for an atomic weapon, it would follow that diversion at the rate of 5% would lead to the accumulation of enough diverted plutonium from NRX for the fabrication of one such weapon every 20 years or so and from CANDU for one every year. Thus if a country had only one power reactor of the CANDU type, and if it were considered that the acceptable level of possible clandestine production

of atomic weapons was less than one per year, then it would be necessary to put into effect the more rigorous safeguards system aimed at restricting possible diversion to 2%, and even this would permit the production of one illicit weapon every 2 ½ years.

Conclusions

15. However, the Working Group concluded that calculations of this kind are not particularly meaningful, except possibly in the very short run, since the most important factors for consideration are not mathematical ones. In the first place, the Working Group does not believe that the clandestine fabrication of even one atomic weapon from materials intended for peaceful use can be accepted with equanimity. Since diversion cannot, for technical reasons, be completely ruled out by any safeguards system, the Working Group was driven to the conclusion that the objective of such a system should be to reinforce the moral and legal obligations undertaken by recipient countries in bilateral agreements, by making it unlikely that detection could be evaded in the long run. The corollary of this would appear to be that, so long as possible misuse of nuclear materials remains a cause for concern, Canada should refuse to supply materials to any country if there appeared to be serious doubt as to that country's good faith and willingness to carry out its obligations scrupulously.

16. The foregoing conclusion is reinforced by the fact that no safeguards system can prevent the forcible seizure by a country of the atomic installations within its borders and of the fissile material contained in them. In view of the difficulty of hiding a clandestine atomic programme and of the political opprobrium which the discovery of attempted diversion would entail, it seems more likely that a country *determined* on a weapons programme, but without its own uncontrolled means of carrying one out, would rely on seizure rather than on diversion.

17. The Working Group, suggests that:

(a) despite the difficulties involved, the system outlined in paragraph 11 above deserves the most careful consideration. It offers the most secure system and would probably avoid many of the undesirable features of the bilateral application of safeguards. Its attractiveness is increased by the fact that there is unlikely to be an economic justification for the establishment of national chemical processing plants in most countries during the next decade or more, and by the ENEA precedent in setting up Eurochemic as an international institution;

(b) if the United States and the United Kingdom are determined to establish a rigorous full-time resident inspection system, Canada should participate to the extent that its exports of nuclear materials require. This course would seem to be dictated partly by considerations of international responsibility and morality, and partly by the fact that safeguards, to be effective, must be applied on a uniform basis and with the closest collaboration between all participants (perhaps even to the extent of joint application of the system);

(c) Canada should take the initiative in advocating a simple audit and spot check system. Details of such a system are given in Part II of this paper.

18. It is, of course, recognized that recipient countries might take advantage of the margin of uncertainty inherent in an audit system to divert quantities of fissile material less than the measurement and accounting error. On the other hand, the Working Group considers that a simple audit and spot check would fulfill the practical objectives of a safeguards system as outlined above. It also considers that the positive advantages of adopting this safeguards method are overwhelming. It would be relatively inexpensive, even if introduced to cover large-scale operations, and it would be relatively inoffensive to recipient countries. In the Working Group's opinion this last may well prove to be a critical

argument in its favour. While many countries are at present prepared to accept bilateral safeguards, at least in principle, in order to get their atomic programmes under way, they will certainly seek to free themselves of these safeguards if they prove onerous. As time passes, alternative "uncontrolled" sources of nuclear materials will become available and all producing countries will find themselves under increasing commercial and political pressure to relax the conditions they impose on the supply of materials. In these circumstances, it would seem that the only certain way in which to ensure that the bulk of the world's peaceful uses of atomic energy are subject to safeguards in the medium to long run is by the widespread acceptance of the idea that safeguards are desirable as a matter of principle. If this approach is to succeed, the safeguards system now advocated must be the least onerous one compatible with security (on the criteria developed in this paper).

19. It is generally accepted that the International Atomic Energy Agency is the appropriate forum in which to promote this idea and that through it a genuine multilateral safeguards system might be developed and applied. For practical reasons, however, the first steps towards such a system are likely to be taken on a bilateral basis. It would, therefore, seem important that Canada and other countries which share our concern in this matter, should not now advocate a system which is likely to prove unacceptable to the majority at a later stage. To do so would be to invite the premature demise of the multilateral safeguards concept, involving a very embarrassing situation in respect of the more rigorous safeguards system which we might in the meantime have imposed bilaterally on some countries (among which will be some of our closest friends). The audit and spot system would seem to offer the best chances of gaining acceptance for multilateral safeguards and would, in the Working Group's opinion, also meet Canada's immediate needs arising out of the safeguards provisions of our bilateral agreements.

PART II — PROPOSED PROCEDURE FOR AUDIT AND INSPECTION OF SOURCE
AND SPECIAL NUCLEAR MATERIAL SUPPLIED BY CANADA UNDER BILATERAL AGREEMENTS
FOR CO-OPERATION IN THE PEACEFUL USES OF ATOMIC ENERGY

Introduction

20. This proposed procedure covers the materials which might be supplied by Canada under bilateral agreements within the next three or four years. It assumes that no recipient country will have an isotope separation plant (e.g. diffusion plant) within that time. In particular, the procedure will cover

- (a) Uranium salts — such as mine concentrates and uranium oxide whether of reactor grade or not,
- (b) Uranium metal in bulk form — normally this would be in the form of metal dingots or pieces,
- (c) Unirradiated uranium metal or salts as fabricated units — these would normally be fuel elements and would have identifying numbers or markings,
- (d) Irradiated uranium metal or salts — these would contain plutonium produced from the neutron irradiation,
- (e) Separated plutonium as metal or salts — this material could either have been supplied by Canada or could have been produced from uranium supplied by Canada.

21. The procedure does not cover items such as enriched uranium, heavy water or reactors, or major reactor components.

Accounting Records to be Maintained by the Receiving Country

22. Any country receiving material from Canada subject to inspection would be required to set up a system of accounts for this material so that a record was kept of the quantity and location of all stocks. No specific method of accounting need be followed by the country but the procedure should be such that the information required for the reports described below could be obtained from these records.

23. The receiving country would be required to give a distinctive serial number of each fuel element made from Canadian uranium supplied. The accounting records should show the location of each fuel element up to the point where it loses its identity. (This would occur should it be dissolved).

24. The receiving country would prepare a report which would answer the questions listed in Appendix A as often as may prove necessary in order to meet the purposes of control. This might vary from once every two months to once every six months. Copies of each report would be sent to the Canadian Government (or, if it were agreed, to an outside organization designed by the Canadian Government).

Audit and Inspection by the Canadian Government

25. The Canadian Government would assign to a committee or group (or, if agreed, to some outside organization) the responsibility for checking the accuracy of the reports submitted. Each report would be examined to determine whether or not there were any apparent inconsistencies and this would be followed by spot-checks in the country concerned by representatives of the designated inspection organization. The extent of such inspection would depend upon the amount of material held by the country concerned, the complexity of the processes containing the plutonium and uranium and on the general integrity of the country being inspected. For example, should a country only have fabricated natural uranium fuel elements, inspection would largely consist of a physical inventory check. It must be expected, however, that in most cases competent scientists or engineers will be needed for this work. They must be alert to detect any possible flaws in the answers given to their questions. They will be at a great disadvantage if they are not good linguists. It is believed that they will be most successful if they are technical experts who would be welcomed by the organizations in the country concerned on this account.

26. The "inspector(s)" would select at random information listed in the reports received and perform such examination of the country's own records and of the actual material as may be required to check the accuracy of the submitted reports. If these random selected items were found to be correct, the whole report would be assumed to be accurate.

27. The physical check might in some cases be a direct count or measurement of the physical inventory. In other cases it might be an indirect check on the accuracy of the data. Examples of such indirect checks might be

(a) An isotopic measurement of the uranium in irradiated fuel elements or in the solution formed on dissolving these elements to determine if the isotopic composition was in accord with the reported power output.

(b) An isotopic analysis of plutonium in solution to determine if the plutonium composition agreed with the reported irradiation of the uranium from which the plutonium was formed.

(c) Radiation measurements of monitors placed in the reactor to determine total power production.

28. After each report had been found to contain no errors, the receiving country would be notified that the report was accepted by the Government of Canada. The receiving country

might well wish to publicize this acceptance as evidence that its atomic energy activities were entirely peaceful.

Personnel and Costs Involved

29. The routine reports on the receipt and disposition of uranium and fissile material will require analysis by experts. This might be done by a committee or similar body consisting of personnel drawn from a number of departments and agencies in Ottawa who would do this work as part of their regular duties. The subsequent inspections will almost always have to be carried out by experts drawn from the Atomic Energy Control Board, Atomic Energy of Canada Limited, Eldorado Mining and Refining Limited, and perhaps Mines and Technical Surveys. It is thought that the work might be carried out by such officials without significant interference with their present duties. The precise number of experts required can only be determined on an ad hoc basis at the time and in the light of the particular purposes for which the materials in question are being used.

30. It is unlikely that in the next few years the cost of carrying out control activities of this type will be significant. The main additional expense will be the cost of traveling, and this could be in the region of \$10,000 to \$20,000 per annum. It would appear difficult and undesirable to seek to charge control costs to the receiving organization. It is suggested that such costs as there may be should in principle be met by the Canadian Government and it would not appear necessary at this stage to consider precisely how this should be done.

[PIÈCE JOINTE 2/ENCLOSURE 2]

Appendice A

Appendix A

PROPOSED PERIODIC REPORT ON URANIUM AND PLUTONIUM
SUPPLIED BY CANADA AND ON PLUTONIUM DERIVED FROM URANIUM SUPPLIED BY CANADA

In this report weight should be given in metric units as accurately as are known. When weights are not known, approximate weights should be given, together with an estimate of probable error.

I. *Unirradiated Uranium*

(a) Quantity of uranium that is not in form of numbered fuel elements

- (i) received since last report
- (ii) transferred from this category since last report
- (iii) quantity and location of material in stock at time of report

(b) Quantity and serial number of fuel elements

- (i) received as finished fuel elements since last report
- (ii) produced in country from material in category I(a) since last report
- (iii) added to reactors since last report
- (iv) removed from stock for reasons other than adding to reactors since last report
- (v) quantity, location and serial numbers of elements in stock at time of report.

II. *Uranium undergoing Irradiation* — A separate report should be made for each reactor

- (a) Quantity and serial number of fuel elements added to each reactor since last report.
- (b) Quantity, serial number and location in reactor of fuel elements in each reactor at time of report.
- (c) Power generated since last report by each element in the reactors.

(d) Calculated plutonium content of each element in the reactor.

(e) Quantity, serial number, power generated during period irradiated and calculated plutonium content at time of removal of elements removed from reactors since last report.

III. *Irradiated Uranium* — A separate report should be submitted for each storage area.

(a) Quantity, serial number, and plutonium content and source of elements placed in storage since last report.

(b) Quantity, serial number and plutonium content of elements removed from storage, and explanation of what has been done with these elements since last report.

(c) Quantity, location, serial number and plutonium content of elements in stock at time of report.

IV. *Chemical Processing of Uranium Procured from Canada* — A separate report should be submitted for each chemical processing installation.

(a) Quantity, serial number and plutonium content of irradiated elements removed from storage for which processing has commenced since last report.

(b) Quantity, serial number and measured plutonium content of irradiated elements for which chemical processing has been completed since last report.

(c) Quantity and location of material separated in chemical processing installation since last report.

(i) Plutonium

(ii) Depleted uranium

(d) Estimated losses in chemical processing installation since last report

(i) Plutonium

(ii) Depleted uranium

(e) Quantity and location of material in storage after chemical processing at time of report

(i) Plutonium

(ii) Depleted uranium.

V. *Separated Plutonium received from Canada or Separated from Irradiated Uranium.*

(a) Quantity at start of report period, showing source compound, isotope composition and location.

(b) Receipts since last report.

(c) Disbursements and losses since last report, with explanation for each entry.

(d) Quantity at end of report period showing compound, isotope composition and location.

[PIÈCE JOINTE 3/ENCLOSURE 3]

Appendice B

Appendix B

SAFEGUARDS ARTICLE FROM CANADIAN STANDARD DRAFT
OF A BILATERAL AGREEMENT FOR COOPERATION
IN THE PEACEFUL USES OF ATOMIC ENERGY

Each supplying Contracting Party shall be permitted to assure itself that the provisions of this Agreement are complied with and, in particular, that identified material is being

used for peaceful purposes only, and to that end the supplying Contracting Party shall have the right

(a) to examine the design of equipment (including nuclear reactors) or facilities in which identified material is to be used or stored, with a view to ensuring that such identified material will not further any military purpose and that effective application of the safeguards provided for in this Agreement shall be feasible;

(b) to require the maintenance and production of adequate records to assist in ensuring accountability for identified material;

(c) to call for and receive progress reports;

(d) to approve the means to be used for the chemical processing of identified material after irradiation, with a view to ensuring that such processing will not lend itself to diversion of identified material to military use;

(e) to send representatives, designated by it after consultation with the other Contracting Party, into the territory of the latter, which representatives shall have access at all times to all places, equipment and facilities where identified material is used, stored or located, to all data relating to such identified material, and to all persons who by reason of their occupation deal with such identified material or such data, as may be necessary to account for all identified material and to determine whether such identified material is being used for peaceful purposes only. Such representatives, provided they shall not thereby be delayed or otherwise impeded in the exercise of their functions, shall be accompanied by representatives of the other Contracting Party if the latter so requests.

2. At or after the time the International Atomic Energy Agency is in a position to carry out the safeguards functions provided for in its Statute, the Contracting Parties will consult together to determine whether and to what extent they may wish to modify the safeguards provisions set out in this Agreement so that they may conform more closely with those of the said Statute, and to have the application of safeguards carried out by the said Agency.

3. Each Contracting Party, if it has determined that identified material is furthering a military purpose, shall have the right to suspend or cancel scheduled delivery of source material, special nuclear material, and fuel, and to require the return of all identified material under the control of the other Contracting Party.

555.

PCO/R-100-1(b)

*Extrait du procès-verbal d'une réunion
de la Commission consultative sur l'énergie atomique*
*Extract from Minutes of Meeting of Advisory Panel
on Atomic Energy*

SECRET

[Ottawa], August 6, 1958

Present

Mr. D.V. LePan, (Chairman), (Assistant Under-Secretary of State for External Affairs),
Mr. A.F.W. Plumptre, (Assistant Deputy Minister of Finance),
Mr. J.L. Gray, (President, Atomic Energy of Canada Limited),
Dr. C.J. Mackenzie, (President, Atomic Energy Control Board),
Mr. D. Watson, (Secretary, Atomic Energy of Canada Limited),
Mr. D. Harvey, (Department of Trade and Commerce),
Mr. J.C. Langley, (Department of External Affairs),
Mr. R.C. Monk, (Department of Finance),
Mr. J. Fournier, Mr. D. Morley, (Secretary), (Privy Council Office).

II. THE APPLICATION OF SAFEGUARDS TO NUCLEAR EXPORTS

9. *The Chairman* recalled that at the last Panel meeting in February, the Secretary to the Cabinet had requested that a paper be prepared outlining the Canadian attitude to a safeguards system. A working group had been set up and the paper now before the Panel was the end product of their studies. He invited Mr. Gray to comment on their proposals before the Panel.

10. *Mr. Gray* said that he concurred with the proposal for a system of audit. The proposed U.S. and U.K. systems were not acceptable solutions to this problem and were far too costly to operate. However, it would be difficult to convince the U.S. that our system would establish an acceptable standard of protection. It would be our intention, if the Panel approved the memorandum, to put forward this system during the forthcoming tripartite discussions with the U.K. and the U.S. If an acceptable system was agreed on at these discussions, it would be proposed to the I.A.E.A. as the basis for an international safeguards system.

11. *Mr. Langley*, in commenting on the paper, said that there was an obligation under bilateral agreements to apply a safeguards system. The paper before the Committee was an attempt to outline such a system which would be both inexpensive and politically acceptable to both parties to our bilateral agreements. In addition, it had a further purpose. At the tripartite discussions last fall, Canada, the U.S.A. and the U.K. had agreed to work towards a uniform safeguards system and, for this purpose, to produce proposals for discussion at a reconvened tripartite meeting this summer. We had received a U.K. paper and understood that a U.S. paper was now being prepared. The working group had thought that the paper now under discussion might, with suitable amendment, be sent as a Canadian contribution for the tripartite meeting. In this connection, there seemed to be little sense of urgency on the part of the U.K. or the U.S. and it would seem therefore to be in Canada's interest to press for tripartite meetings this fall, and thus try and clear up the many uncertainties in respect to safeguards and their application. This was important to Canada both commercially and politically. In our relations with countries with which we have or wish to have bilateral agreements, there were also broader implications since I.A.E.A. was unlikely to establish a safeguards system until some bilateral precedent had been established.

12. *Mr. Gray*, in commenting on the U.S.A. - Euratom agreement, said that the U.S. officials argued adamantly that they had control over the safeguards aspect of the agreement. They said that Euratom had to satisfy the U.S. that the inspection system agreed on had been carried out, otherwise the agreement would be automatically negated.

13. *Mr. Langley* said that the safeguards agreement between U.S.A. and Euratom was not the type of system that had been envisaged during the tripartite discussions last fall. He felt that it had been a concession to Euratom to allow them to apply their own safeguards.

14. *The Assistant Deputy Minister of Finance* felt that the main trouble was in the precedent that this agreement would set.

15. *Dr. Mackenzie* said that the main purpose of the safeguards system was to prevent other countries from making atomic bombs. He felt that European countries, France excluded, had little desire to make atomic weapons and therefore any system would have limited preventative application. He thought that the only hope for effective implementation of a safeguards system would be under the auspices of the I.A.E.C.

16. *Mr. Gray* said that one of the troubles was that the Indians were now saying that as a concession had been made there was no legitimate or practical purpose for applying a safeguards system.

17. In commenting on the proposed Canadian system of audit, *Mr. Gray* said that we could not absolutely control diversion of plutonium and would have to rely to a certain extent on the goodwill of the nations subjected to inspection. He felt that under the proposed U.S. system it would be unlikely that we would sell much uranium.

18. *Dr. Mackenzie* favoured *Mr. Langley's* suggestion that we should show our paper to the U.K. before the forthcoming tripartite discussions. He felt that if these discussions were unforthcoming as far as agreement was concerned, that we should adopt our own safeguards until agreement was reached. *Dr. Mackenzie* noted that the Atomic Energy Control Board would be legally responsible for carrying out this safeguards system and for issuing permits to export uranium, but that the system would most probably be operated by the A.E.C.L. He hoped that the system of policing would eventually be taken over by the I.A.E.A.

19. *The Panel* invited *Mr. Langley* to redraft Paragraph 17 and dispatch copies of the paper to the U.K. and the U.S. The position of the Canadian representatives at the renewed tripartite meetings should be that this paper represented the safeguards system which Canada intended to put into effect failing or pending agreement on a tripartite or broader basis.

...

556.

DEA/14002-2-6-40

*Le secrétaire d'État aux Affaires extérieures
au haut-commissaire en Afrique du Sud*

*Secretary of State for External Affairs
to High Commissioner in South Africa*

TELEGRAM E-1398

Ottawa, August 18, 1958

CONFIDENTIAL. OPIMMEDIATE.

Reference: Your Tel 47 Jul 17.†

Repeat Washington, London, Paris, Tokyo (Information).

URANIUM

We have heard a rumour through commercial channels that Mitsubishi Company, acting as agent of Japan Atomic Fuel Corporation, has practically concluded agreement for purchase of eight tons of uranium oxide from South Africa, allegedly without conditions as to safeguards.

2. We are treating this rumour with some reserve, both because of information contained in your telegram under reference and because we understand that South Africa has informed State Department, in response to an inquiry about an earlier similar rumour, that if a sale were concluded it would be subject to adequate safeguards concerning end use and resale. In view, however, of the implications which any such sale would have, both commercially and for efforts to establish a multilateral safeguards system, please approach South African authorities again informally with a view to establishing the facts.

3. In your conversation you might mention that our attitude on the question of safeguards remains as outlined during our discussions with them in Vienna last October, and in the aide mémoire delivered to them on behalf of ourselves, the UK and the USA by the State Department on January 22 (Washington telegram 143 of January 21 refers) work on the formulation of detailed proposals for safeguards has been proceeding and we would hope shortly to be able to renew contact with other interested countries on this matter. Since our previous discussions, the Canadian Government has announced that small research quantities of uranium may be exported to friendly countries without a bilateral agreement but the total quantity permitted (2500 lbs for any one country) is not considered significant from the safeguards point of view. The export of more substantial quantities without safeguards would, in our view, call in question the whole concept of a multilateral safeguards system.

4. State Department has asked us not to reveal source of information included in paragraph 2 above.

5. *Washington & London.* Please pass substance of this telegram to appropriate authorities locally.

557.

DEA/14002-2-6-40

*L'ambassadeur aux États-Unis
au secrétaire d'État aux Affaires extérieures*

*Ambassador in United States
to Secretary of State for External Affairs*

TELEGRAM 1907

Washington, August 19, 1958

CONFIDENTIAL. PRIORITY.

Reference: Your Tels E-1398 and E-1405† Aug 18.

Repeat London, Paris, Permiso New York (Priority) (Information).

By Bag Capetown from London.

URANIUM

We informed Winfree today of the contents of your telegram E-1398 and in doing so emphasized that we had no repeat no intention of departing from the tripartite approach to the problem of establishing a safeguards system.

2. Winfree's reaction to our proposed approach to the South Africans was most favourable. Coming two months after the USA approach on the same subject, he thought

that our discussion with the South Africans would help to impress upon them the need for a safeguards system and that the problems involved are shared by all the producing countries. Winfree expressed the hope that we would inform the State Department of the South Africans' reaction to our approach.

3. Winfree indicated today that the USA thinking with respect to informal tripartite discussions of the safeguards problem was not repeat not as definite as he had suggested last week. He said there were still differences to be ironed out between the State Department and the AEC and he doubted whether discussions with the UK and ourselves would be possible before late September or October.

558.

DEA/14002-2-6-40

*Le haut-commissaire en Afrique du Sud
au secrétaire d'État aux Affaires extérieures*

*High Commissioner in South Africa
to Secretary of State for External Affairs*

TELEGRAM 55

Capetown, August 21, 1958

CONFIDENTIAL. PRIORITY.

Reference: Your Tel E-1398 Aug 18.

URANIUM

I saw Secretary of State for External Affairs on August 20 to enquire about South African uranium to Japan. He denied that any deals have been concluded either with Japanese or others stating that External Affairs had delayed approval until they were satisfied that their policy on sales was in line with that of other Western producers. He promised fuller information soon and said he would then put some questions to us concerning safeguards.

2. Later on August 20 Minister of Economic Affairs spoke on second reading of atomic energy amendment bill which provides reconstitution and expansion of Atomic Energy Board. He referred briefly to uranium marketing saying without amplification that Japan and Israel wanted to buy.

[J.C.G.] BROWN

559.

DEA/14020-2-6-40

*Note du sous-secrétaire d'État aux Affaires extérieures
pour le secrétaire d'État aux Affaires extérieures*

*Memorandum from Under-Secretary of State for External Affairs
to Secretary of State for External Affairs*

SECRET

[Ottawa], September 3, 1958

SAFEGUARDS FOR EXPORTS OF NUCLEAR MATERIALS

The possibility that uranium and other nuclear materials, supplied to foreign countries for peaceful uses, might be diverted to the manufacture of atomic weapons has been of concern for some years to Canada and other Western countries advanced in atomic science.

The problem is, essentially, that most countries which do not already possess atomic weapons could not fabricate them during the next few years from their own resources but would have to utilize nuclear plant and materials purchased from more advanced nations. It has been the policy of Canada, as of the United States and the United Kingdom, to discourage the acquisition of atomic weapons by these other countries and it is for this reason that we have been concerned to prevent the diversion of nuclear materials and have included provision for the application of safeguards in our bilateral agreements for co-operation in the peaceful uses of atomic energy. This safeguards article grants wide powers to the supplying country to satisfy itself that no diversion takes place but it does not specify in detail how these safeguards should be applied.

Since it is desirable, for both commercial and practical reasons, that any safeguards system which we put into effect is similar to that of other friendly countries, we have consulted closely on this matter with the United States and the United Kingdom and have had some contacts with the South Africans and Australians. Tripartite discussions with the first two countries took place throughout last fall and resulted in the establishment of Working Groups by each of us to study and make recommendations on the way in which safeguards might be applied. It was agreed that, when these Working Groups had completed their work, the tripartite discussions would be resumed.

I now attach a copy of a paper entitled "The Application of Safeguards to Nuclear Exports" which has been prepared by our Working Group¹⁶ (on which this Department, the Department of Finance and AECL were represented). This paper has two objectives:

- (a) to serve as an expression of Canadian views (at the official level) at the tripartite discussions which we expect to resume in a few weeks;
- (b) to outline the way in which Canada might apply safeguards under the terms of our bilateral agreements.

To take these objectives in reverse order, you will recall that we have signed bilaterals with Germany and Switzerland. About 12 tons of uranium have already been exported to the former and AECL is now negotiating a contract for the sale of fuel elements to the latter. We will, therefore, soon have to consider how to implement the safeguards article of our bilaterals and, after consideration by the various Departments concerned, we think that the "audit and spot check" system outlined in the attached paper is the best system for this purpose. I will not repeat the arguments outlined in the paper, but would only say that, in view of our close consultations with other interested countries in the past and our undertaking to resume the tripartite discussions, no firm decision on Canadian action in this field should probably be taken until after further consultation with these countries.

The other purpose of the attached paper is to accelerate progress in such consultations. Our past experience has been that these consultations tend to drag on without constructive results, mainly because they are breaking new ground. However, it would seem to be very much in Canada's interest to press for definite and rapid conclusions, not only because of our obligations under our bilateral agreements, but because the present uncertainty may have detrimental effects on the negotiation of further bilateral agreements and on commercial sales. The main obstacle to progress would seem to be a difference of opinion among

¹⁶ Seule la 1^{re} Partie du document est imprimée ici. La 2^e Partie et les deux annexes du document sur les garanties demeurent inchangées sur la version validée par la Commission consultative sur l'énergie atomique. Consultez les pièces jointes au document 554 pour prendre connaissance de ce texte.

Only Part I of this paper is printed here. Part II and the two appendices of the safeguards paper remained unchanged from the version vetted by the Atomic Energy Advisory Panel. See the attachments to Document 554 for this text.

United States officials as to the type of safeguards they should apply, USAEC apparently being in favour of a rigorous system which we would consider impractical, unpolitic and expensive. We have already received a British Working Group paper which tends to support the conclusions reached in the attached paper and I think that the presentation of the latter to the United States and United Kingdom authorities, with the suggestion that the tripartite talks be resumed as soon as convenient, would act as a catalyst and might well produce rapid progress towards an agreed safeguards system.

The attached paper does not deal with several important but less immediate issues, notably the implications for safeguards of progress towards a general disarmament agreement and of the recently concluded U.S.A.-Euratom agreement which grants the latter the right of "self-inspection" of nuclear facilities instead of external inspection of the kind we are advocating. We are bearing these issues in mind but the first essential would seem to be to resume the tripartite discussions on a constructive basis. I therefore recommend that the attached paper be passed to the United States and United Kingdom authorities as an expression of our views, at the official level, on the type of safeguards system we consider most suitable for application in discharge of our obligations under our bilateral agreements and, more generally, as an international system. I also recommend that we should seek a resumption of the tripartite talks and that, at these talks, we should forcefully press for agreement on a safeguards system based, if possible, on the principles outlined in the attached paper.¹⁷

The Atomic Energy Advisory Panel has approved the attached paper and concurs in the foregoing recommendations. This paper is also being submitted to the Minister of Trade and Commerce for his consideration. In view of the urgency of the matter, we have not thought it desirable to hold up its submission to you pending an expression of Mr. Churchill's views but I will inform you immediately if he should comment on it.¹⁸

D.V. LEP[AN]
for Under-Secretary of State
for External Affairs

[PIÈCE JOINTE/ENCLOSURE]

Note

Memorandum

SECRET

THE APPLICATION OF SAFEGUARDS TO NUCLEAR EXPORTS

PART I — GENERAL CONSIDERATIONS

It is the policy of the Canadian Government that safeguards against diversion to military use should be applied to nuclear materials exported from Canada for peaceful use. A similar policy is pursued by the United States and United Kingdom Governments in respect of such exports from their countries and the bilateral agreements of all three

¹⁷ Note marginale :/Marginal note:
OK [Sidney Smith]

¹⁸ Note marginale :/Marginal note:
Clarkson told me we may assume Min of T & C also approves. J. L[anglely] 8/9
He has since phoned to confirm that Mr. Churchill, after speaking to Mr. Smith approves.
J. L[anglely] 9/9

countries with other countries or regional organizations provide for the application of safeguards.

2. The standard Safeguards article in Canadian bilaterals, which is reproduced as Appendix B of this report, provides for the application of safeguards to identified material only (i.e. as defined in our Agreements, this means, broadly speaking, uranium and thorium and derived substances). Other nuclear materials, such as heavy water, reactors, etc., serve an essential role in the production processes by which nuclear source materials are converted into fissile materials usable for military purposes. These items must therefore be controlled in any comprehensive safeguards system. However, since it will be several years before Canada is in a position to export such items, we will have neither the right nor opportunity to exercise safeguards over them during this period. The remainder of this paper will therefore address itself to the problem of applying safeguards to nuclear source and fissile materials. It must, however, be recognized that nuclear plant is as essential to the production of fissile material as are nuclear source materials, that safeguards during the process of production of fissile materials must be applied in the nuclear plant itself and that it would be inequitable to expect the producers of source materials alone to bear both the burden and possible commercial disadvantage of applying a safeguards system.

Objectives of a Safeguards System

3. While nuclear energy has a variety of military applications, including propulsion, power supply and materials' irradiation, the essential object of a safeguards system from Canada's point of view is to prevent the diversion of uranium supplied for peaceful uses to the manufacture of atomic weapons. Natural uranium cannot be used directly for this purpose but fissile materials, notably the isotope U235 and plutonium, can be derived from it respectively by passage through an isotope separation plant and by the treatment of irradiated natural uranium in a chemical processing plant.

4. Since isotope separation plants are extremely expensive to build and operate, it is doubtful whether any country other than the USA, UK and USSR (which at present have such plants) and France (which is considering building a plant) would contemplate their construction in the near future and it is even more doubtful whether, if they should decide to do so, the construction and operation of such a plant could be kept secret. This is not, however, true of a chemical processing plant which would be substantially cheaper and might be clandestinely constructed and operated.

5. In view of the foregoing, it is considered that for the next few years the main problem facing Canada will be to apply safeguards against the diversion of natural uranium to the manufacture of atomic weapons via the plutonium cycle. Natural uranium might be diverted with a view to its irradiation and processing in clandestine plants or the plutonium might be diverted either before or after chemical processing. It is therefore necessary to contemplate the application of safeguards to natural uranium in all of the forms in which it may be supplied by this country and at all stages in its processing and use abroad: during refining, during fabrication into metal and fuel elements, during irradiation and subsequent storage, during chemical processing and, finally, safeguards will also be required over the plutonium produced and over the further uses of this plutonium.

Some Limitations of the Safeguards Concept

6. For both technical and practical reasons, no safeguards system can completely prevent wilful diversion of uranium and plutonium. Except for uranium metal it is not possible, even for those responsible for operating nuclear plants, to make completely accurate inventory reports of these items. For example, plutonium formation in a given quantity of uranium irradiated at a known power output level for a given time in a reactor of known

characteristics, can often not be predicted within 5%. There is thus a margin of error in all such reports and, in addition, operating staff could wilfully falsify records, instruments, etc. to provide a much larger margin for diversion. A safeguards system can limit the amount of diversion possible but the narrower these limits are to be, the more elaborate, costly and onerous the system required. It has been suggested that a simple audit of operating records might detect 25% diversion from a reactor complex, while the best figures which can be achieved by a full time resident staff of inspectors in such a complex might be about 2%.

7. The effectiveness of a safeguards system will depend very largely on the support of all the main countries producing nuclear plant and uranium. If, as must be anticipated, "recipient" countries develop their own "uncontrolled" reactors and other nuclear plant, acceptance of the principle of safeguards by uranium producing and fabricating countries will be all the more important, since the availability of substantial quantities of "uncontrolled" uranium on the world market would mean that countries with such plant could conduct nuclear programmes free of all safeguards. Moreover, producing countries would have to collaborate closely in the application of the safeguards system in order to permit strict accounting of materials and prevent evasion and deception. The chances of achieving agreement of this kind on a safeguards system among producing countries are highly uncertain. Quite apart from the commercial incentive to offering "uncontrolled" uranium for sale, there are some producing countries which are in principle opposed to safeguards and do not think that they will work and others whose position is as yet undefined but probably opposed to safeguards.

8. The views of "recipient" countries are equally important. Probably no such country would voluntarily submit to safeguards as a matter of principle under present circumstances. Some countries have accepted them, lacking any alternative means of obtaining nuclear materials, but other countries (India, Sweden and France, for example) have curtailed their nuclear programmes or embarked on high-cost production of their own rather than purchase available material which entailed safeguards. A number of recipient countries are probably at present withholding judgment on this issue pending the establishment of a working safeguards system. From this point of view, it is desirable that such a system be put into effect as soon as possible, that it be adopted as widely as possible and, in consequence, be no more onerous than absolutely necessary and fully protect the *amour propre* and sovereignty of recipient governments.

Some Methods of Applying Safeguards

9. The most effective means of preventing the diversion of fissile materials is by the international ownership of isotope separation and chemical processing plants, combined with a small staff of inspectors to detect the construction and operation of clandestine plants. Since plutonium is the main object of concern during the next few years, the international ownership of chemical processing plants could suffice during this period. There are, however, grave difficulties in the way of this solution. Not least among these is the fact that, since the three most advanced atomic powers would probably not consider accepting such a system themselves, national pride would certainly lead some other countries to a similar refusal.

10. The most effective safeguards system which could be established on the basis of inspection rather than ownership, would demand a fairly large resident inspection staff in each reactor complex. While we have not worked out the cost or other implications of such a system in detail, it is clear that the financial burden would be heavy and the system might

well give rise to friction with the recipient country; diversion could only with certainty be restricted to 2% - 3%.

11. A third alternative would be a system based on a regular periodic audit of nuclear materials supplied to a recipient country, supplemented by spot checks by traveling inspectors. These checks would be designed to verify the accuracy of the audit reports. Such a system could probably not with certainty detect diversion of below 5% - 10%.

12. We have considered whether it would be possible to make a choice between the foregoing alternatives on the basis of a mathematical calculation. For example, the NRX and projected CANDU reactors may be taken as typical of a large research and of a large power reactor respectively. Their thermal outputs are 40 mw and 800 mw and their annual plutonium production 9 kg is the quantity of fissile material required for an atomic weapon, it would follow that diversion at the rate of 5% would lead to the accumulation of enough diverted plutonium from NRX for the fabrication of one such weapon every 20 years or so and from CANDU for one every year. Thus if a country had only one power reactor of the CANDU type, and if it were considered that the acceptable level of possible clandestine production of atomic weapons was less than one per year, then it would be necessary to put into effect the more rigorous safeguards system aimed at restricting possible diversion to 2%, and even this would permit the production of one illicit weapon every 2 ½ years.

Conclusions

13. However, calculations of this kind are not particularly meaningful, except possibly in the very short run, since the most important factors for consideration are not mathematical ones. In the first place, the clandestine fabrication of even one atomic weapon from materials intended for peaceful use can not be accepted with equanimity. Since diversion cannot, for technical reasons, be completely ruled out by any safeguards system, the conclusion would seem to be that the objective of such a system should be to reinforce the moral and legal obligations undertaken by recipient countries in bilateral agreements, by making it unlikely that detection could be evaded in the long run. The corollary of this is that, so long as possible misuse of nuclear materials remains a cause for concern, the supply of materials to any country should be refused if there appeared to be serious doubt as to that country's good faith and willingness to carry out its obligations scrupulously.

14. The foregoing conclusion is reinforced by the fact that no safeguards system can prevent the forcible seizure by a country of the atomic installations within its borders and of the fissile material contained in them. In view of the difficulty of hiding a clandestine atomic programme and of the political opprobrium which the discovery of attempted diversion would entail, it seems more likely that a country *determined* on a weapons programme, but without its own uncontrolled means of carrying one out, would rely on seizure rather than on diversion.

15. On the basis of the foregoing, it is the Canadian view that a simple audit and spot check system would, in the circumstances, provide the most satisfactory means of discharging the obligations incurred in the safeguards article of its bilateral agreements. Details of such a system, which is also recommended for the consideration of other interested countries, are given in Part II of this paper.

16. It is, of course, recognized that recipient countries might take advantage of the margin of uncertainty inherent in an audit system to divert quantities of fissile material less than the measurement and accounting error. On the other hand, a simple audit and spot check would fulfill the practical objectives of a safeguards system as outlined above, the positive advantages of which would seem overwhelming. It would be relatively inexpen-

sive, even if introduced to cover large-scale operations, and it would be relatively inoffensive to recipient countries. This last may well prove to be a critical argument in its favour. While many countries are at present prepared to accept bilateral safeguards, at least in principle, in order to get their atomic programmes under way, they will certainly seek to free themselves of these safeguards if they prove onerous. As time passes, alternative "uncontrolled" sources of nuclear materials will become available and all producing countries will find themselves under increasing commercial and political pressure to relax the conditions they impose on the supply of materials. In these circumstances, it would seem that the only certain way in which to ensure that the bulk of the world's peaceful uses of atomic energy are subject to safeguards in the medium to long run is by the widespread acceptance of the idea that safeguards are desirable as a matter of principle. If this approach is to succeed, the safeguards system now advocated must be the least onerous one compatible with security (on the criteria developed in this paper).

17. It is generally accepted that the International Atomic Energy Agency is the appropriate forum in which to promote this idea and that through it a genuine multilateral safeguards system might be developed and applied. For practical reasons, however, the first steps towards such a system are likely to be taken on a bilateral basis. It would, therefore, seem important that Canada and other countries which share our concern in this matter, should not now advocate a system which is likely to prove unacceptable to the majority at a later stage. To do so would be to invite the premature demise of the multilateral safeguards concept, involving a very embarrassing situation in respect of the more rigorous safeguards system which we might in the meantime have imposed bilaterally on some countries (among which will be some of our closest friends). The audit and spot system would seem to offer the best chances of gaining acceptance for multilateral safeguards and would also meet our immediate needs arising out of the safeguards provisions of our bilateral agreements.

560.

DEA/14002-2-6-40

*Le haut-commissaire en Afrique du Sud
au secrétaire d'État aux Affaires extérieures*

*High Commissioner in South Africa
to Secretary of State for External Affairs*

TELEGRAM 62

Capetown, September 9, 1958

CONFIDENTIAL. PRIORITY.

Reference: My Tel 55 Aug 21.

URANIUM

I reminded Acting Secretary of External Affairs September 9 of my early enquiry on uranium. Naude stated that South African officials have given serious consideration to the problem and have decided in the absence of defined safeguards by USA, UK and Canada to conclude deal with Japan specifying only that material is not repeat not to be used for military purposes. South African representatives in Washington, London and Ottawa will be so informing the three governments in a few days and concurrently will request details of defined safeguards by them.

[J.C.G.] BROWN

561.

DEA/14002-2-6-40

*Le secrétaire d'État aux Affaires extérieures
à la délégation à la Conférence économique et commerciale du Commonwealth*

*Secretary of State for External Affairs
to Delegation to Commonwealth Trade and Economic Conference*

TELEGRAM E-1764

Ottawa, September 24, 1958

SECRET. PRIORITY.

URANIUM SAFEGUARDS

For Couillard

1. This question was discussed this morning at meeting with Pollock, Watson and officials of AECB and Eldorado.

2. Meeting began by reviewing recent developments of which, broadly speaking, there have been two:

(a) We have given our safeguards paper to UK and USA authorities as "an expression of our views, at the official level only, on the type of safeguards system we consider most suitable ... as an international system," urging an early resumption of tripartite talks on the subject. According to Watson, our paper has been well received by UK authorities and by Schaetzel. State Department, however, faces the difficulty that the USAEC approach to safeguards is very much more rigorous than ours. State Department thinks it is unrealistic but needs time to work out an agreed position with USAEC. Schaetzel and Vander Weyden were called unexpectedly from Europe to Washington last week, possibly for consultations on this.

(b) There have been clear indications that South Africans and Australians (who were included in 5-party consultations on safeguards briefly last fall, and without whose participation a safeguards system applied to uranium could never be effective) are contemplating the possibility of uranium sales without safeguards.

3. Regarding this latter point, we have not yet established the truth of rumours that a contract for the sale of about 6 tons of South African uranium to Japan has been signed but it seems certain that there have been negotiations on this. If the South Africans have actually signed a contract, this would be contrary to the understanding implicit in the discussions with them last fall and would not seem to be consistent with the assurances given our High Commissioner in Capetown by Dr. Van Rhijn in July.

4. While we are inclined to believe that a contract has probably been concluded, there are indications that the South Africans may have left themselves some room for manoeuvre in their negotiations with Japan. Watson reports that the South Africans approached UK AEA several weeks ago to ask what they considered to be "small" quantities of uranium, for exports of which no safeguards would be required. Fincham, of South Africa's High Commissioner's Office in Ottawa, made a similar approach to us last week. This suggests that the South Africans may be thinking of establishing their own limit for uncontrolled uranium exports and that this limit might cover the prospective sale to Japan. During our conversation with Fincham last week we reminded him of the statement of the Minister of Trade and Commerce of May 7, saying that we thought limit of 2500 lbs was about the maximum which Western producing countries could export without incurring danger that

importing countries might be able to accumulate significant quantities of uncontrolled uranium.

5. At our meeting, Watson reported one other item of interest. As you know, Rio Tinto has approached us informally about a prospective Indian order for 10 tons of uranium and Watson spoke to his Indian colleagues at the Commonwealth nuclear meeting about this. They told him that they were not interested in the negotiation of a bilateral agreement with us and that, in any case, they had been informed at Geneva by both USA and Canadian uranium producers that sales of uranium would shortly be permitted without any strings and that they need not worry about bilaterals or safeguards. Indians also told Watson that USAEC had agreed to sell them 10 tons of heavy water without safeguards, which it had previously refused even to contemplate.

6. In the light of the foregoing, the consensus of this morning's meeting might be summarized as follows:

(a) As long as there is a reasonable chance of a successful outcome, it is desirable to work with other countries concerned for agreement on a safeguards system. This means the establishment of a set of rules which will be honoured by all countries (and particularly, in the present context, by uranium producing countries). Deviations from what we have understood to be the common approach to safeguards (of the 5 countries which have discussed the matter) have occurred and make it essential that consultations on this subject be resumed as soon as possible. The deviations we have in mind are the concessions which the USA has granted Euratom on safeguards, the alleged sale by the USA of heavy water to India without safeguards and the rumoured sale of uranium by South Africa to Japan;

(b) A further approach to Van Rhijn at this time would probably be useful and tactically sound. The South Africans have a talking point when they say that they have not been kept informed of the progress of our work on a safeguards system. We therefore think Van Rhijn might be given a copy of our safeguards paper, with the explanation that it is a Canadian working paper only, is intended to apply to all exports of uranium greater than the 2500 pound limit we have established and is passed to him as a basis for future discussion;

(c) If you agree with the foregoing we would suggest that the approach to Van Rhijn be made in as simple terms as possible. It would be useful to determine, if possible, whether the South African-Japanese contract has definitely been signed and, if so, whether this represents a new South African policy or is a once-only arrangement. Apart from this Van Rhijn might be told that we attach the greatest importance to the South African decision on this matter as it may well set a pattern and would certainly not be overlooked by other uranium producing countries in the determination of their policies;

(d) We would be inclined to follow up such an approach by giving a copy of our safeguards paper to Fincham here, taking the opportunity to describe our position more fully and in greater technical detail. We might also tell Fincham that the Japanese are obviously shopping around for uranium without safeguards, that an important principle is at stake and that it would, in our view, be regrettable to prejudice this for a few tons of uranium, particularly when no lasting commercial advantage would be likely to result;

(e) If our safeguards paper is given to the South Africans on this basis, we think it might also be passed to the Australians. You will have received a copy of Canberra letter no. 619 of September 2† which indicates that the Australians are now considering this question, with half an eye on the possible commercial advantages to a high cost producer (such as they are) of offering to sell without safeguards.

7. If you are with the foregoing, we would propose informing the USA and UK authorities of the action we have taken, saying that we consider it desirable to resume discussions on a 5-party basis as soon as possible. If necessary, a tripartite meeting could be held first to resolve any differences there may be in our approach to the problem. In this way we think we would exert some pressure on USA to formulate their own position and agree to an early meeting with us and the United Kingdom.

8. Finally, we anticipate that Canadian uranium producers may seek actively to bring about a change in Canadian policy in this matter, especially if the rumour of a South African sale to Japan is confirmed and if India places a firm order for uranium with Rio Tinto. Would it, therefore, not be wise to advise ministers of recent developments.

9. Pollock asks that this message be shown to Plumptre.

562.

DEA/14002-2-6-40

*Note du chef de la Direction économique
pour le sous-secrétaire d'État aux Affaires extérieures*

*Memorandum from Head, Economic Division,
to Under-Secretary of State for External Affairs*

CONFIDENTIAL

[Ottawa], October 9, 1958

SAFEGUARDS FOR NUCLEAR EXPORTS

Early in September the Minister approved your recommendation that our "Safeguards" paper be passed to the United Kingdom and United States authorities as a contribution to our tripartite discussions on the subject and he also agreed that we should seek an early resumption of these discussions and should press forcefully for agreement on a safeguards' system based, if possible, on the principles outlined in our paper.

2. On September 9 we wrote to the U.S. Embassy and the U.K. High Commissioner's Office in Ottawa, enclosing copies of our paper and suggesting that the tripartite discussions be resumed about the middle of October at any convenient location. Since then we have, as you know, had indications that our paper has been well received by the U.K. authorities and by the State Department. (We have no information on the USAEC's views but they are likely to regard it as insufficiently rigorous.) No definite reaction has been forthcoming to our suggestion for resumption of the talks, although the State Department is reported to think that mid-October might be too early. Canada House reports the suggestion from the Foreign Office that "the U.K. and Canada might confront the U.S.A. with a jointly agreed date for the resumption of the talks in an attempt to induce them to expedite the formulation of their position on safeguards."

3. More recently there have been the further developments reported in our telegram No. E-1764 of September 24 (a copy of which is attached) and we have now also handed over our safeguards paper to officials of the Australian and South African High Commissioners' Offices in Ottawa.

4. In view of all the foregoing developments, it would seem to be advisable to inform the Foreign Office and State Department of the action we have taken with regard to the Australians and South Africans and to make a further and more precise proposal for the resumption of the safeguards talks. I also think that it would be in our interests to propose that these talks be resumed on a five-party rather than on a tripartite basis, since I do not

think that we stand to benefit at all from the exclusion of Australia and South Africa (quite the contrary, in fact).

5. The attached telegram to Washington, London and a number of other interested missions, is designed to fulfill these purposes and is submitted for your signature, if you agree.¹⁹

6. If the meetings are to be resumed,²⁰ we will have to give some thought to the composition of the Canadian Delegation. We understand that Michaels, the United Kingdom member of the Board of Governors of IAEA, would attend on behalf of the United Kingdom. May we assume that you would wish to participate, other demands on your time permitting this?²¹

L.E. COUILLARD

563.

DEA/14002-2-6-40

*Le secrétaire d'État aux Affaires extérieures
à l'ambassadeur aux États-Unis
Secretary of State for External Affairs
to Ambassador in United States*

TELEGRAM E-1884

Ottawa, October 10, 1958

CONFIDENTIAL. OPIMMEDIATE.

Reference: Your Tel 2252 Sep 16.†

Repeat T&C, London (OpImmediate), NATO Paris, Geneva (Routine) (Information).

By Bag Vienna, Canberra, Capetown.

SAFEGUARDS FOR NUCLEAR EXPORTS

1. The crowded programme of the Montreal Conference did not offer an opportunity for any extended discussion of safeguards with Dr. Van Rhijn. Officials had, however, one informal talk with him on this subject.

2. Dr. Van Rhijn did not state categorically whether or not a contract for the sale of uranium to Japan had been concluded. He did, however, confirm that negotiations had taken place and he also stated that the matter had been discussed with members of the combined development agency. Dr. Van Rhijn expressed impatience at delays in coming to grips with the problem of safeguards, saying that this matter had been in the air for several years but that nothing definite had yet been proposed particularly on the nature, scope and application of safeguards. We told him of Canadian studies on this subject and promised to let him have copies of our safeguards paper as soon as we could. We also informed him of our deep concern that the whole concept of safeguards might be prejudiced, before the possibility of developing an international system had been fully explored, if any producing country were to permit substantial sales of uranium without safeguards.

¹⁹ Note marginale :/Marginal note:

Sent 10.10.58 [auteur inconnu/author unknown]

²⁰ Note marginale :/Marginal note:

Please note para. 3(d) of proposed tel re having meetings in Ottawa. L. C[ouillard]

²¹ Note marginale :/Marginal note:

I should be glad to participate, if I can. D.V. LeP[an]

3. These discussions may have been useful because we have heard that at his final press conference in Montreal, when asked what South Africa's intentions were with regard to uranium sales, Dr. Van Rhijn replied that South Africa was consulting with, and intended to cooperate closely with, Canada on this matter.

4. Since USA officials did not categorically oppose our suggestion that we might give copies of our safeguards paper to the Australians and South Africans, and UK officials were in favour (London telegram 3735 September 18†), we have now handed the paper to the officers of the two High Commissioners in Ottawa. In doing so we explained that the paper was a working document, representing the views of Canadian officials and prepared as a basis for discussion in the context of the consultations on safeguards which we had previously had with other interested countries. We also said that the system outlined in the paper was intended to apply to all exports of uranium in excess of small research quantities, the limit for the export of which from Canada to any one country had been set by the government at 2500 lbs.

5. We would be grateful if you would pass the foregoing information to the State Department. Please also propose that consultation on safeguards be resumed, advancing the following considerations:

(a) Recent developments suggest that delay in clarifying our ideas on safeguards may seriously prejudice the chances of securing wide support for a safeguards system. Not only are precedents for the supply of nuclear materials without safeguards being established, but commercial pressures are building up for "uncontrolled" uranium sales. Also we think that the chances of IAEA developing and obtaining approval for a multilateral safeguards system will depend in large measure on the progress made by ourselves in this matter;

(b) We therefore favour a resumption of talks on a 5 party basis i.e. including South Africa and Australia. We recognize that there were arguments in favour of developing a common tripartite position at an earlier stage in our consultations. However, we now think that the disadvantages of excluding other major uranium producers from these consultations and the risk of seriously offending them if they are faced with a "fait accompli" far outweigh the advantages;

(c) We are anxious to resume talks at the earliest possible time and not later than the end of this month, if this can be arranged. Dr. J.P. Baxter, Chairman of the Australian Atomic Energy Commission, will be in Canada during the first week of November and, if it is agreed that the talks should be resumed on a 5 party basis, the Australians might possibly wish to take advantage of his presence in North America to have him participate, as he did at Vienna last fall;

(d) We would be glad to meet at any convenient location. While we would prefer London or Washington we would certainly be prepared to have Ottawa as the venue of the meetings if the other participants wish this.

6. *London.* Please speak to Foreign Office along foregoing lines. We agree that it might be useful to confront USA authorities with a jointly agreed date for resumption of talks, if they prove reluctant to fix a date on the basis of our present approach. This can be discussed further in the light of their reaction.

7. *Capetown.* Foregoing is for your information. However, please try and determine exact status of South Africa-Japan uranium contract and South African intentions in this regard.

564.

DEA/14002-2-6-40

*Note de la 1^{re} Direction économique
pour le sous-secrétaire d'État aux Affaires extérieures*

*Memorandum from Economic (1) Division
to Under-Secretary of State for External Affairs*

[Ottawa], October 23, 1958

CONFIDENTIAL

SAFEGUARDS FOR NUCLEAR EXPORTS

The response of both United Kingdom and United States officials to our suggestion that discussions on this subject should be resumed as soon as possible on a five-party basis has been generally favourable. I enclose copies of Canada House telegram No. 3933 of October 14[†] and of Washington telegram No. 2557 of October 21,[†] for your information.

2. You will note from Washington's telegram that United States officials have not yet determined their national position on safeguards. However, USAEC has withdrawn its paper, recommending a very vigorous safeguards system, and this is probably a step towards agreement within United States circles on a reasonable system. State Department officials suggested to our Embassy that, while their failure to develop a national position meant that they would not be able to meet with other interested countries in high level talks, they thought that a meeting at the working level would be useful and might help expedite matters in the United States; they wondered if Canada would take the initiative in proposing such a meeting.

3. In view of the foregoing, I think it would be appropriate and in our own best interests to ask our missions in London, Washington, Canberra and Capetown to suggest to the local Foreign Ministries that a meeting of officials at the working level be held in Ottawa on November 5 to discuss safeguards. A self-explanatory telegram to this effect is attached,[†] for your signature if you agree. We have discussed this telegram with officials of the Department of Finance and of AECL, and they agree to it. We have also mentioned it to Morley, of the Privy Council Office, and understand that Mr. Bryce has been informed.²²

4. If you approve the attached telegram, would you agree that we should also advise the Offices of the High Commissioners concerned in Ottawa of the proposed meeting?

RODNEY GREY

²² Note marginale :/Marginal note:
I have spoken to Mr. Bryce, who agrees with the attached tel J. L[angle] 24/10

565.

DEA/14002-2-6-40

*Note de la 1^{re} Direction économique
pour le sous-secrétaire d'État aux Affaires extérieures*

*Memorandum from Economic (1) Division
to Under-Secretary of State for External Affairs*

CONFIDENTIAL

[Ottawa], November 3, 1958

SAFEGUARDS FOR NUCLEAR EXPORTS

We expect that the line which the Canadian representatives should take at the five-party discussions on "Safeguards" on November 5 will be discussed by Mr. Bryce's committee tomorrow afternoon.

2. When he approved the Canadian "Safeguards" paper, the Minister also approved a recommendation that "we should seek a resumption of the tripartite talks and that we should forcefully press for agreement on a safeguards system based, if possible, on the principles outlined in the paper." However, circumstances are such that we cannot expect to achieve this purpose at the forthcoming meetings. First, the United States has not yet developed a national position on safeguards; second, the Australians and South Africans are participating in these discussions fully for the first time. (There were some five-party talks last fall but, in essence, the participation of these two countries was limited to receiving proposals developed on a tripartite basis.) Therefore, it would be unrealistic to expect that we can do more this week than set the stage for future agreement.

3. The problems that the meeting faces might be divided into three parts:

- (a) Is agreement on a multilateral safeguards system feasible?
- (b) If so, what kind of system should we attempt to develop?
- (c) How should we go about securing international agreement for it?

4. We believe that it is extremely important for Canada that we come out of the forthcoming meetings with a fairly clear idea of the probable answers to these questions. Although the market for uranium (outside the U.S.A. and U.K.) is almost negligible at the present time, Canadian producers are anxious to sell even small quantities of uranium wherever they can in order to establish themselves in potential markets. They suspect that the government's policy on safeguards is hindering such sales and they have been very sensitive to indications that producers in other countries may not be subject to the same limitations that they are. We may therefore expect the government's policy to come under increasing pressure from this source unless we can demonstrate that all major producing countries are operating under the same rules and restrictions. We also hope that agreement on a safeguards system would have definite advantages for our producers in that it would clear up the present uncertainty which may well be discouraging some countries from concluding bilateral agreements with us and from buying our uranium.

5. Another reason why the forthcoming talks are of particular importance to Canada is that our stake in knowing where we stand is probably greater than that of the other participants. The U.K. and U.S.A. each has a near monopoly for the time being in the nuclear materials which they sell (reactor components and enriched fuel respectively) and they both have substantial domestic markets; Australia and South Africa both sell most of their uranium under substantially longer contracts than ours and are, in any case, probably less reluctant than we would be to sell without safeguards. We have therefore had the impres-

sion that these other countries have been content to let matters ride without pressing for rapid progress towards a decision on safeguards. Hence the initiative we are taking.

6. Equally, it is probably important for us to make an objective assessment of the chances of reaching international agreement on safeguards. The political and, to a lesser extent, commercial objectives of safeguards are so important that there may be reluctance to face up realistically to the formidable difficulties in putting a multilateral safeguards system into effect, with the result that international discussions on the subject might drag on for several years only to prove abortive in the end. Even if we foresaw this end result it might, of course, still be considered advisable as a matter of policy to continue safeguards discussions merely so as to postpone for a time the development of a pattern of "uncontrolled" trading in nuclear materials. The situation to guard against would seem to be one in which we had continued to pursue our safeguards policy to a point where it was truly detrimental from a commercial point of view only to find that other producing countries then declared a safeguards system to be impracticable.

7. The difficulties in developing a multilateral safeguards system are outlined in our safeguards paper (copy attached). Briefly, they are that, with the continuing discovery of uranium resources and development of scientific and industrial techniques, the near monopoly of nuclear materials now possessed by a few advanced countries will gradually be lost. Already several countries are developing uneconomic resources rather than submit to safeguards. While a safeguards system imposed by the more advanced countries can certainly inhibit the development of nuclear weapons by others for a number of years, many countries will be developing access to uncontrolled nuclear facilities and resources and, *in the long run*, a safeguards system can probably only be effective if it is voluntarily accepted by most countries (at least in respect of internationally traded materials) on a self-denying basis. It follows that no one country can alone develop its own safeguards system and that the goal should be a system commanding as widespread agreement as possible. We know that the United Kingdom is somewhat sceptical about the possibilities and this view is likely to be shared by the Australians and South Africans. The first purpose of the meetings will therefore be to see whether there is general agreement that the goal is worth pursuing.

8. The Canadian paper proposes a system which we regard as the best compromise between two conflicting objectives: first, that it should give reasonable assurance against the diversion of nuclear materials to military uses; second, that it should be as acceptable as possible to "recipient countries." Since our main interest is uranium, our paper deals specifically with this. We believe that it can be applied equally to other nuclear materials and facilities, although many complicated technical questions (with which we have not dealt) will arise. In a sense, the British paper (copy also attached) is complementary to ours in that it reviews some of these questions. Problems with which neither paper deals are:

- (a) Whether we should all aim at a uniform system or permit variations for both producing and "recipient" countries;
- (b) How the system should be applied. Whether individually by producing countries; jointly by them; by regional organizations (this raises the question of Euratom and self-inspection); by an international organization such as IAEA;
- (c) To what materials should the system apply? Technical meetings will probably be required to draw up lists of materials. We should, perhaps, bear in mind that, in view of the great amounts of source materials available all over the world, a case could be made for excluding thorium, natural uranium, etc. from a safeguard system which would then be confined to enriched uranium, fissile materials and facilities for its production;

(d) Should small research quantities of uranium be excluded from the safeguards system? Canada now permits uncontrolled exports of up to 2,500 pounds of uranium to any one country; the United States limit is one ton; the United Kingdom earlier suggested that three tons might be a reasonable figure.

9. Assuming that the meeting on November 5 decides that it is worth continuing to work for a safeguards system, and that some of the foregoing questions have been answered, it would seem to be essential to reach agreement on our future course of joint action. This might mean deciding:

(a) On a programme of future meetings and a deadline for an agreement;

(b) What type of agreement we are aiming at, e.g. one embodied in a formal document among the five countries concerned; or one to be put as a proposal to IAEA; or one to be proposed bilaterally to those countries to which we supply nuclear materials;

(c) Whether, and in what way, other countries might be approached on this matter. The attitude of the U.S.S.R. will ultimately be decisive; other countries are also now developing an export potential in nuclear materials, e.g. France and Germany; finally, there are the countries to which nuclear materials are supplied;

(d) At what stage might publicity be given to this matter? Our own uranium producers will be naturally interested in it and we will also wish to discuss it in due course with the Germans and Swiss (to whom we have supplied nuclear materials requiring the application of safeguards) and with countries such as India to whom we hope to supply uranium.

DOROTHY BURWASH

566.

PCO/R-100-1(b)

*Extrait du procès-verbal d'une réunion
de la Commission consultative sur l'énergie atomique*

*Extract from Minutes of Meeting of Advisory Panel
on Atomic Energy*

SECRET

[Ottawa], November 4, 1958

Present

Mr. R.B. Bryce, (Chairman), (Secretary to the Cabinet),
Mr. N.A. Robertson, (Under-Secretary of State for External Affairs),
Mr. J.H. English, (Deputy Minister of Trade and Commerce),
Mr. J.L. Gray, (President, Atomic Energy of Canada Limited),
Mr. W.M. Gilchrist, (President, Eldorado Mining and Refining Limited),
Dr. C.J. Mackenzie, (President, Atomic Energy Control Board),
Mr. D.V. LePan, (Assistant Under-Secretary of State for External Affairs),
Mr. D. Watson, (Secretary, Atomic Energy of Canada Limited),
Mr. J.C. Langley, (Department of External Affairs),
Mr. S. Pollock, Mr. P.M. Reid, (Department of Finance),
Mr. D. Morley, (Secretary), (Privy Council Office).

...

ITEM II: SAFEGUARDS

19. *Mr. LePan* said that the reason for including this item on the agenda was not to discuss the various papers that had been put forward on this matter but to formulate the objectives that should be kept in mind during the discussions scheduled for November 5. As it would be desirable to reach firm conclusions as a result of these meetings, three main

factors would need to be considered: first, the feasibility of having a multilateral safeguards system should be examined; second, if it was agreed that such a system would be feasible conclusions should be reached as to what type of system should be implemented; third, if agreement was reached on the first two problems, conclusions should be reached on how progress could be made with regard to an international solution to the problem of safeguards. He noted that the Canadian paper on safeguards had been approved by the Minister of Trade and Commerce and Secretary of State for External Affairs.

20. *Mr. Gray* thought that the Canadian, U.S. and U.K. systems should be similar. He disagreed with the U.S. procedure and noted that they were coming round to Canadian thinking with regard to natural uranium, but not for U235, which they had said would need rigid control. *Mr. Gray* could not understand the U.S. insistence on this point as enough plutonium could be produced in two or three years from natural uranium to make a bomb. However, as far as Canada was concerned, as long as stringent controls were not applied to natural uranium, we could go along with the U.S. insistence that they be applied to U235.

21. *Mr. Langley* said that *Michaels*, U.K. Governor to the I.A.E.A., had told him that under the 1954 U.S. Atomic Energy Act, U.S. exports of fissionable materials had to be certified that they would not be used for military purposes. *Michaels* had said that the U.K. would not compete under conditions other than those used by the United States. The type of safeguards system proposed by Canada was satisfactory with the U.K. on technical terms and, politically, was all that was likely to be obtained. If agreement could be reached on the type of paper that was acceptable to all five parties participating in the Ottawa discussions, the details might be leaked to *Roger Smith*, who was in charge of organizing an Agency safeguards system. *Mr. Langley* thought it more desirable that the safeguards system should be proposed by the Agency rather than the western bloc, as, in the latter case, it would be almost certain to receive unfavourable comment from the other members of the I.A.E.A. At present, it was thought that after the Ottawa discussions, a meeting might be convened in Vienna around January 7th, when final agreement might be reached on the technical details of the safeguards system. If agreement were reached at these later discussions, *Smith* might be able to produce an Agency safeguards system by the spring.

22. *Mr. Bryce*, in referring to the U.K. bilateral agreement to sell a reactor to the Japanese, said that the U.S.S.R. was reassured that the Japanese - U.K. agreement contained a clause allowing the safeguards aspect of the agreement to be taken over by the Agency. The Soviets agreed fundamentally that a system of safeguards was desirable and were as anxious as Canada that the Chinese and Nasser should not get hold of large quantities of uranium. It might be a good idea to take up this problem bilaterally with the Russians rather than work through the Agency. It was in their interests as much as ours that a safeguards system should be implemented, and he thought that by being frank, positive action might result. In the case of South Africa and Australia, it might be impressed on them that it was in the southern hemispherical interests to have an effective safeguards arrangement.

23. *Mr. Robertson* wondered if decisions on policy in the case of South Africa and Australia had [been] taken at the Cabinet level. He would have thought that if it had, these governments could but go along with the principles envisaged in the safeguards proposals.

24. *Mr. LePan* doubted if Australian Ministers had given the matter much thought. In South Africa there was political support of safeguards, but industry pressure was great.

25. *Mr. Watson* said that *Dr. Baxter*, Chairman of the Australian Atomic Energy Commission, had been in favour of safeguards. However, he had wanted to be able to reserve

Australia's position and retain the right, at Ministerial level, to sell in special cases without safeguards. He had not been in favour of a blanket agreement.

26. *Mr. Robertson* thought that there was danger in allowing the seriousness of this problem to be diminished in the public eye. This apparent complacency added a sense of urgency to the forthcoming talks.

27. *Mr. Gilchrist*, in referring to the case of a South African sale of uranium to Japan, said that South Africa was not against safeguards but wanted the whole position clarified.

28. *Mr. Bryce* was worried that South Africans might bring pressure on other producers to form a cartel. There would be a real danger if the Russians were allowed to claim that western producers were keeping the price high through cartel arrangements. He thought in the forthcoming talks it would be a mistake to discuss cartels without first talking safeguards with the Russians.

In referring to the relationship between the C.O.C.O.M. and safeguards, *Mr. Bryce* thought that Canada might sell uranium to no one in the Communistic bloc except Russia.

29. *The Panel* agreed:

that it was practical to seek a safeguards system, and invited *Mr. Gray* to speak on the Canadian paper at the forthcoming talks.

567.

DEA/14002-2-6-40

Compte-rendu d'une réunion

Record of Meeting

SECRET

Ottawa, November 5, 1958

Present

In the Chair:

Mr. D.V. LePan, Department of External Affairs, Canada

Australia

Professor J.P. Baxter, C.B.E., Chairman, Atomic Energy Commission

Mr. F.T. Homer, Acting High Commissioner

Union of South Africa

Dr. C.B.E. Fincham, Acting High Commissioner

Dr. M.G. Shuttleworth, Scientific Attaché, South African Embassy, Washington

United Kingdom

Mr. M.I. Michaels, Under Secretary, Atomic Energy Office

United States of America

Mr. Algie Wells, Atomic Energy Commission

Mr. J. Robert Schaetzel, State Department

Mr. Willis C. Armstrong, Embassy of the United States

Mr. Myron Kratzer, Atomic Energy Commission

Canada

Mr. J.L. Gray, President, Atomic Energy of Canada Limited

Mr. D. Watson, Atomic Energy of Canada Limited

Mr. S. Pollock, Department of Finance

Mr. J.C. Langley, Department of External Affairs

Mr. H. Williamson, Canadian Embassy, Washington.

THE APPLICATION OF SAFEGUARDS TO NUCLEAR EXPORTS

The Chairman welcomed the participants to Ottawa. He regretted the short notice at which the meeting had been called but hoped that all would agree that there was some urgency in seeking to reach a meeting of minds on the subject to be discussed. Not only

were some countries faced with the problem of deciding what type of safeguards system they wish to apply in fulfilment of the obligations incurred under their bilateral agreements, but a number of developments, such as the establishment of precedents for uncontrolled exports of nuclear materials and increasing commercial pressures for the latter, were also occurring which would make it increasingly difficult as time passed to secure international agreement for a satisfactory safeguards system. In his view, the chances of doing so were greatest before atomic energy became commonplace in the public mind. He suggested that the meeting might discuss the subject in three phases:

- (a) what were the prospects for an agreement on safeguards?
- (b) what sort of safeguards system might be appropriate, workable and acceptable under present circumstances?
- (c) what further action would be required to promote such a system?

2. Several delegations expressed appreciation that the meeting had been called. The South African representative explained that the South African authorities were most interested in the subject and welcomed the opportunity to take part in the meeting; however, the time factor had not permitted them to make adequate arrangements for representation or for the preparation of instructions, and his participation would therefore be as an observer.

Prospects for Agreement

3. The Australian representative stated that, while he had no definite instructions, he knew that the Australian authorities were in favour of a safeguards system if one could be devised. The question had been academic for Australia until recently, since the Combined Development Agency had been purchasing the entire Australian uranium output. CDA had, however, recently indicated a wish to terminate its contract and this would create an Australian uranium surplus and consequent domestic problems. In his view, it would be difficult to devise a safeguards scheme which would work for a country which really wished to divert materials, particularly since the advance of technology and the wide availability of uranium meant that many countries could now put together a crude bomb. A safeguards system posed many technical problems (such as those outlined in the U.K. paper) which would require careful thought.

4. The U.S. representative said that his country had done a good deal of work on these technical problems, on which he might be able to circulate some information shortly. His attitude was one of cautious optimism and he considered that the issues at stake were so important that the United States and friendly countries had no alternative but to work towards an agreement on safeguards. Mr. Schaetzel added that this could be regarded as part of the effort to bring modern implements of war under some kind of control. The United States considered that this was the psychological moment for seeking agreement in respect of the peaceful uses of atomic energy.

5. The Canadian representative thought that it would not be too difficult, from a technical point of view, to devise a system which would enable one at least to detect the diversion of materials; the Canadian paper outlined one system which would meet this requirement.

6. The United Kingdom representative said that his country was publicly committed to the concept of safeguards but that he was frankly sceptical about the chances of devising a completely satisfactory system and of securing its adoption internationally. The first three papers circulated by the United Kingdom were designed to define the difficulties as the United Kingdom authorities saw them. Essentially, the view expressed was that it was technically impossible to devise a 100 percent watertight safeguards system and that even with a number of resident inspectors (which were politically out of the question) diversion

could not be reduced below about 2 percent. Since it was considered impossible to discriminate between potential customers, the problem was to devise a system which would create a moral climate that would discourage a country from misconduct and would also be acceptable both domestically and in "recipient" countries. This might appear a modest objective but, as the U.S. representative had said, such a system might later fit into a more general scheme for disarmament. He wondered to what extent the United States Atomic Energy Act of 1954 laid down conditions on the type of safeguards system which the U.S. Government might adopt.

7. The United States representative replied that the Act laid down no explicit requirements with regard to a safeguards system, apart from calling for certain guarantees which are embodied in U.S. bilateral agreements. Congress would, however, certainly expect the Administration to develop a suitably careful system. Similar considerations would apply in connection with the safeguards called for in IAEA's statute.

8. The United Kingdom representative suggested that this raised a point of major significance. He thought that all the participants in the meeting would agree that they should work towards a common safeguards system, since it would be impracticable for each of several countries, supplying a "recipient" country with different materials "triggering" safeguards, to apply its own system. It appeared to him that the simplest and most workable common system would be one applied by IAEA, and that this would also avoid the odium which would fall on individual countries if they were to apply their own safeguards. Since the U.S. had offered 5,000 kg. of U235 to IAEA and Congress would have to be satisfied that the Agency's safeguards system was satisfactory before this offer was fulfilled, the United States view on what type of Agency system was acceptable would be decisive.

9. The Chairman wondered whether the safeguards embodied in the U.S.A.-Euratom agreement would throw any light on this.

10. Mr. Schaetzel replied that the safeguards problem had given rise to some difficulty during the negotiations with Euratom. The European Atomic Community had all-encompassing rights under the Euratom treaty and, as a sovereign authority, had refused to accept an externally administered safeguards system as this would have been more restrictive than the arrangements which the U.S. had with the U.K. and Canada. It had seemed to the United States that, by making a concession to Euratom, they would be able to contain a large part of the French atomic energy programme within the larger Euratom scheme and that this would be a net gain. The United States had therefore agreed with Euratom on a system (the details of which were subject to U.S. approval) involving the continuing right of mutual audit and embodying the ultimate sanction that the U.S. could terminate the co-operative programme if it were not satisfied that the system was being properly executed. Both parties had also agreed to consider transferring responsibility to an international system at an appropriate time if one should be put into effect.

11. The United Kingdom representative had no difficulty in accepting the objectives of the United States in reaching agreement with Euratom on the safeguards system in question. He asserted, however, that by choosing to foster European supranational institutions, the United States had lost something in respect of another objective, the development of an international safeguards system. He was not worried about the effectiveness of the Euratom safeguards system in practical terms. Nevertheless the *de jure* position was serious since the right of self-inspection had been granted to Euratom and, by thus contracting a Western European group of nations out of a larger international scheme, the chances of achieving the latter had been reduced; countries which proposed the adoption of an interna-

tional scheme through IAEA were also open to attack on the grounds that they were using the Agency only to retain a measure of control over under-developed countries.

12. Mr. Pollock suggested that if groups of member countries of IAEA were to organize themselves on a basis similar to Euratom, it would be difficult to discriminate against them by denying them the rights now accorded to Euratom. He wondered what the reaction of the United States would be if it were suggested that IAEA introduce a system of regional self-inspection.

13. The United States representative thought that this would depend on the type of regional group involved. Some might be acceptable, others not. In any case it was difficult to foresee any genuine regional group similar to Euratom apart, perhaps, from OAS. The idea, however, should not be dismissed out of hand.

14. The United Kingdom representative agreed that inspection by regional bodies within an IAEA system might offer possibilities. He cautioned, however, that the image of Euratom as a quasi-military group was a political reality and that this was liable to cause trouble and must be reckoned with.

Elements of a safeguards system

15. At the request of the United States representative, Mr. Kratzer gave an indication of United States thinking on this aspect of the problem. He agreed that a 100 percent effective system was not possible. A good deal of work, however, had been done on estimating the degree of effectiveness of safeguards systems in various circumstances and it had been found that the effectiveness of safeguards was closely correlated with the cost of the system. This relationship could be represented graphically by a curve approaching 100 percent effectiveness at the high rates of expenditure which a full-time residential inspection system would involve. The advantage of an inspection system falling on this part of the curve was that its effectiveness could be accurately predicted. At lower levels of expenditure where effectiveness fell off, so did the accuracy of predicting effectiveness. Audit systems of safeguards suffered particularly from this disadvantage and, on the basis of U.S. studies, it was thought that the probability of detecting a one percent diversion of material under a simple audit system was only 4 percent.

16. The United Kingdom representative agreed that an audit system by itself was not adequate since there was nothing to prevent a dishonest management from maintaining two sets of books. Audit must therefore be supplemented by sampling and inspection. The essential choice was between a 24-hour resident inspection system and an audit/spot check system. He believed that the effectiveness of the former was largely illusory as compared with the type of system proposed in the Canadian paper and that it was politically out of the question as well as being impossibly expensive in terms of scientific manpower. He illustrated the sort of difficulties which would be encountered in securing international agreement for any type of safeguards system by citing the United Kingdom's negotiations for an Atomic Energy agreement with Brazil which were being held up on this very issue: the Brazilians had taken the line that theirs was a friendly nation and that it would be difficult to secure parliamentary approval for an agreement containing safeguards. He concluded that something along the lines of the Canadian proposal, perhaps somewhat elaborated and graduated in the rigour of its application according to the technical nature of the situation to which it was being applied, would meet the requirements we had in mind.

17. The Canadian representative agreed with much of the foregoing. He suggested that the cost of a safeguards system on the basis proposed in the Canadian paper would be minimal in terms of both money and manpower. He also maintained that it was futile to aim at a completely watertight safeguards system since extensive United States-Canadian

experience in accounting for plutonium in fuel rods irradiated in Canada indicated that it was impossible to predict plutonium formation within a margin of error of less than 5%.

18. The Australian representative suggested that it might be fruitful to consider a different approach. Why not classify countries according to the likelihood of their diverting materials? Many countries were not interested in large scale nuclear development, while others had ample nuclear technology and resources of their own. This left a few countries, such as Japan and India, which would be acquiring large research or power reactors within the next few years and which would only then have the technological resources to fabricate nuclear weapons. Instead therefore of trying to devise a rigorous universal system, one might aim at a minimal universal system and make special, more comprehensive, arrangements for the real problem countries. One might also overcome their objections to safeguards by including some of their nationals as inspectors.

19. Mr. Kratzer suggested that there were three objections to this approach. First, that Canada, the United Kingdom and the United States had sought uniform rights regarding safeguards in all their bilaterals; second, that this approach would involve discrimination in the implementation of safeguards; third, that it would make it much more difficult for IAEA to apply safeguards.

20. The United Kingdom representative agreed that discrimination as between countries was not possible since it would be regarded as an Anglo-Saxon conspiracy. In his opinion, the most practicable way to go forward was through IAEA, with perhaps some arrangement for inspection on a regional or group basis, as had been suggested earlier in the meeting. The Japanese request that the Agency apply the safeguards embodied in the Japan/U.S.A. agreement, and U.S. acceptance of this expressed at the last General Conference of the Agency, meant that IAEA must quickly develop a safeguards system. It would be little short of catastrophic if the Agency were to present a system unacceptable to the United States, in particular, since this would mean that the latter would be unable to fulfill its pledge of fissile material. The Soviet bloc already maintained that the United States offer was a propaganda gesture devoid of content and the United States would be open to sharper criticism of this kind if it should even appear unwilling to fulfill its pledge, however justifiable the reasons. It therefore appeared to him that there was urgent need to clarify the ideas of those present on what would constitute an acceptable Agency system and then to pass this information in a discreet way to Roger Smith, Head of the Safeguards Division. The United Kingdom was assigning a man to the Division in December and would like to brief him in advance if a decision could now be reached on what constituted an acceptable system. In view of the Japanese request to the Agency, it would be difficult for the U.S.S.R. or other countries to oppose a reasonable Agency system and there was therefore a real chance of securing the Board's approval. If this was to be done, however, it was essential that Western countries should not announce their own intentions and ideas on safeguards, and should not give cause for suspicion that they were seeking to influence the Agency, until after it had produced its own scheme.

21. The United States representative agreed that the essential point was to determine what type of Agency system would be acceptable to the countries represented at this meeting. The United States authorities were aware of the urgency in reaching decisions on this matter and this sense of urgency had been reinforced by some of the new arguments which had been advanced. Mr. Kratzer added that the U.K. paper presented a fine analysis of the problem. He nevertheless thought that safeguards offered a real hope of buying time during which an agreement on disarmament or test cessation might be negotiated; he also thought that, having regard to the limited nuclear power likely to be produced over the next

few years, the degree of efficiency and rigour of the safeguards system would have a significant effect upon the length of this interim period.

22. The United Kingdom representative could not agree. Quoting the case of Japan, he said that if the Japanese now purchased a power reactor, it could not be in operation before 1963; allowing one year for the irradiation of fuel elements and another year for cooling off, they would have little plutonium before 1965. There was therefore ample time to develop a nuclear disarmament scheme and the extra time which the most rigorous safeguards system would add to the interim period was almost insignificant from this point of view.

23. The Australian representative added that by exercising control over the fuel available to the Japanese, it would be possible to detect if they were misusing their nuclear resources since, to obtain plutonium quickly, they would have to use short irradiation periods and would require fuel at up to five times the normal rate.

24. The United Kingdom representative stated that this raised another problem, namely whether U.S. and U.K. chemical processing plants should be open for inspection under a safeguards system. For the time being spent rods from Japan and other countries would probably be returned to the U.S. or the U.K. for processing and it might be difficult to deny access for inspectors to verify the treatment and disposal of plutonium. This problem had been previously discussed and the United Kingdom had at one time offered to permit inspection. This offer had, however, since been withdrawn.

25. The United States representative stated that his country only had joint military/civil plants. Plants designed exclusively for civil purposes might later be established and this might make it easier to permit inspection. In the meantime, one might consider the possibility of hypothecating the appropriate quantities of plutonium to the custody of IAEA whenever fuel rods were returned from countries abroad for processing.

26. The Australian representative had understood the United Kingdom representative to suggest that no safeguards be applied until the Agency had produced its scheme. He wondered whether Canada intended to put its proposed system into effect before this and whether the meeting should not try and decide whether its collective goal was an acceptable and compatible IAEA system or one which producing countries could put into effect before IAEA announced its system or if it failed to do so.

27. The Canadian representative said that it was unlikely that Canada would apply safeguards within the next year or so. Canada had nevertheless been disturbed by reports of a South African sale of uranium to Japan without provision for the application of safeguards, and considered that it was important that all producing countries continued to establish their rights in this matter in agreements and sales contracts with other countries.

28. Mr. Schaetzel thought that this touched on a real problem: if the countries present at the meeting did not present a common front in insisting upon establishing their right to apply safeguards, efforts to develop a safeguards system would collapse. It was clearly also necessary to reach agreement on the substance of a safeguards system among countries participating in the meeting and other friendly countries if an international system was to be sold in the international forum.

Future Course of Action

29. The United Kingdom representative suggested that, if progress was to be made, the countries represented at the meeting must agree among themselves on a safeguards system and then try and secure international approval for it through IAEA, in the meantime maintaining a discreet silence on their plans.

30. The Australian representative agreed and wondered whether IAEA's Board might not ask the Director-General to put forward an Agency system by a given deadline. He also thought that it might be useful if specific proposals for a safeguards system acceptable to the five participating countries were drafted on the basis of the present meeting.

31. The Chairman thought that it might be somewhat precipitate to undertake drafting at this stage. It was his impression that another meeting might be required in order to reach definite agreement prior to drafting.

32. The United States representative agreed, saying that his country still had to present its analysis. In response to a query, he added that it might be possible to do so by early December.

33. The Chairman proposed that a meeting of officials (perhaps drawn from the Embassies concerned) should be held in Washington about December 15, 1958, to receive the U.S. paper and to exchange any additional information which might be available.

34. The United Kingdom representative suggested that, if possible, the United States paper should include a list of items of equipment which would be covered by a safeguards system. He also suggested that a later meeting, which should aim at reaching definite agreement on a safeguards system should be held in Vienna following the meeting of the Agency's Board of Governors in January, 1959, pointing out that many of the persons concerned would already be in Vienna at that time and that this location would permit an informal and unobtrusive briefing of Roger Smith on the type of Agency safeguards which would be acceptable to the five countries present.

35. It was agreed that:

(a) the United States representatives would circulate certain technical papers to other participating countries as soon as possible;

(b) that a meeting would be held in Washington about December 15, 1958, to receive the U.S. analytical paper;

(c) that a meeting would be held in Vienna about January 20, 1959, with the object of reaching agreement on a safeguards system;

(d) that, in the meantime, no publicity should be given to the intentions or plans of participating countries with regard to safeguards.

36. During the concluding exchanges at the meeting, the following additional points were mentioned:

(a) when the question of safeguards arises in IAEA the best tactics might be for the United States and United Kingdom to favour a rather rigorous system while the other three countries advocate a system which would in fact be acceptable to all five countries. The U.S. and U.K. could then appear to compromise and thus increase the chances of gaining general acceptance for a reasonable system;

(b) the United States is considering the possibility of permitting the export of sample quantities of natural uranium, greater than the present limit of 1,000 kg. for uncontrolled exports to any one country, subject to limited safeguards of the kind provided in its research bilaterals (periodic reports, periodic inspection and the return of spent fuel to the U.S.A. for reprocessing);

(c) the United Kingdom representative reminded the meeting that his country had always taken the position that it would not seek to apply safeguards to materials exported to Australia and South Africa. He wondered whether others had considered the possibility of extending similar special treatment to members of the new Commonwealth, such as India. The U.S. and Canadian representatives replied that neither of their countries was consider-

ing any form of special treatment for India. The United States has recently agreed to lease some heavy water to India, and the lease agreement provides for safeguards. Canada has consistently refused to supply uranium to India without safeguards;

(d) it was generally agreed that it would be useful if the Under-Secretary of State for External Affairs were to explore the Russian attitude towards safeguards with the new U.S.S.R. Ambassador to Canada should the opportunity arise. The U.S. authorities had discussed this question with the Russians on several occasions at the time of the first Geneva Conference, without any useful result. The U.K. representative had more recently spoken to the Russian member of the Agency's Board of Governors and had formed the opinion that the U.S.S.R. would be inclined to agree privately with the application of safeguards to countries such as Japan, but would continue to take the position in public that safeguards were a Western device to keep control over under-developed countries.

568.

DEA/14002-2-6-40

*Note du sous-secrétaire d'État aux Affaires extérieures
pour le secrétaire d'État par intérim aux Affaires extérieures*
*Memorandum from Under-Secretary of State for External Affairs
to Acting Secretary of State for External Affairs*

CONFIDENTIAL

[Ottawa], November 25, 1958

LIABILITY ARISING OUT OF THE SUPPLY OF CANADIAN
NUCLEAR MATERIALS ABROAD

Experience has shown that many nuclear materials, including some used in nuclear reactors, involve a substantial risk of accident and radioactive contamination, with subsequent danger to life and property. This raises the problem of the liability of the manufacturer and supplier for damages in the case of such accidents.

In the summer of 1957, Cabinet approved a draft standard bilateral agreement for co-ordination in the peaceful uses of atomic energy; this draft was to serve as a basis for the negotiation of atomic energy agreements with other friendly countries. Neither the standard draft, nor the agreements we have since negotiated with West Germany and Switzerland, cover the problem of liability in the case of accidents involving nuclear materials. The reason for this is partly that international precedents on this subject have been slow to develop and partly that we did not anticipate that Canada would be exporting materials involving a substantial risk of nuclear accidents. (For example, natural uranium ores and oxides do not, in themselves, raise this danger.)

During the past year, both the United Kingdom and the United States have adopted the practice of including, in their bilateral agreements, clauses providing that they are to be held harmless against all liability from any cause connected with nuclear materials which they have supplied to other countries. We have also found that Canada may supply materials liable to dangerous accident and, in a contract negotiated this summer for the supply of reactor fuel elements to Switzerland, AECL included an indemnity clause.

Officials have since considered whether a similar clause should be included in our draft standard bilateral and in the bilateral agreements which we negotiate with other countries in the future, and have concluded that it would be desirable to do so. A suggested standard clause, based on the clauses used by the United Kingdom and the United States and similar

in substance to the clause included in the AECL-Swiss contract, is attached. I recommend that this be included in our standard draft.

We have consulted the Department of Justice and other interested Departments and Agencies and they have signified their approval. The clause has since been submitted to the Minister of Trade and Commerce, and has been agreed by him.²³

D.V. LEP[AN]
for Under-Secretary of State
for External Affairs

[PIÈCE JOINTE/ENCLOSURE]

Note

Memorandum

CONFIDENTIAL

DRAFT INDEMNITY CLAUSE FOR INCLUSION AS SUB-PARAGRAPH (F)
OF ARTICLE III OF OUR STANDARD DRAFT BILATERAL AGREEMENT
FOR CO-OPERATION IN THE PEACEFUL USES OF ATOMIC ENERGY

The recipient Contracting Party shall indemnify and hold harmless the supplying Contracting Party and its governmental enterprises against any and all liability (including third party liability) from any cause arising out of the production or fabrication, the supply, the ownership, the lease or the possession or use of materials and identified material supplied pursuant to this Agreement after delivery to the recipient Contracting Party or to any individual or private or state organization authorized by the recipient Contracting Party.

569.

DEA/14002-2-6-40

*Le secrétaire d'État aux Affaires extérieures
à l'ambassadeur aux États-Unis*

*Secretary of State for External Affairs
to Ambassador in United States*

TELEGRAM E-2307

Ottawa, December 12, 1958

SECRET. PRIORITY.

Reference: Our letter E-1074 Nov 28.†
Repeat London, Brussels, Geneva (Routine) (Information).
By Bag Canberra, Pretoria, Vienna.

SAFEGUARDS FOR NUCLEAR EXPORTS

Please seek State Department's views on the following questions which arise out of November 5 meeting:

(a) Relationship between USA-Euratom agreement and USA bilateral agreements with individual Euratom countries. Early this summer it was suggested by USA officials that

²³ Note marginale :/Marginal note:

Approved for insertion in appropriate agreements. 28/11/58. E.D. F[ulton]

when the USA-Euratom agreement had been concluded it might supercede USA bilateral agreements as the instrument governing USA relations with individual Euratom countries in the peaceful uses of atomic energy. Paragraph 5 of Brussels telegram 547 December 9† suggests that Euratom may be thinking along similar lines, although it apparently considers that some aspects of the relations of Euratom countries with third parties will continue to be governed by bilateral agreements. We have been doubtful of the view earlier expressed by USA officials: Euratom's jurisdiction does not cover the entire peaceful atomic energy programmes and its member countries and it has therefore seemed to us that, even if we were to conclude an agreement for cooperation with Euratom, there would continue to be a need for bilateral agreements with individual countries. We recognize that some clauses of our present standard draft bilateral agreement might become redundant and that others might require amendment, particularly with the creation of the Euratom Supply Agency. For example, the Supply Agency has a virtual monopoly over the conclusion of contracts for the supply of raw and fissile materials from outside the community; this may lead member countries to argue that safeguards should be applied by Euratom itself to all such materials and not only to those destined for use in Euratom projects, as envisaged in the USA-Euratom agreements. During our negotiations with West Germany last fall, the Germans proposed that Euratom apply the safeguards contained in Article IV of our Bilateral Atomic Energy Agreement but we were not prepared to agree. Current USA thinking on these problems would be of great interest to us

(b) Uranium exports subject to limited safeguards. The idea mentioned in paragraph 36(b) of the enclosure to my letter under reference has some attraction from the commercial point of view. However, we are doubtful whether it could be implemented without endangering the safeguards concept. Presumably this question will be further discussed at a future 5-party meeting but we would be glad to know if USA officials have carried their thinking any further on it and also to have their views on the quantities of uranium which each producing country might export under such an arrangement, if it were to prove practicable

(c) Future 5-party meetings on safeguards. USA Embassy here has just informed us that USA safeguards paper will not be available by December 15 and that USA officials doubt whether it will prove practicable to hold meeting in Vienna scheduled for mid January. They apparently hope to indicate by the end of this month when they expect to be able to resume meetings. We expressed great disappointment at this delay, referring to the importance all participants in the November 5 meeting had attached to early resumption of joint discussions on this subject. We stressed particularly the point made in paragraph 20 (repeat) 20 of enclosure to my letter under reference, saying that our offer to donate three tons of uranium to the agency for resale to Japan (Vienna telegram 101 December 12† refers) had been made conditional on the application of safeguards by the Agency. It had thus been designed to accelerate progress by the Agency in developing its safeguards system and would, we thought, have this effect. In our opinion this substantially increased the urgency of clarifying our ideas on safeguards on a five-party basis, in order to ensure that the Agency did not get too far ahead of us in developing its own system. All present at the November 5 meeting recognized the advantages of meeting in Vienna and we feared that if we missed the opportunity of a January meeting, another convenient date for assembling officials concerned there might not occur for several months. We would be grateful if you would repeat these arguments to the State Department.

570.

DEA/14002-2-6-40

*L'ambassadeur aux États-Unis
au secrétaire d'État aux Affaires extérieures
Ambassador in United States
to Secretary of State for External Affairs*

TELEGRAM 3072

Washington, December 17, 1958

SECRET. CANADIAN EYES ONLY. PRIORITY.

Reference: Your Tel E-2307 Dec 12.

Repeat London, Brussels, Geneva from Ottawa (Information).

By Bag Canberra, Pretoria, Vienna from London.

SAFEGUARDS FOR NUCLEAR EXPORTS²⁴

We had an extensive discussion with Schaetzel of state on the contents of your reference telegram.

(a) *Relationship between USA-Euratom Agreement and USA Bilateral Agreements with Individual Euratom Countries.*

Schaetzel maintained that the only points that really needed to be included under the USA/Euratom agreement were those concerning nuclear materials and hardware, that all other items, third party liability, patents, etc. could have been left for inclusion in contracts. He repeated that it was the intent of the State Department to negotiate out of existence the individual bilaterals and in essence transfer to Euratom all nuclear materials and hardware connected with peaceful uses (and, in consequence, their safeguarding). He pointed to Section 14 of the memorandum of understanding concerning the USA/Euratom agreement which says "existing agreements ... will be subject to appropriate negotiations pursuant to Article 106 of the (Euratom) Treaty."

Having made this emphatic statement Schaetzel then somewhat moderated it. He said that one could assume that Euratom and the individual countries would not always hold identical views. He visualized therefore that in some cases Euratom countries might press the USA, as a political requirement, to continue the existence of an individual bilateral even though in a greatly watered-down form.

(b) *Natural Uranium Exports Subject to Limited Safeguards.*

Both Schaetzel and Jesse Johnson, Head of AEC's Raw Material Division, say that paragraph 36(b) is a misstatement of fact and that the USA is not considering any such action.

We got in touch with Myron Kratzer whom we recall as the originator of the statement. Kratzer said that 36(b) was too compact and precise to be clear but if one read it as precisely as it was written it was a true statement. He said that this was not a 'hot' topic nor a major topic and had been kicking around the staff for over a year. Schaetzel and Johnson would not know about it as it was only a procedural matter and not a policy matter.

²⁴ Note marginale :/Marginal Note:

Mr. Langley: Please see my note on p. 3. R. G[rey] [Voir la note suivante/See following footnote].
Mr. Dulles did not attend mtg and Mr. LePan decided it would not be helpful to raise this matter with other U.S. Ministers. J. L[anglely] 14/1 [1959]

Kratzer offered to put a clarification of paragraph 36(b) in writing which we accepted. Meanwhile his rather rambling and unorganized explanation appeared to boil down to the following: in USA research bilaterals specified ceilings are placed on enriched uranium but in these same bilaterals when natural uranium is mentioned no ceilings are stated. Thus there never has been an expressed limit on the amount of natural uranium to be exported under limited safeguards. Limited safeguards are all that are required to ensure security where natural uranium is used in discrete quantities in small research reactors, subcritical assemblies, etc where it is not exposed to a high neutron flux and the material is returned to the USA for processing. In the absence of a bilateral these limited safeguards could be incorporated in a contract. The contract would presumably stipulate the amount of natural uranium to be exported and where the conditions of use were satisfactory one might feel that amounts in excess of 1,000 kg were still reasonable and safe.

We raised several times the question of the quantities of uranium which each producing country might export under such an arrangement but Kratzer would not commit himself.

(c) *Future 5-Party Meetings on Safeguards*

As you know State Department thinking on safeguards is very close to our own. We put forward our arguments "in fairly emphatic terms" as directed but there was little satisfaction in this exercise as Schaetzel concurred completely and even added to the emphasis.

Schaetzel states that the situation in AEC remains unchanged. A group headed by Kirk, Kratzer, English and Fine maintain that the only acceptable basis for safeguards is completely independent and meticulous checking and accounting down to the last detail. They have sufficient influence to frustrate the advancement of ideas similar to our own and yet not sufficient influence to get their own ideas accepted. The result is a stalemate within the AEC staff. As there is no indication that this situation is due for a change there is little likelihood of the USA being prepared for a 5-party meeting, in the near future. We asked how long an important question like this was going to be left at the level of a staff squabble; could not John Hall or Algie Wells knock a few heads together and resolve the conflict. Schaetzel observed sourly that it was not the nature of either one to resolve conflicts.

We enquired what interest and attitude the AEC Commissioners had in the problem. Schaetzel believed they were uninterested or indifferent to the matter except possibly Folger whose views were similar to those of Kirk, Kratzer and company.

Schaetzel doubted that McCone was aware of the situation and felt that if only he could be got to, as a hard headed businessman he could be brought to see the light. Schaetzel asked if Gray of AECL could take up the situation by phone with McCone. We replied that to the best of our knowledge Gray had not yet had an opportunity to meet McCone personally and therefore a phone call would be of doubtful effectiveness.

Only Farley and Schaetzel have been handling this safeguards matter in the State Department. As they are getting nowhere with it they plan to draw the matter to the attention of Herter or Murphy. Schaetzel wondered if on the occasion of the meeting of the Joint Committee on Economic Affairs in January Mr. Robertson or the Minister might not be able to say a few words on the subject to Mr. Dulles.²⁵

2. Schaetzel threw out a suggestion which he said he would not care to have attributed to him. He suggested that in the face of USA lack of action the other four countries might

²⁵ Note marginale :/Marginal note:

[texte détruit/text destroyed] ... quite possibly at US Embassy lunch. Will you bear in mind need to brief Minister. R. G[rey]

proceed to reach agreement on a safeguards procedure based on the Canadian paper. The production of a tangible procedure agreeable to the other four might force the USA to resolve its position and move more closely into line.

2^e PARTIE/PART 2AGENCE INTERNATIONALE DE L'ÉNERGIE ATOMIQUE
INTERNATIONAL ATOMIC ENERGY AGENCY

571.

PCO

Note pour le Cabinet
Memorandum to Cabinet

CABINET DOCUMENT NO. 229-57

[Ottawa], September 25, 1957

CONFIDENTIAL

FIRST GENERAL CONFERENCE OF THE INTERNATIONAL ATOMIC ENERGY AGENCY

The First General Conference of the International Atomic Energy Agency will open in Vienna on October 1 and last some three or four weeks. The Conference as its first task will elect ten members to the Board of Governors of the Agency, to join the thirteen countries already designated for membership by the Agency's preparatory Commission as provided in the Agency's statute. (Canada by reason of its extensive atomic programme and its major production of uranium, has already been designated for the first category of membership on the Board of Governors of the Agency as one of the five most advanced atomic powers.) The Conference will then determine, on the basis of recommendations from the Preparatory Commission and the Board of Governors, the programme, budget, and establishment of the Agency for its first year's operations. It will also be asked to confirm the nomination to be submitted by the Board of Governors for the first Director General of the Agency.

I wish to recommend²⁶ that the points set out below should serve as the general directive for the Canadian delegation to the Conference. They are based on what has been the Canadian position throughout, namely that the Agency is an important and can be a useful organization. The assistance it will provide will be financed by charges against the recipients, except to the extent that member governments may decide to make voluntary contributions to its programme. As a point of direct interest to Canada, it is likely to facilitate the development of markets for uranium and assist in ensuring that our uranium exports will not be diverted to clandestine military uses. These general instructions proposed below would of course be supplemented by more detailed guidance from Ottawa on particular points as they arise.

I—The delegation should support the adoption of an imaginative, vigorous and realistic initial programme for the Agency.

II—It should support arrangements which will ensure that adequate funds will be available to permit the Agency to take effective initiatives, while providing for sound and responsible management of these resources.

²⁶ Le 1^{er} octobre 1957, le Cabinet « noted with approval » ces instructions.
On October 1, 1957, Cabinet "noted with approval" these instructions.

III—It should endeavour to arrange that the Agency will promptly establish on an effective basis the machinery, for which provision is made in its statute, for ensuring against diversion of Agency assistance to military use.

IV—The Canadian delegation should make known Canada's readiness to make uranium available to the Agency in substantial quantities, subject of course to the Agency's safeguards and on terms and at dates to be agreed. This statement should be prudent as far as precise commitments are concerned, but should be sufficiently specific to make it clear to the Agency that Canada is in the uranium export business on a serious and substantial commercial basis.

V—The delegation should declare Canada's willingness, to the extent her facilities and her own requirements permit, to allot places to students from other countries for training in the various institutions concerned with studies on the peaceful uses of atomic energy. While specific reference to financing of such training should be avoided, the delegation should indicate that Canada will deal sympathetically with this question. (Ministers should be aware that there is being considered, for possible use at the Mont Tremblant Conference of Commonwealth Finance Ministers, a somewhat more specific and generous statement on provision of training than that suggested above.)

VI—The delegation should seek to ensure that places on the staff of the Agency commensurate in number and status with Canada's relatively advanced position in atomic energy shall be available to qualified Canadian candidates.

VII—The delegation, to the extent that it may find itself involved in negotiations concerning the selection of the personnel to fill important posts (e.g. the most senior officials of the Agency's staff and the officers of its Board of Governors) should seek to ensure that the policy interests of the western powers are adequately protected and that the individuals chosen are well qualified personally for their positions.

VIII—In all of these various matters the delegation should maintain close contact with friendly delegations and particularly those of the United Kingdom, the United States, France, and other countries of the Commonwealth, with a view to harmonizing their various positions to the maximum extent consistent with Canadian interests. In general, the delegation should join with other western countries in opposing undesirable or obstructive initiatives by the Soviet bloc if these should appear, while encouraging as much real co-operation as possible among all participating countries in support of the Agency's objectives.

DEA/14001-3-3-40

572.

*Le représentant auprès de l'Agence internationale de l'Énergie atomique
au secrétaire d'État aux Affaires extérieures*

*Representative to International Atomic Energy Agency
to Secretary of State for External Affairs*

DESPATCH NO. 746

Vienna, November 18, 1957

CONFIDENTIAL. CANADIAN EYES ONLY.

SOME INITIAL IMPRESSIONS OF THE INTERNATIONAL ATOMIC ENERGY AGENCY
The Canadian Delegation has already submitted reports describing in some detail the accomplishments of the first sessions of the General Conference and Board of Governors

of the International Atomic Energy Agency.²⁷ In this despatch I wish to give some of the initial impressions I (and Mr. Barton) have gained on various aspects of the Agency's activities and the probable development of events in the coming months.

The Spirit of the Conference

2. The General Conference opened with a sense of foreboding that there would be an open clash between the United States and the Soviet Union over the important issue of the appointment of the Director General. However, due in no small measure to the missionary work of Dr. Bunche of the United Nations Secretariat, the Soviet Delegation adopted a conciliatory attitude and acquiesced in the appointment of Sterling Cole. The good spirit which this created was enhanced by the action of the Western nations in supporting the election of a Czech, Pavel Winkler, as Chairman of the Board of Governors, and by the general agreement reached on the slate of officers for the Conference.

3. I think that for those delegations not represented on the Board of Governors the spirit of the Conference must be described as a mixture of hope and frustration — hope in the future of the Agency and frustration that on this occasion they did not have a more useful job to do. Most of the documentation the Conference had to deal with was concerned with the organizational and procedural framework of the Agency and the programme of work for the first year was of necessity couched in such generalities that it was difficult to come to grips with it. Because these delegates were not very busy and because of the active social programme, many humorous references were made to "the second Congress of Vienna."

The Director General

4. The individual who more than any other person will be responsible for the measure of success achieved by the Agency is the Director General. Mr. Cole impressed me as being an articulate and forthright individual, but obviously quite unaware of the facts of life so far as concerns dealing with a governing body made up of the representatives of twenty-three sovereign nations. I hope and trust that with his political experience he will prove to be a fast learner, but at the same time I am afraid that during the next few months there are likely to be a succession of incidents which will exacerbate his relations with the Board.

5. Mr. Cole, I am sure, believes that the Board should devote its attention to matters of major importance and leave him free to settle "administrative details" as he sees fit. On the other hand, a number of the Governors, particularly those from the Communist countries, and Egypt and India, have made it plain that they have accepted the appointment of an American Director General strictly on sufferance and will do all within their power to keep a close rein on his activities. I expect that the first test of strength will come when Cole comes up with his slate of appointments to senior positions.

The Board of Governors

6. As expected, the 23-man Board of Governors is proving to be unwieldy. As time goes on those members who did not serve on the Preparatory Commission will learn more about the background and underlying issues of the matters under discussion and, it is to be hoped, will become less vocal. At present, however, it seems to be impossible to deal with even the simplest and least contentious items in less than half a day. For these reasons, and

²⁷ Pour le rapport complet de la délégation canadienne, se reporter à la lettre n° 33 de M. Barton au SSEAE, du 6 novembre 1957, MAE/14001-3-3-40.

For the full report of the Canadian delegation, see Barton to USSEA, Letter No. 33, November 6, 1957, DEA/14001-3-3-40.

because of the number of relatively important matters requiring the attention of the Board during the next few months, it is evident that it will be meeting frequently and at length between now and the next General Conference (to be held in September 1958).

7. Dr. Pavel Winkler, the Chairman of the Board, is a very able man and on the whole carries out his duties reasonably satisfactorily. However, when he deems it advisable, he can be quite unscrupulous in making use of his position to seek to present the consensus of the Board in a manner most favourable to the Communist view.

8. I think it is fair to say on the basis of what has happened so far that the pattern of "alliances" that was evident in the Washington conference two years ago, and in the Preparatory Commission, is repeating itself. On almost every issue of consequence the Western group of nations is opposed by the USSR, Czechoslovakia, Romania, Egypt and India, usually joined by Indonesia. A number of delegations normally regarded as Western, or at least pro-Western, including Pakistan, Sweden, Italy and the Latin-American countries, have on more than one occasion shown a tendency to abstain when the differences of opinion have been particularly marked. It must be said, therefore, that from our point of view we have by no means a "safe" Board.

9. The representatives of Guatemala and Peru were not present for the final week of the Board's sessions and, so far, have made no arrangements for continued representation in Vienna. However, I understand that the Brazilian and United States delegations are taking steps to put pressure on the truants to mend their ways.

The Agency's Prospects Beyond the First Year

10. Shortly before I returned from Vienna to Geneva, I had a very informal talk with Robert McKinney, the United States representative on the Board of Governors, about the Agency's prospects beyond the first year. I said that I assumed that, since the Agency stemmed from the proposal made by President Eisenhower in 1953 and because the United States Government had taken the principal initiative in its establishment, his Government must have a definite concept of what the role of the Agency should be and what it might accomplish in the years ahead.

11. McKinney's comments in reply to my question were made in complete frankness. He said that he, as a Democrat, had only accepted his appointment because of his conviction that the Agency offered the best prospects of achieving the purposes of his government — that atomic energy should be available on the widest possible basis throughout the world for peaceful purposes with reasonable assurances that it would not be diverted to military ends. He acknowledged that there were a number of Americans, both in the Congress and elsewhere, who favoured a strictly bilateral approach, and that if their views carried the day the Agency's usefulness would be very limited, but he was optimistic that this would prove not to be the case.

12. When I put to him the argument that a good many "receiving countries," particularly the technologically-advanced Western European nations, might prefer bilateral agreements with safeguards administered by the supplying state rather than by the Agency, he conceded that this would make for complications, but he was hopeful that his own country, as well as the other principal suppliers, would exert increasing pressure on would-be purchasers to make use of the Agency. In this connection, he brought up the question of what could be done to make safeguards more palatable and to my surprise asked me whether, in my opinion, even at this late date, it would be helpful if the United States and the other leading atomic powers would agree to accept inspection of their own non-military programmes. Both from the tenor of McKinney's remarks and a separate conversation which Barton had with Richard Kirk of the Atomic Energy Commission on the same point,

I got the impression that this idea was receiving serious consideration, at least at the working level, the more so because of the position taken by the United Kingdom, Australian and South African representatives during the recent informal discussions in Washington and Vienna on the control problem.

13. McKinney concluded by saying that he had been disturbed by the limited concept of the Agency's role which the United Kingdom, South African and Australian Governments seemed to hold. He felt that unless the leading Western powers supported the Agency not only by words but by deeds, there was a serious possibility that the Soviet bloc might run away with it. To support his point he mentioned that the Soviet Permanent Mission to the Agency was going to have on its permanent staff in Vienna nine scientists and engineers specializing in the different aspects of atomic technology. He didn't suggest that Western countries should do the same but he did express the hope that they would be forthcoming in supplying suitable qualified personnel for the Agency staff itself.

The Soviet Union and the Agency

14. It is very evident that the USSR still takes very seriously its position as a leading participant in the Agency. It has no intention, I believe, of allowing its defeats on ideological issues to drive it into a corner which would handicap its role as a would-be major supplier of atomic assistance to under-developed countries once the Agency's programme gets under way. Indeed, there are good grounds for arguing that the USSR takes the Agency even more seriously than do the Western Powers, both by virtue of the fact that Professor Emelyanov (who is reputed to be the "opposite number" of Strauss and Plowden) stayed in Vienna throughout the Conference and attended the meetings of the Board regularly, and because of the size and character of the mission which the USSR is establishing in Vienna.

15. At this stage in the Agency's life one can only speculate on the long-term objectives of the Soviet Union. In my opinion the answer to this question hinges on the Soviet approach to two subsidiary questions. First, does the USSR see some advantage in offering assistance administered by the Agency or will it cling to what is essentially a bilateral approach, and second, is it or is it not seriously interested in the development of a system of safeguards?

16. So far as the first of these questions is concerned, it would not surprise me if the Russians have not yet made up their own minds. Indeed, initially they might well try both approaches.

17. With regard to the question of safeguards, the present indications of the Soviet position can only be described as contradictory. The frequently-reiterated public position of the Soviet Delegation to the Conference was that some measure of control is necessary, but this is qualified by the almost contradictory assertion that the acceptance of control should in no way infringe the sovereign rights of states receiving assistance from the Agency, should not be used for interference in the internal affairs of states, should not hinder countries from developing atomic industry, and should not encroach on the work, discoveries or inventions of experts.

18. So far, the Soviet Union has negotiated bilateral agreements for cooperation with its communist partners, and with Yugoslavia and Egypt. The Egyptian Delegate to the Conference told us that whereas his government had rejected a bilateral agreement with the United States because its conditions constituted an unacceptable infringement of Egyptian sovereignty, the agreement with the Soviet Union had no strings at all. On the other hand, the Yugoslav Delegate told the Americans privately that his country was most unhappy

about its agreement with the USSR because all used fuel elements had to be returned to the Soviet Union.

The Western Atomic Powers and the Agency

19. I have chosen to conclude this despatch with some comments on the approach of the Western atomic powers to the Agency because in my opinion it is this approach which will determine the success to be achieved. It is no secret that with the exception of the United States all the members of this group have, in varying degrees, reservations about the usefulness and role of the Agency they have helped to create. Up to now this has not mattered too much, but in the coming months we will be entering a new phase in which we will be faced with demands for contributions from our own limited resources of technically-qualified manpower and training facilities, as well as to projects such as the fellowship programme included in the 1958 operational budget.

20. How will the Western atomic powers respond to this challenge? Can the United States count on the help of the United Kingdom, France, Canada, and to a lesser extent, Australia and South Africa? Here, perhaps, is a situation where the example set by one may have a considerable influence on the others.

21. This leads me to say that, in order to do justice to my duties as Canadian representative on the Board of Governors, I will need during the next few months a more definite understanding than I have at present of (a) what the Canadian Government would like the Agency to accomplish and (b) what Canada may be willing to do for or through the Agency.

General

22. Mr. McKinney's comments, reported in paras 10 to 13, were given on a personal basis and not as United States Government views. I ask therefore that they should not be quoted in any discussion with representatives of the United States Government.

23. Enclosed are three duplicates of this despatch to facilitate references in Ottawa. I am sending copies to Washington and of course to Vienna, leaving it to the Department to send copies to other missions if that is considered useful.

MAX WERSHOF

573.

PCO

*Note du secrétaire d'État aux Affaires extérieures
pour le Cabinet*

*Memorandum from Secretary of State for External Affairs
to Cabinet*

CABINET DOCUMENT NO. 70-58

Ottawa, April 18, 1958

CONFIDENTIAL

CANADA'S ROLE IN THE INTERNATIONAL ATOMIC ENERGY AGENCY

I. Introduction

The world is eagerly awaiting the arrival of the atomic age. The prospect of obtaining virtually unlimited power in a form not tied, as more conventional energy sources tend to be, to a specific locality has an appeal to the imagination which leads to intense public interest in each new development in this field. In more material terms, many of the indus-

trialized countries are already facing serious economic difficulties which will be relieved only through access to a new and versatile energy source which the atom promises to offer; the under-developed countries, also, link their hopes for economic and social progress with industrialization and consequently with the early establishment of ample supplies of energy which for many of them cannot readily be drawn from conventional sources.

2. Whether or not atomic energy will fulfill all of the optimistic predictions made for it, there is no doubt that its application on a significant scale in some countries at least is only a few years away and will have profound effects on many aspects of society. Canada is singularly fortunate in the atomic assets which it possesses, and in the years immediately ahead should utilize these assets to the full. Canada has abundant supplies of uranium, the primary raw material for the atomic industry about to be born; these supplies are far in excess of her prospective domestic requirements, and a substantial export capacity is now in existence. Canada also has an advanced programme of research and development in the application of atomic energy, and in particular has considerable knowledge and experience of the natural uranium heavy water type of reactor, which shows great promise for the economic production of power. Only the United States and the U.S.S.R. apart from Canada have both advanced development programmes and significant supplies of uranium, and at present at least both of these countries are net importers of uranium. Among the countries with advanced atomic power programmes, Canada alone is at present a substantial net exporter of uranium.

3. If these dual assets are to be fully exploited, it is important that Canada should play an active role in international efforts to promote the peaceful use of atomic energy. Such a role is of course necessary in order to establish and expand commercial outlets for uranium and, at a somewhat later date, for reactors of the type in which we have specialized. The development of foreign markets is of importance not only for our uranium but also for reactors, in that Canada's relative abundance of conventional sources of energy will for a few years yet limit the extent to which a domestic market is likely to develop; in the interval foreign sales will be necessary for the maintenance of a vigorous and efficient atomic engineering industry.

II. *Canada's International Role in Atomic Affairs*

4. It is suggested that we should play an active part in atomic affairs on the international scene, and that our efforts should be directed towards three different targets. In the first place, we should maintain and expand our existing bilateral contacts with other governments. Such contacts have been most intimate with the United States and the United Kingdom for a number of years, and those two countries are at present our chief uranium export markets. More recently, however, we have concluded agreements with Germany and Switzerland for cooperation in the peaceful uses of atomic energy. Japan also has expressed an interest in concluding an agreement of this nature, which will provide (as in the case of Germany and Switzerland) for the export of uranium from Canada. With a number of other countries also we have useful and expanding bilateral contacts, not yet of a nature to require formal intergovernmental agreements. Through such bilateral contacts we must hope to build a broad and diversified market for Canadian uranium and in due course to find outlets for the manufactured products of a Canadian atomic engineering industry.

5. As a second area of activity, we should develop close working relations with certain regional atomic organizations. Of particular interest are Euratom, the six-power agency established by western European countries in the atomic field in parallel with the European Coal and Steel Community and the European common market, and the somewhat broader

and looser association formed by the countries of the Organization for European Economic Cooperation to coordinate and reinforce their individual atomic programmes. Through contact with such organizations we can exert a useful influence upon their policies and no doubt can find additional outlets for Canadian exports.

6. Finally and in some respects most important of all, we should play an active role in the International Atomic Energy Agency. This body has developed from President Eisenhower's "Atoms for Peace" proposal presented to the United Nations in 1953. This Agency has world wide membership, and for many countries and peoples is the symbol of the world's hopes for the realization of the benefits which atomic energy can bring. The Agency came into existence only last summer, and is still in the initial stages of developing a programme; for a time at least its direct accomplishments may be modest, but its ultimate potential is very great indeed and even now its appeal to under-developed countries is considerable.

7. Within the Agency Canada has been recognized (as indeed it is in the United Nations Disarmament Commission) as one of the five principal atomic powers; more specifically, Canada along with France, the United Kingdom, the United States and the U.S.S.R. has been designated for membership of the 23-member Board of Governors as one of "the five most advanced atomic powers," a special category in effect conferring permanent membership on the Board. We must seek to deserve that special status, both because of the direct economic advantages to Canada as suggested in preceding paragraphs and because through it we shall be able to exert a significant influence upon the application of atomic energy throughout the world. In view of the importance of developments undoubtedly about to take place in this field, it is worth a significant effort to ensure as far as possible that they are based on imaginative, constructive and responsible planning; and by accepting the opportunities to exercise leadership, offered to us in the Agency, we may hope to make a worthwhile contribution to this work.

Recommendations

8. In the light of the foregoing considerations, I wish to recommend that:

(a) we should re-affirm the decision which we took at the time of the Agency's first general conference last autumn, to the effect that Canada should seek to play an active and constructive role in the work of the Agency; we should adhere to this policy in the knowledge that it will involve us in contributing to the programmes which the Agency will propose and for which it will seek the support of governments;

(b) we should authorize our representative on the Board of Governors of the Agency to inform the Board at its meeting next week that the Canadian Government will seek Parliamentary authority for a contribution of \$25,000 to the Agency's Fellowship Fund for the year 1958/59 (described in the attached Annex†);

(c) we should respond sympathetically to the Agency's appeal for the early provision of expert advisers by those countries having experience in atomic energy matters, to assist less developed countries in planning useful and realistic atomic programmes; specifically, we should be prepared to make available consultants and specialists for limited periods, and under financial arrangements which normally would impose on the Agency or the beneficiary government such extra costs as travel expenses, etc.

(d) we should allow our representative on the Board of Governors to be nominated, as the United States and the United Kingdom wish, to serve as the Chairman of the Board for the coming year (i.e. September 1958 to September 1959).

SIDNEY SMITH

574.

PCO

*Extrait des conclusions du Cabinet**Extract from Cabinet Conclusions*

SECRET

[Ottawa], April 23, 1958

Present

The Prime Minister (Mr. Diefenbaker) in the Chair,
 The Minister of Public Works and
 Acting Minister of Defence Production (Mr. Green),
 The Minister of Finance (Mr. Fleming),
 The Minister of Veterans Affairs (Mr. Brooks),
 The Minister of Transport (Mr. Hees),
 The Minister of National Defence (Mr. Pearkes),
 The Minister of Justice and
 Acting Minister of Citizenship and Immigration (Mr. Fulton),
 The Minister of National Revenue (Mr. Nowlan),
 The Minister of Fisheries (Mr. MacLean),
 The Minister of Labour (Mr. Starr),
 The Minister without Portfolio (Mr. Macdonnell),
 The Minister without Portfolio (Mr. Browne),
 The Minister of National Health and Welfare (Mr. Monteith),
 The Secretary to the Cabinet (Mr. Bryce),
 The Assistant Secretary to the Cabinet (Mr. Martin),
 The Registrar of the Cabinet (Mr. Halliday).

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INTERNATIONAL ATOMIC ENERGY AGENCY; CANADA'S ROLE

15. *The Prime Minister* reviewed briefly and in general the position Canada had reached with regard to atomic energy, the international role Canada might play in atomic affairs and, more specifically, the part to be played in the work of the International Atomic Energy Agency. It was recommended that the previous decision to participate actively in these matters be re-affirmed, that parliamentary approval be sought to contribute \$25,000 to the Agency's Fellowship Fund for 1958-59, that a sympathetic response be given to requests for expert advisers to assist countries less developed in the field than Canada, and, finally, that the Canadian representative on the Board of Governors of the agency be allowed to serve as Chairman for the coming year.

An explanatory memorandum was circulated. (Memorandum, Secretary of State for External Affairs, April 18, 1958—Cab. Doc. 70-58)

16. *During the discussion* it was pointed out that, although there might be some urgency in the matters referred to, questions of policy were involved and the Cabinet could not be expected to reach decisions on them on such short notice, except perhaps in regard to the chairmanship of the agency.

17. *The Cabinet* noted the recommendations respecting the role to be played in the work of the International Atomic Energy Agency, and agreed that the Canadian representative on the Board of Governors be authorized to serve as Chairman of the board for the year September, 1958 to September, 1959, but deferred decision on other questions until a meeting the following week.

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1302

PCO

575.

Extrait des conclusions du Cabinet
Extract from Cabinet Conclusions

[Ottawa], April 29, 1958

SECRET

Present

The Prime Minister (Mr. Diefenbaker) in the Chair,
 The Minister of Finance (Mr. Fleming),
 The Minister of Veterans Affairs (Mr. Brooks),
 The Minister of Transport (Mr. Hees),
 The Solicitor General (Mr. Balcer),
 The Minister of National Defence (Mr. Pearkes),
 The Minister of Trade and Commerce (Mr. Churchill),
 The Minister of Justice and
 Acting Minister of Citizenship and Immigration (Mr. Fulton),
 The Minister of Agriculture (Mr. Harkness),
 The Minister of Fisheries (Mr. MacLean),
 The Minister of Labour (Mr. Starr),
 The Minister without Portfolio (Mr. Macdonnell),
 The Minister without Portfolio (Mr. Browne),
 The Minister of Mines and Technical Surveys (Mr. Comtois),
 The Minister of National Health and Welfare (Mr. Monteith),
 The Secretary of State for External Affairs (Mr. Smith).
 The Secretary to the Cabinet (Mr. Bryce),
 The Assistant Secretary to the Cabinet (Mr. Martin),
 The Registrar of the Cabinet (Mr. Halliday).

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INTERNATIONAL ATOMIC ENERGY AGENCY; CANADA'S ROLE
(PREVIOUS REFERENCE APRIL 23)

24. *The Secretary of State for External Affairs* recalled that the last time this matter had been considered by Cabinet they had reached agreement on one of his recommendations, namely, that the Canadian representative on the Board of Governors be authorized to serve as Chairman on the board for the year September 1958 to September 1959, but had deferred decision on the other recommendations. He now wished to put them forward again and recommend,

(a) that Canada should re-affirm the decision which it had taken at the time of the agency's first general conference last fall, to the effect that Canada should seek to play an active and constructive role in the work of the agency;

(b) that the Canadian representative on the Board of Governors of the agency be authorized to inform the board at its meeting this week that the Canadian government would seek parliamentary authority for a contribution of \$25,000 to the agency's Fellowship Fund for the year 1958/59; and,

(c) that Canada respond sympathetically to the agency's appeal for the early provision of expert advisers by those countries having experience in atomic energy matters, to assist less developed countries in planning useful and realistic atomic programmes and specifically, that Canada be prepared to make available consultants and specialists for limited periods, and under financial arrangements which normally would impose on the agency or the beneficiary government such extra costs as "travel expenses," etc.

25. *During the discussion* it was pointed out that, when the matter had been considered before it had been agreed that the last words in recommendation (c): as "travel expenses, etc." be replaced by the words "as are not provided for in existing financial provisions." There was some misgiving that, under the contemplated arrangements, Canada might have little or no voice in the choice of the persons who would benefit from the agency's Fellowship Fund, and that Canada would thus have little control over the way in which its contribution would be spent. It was explained, however, that the qualifications, etc., of the trainees sent to Canada could be satisfactorily checked in the same manner as for university scholarships.

An explanatory memorandum had been circulated, (Memorandum, Secretary of State for External Affairs, April 18, 1958—Cab. Doc. 70-58).

26. *The Cabinet* approved the recommendation submitted by the Secretary of State for External Affairs on the role of Canada in the International Atomic Energy Agency, and agreed,

(a) that the previous decision to participate actively in atomic energy matters be reaffirmed;

(b) that parliamentary approval be sought to contribute \$25,000 to the agency's Fellowship Fund for 1958-59; and,

(c) that a sympathetic response be given to requests for expert advisers to assist countries less developed than Canada in the field of atomic energy.

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576.

DEA/14001-2-1-40

*Le représentant auprès de l'Agence internationale de l'Énergie atomique
au sous-secrétaire d'État aux Affaires extérieures*²⁸

*Representative to International Atomic Energy Agency
to Under-Secretary of State for External Affairs*²⁸

CONFIDENTIAL

Geneva, June 30, 1958

²⁸ La note manuscrite suivante écrite par M. J.C. Langley était jointe à cette lettre; elle contient des commentaires ajoutés entre parenthèses par M. Louis Couillard :/The following note written by J.C. Langley was attached to this letter, with comments on the note added by Louis Couillard in parentheses:

Mr. Couillard

(1) these are the two letters I mentioned about IAEA and its future.

(2) Max's suggestions amount to:

(a) continuing support for the agency for the time being;

(b) letting US officials know our doubts about Cole's suitability as DG; (This will require top notch diplomacy [L. Couillard])

(c) getting down to a serious appraisal of the Agency and its future with US officials with a view of persuading them to take a more constructive and definite lead on Agency matters.

(3) Would you agree that a personal letter to Ed Ritchie, for either your or Doug's [LePan] signature, might be the best way to get the ball rolling? We might say that possibility of further meeting with R. Grey & Max might be considered if the first approaches make this move useful. (Yes — this has been my thought. Doug will be away next week. L. C[ouillard]) J. [Langley]

Dear Mr. Léger,

RE: INTERNATIONAL ATOMIC ENERGY AGENCY

Since the Agency came into existence last year, Mr. Barton and I have sent to the Department many reports, mostly of a factual character, or requests for instructions. I have not before now attempted a general assessment of the state of affairs in the Agency. During the past few months I have felt a growing uneasiness about those affairs. Unfortunately, I have no remedies to suggest for some of the conditions which seem to me to be wrong, but I think that others might be cured if the governments which are anxious to make the Agency a success would be prepared to take the necessary actions.

The Director General

2. You may recall that the USA insisted on having an American, and Mr. Sterling Cole in particular, chosen for this post. I have since learned that he was the personal choice of Admiral Strauss, the Chairman of the Atomic Energy Commission, and that there was little or no consultation with others in the US Government before he was put forward as the candidate.

3. Mr. Cole has some good qualities, such as sincerity, but I have come to the opinion that he has no chance of making the grade as Director General. He has failed to win the respect of the Board of Governors. He shows no signs of talent as an administrator. He lacks understanding of how to handle Governors representing 23 countries. He has committed numerous errors of judgment in his dealings with the Board and, during the present series of meetings, twice came within an inch of ruining himself completely, being saved on both occasions by private advice from the USA Governor and myself to retreat.

4. The prospects for easing him out of office in the immediately foreseeable future without grave loss of face for the United States are not bright. Moreover, I suspect that Mr. McKinney, the US Governor, who is a Democrat, finds it difficult, if not impossible, to report frankly to a Republican Administration on the failure of a prominent Republican politician to make good. Perhaps this is an area in which we and the British could help out by conveying to senior officials of the State Department our concern over the way Mr. Cole is doing his job.

The Secretariat

5. There are many able men in the top ranks of the Secretariat, but the proportion of "duds" is too high. This is not Mr. Cole's fault, except to the extent that he failed to resist the relentless pressures to which he was subjected by numerous governments.

The USA Policy in the Agency

6. Compared with all other members, the USA has offered generous support to the Agency. However, it seems to me that the USA never had and does not now have any clear idea of what the Agency could do to justify its creation. Many of the gifts which the USA has offered have been ill-considered and have found no welcome in the Secretariat or in the Board, e.g. the offer of a big research reactor for the Agency's own use. No one here can see how the Agency would use it or where it would get the money to house and operate it.

Position of Leading Western Countries

7. It was always my impression that the U.K. and France had little or no wish to create the Agency but felt compelled to follow the USA lead. In the Board of Governors we find France, Australia, South Africa and Sweden almost invariably opposed to doing anything

that will cost money. The U.K. is not quite as bad. The only countries which have subscribed to the 1958 voluntary fund for a fellowship programme are:

| | |
|--------------|-----------------------------------|
| USA | — \$125,000 (on a matching basis) |
| Canada | — \$25,000 |
| U.K. | — \$25,000 in Sterling |
| South Africa | — \$2,000 |
| Monaco | — \$1,000 |
| Turkey | — 10,000 lira. |

Not a penny has been offered by such Board members as Australia, France, Sweden, Italy and Portugal. Nor has anything been given by prosperous non-members of the Board, such as Germany, Netherlands and Belgium. The fellowship fund of \$250,000 was the only item in the 1958 voluntary operational budget. The 1959 operational budget will probably be \$1.5 million.

Position of U.S.S.R.

8. The USSR has given no money to the 1958 operational budget and I shall be astonished if it gives money to the 1959 operational budget (unless the rules yet to be drafted permit the contribution of unusable rubles). I tried as long as possible to believe that the USSR in its own way shared the USA desire to make the Agency a significant organization. I no longer believe this. The USSR is opposed to almost every idea put forward for an Agency activity, especially if it will cost money. Furthermore, the USSR, aided by India, is doing everything possible to prevent the Agency's making even a start in the direction of setting up the safeguards system which is an integral part of the Statute; I believe that they seek to sabotage the safeguards provisions of the Statute.

9. I have speculated on the reasons why the USSR joined the Agency at all and insisted on having a powerful position on the Board of Governors. My feeling is that their actions were and are based on a mixture of the following considerations:

(1) Once they became convinced that the USA was determined to create the Agency even without Soviet participation, they thought it better to be inside and in a position to obstruct whatever the USA might wish to do.

(2) They see some possibility of using the Agency, at little cost to themselves, to send students from other parts of the world to study in the USSR.

(3) They would not mind if the Agency were to be a failure, thereby causing some humiliation to the USA which was its principal founder.

Position of India

10. This has been a surprise to me, and a deep disappointment. The Indian alternate on the Board of Governors is Dr. Rajan, a highly intelligent young diplomat, who takes his orders from Dr. Bhabha. The Indian Department of External Affairs has no influence in the matter. Dr. Rajan almost invariably follows the Communist line in the Board, which is to riddle with criticism any idea which might cost money. Most of Dr. Rajan's positive efforts are devoted to trying to get more senior jobs in the Agency for Indians and others from Asia, Africa and the Middle East. So far as the safeguards provisions of the Statute are concerned, it is clear that India will do all possible to make them a dead-letter. I have heard also from several sources that Dr. Bhabha makes no secret of his dislike for the whole Agency idea.

Conclusions

11. As you will have gathered, I have no suggestions as to what can be done about the problem of the Director General, except to let the State Department, at a sufficiently high level, know of our concern. But I do think something can be done to brighten up the other side of the coin. First, I believe the US Government should engage in an "arm-twisting" operation to make friendly governments who are able to do so, come to the 1958 General Conference in September prepared to pledge to the Agency's 1959 operational budget amounts at least equal to their shares of the Administrative Budget. If we can come close to raising the money required for the 1959 programme, I believe it will help to create an atmosphere of optimism and it will also tend, through the financial commitments of a number of governments who so far have been inclined to snipe from the sidelines, to give them more of a sense of involvement in the successful development of the Agency's programmes.

12. Second, I believe the Canadian Government should try to lead the US Government to face up to the task of evolving a clear concept of what the Agency should and can do to justify its creation. We might urge the convening of a meeting in Washington between senior officials of the two governments, which might last two or three days and would go deeply into the various aspects of the problem in accordance with an agenda carefully prepared in advance. If such a meeting were to be called, I believe that Mr. McKinney, the US Governor, and either Mr. Barton or I should be present so that we could give a frank appraisal of the situation in Vienna. (I could not attend such a meeting until November, but my personal presence is not essential.)

13. If a meeting along the lines I have proposed cannot be arranged, then we might try, at the time of the General Conference when Mr. Gray of AECL is in Vienna, to get together with senior officials of the U.S. delegation for some discussion of the problem. However, this would be a very poor second-best, both because of lack of time for thorough discussion, and because some of the key officials would not be present.

14. Although I am pessimistic about the Agency, I think it is too early for Canada to think of stopping financial support. There will almost certainly be a pledging conference in Vienna at the beginning of October to raise money for the 1959 operational budget. Mr. Barton will be sending a separate communication on this subject. I think that the officials concerned in Ottawa should make every effort to obtain a respectable Canadian pledge. Whether I will make a similar recommendation a year hence in respect of the 1960 budget is another matter. Canada must, I believe, try to give the Agency a fair chance in 1959 and help to set an example of financial support to other western nations who have been lagging behind.²⁹

Yours sincerely,

MAX WERSHOF

P.S. I leave it to you to decide whether to circulate this letter, minus the post-script, to Finance, AECL; Embassy, Washington; and Permanent Mission, N.Y.

²⁹ M. Léger répond à M. Wershof le 1^{er} août, l'informant que ses propositions seront examinées au cours des semaines suivantes.

Léger replied to Wershof on August 1 noting that his suggestions would be considered during the following weeks.

577.

PCO

*Extrait des conclusions du Cabinet**Extract from Cabinet Conclusions*

SECRET

[Ottawa], September 7, 1958

Present

The Prime Minister (Mr. Diefenbaker) in the Chair,
 The Minister of Public Works (Mr. Green),
 The Minister of Finance (Mr. Fleming),
 The Minister of Veterans Affairs (Mr. Brooks),
 The Minister of Transport (Mr. Hees),
 The Solicitor General (Mr. Balcer),
 The Minister of National Defence (Mr. Pearkes),
 The Minister of Trade and Commerce (Mr. Churchill),
 The Minister of Justice (Mr. Fulton),
 The Minister of Agriculture (Mr. Harkness),
 The Minister of Citizenship and Immigration (Mrs. Fairclough),
 The Minister of Fisheries (Mr. MacLean),
 The Postmaster General (Mr. William Hamilton),
 The Minister without Portfolio (Mr. Macdonnell),
 The Minister without Portfolio (Mr. Browne),
 The Minister of National Health and Welfare (Mr. Monteith),
 The Secretary of State for External Affairs (Mr. Smith),
 The Secretary of State (Mr. Courtemanche).
 The Secretary to the Cabinet (Mr. Bryce),
 The Assistant Secretary to the Cabinet (Mr. Martin),
 The Registrar of the Cabinet (Mr. Halliday).

. . .

INTERNATIONAL ATOMIC ENERGY AGENCY

5. *The Secretary of State for External Affairs* said that, since December 1953, when the President of the United States originated the idea of an international organization devoted to the peaceful uses of atomic energy, Canada had wholeheartedly supported its formation and played a leading role in its subsequent development. When the International Atomic Energy Agency was established in 1957, Canada, because of its leading position in nuclear science and uranium production, had been given one of the five quasi-permanent seats on the agency's Board of Governors, and this year the Canadian member was Vice-Chairman. Part of the agency's activities were financed from its administration budget but there was a wide range which, at least during the initial phase, had to be financed by voluntary contributions. These made up the operational budget, established at \$250,000 for 1958 and devoted currently to the agency's fellowship programme. The U.S. had offered half of this on a matching basis and Canada had contributed \$25,000. For 1959, the budget was \$1.5 million of which it was suggested \$1.1 million be devoted to the fellowship programme and economic, technical, and research assistance programmes in less developed countries, and \$400,000 to the acquisition by the agency of functional laboratories.

It was in Canada's interest to continue to encourage the agency to develop a vigorous, realistic, and constructive programme. As yet the intentions of the U.S. as to an outright pledge or one on a matching basis were not known, but they had already expressed a hope that Canada would contribute and it was thought a sum of up to \$75,000 would not be

excessive in relation to a probable U.S. contribution of \$750,000. He recommended accordingly, with the concurrence of the Minister of Trade and Commerce.

An explanatory memorandum had been circulated, (Minister's memorandum, Sept. 3, 1958 - Cab. Doc. 259-58†).

6. *The Cabinet* agreed,

(a) that the Canadian Delegation to the Second Annual Conference of the International Atomic Energy Agency, be authorized to announce at the conference that a Canadian contribution would be made to the 1959 operational budget of the agency, subject to the appropriation of funds by Parliament; and,

(b) that the amount of the final Canadian pledge would not exceed \$75,000; the exact amount to be determined later by the Cabinet after information had been received on pledges by others, particularly the United Kingdom and the United States, and to bear an equitable relationship to those pledges.

...

578.

DEA/14001-3-4-40

*Note du sous-secrétaire d'État aux Affaires extérieures
pour le secrétaire d'État aux Affaires extérieures*

*Memorandum from Under-Secretary of State for External Affairs
to Secretary of State for External Affairs*

CONFIDENTIAL

[Ottawa], September 17, 1958

INTERNATIONAL ATOMIC ENERGY AGENCY³⁰

The Second General Conference of IAEA opens in Vienna next Monday, September 22. In previous memoranda concerning the Canadian Delegation and a Canadian contribution to the Agency's operational Budget, I mentioned that we would be submitting the instructions for our Delegation to the Conference to you for consideration. These instructions are now attached.

Mr. Wershof, the Canadian Delegate to the General Conference, has been intimately associated with IAEA over the past year as our representative to the Board of Governors, of which he has been Vice Chairman. Since most of the items on the Conference Agenda have previously been considered by the Board, and have been the subject of instructions to Mr. Wershof, it has not appeared necessary to prepare as detailed guidance for our Delegation to the forthcoming meetings as might otherwise have been desirable. The attached instructions, therefore, fall into two parts:

(a) A re-statement of the Canadian attitude towards the Agency designed to enable our Delegation to play a constructive role in efforts to shape the programme and activities of the Agency so as to ensure that it fulfils the objectives for which we supported its creation;³¹

(b) Supplementary guidance on specific Agenda items where this seems to be required.†

³⁰ Note marginale :/Marginal note:

Minister: The introductory section was sent to you in Montreal H.B.R.[obinson]

³¹ Note marginale :/Marginal note:

For HBR I approve SE S[mith] Sept. 21 1958.

The Canadian attitude, as outlined in the attached paper is, of course, in strict conformity with the position endorsed by the Cabinet on several occasions, most notably in connection with your recent recommendation for a Canadian contribution to the Operational Budget of the Agency. The guidance offered on specific items is, broadly speaking, designed to ensure that the position taken by the Canadian Delegation at the General Conference on items such as the credentials of member countries, elections to Agency bodies, budgetary contributions and the technical assistance activities of the Agency is consistent with that of Canada at the United Nations General Assembly and meetings of Specialized Agencies. Cabinet approval having been obtained for the only item on which I think this necessary, namely a Canadian contribution to the Agency's Operational Budget, I recommend the attached instructions for your approval.

The attached paper has been prepared in consultation with the Department of Finance and with AECL, and carries their judgment.³²

J. L[ÉGER]

[PIÈCE JOINTE/ENCLOSURE]

Note de la Direction économique

Memorandum by Economic Division

CONFIDENTIAL

[Ottawa], September 17, 1958

2ND GENERAL CONFERENCE OF IAEA — GUIDANCE FOR CANADIAN DELEGATION

Introduction

Between the end of the war and December 1953, when President Eisenhower proposed the establishment of an international organization within the United Nations family to devote itself to encouraging the development of the peaceful uses of atomic energy throughout the world, research and the application of these uses of atomic energy had been almost exclusively a national endeavour. President Eisenhower's proposal was designed as part of an imaginative effort to expand the peaceful uses of atomic energy throughout the world, to bring their benefits particularly to backward countries which could not hope to develop national atomic energy programmes without outside assistance and to provide a vehicle for international consultation and for the channeling of international efforts in this field.

2. Since December 1953, Canada has wholeheartedly supported the formation of the International Atomic Energy Agency. We have participated fully in the discussions which led to the adoption of its statute and we have since played a leading role in its subsequent development. Our position has been based in large measure on our wish to foster the rapid growth of the peaceful uses of atomic energy and the belief that an international agency such as IAEA would make a valuable contribution to this end. This has been considered desirable not only as a contribution to the well being, particularly of the less developed countries, but also with a view to increasing outlets abroad for uranium, a matter of considerable concern to Canadian producers during the next decade or more pending the development of domestic markets. In addition, Canada has hoped that an effective multilateral

³² Note marginale :/Marginal note:
I approve. Sidney Smith Sept 19th 1958.

system of safeguards to prevent the diversion of nuclear materials to military uses might be developed through the Agency.

3. It is now clear that the use of atomic energy for the production of power on a commercial basis on any significant scale is many years away except in the most advanced industrial countries and that IAEA is not likely to participate directly in a significant way in power reactor programmes during the next few years. This is in large measure due to the fact that most countries of the world lack the technical competence even to begin the establishment of atomic power programmes, while the tendency of the more technically advanced countries has been to turn to bilateral arrangements with the United States, the United Kingdom or the USSR for assistance in implementing their programmes. The role of IAEA in the short run would therefore seem to be to assist the less technically advanced countries to acquire the knowledge and skills which are a first requirement for the later development of their own peaceful atomic energy programmes. This means, broadly speaking, a technical assistance function which the Agency is already implementing through its fellowship programme and the advisory expert teams which it is prepared to make available to less developed countries and regions to assist in ascertaining their atomic energy needs and how these may best be met. In addition, the Agency proposes in 1959 to embark on a programme for the provision of equipment and facilities which the less developed countries will need if their returning trainees are to put their new skills to good use. We do not believe that the Agency should be the main vehicle for the provision of economic aid, which might more suitably be provided under programmes specifically designed for this purpose, such as the Colombo Plan. However, we would not wish, at this early stage, to oppose initiatives of this kind which may be useful and may contribute to the development of IAEA as an effective Agency.

4. Another role which has been envisaged for the Agency is to act as intermediary in the supply of materials. Many member countries have pledged themselves to supply such materials but, in the absence of agreements on the conditions of supply, it is difficult to know how this role of the Agency may develop, particularly as large scale requirements for materials are unlikely to develop until the applications of nuclear energy to the production of power have further advanced. The tendency at the present time is for countries putting a reactor programme into effect to obtain their material requirements from one or other of the more advanced atomic powers through bilateral agreements.

5. The references in the foregoing to the bilateral approach in the international development of the peaceful uses of atomic energy serve to draw attention to one concept of the Agency which appears to have been overlooked during this first year of its existence. We have always considered that the practical advantages of entering bilateral arrangements for the supply of materials and for cooperation in the exchange of information and know-how were so obvious, particularly during the early stages of the Agency's development, that we could not expect multilateral arrangements through IAEA completely to replace them, nor indeed would this seem to be desirable. If, in fact, the organization of power reactor programmes in the less developed countries is carried out primarily through bilateral arrangements, the development by the Agency of a useful role in this field could only take place if it were to adapt its activities and machinery in such a way as to enable it to participate actively in encouraging and facilitating bilateral contacts. What we have in mind is that the Agency having, at its request, assisted a less developed country to define its atomic energy needs, might then bring this country together with a technically advanced country prepared to assist in the realization of its projects by the provision of information, facilities or financial support. This concept is embodied in Article XI of the Statute. A similar intermediary role in the field of health, safety and safeguards is envisaged in Article XII. This

role of the Agency has tended to be overlooked during the first year of its existence but would seem to offer scope for constructive developments in the future. More precise guidance on this matter was offered in our telegram No. E-1677 of September 13† to Geneva.

6. The functions of the Agency which have been described in the preceding paragraphs relate to a role through which we believe that it will contribute to increasing the uses of atomic energy in the world. The Agency also has certain other statutory responsibilities. In the first place, we believe that the Agency should take steps to encourage agreement on a mutually acceptable approach to the application of safeguards. It is Canadian policy to apply such safeguards to nuclear materials exported for peaceful use from Canada but we have always recognized that this policy could only be maintained in the long run if it were generally acceptable to both producing and "recipient" countries throughout the world. Our main hope for the development of such a multilateral system must rest upon IAEA, and the Canadian Delegation should encourage it to make progress in this direction. The problems involved are complex but a useful first step might be for the Agency to draw up and seek the agreement of member countries to standard accounting procedures for nuclear materials.

7. A second field of activity upon which the Agency has already embarked is that of Health and Safety. Its role, as stated in the Statute, is to establish or adopt, in collaboration with the United Nations bodies concerned, standards of health and safety. It is also required to apply these to its own projects and to those of any states, at their request. Coming but lately on to the scene, the Agency has been faced with a situation where a number of other international organizations (e.g. NPD, ILO and ICRP) have more or less long standing nuclear programmes intimately related to the other responsibilities they discharge. The problems which this has created are described below in connection with Agenda item 18. Here it suffices to say that, if the Agency is to perform the sort of role which we envisage for it in this field, it and the Specialized Agencies must be encouraged to enter appropriate relationship agreements. The Agency must also be encouraged to keep abreast and to take account of relevant work being done, not only by the Specialized Agencies but by other international organizations and by national bodies. Similar considerations arise in connection with the relationship of IAEA to UNESCO, with its responsibility for education, and many other international organizations.

579.

DEA/14001-2-1-40

*Le sous-secrétaire d'État aux Affaires extérieures
au représentant permanent auprès du Bureau européen
des Nations Unies et de l'Agence internationale de l'Énergie atomique*

*Under-Secretary of State for External Affairs
to Permanent Representative to European Office of United Nations
and International Atomic Energy Agency*

CONFIDENTIAL

Ottawa, September 18, 1958

Dear Mr. Wershof,

In preparing the guidance and instructions for our delegation to IAEA's General Conference over the past few weeks, we have had the points made in your personal letter of June 30 very much in mind. I cannot pretend that we have been entirely successful, but the introductory section of these instructions is an attempt to define our attitude towards the Agency, at this stage in its development, and indicate the direction in which it is in Canada's interest to press the Agency to move.

Unfortunately, the preparation of this statement has taken rather longer than we had anticipated and we have therefore not had an opportunity to discuss the future of the Agency with the United States authorities, even in a preliminary way, as we had hoped and had said we intended to do in our telegram No. E-1533 of August 29.† However, it seems that the United States will take a quite positive line at the forthcoming General Conference and it may be just as well to postpone any action until we can assess the trend of the Conference and decide whether a frank discussion in Washington would still serve a useful purpose.

I would be glad to have your opinion on this at the end of the Conference. If we decide that it would be useful to proceed with these talks, I hope that they can be timed to take advantage of your visit to Canada at the end of October.

One other point that I would like to mention concerns the Health and Safety activities of the Agency. We are naturally turning to the Department of Health and Welfare here for advice on technical questions, such as those which arose in connection with the Agency's recent draft of a radiation safety manual. Health and Welfare is interested and helpful but there is none-the-less a conflict of interest in its relations with IAEA, on the one hand, and with WHO, ICRP and the United Nations Scientific Committee on Radiation, on the other. I think, therefore, that it might be useful for us to seek an opportunity to have a member of that Department (such as Dr. Watkinson) attend a future meeting of the Board, at which Health problems are to be discussed, or an appropriate Agency committee. Provided that the discussions were of a really substantial nature, I think that both our own people and the Agency might derive real benefit.

I now intend to send copies of your letter of June 30 and of this reply, to our Embassy in Washington.

Yours sincerely,
JULES LÉGER

580.

PCO

*Note du secrétaire d'État aux Affaires extérieures
pour le Cabinet*

*Memorandum from Secretary of State for External Affairs
to Cabinet*

CABINET DOCUMENT NO. 268-58

[Ottawa], September 19, 1958

CONFIDENTIAL

INTERNATIONAL ATOMIC ENERGY AGENCY

On September 7 the Cabinet approved a recommendation that the Canadian Delegation to the Second General Conference of IAEA be authorized to announce that a Canadian contribution would be made to the 1959 Operational Budget of the Agency, subject to the appropriation of funds by parliament. The amount of this contribution was not to exceed \$75,000, the exact figure to be determined by the Cabinet after we had received information on the pledges to be offered by others, and particularly the United Kingdom and the United States.

We have now been informed that the United States intends to pledge half of the Agency's Operational Budget. Provided that the General Conference approves the Board of Governors' recommendation for a total Operational Budget of \$1,500,000, the United States will contribute \$750,000, of which \$500,000 will be an unconditional payment while the remaining \$250,000 will be paid on a matching basis, depending on the contributions of other member countries.

The United Kingdom authorities have also informed us that they will contribute on "the scale which is usually expected of the United Kingdom" and that they intend to announce a pledge of \$150,000 (sterling equivalent). They have been considering whether a portion of this might be given in the form of a tied contribution, for example for fellowships or some kind of technical aid, and have now authorized their representative to the General Conference to reach a decision on allocation in the light of developments at the Conference.

In view of our great interest in, and past support for, the Agency and our desire to encourage other member countries to contribute their fair share to its voluntary programmes, it is in Canada's interest to announce a definite contribution at the forthcoming General Conference, or the Pledging Conference if one is held. As I stated in my previous recommendation, a Canadian contribution of 10 percent of the actual United States contribution would not seem to be excessive in relation to our interest in the Agency, and would also seem to bear a proper relationship to the expected United Kingdom contribution.

Recommendation

I therefore recommend³³ that Mr. Wershof, the Canadian Delegate to the General Conference, be authorized to announce that:

(a) Canada will contribute \$50,000 to the Agency's Operational Budget for 1959, provided that the United States announces an unconditional contribution of \$500,000. Should the United States make a lower pledge, the Canadian contribution to be announced should be scaled down proportionately;

³³ Approuvé par le Cabinet le 21 septembre 1958.
Approved by Cabinet on September 21, 1958.

1314

(b) Canada will consider contributing up to an additional \$25,000 if the response of other member countries to the Agency's appeal for funds is adequate. Our delegate should be informed that Canada is prepared to contribute proportionately (within the overall limit of \$75,000 as already approved in principle by Cabinet), provided that the response of other member countries is such as to call forth all or part of the \$250,000 which the United States is prepared to contribute on a matching basis. I propose that this additional contribution by Canada be made, if justified on the basis suggested, without further reference to Cabinet but that our Delegate should send to Ottawa the information on the pledges of other member countries which would justify this additional contribution.

[S.E. SMITH]

DEA/14001-2-1-40

581.

*Le chef de la Direction économique
au conseiller à l'ambassade aux États-Unis*

*Head, Economic Division,
to Counsellor, Embassy in United States*

[Ottawa], October 2, 1958

PERSONAL & CONFIDENTIAL

Dear Ed [Ritchie],

Max Wershof has been very concerned about the future of the International Atomic Energy Agency, in the light of developments during the first year of its existence, and on June 30 he wrote a personal letter to the Under-Secretary expressing some of his misgivings, dwelling particularly on the desirability of trying to lead the United States Government to evolve a clear concept of what the Agency should and could do to justify its creation. I now enclose a copy of that letter, for your information.

We did not circulate this letter at the time of its receipt because we were anxious to clarify our own ideas on the future of the Agency. We had thought that we would then ask you to have preliminary discussions with the State Department in order to see whether it might be useful to hold the kind of meeting of senior officials which Max advocated. The process of working out our position has taken rather longer than we had originally hoped and there would seem to be no point in contemplating any discussions with the United States authorities until after we have had an opportunity to assess the current General Conference of the Agency.

In a letter dated September 18 (a copy of which is also enclosed) to Max, the Under-Secretary has asked for just such an assessment and we would expect to write you again shortly on this matter. In the meantime, I would be happy to have your views on the possible usefulness of discussions with the United States authorities along the lines suggested by Max.

Yours sincerely,

L.E. COUILLARD

582.

DEA/14001-2-1-40

*Le représentant auprès de l'Agence Internationale de l'énergie atomique
au secrétaire d'État aux Affaires extérieures*

*Representative to International Atomic Energy Agency
to Secretary of State for External Affairs*

TELEGRAM 85

Vienna, October 6, 1958

CONFIDENTIAL

Reference: Léger's unnumbered Letter Sep 18.

Repeat Geneva, Washington.

IAEA GENERAL PROBLEMS

Although I still think that a thorough USA-Canada discussion of the troubles of the agency should be held in Washington I do not repeat not recommend that it be arranged on relatively short notice i.e. to fit my personal visit to Canada end of October.

2. The kind of meeting I have in mind should be carefully prepared and various senior officials on both sides would need to be briefed. Another reason for not aiming at end of October is that McKinney (USA Governor) has just resigned for personal reasons. I now suggest waiting a few months until new governor has taken over and learned at first hand some of agency's troubles; I could later on propose a target date. General Conference went a little better than I expected and we have a breathing space.³⁴

3. I agree with suggestion that Representative of Department [of] H[ealth] [and] W[elfare] should attend a Board Meeting and will send specific suggestion later this autumn when Board's schedule and future agenda are clearer.

[M.H.] WERSHOF

³⁴ Pour obtenir une copie du rapport officiel de la délégation canadienne sur les événements de la deuxième conférence annuelle de l'AIEA en 1958, se reporter à la lettre de Vienne n° 133 de M. Wershof à l'SSEAE, du 8 octobre 1958, MAE/14001-3-4-40.

For a copy of the Canadian delegation's official report on the events of the second annual conference of the IAEA in 1958, see Wershof to USSEA, Vienna Letter 133, October 8, 1958, DEA/14001-3-4-40.

583.

PCO

Extrait des conclusions du Cabinet
Extract from Cabinet Conclusions

[Ottawa], December 3, 1958

SECRET

Present

The Minister of Public Works and
 Acting Prime Minister (Mr. Green), in the Chair,
 The Minister of Veterans Affairs (Mr. Brooks),
 The Minister of Transport (Mr. Hees),
 The Minister of Trade and Commerce (Mr. Churchill),
 The Minister of Justice and
 Acting Secretary of State for External Affairs (Mr. Fulton),
 The Minister of National Revenue (Mr. Nowlan),
 The Minister of Citizenship and Immigration (Mrs. Fairclough),
 The Minister of Fisheries (Mr. MacLean),
 The Minister of Labour (Mr. Staff),
 The Postmaster General (Mr. William Hamilton),
 The Minister without Portfolio and
 Acting Minister of Finance (Mr. Macdonnell),
 The Minister of Mines and Technical Surveys (Mr. Comtois),
 The Minister of National Health and Welfare (Mr. Monteith),
 The Minister of Northern Affairs and National Resources (Mr. Alvin Hamilton),
 The Minister of Defence Production (Mr. O'Hurley),
 The Secretary of State (Mr. Courtemanche),
 The Secretary to the Cabinet (Mr. Bryce),
 The Assistant Secretary to the Cabinet (Mr. Martin).

. . .

DONATION OF URANIUM METAL TO THE INTERNATIONAL ATOMIC ENERGY AGENCY

18. *The Minister of Trade and Commerce* said that Japan had ordered three tons of uranium metal from the International Atomic Energy Agency which in turn had asked members to submit tenders for the supply of this material. The United Kingdom and the United States were, apart from the U.S.S.R., the only sizeable users, and their needs until 1966 had been satisfied by the existing contracts. It was unlikely that demand would be substantial until the middle or late 60's, when requirements were expected to expand rapidly.

Canada had not yet concluded a bilateral atomic energy agreement with Japan and the provision of this uranium through the agency might expedite negotiations. At the moment there was intense competition to supply the relatively small amounts of uranium required outside the U.K. and the U.S. It was possible, therefore, that the successful bidder for the three tons which the agency was asking for would quote a price which bore no relation to cost and thus establish a world price which would be considered too low in the future.

There was very real prestige and advertising value in the transaction and a valuable service could be performed if the government donated the small amount involved. Such a gift would, to some extent, combat the oft made statements that other countries were taking uranium sales away from Canada by giving reactors, long-term credits, etc. The donation would be made on the understanding that the agency would apply safeguards against military use which would strengthen the hand of the head of the agency in developing an international safeguards system. The agency would be expected to re-sell the uranium to

Japan and use the funds to cover the cost of safeguards. The cost of the uranium would be approximately \$54,000.

He recommended that the donation be made on the understanding that the agency exercised its responsibilities in regard to safeguards and sale, that it was being given to expedite the agency's activities and was not to be regarded as a precedent, and that provision be made in the final supplementary estimates to cover the cost.

An explanatory memorandum had been circulated, (Minister's memorandum, Nov. 28 — Cab. Doc. 344-58+).

19. *During the discussion* it was said that it might be hard to justify such a gift. Moreover, Canada was criticizing the United States for "give-aways". On the other hand, the prospective advantages seemed to be substantial. Provided the government could be assured that the agency would in fact sell the metal at a reasonable price, the transaction should be approved. Further information on this point was needed.

20. *The Cabinet* deferred decision on the proposal put forward by the Minister of Trade and Commerce to donate three tons of uranium metal to the International Atomic Energy Agency for sale to Japan, pending receipt of information on prices the agency would be expected to charge Japan.

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584.

DEA/14001-2-1-40

*Le conseiller à l'ambassade aux États-Unis
au ministère des Affaires extérieures
Counsellor, Embassy of United States,
to Department of External Affairs*

CONFIDENTIAL

Washington, December 3, 1958

Dear Rod [Grey],

We have read with interest the letter from Max Wershof about the state of the International Atomic Energy Agency and about the desirability of certain actions by Canada, including the undertaking early in the New Year of a review of the situation with United States officials concerned. We shall not, of course, pursue this suggestion formally until we hear from you after the officials in Ottawa have had an opportunity to examine this proposal and the other points in Max's letter. I did, however, have a casual conversation at a reception last evening with Dick Breithut, the official in the State Department who is primarily responsible for IAEA matters. He is obviously aware of the frustrations being experienced by the IAEA. He considers that some of these difficulties result from the excessively high expectations which were built up at an earlier period when it was thought by many that the Agency (and atomic energy itself) would be able to do more wonderful things than now seems practicable. He noted that the IAEA was not the only institution in the atomic energy field which was suffering from disillusionment. He intimated that some domestic United States activities now appeared less enchanting than they had previously, and that Euratom was going through, or might shortly go through, a rather similar process. He did not enlarge upon this latter remark about Euratom.

I am not sure that the rather dyspeptic personal views which Breithut expressed yesterday evening should be taken as typical of U.S. thinking. Such considerations, however, are undoubtedly in some degree present in the U.S. approach to the Agency. There are, of

course, other elements in the situation which might counterbalance this pessimism. In particular, it would seem to me that even if one now accepts such limitations on international atomic energy activities, there might still be good reasons for assigning a major role to the Agency in this limited field.

I think that what really should be taken from Breithut's remarks is simply the fact that, whatever the considerations involved, there is not much steam behind U.S. participation in the Agency at the moment. I doubt that merely talking with U.S. officials would generate any significant additional amount of steam. This situation may, of course, change, especially when the new U.S. member of the Agency's Board of Governors is appointed. Breithut hinted that the selection of the new U.S. representative had already been made, but he was obviously not prepared to divulge the name. I rather gathered from the way Breithut talked that the new U.S. Governor was unlikely to be a ball of fire (or an atomic "fireball").

All of this is rather discouraging, but I thought it worth reporting since it pretty well confirms the impression which Harry Williamson and I (and I am sure Max) have had about the current U.S. approach to the affairs of the Agency.

The only optimistic note sounded by Breithut was on the subject of safeguards. On this matter he felt that the Ottawa meeting³⁵ had been extremely useful, and would be helpful here in getting the AEC to make some move. Breithut felt that the chances of progress on this particular subject within the near future were reasonably good. Such an advance by itself would not, however, give enough substance to the Agency to overcome the malaise which is worrying Max.

In brief, it seems to me that consultations with the U.S. would be pretty unproductive unless, of course, we had previously worked up plans for some new initiative which would appeal to the U.S. authorities (and in which we ourselves would be doing something new and significant). I do not think that any such constructive initiative is likely to emerge in the course of a meeting with the U.S. officials in their present state of mind. I think that it would have to be prepared well in advance. If we had some constructive ideas, consultation with the U.S. could be helpful to the Agency. If we had no such constructive thoughts, talk with U.S. officials over the next several months would have little value, since the U.S. side would almost certainly be barren of ideas.

In the unlikely event that we learn of any improvement in U.S. thinking about the future of the Agency, we shall, of course, let you know. Meantime, I fear that any report we might make in response to a formal request from you would hold out little promise of fruitful results from early consultations with the United States.

If, of course, Max is going to be in Ottawa anyway, I would hope that he would find it possible to come to Washington for talks about the Agency. He should not, however, expect too much from such talks unless some unexpected change occurs here in the interim.

I am taking the liberty of sending a copy of this letter along to Max Wershof in Geneva.

Regards,
Yours sincerely,

A.E. RITCHIE

³⁵ Voir/See Document 567.

585.

PCO

Extrait des conclusions du Cabinet
Extract from Cabinet Conclusions

SECRET

[Ottawa], December 9, 1958

Present

The Minister of Public Works and
Acting Prime Minister (Mr. Green), in the Chair,
The Minister of Finance (Mr. Fleming),
The Minister of Veterans Affairs (Mr. Brooks),
The Solicitor General (Mr. Balcer),
The Minister of National Defence (Mr. Pearkes),
The Minister of Trade and Commerce (Mr. Churchill),
The Minister of Justice (Mr. Fulton),
The Minister of National Revenue (Mr. Nowlan),
The Minister of Fisheries (Mr. MacLean),
The Minister of Labour (Mr. Starr) (for afternoon meeting only),
The Postmaster General (Mr. William Hamilton),
The Minister without Portfolio (Mr. Macdonnell),
The Minister of Mines and Technical Surveys (Mr. Comtois),
The Minister of National Health and Welfare (Mr. Monteith),
The Minister of Northern Affairs and National Resources (Mr. Alvin Hamilton),
The Secretary of State for External Affairs (Mr. Smith),
The Minister of Defence Production (Mr. O'Hurley),
The Secretary of State (Mr. Courtemanche) (for afternoon meeting only).
The Secretary to the Cabinet (Mr. Bryce),
The Assistant Secretaries to the Cabinet (Mr. Fournier), (Mr. Martin).

...

DONATION OF URANIUM METAL TO THE INTERNATIONAL ATOMIC ENERGY AGENCY
(PREVIOUS REFERENCE DECEMBER 3)

63. *The Minister of Trade and Commerce* recalled that the Japanese government had placed an order with the International Atomic Energy Agency for approximately three tons of uranium metal and the agency, in turn, had asked its members to submit sealed tenders covering the supply of this material. At a previous meeting, he had recommended that the Canadian tender should offer this uranium at no charge to the agency. The Cabinet had asked for clarification of the conditions for resale by the agency to Japan and on the application of safeguards to the uranium by the agency. He suggested that it would be in the Canadian interest to encourage the agency to resell the uranium to Japan at a price as close to the world market price as possible which was about \$18.34 a pound. Furthermore, a successful Canadian tender to the agency involving the condition that the agency apply safeguards to the uranium would significantly increase the chances of securing the adoption of an international safeguards system. There would be a substantial publicity and advertising advantage to Canada in supplying this material to Japan through the agency. It would establish a toe-hold for Canadian uranium in the Japanese market, it would also avoid the premature establishment of an artificially low price for uranium which would be embarrassing for later commercial sales. It might also accelerate the initiation of negotiations with Japan for the conclusion of a bilateral agreement for co-operation in the peaceful uses of atomic energy. It would provide the agency with additional revenues for its operational programme.

Both the Secretary of State for External Affairs and the Minister of Finance were in support of his recommendation.

64. *The Cabinet* agreed with the recommendation of the Minister of Trade and Commerce that,

(a) the Canadian representative to the International Atomic Energy Agency be authorized to submit a sealed tender for 3,000 - 3,200 kilograms of natural uranium at the price of nil, f.o.b. Canadian seaboard; paragraph 9 of the tender, which required information on "other conditions of sale," would indicate that this uranium was provided on the understanding that the agency would apply to this material Articles XII and XIV E of the statute which defined the agency's responsibilities for safeguards and sale of uranium to a member;

(b) the agency would be informed that this tender was submitted in order to help expedite its activities and did not constitute a precedent; and,

(c) if the tender were accepted, Parliament would be requested to approve the inclusion of funds in the final supplementary estimates, 1958-59, to meet the cost of this material.

...

DEA/14001-2-1-40

586.

*Note du sous-secrétaire d'État adjoint aux Affaires extérieures
pour le sous-secrétaire d'État aux Affaires extérieures*

*Memorandum from Assistant Under-Secretary of State for External Affairs
to Under-Secretary of State for External Affairs*

[Ottawa], December 29, 1958

CONFIDENTIAL

You will remember that when Mr. Wershof was in Ottawa earlier this year you agreed that he should plan on paying us another visit in the course of 1959. The main purpose of his visit would be to hold consultations with the Canadian authorities, and also, it was hoped, with the United States authorities in Washington, about the future of the International Atomic Energy Agency. The tentative proposal was that Mr. Wershof should visit Ottawa in February. During the past few weeks, however, we have learned that the U.S. authorities do not think that fruitful consultations about the future of the Agency could be held at so early a date.

While I was in Paris, I spoke to Mr. Wershof about the best timing for his visit. He said that he would be willing to postpone it; but if it were not to take place in February, it would be difficult for him to fit it in before early May. I promised to let him know which of those times we would prefer. Since returning to Ottawa, I have discussed this matter with those in the Department who are primarily concerned with atomic energy matters and they are in agreement that a visit in May would be much preferable to one in February.

If you have no objections, therefore, I would propose to send the attached brief message† to Mr. Wershof in Geneva to convey that decision to him.³⁶ A copy of his telegram, reminding me of our conversation in Paris and asking for an early decision, is also attached.†

D.V. LEP[AN]

³⁶ Note marginale :/Marginal note:
I agree N.A. R[obertson]

3^e PARTIE/PART 3

EURATOM

587.

DEA/14001-1-3-40

*Note de la Direction économique
pour le sous-secrétaire d'État adjoint aux Affaires extérieures*

*Memorandum from Economic Division
to Assistant Under-Secretary of State for External Affairs*

CONFIDENTIAL

[Ottawa], April 24, 1958

CANADIAN COOPERATION WITH EURATOM

You will recall that at the last meeting on atomic energy matters in Mr. Bryce's office there was some discussion of the possibility of arranging for cooperation with Euratom in the development of atomic power in Western Europe. It was the general view that such cooperation would be useful, both for political reasons of various sorts and as a means of developing commercial outlets for Canadian uranium and reactors or reactor components. Mention was made of two possibilities, one that Canada might undertake some direct arrangement with Euratom and the other that Canada might join with the United Kingdom in a programme of cooperation with Euratom which would presumably focus upon the installation in Western Europe of reactors of the type developed in the U.K. It was left that a paper on this general question would be prepared for consideration at an early meeting.

2. As Mr. Kirkwood told you the other day, Mr. Watson undertook a first draft for such a paper. I attach a copy of the text which he has now sent over on a personal basis to Mr. Kirkwood. In sending it over Mr. Watson explained that he was not entirely satisfied with it, but that he had been inhibited from coming to grips with the important financial considerations involved by his understanding that Mr. Plumtre was reluctant to consider any significant financial contribution in support of a Canadian - Euratom cooperative programme. You asked Mr. Kirkwood to prepare some comments on this aspect of the question, for transmission to you together with Mr. Watson's paper, in order that you might explore the question further with Mr. Plumtre.

3. As Mr. Watson's paper makes clear, there is a powerful incentive in Western Europe for the early establishment of substantial atomic power production facilities. The fulfilment of this objective, however, raises two important questions. It must be decided what type of reactor should be built and suitable arrangements must be made for the substantial capital investment which that construction will involve.

4. Both the United States and the United Kingdom anticipate an important market for power reactors in Western Europe within a few years, and are eagerly competing for as much of this market as they can get. The United Kingdom is able to offer reactors which are fairly close to a normal commercial product, while the United States is as yet only in the development stage on power reactors. This comes about, however, because the United Kingdom with its domestic problem in mind concentrated early in the game on a relatively simple design which has the disadvantage that its ultimate economic potentialities are rather limited. The United Kingdom reactors are based on the natural uranium graphite concept. The United States on the other hand has been influenced by the fact that conventional power in North America is less expensive than in Western Europe and, at the expense of some delay in producing commercial versions, has continued to explore a num-

ber of designs offering better long-term prospects for economic power production. As it happens, in spite of the variety of the U.S. projects, all those on which significant progress has so far been made are based on the use of enriched uranium fuel as a result of the ready availability of this material in the United States.

5. Like the United States, Canada has concentrated upon a design likely to lead in due course to power costs comparable to the relatively low cost of conventional power in North America. Lacking facilities for the production of enriched uranium, however, the particular design chosen is the natural uranium heavy water type which has not as yet at least been taken up seriously by any other country.

6. Last year Euratom sent a team of "Three Wise Men" to the United States, the United Kingdom and Canada, whose task was to consider what type or types of reactor Euratom might seek to build, and to recommend a particular initial programme.³⁷ Their report proposed an ambitious programme of construction but did not specifically come out in favour of any one type of reactor. It appeared to be their judgment that as yet the design which would prove most satisfactory in the long run could not be determined, and that in the meantime construction of several types might well be the most satisfactory approach. The Canadian authorities consider that our type of reactor when developed to a commercial stage should prove satisfactory and competitive with any other now in sight. In particular, it should be suitable for the production of atomic power to meet domestic requirements in Canada when this becomes economically feasible. It will be a number of years yet however before there will be a market within Canada for reactors of this type and indeed it will probably be a very considerable time before this market is large enough to maintain a vigorous atomic engineering industry. In the meantime, therefore, it would appear important to seek foreign markets for reactors of this type in areas such as Western Europe where they may be competitive in the near future, so that when the time comes, there will be in existence an atomic industry capable of exploiting the excellent research and development work which Canada has so far carried out and of supplying Canada's atomic power requirements from domestic sources. These concepts are elaborated by Mr. Bennett in his attached speech† to the Canadian Institute of Mining and Metallurgy, a Canadian Press report of which is also attached.†

7. In addition to seeking the early construction in Western Europe of reactors of Canadian design, there is another important consideration before us. Apart from the United Kingdom with which we already have arrangements in the matter, Western Europe would appear to offer the only significant early market for uranium for civil power reactors. It is certainly in our interest to do what we can to encourage Euratom to devote at least a substantial portion if not all of its effort to reactors using natural uranium fuel. The United States has now developed domestic production of uranium to a point where it may well within a few years satisfy U.S. requirements even perhaps including requirements for export purposes. Hence the construction in Western Europe of reactors using enriched fuel to be obtained from the United States might well afford little or no additional outlet for Canadian uranium even on an indirect basis, since the United States might be able to obtain domestically all the natural uranium required to produce the enriched fuel in question.

8. These various considerations, most of which indeed emerge from Mr. Watson's attached paper, suggest that there are two types of project involving cooperation with Euratom which we might consider. One would be a project directed to the construction by

³⁷ Voir/See Volume 23, Document 400.

Euratom of one or more reactors based on the Canadian natural uranium heavy water design; such a project would tend to provide an outlet for our uranium and would at the same time be of great assistance to us in developing and maintaining an atomic engineering industry which would apply the research and development work so far carried out. An alternative project would be to join with the United Kingdom in cooperation with Euratom in the construction of natural uranium graphite reactors in Western Europe; this approach, as Mr. Watson's paper explains, would probably provide for a larger uranium market but would contribute little or nothing to a Canadian atomic engineering industry. Either of these two approaches to cooperation with Euratom would appear to deserve some serious study.

9. I might now revert to what was originally intended as the subject matter of this memorandum, namely the financial aspects of cooperation with Euratom. The United States has proposed for its part to undertake a programme of cooperation involving the construction of up to six reactors (which would undoubtedly be based on enriched fuel) under which the United States would arrange a long-term low interest loan of \$100 million to assist in the construction programme. The United Kingdom has not as yet (at least as far as we know) offered such enticing bait for concentration upon reactors of the United Kingdom type, but there is no doubt that the United Kingdom has been making and will continue to make vigorous efforts to promote their reactors. If we are to work out some programme of cooperation with Euratom along either of the lines suggested, we should consider very seriously what inducement we are prepared to offer. We can of course offer an assured supply of natural uranium fuel, but so can several other countries and in particular South Africa. We can also offer the results of our ten years of experience with natural uranium heavy water reactors. It is difficult to say, however, that these assets in themselves will be sufficient to induce Euratom to look to Canada as an important partner in its programme of atomic construction or to offer us any preferred position either for the supply of fuel or for the development and construction of reactors and reactor components. It would seem to be probable that in order to obtain such a position we would have to offer something more; in effect, we would have to propose an arrangement where Canada had a stake in the project. This might be done by the device which the United States has decided upon, namely a long-term low interest loan of sufficient size to be attractive. I understand however that this particular approach does not appeal to the Department of Finance. It is questionable moreover whether we could effectively compete with the United States or even perhaps the United Kingdom at this particular game. Although the suggestion would obviously require pretty careful study in view of its manifold implications and consequences, I have the impression that a more promising and more constructive approach might be based upon the concept of a joint construction project. We might propose for example to enter into an agreement with Euratom jointly to build a full scale atomic power plant using a natural uranium heavy water reactor, the reactor portion of the plant to be designed and manufactured in Canada, the turbine and generator portion as well as such ancillary elements as buildings, etc. in Europe. Design development and construction costs for the reactor might be paid by Canada, all costs for the generating portion of the plant by Euratom and all local costs such as on site labour, etc., by Euratom.

10. At first glance such an arrangement might appear to involve Canada in assuming a disproportionate share of the costs. It should be recalled, however, that AECL has already budgeted a very substantial sum to cover the cost of design and development work for the construction of a somewhat similar reactor in Canada. I would see no insuperable barrier to a plan under which this design and development work could be lent to the construction of two more or less identical reactors, one in Europe and one in Canada. In that case the costs

chargeable specifically to the European reactor as opposed to the one which it is already proposed to build in Canada would be mainly limited to the actual fabrication costs of the reactor components themselves.

11. Mr. Watson suggests by implication that this approach might be possible, with the reactor for Europe where conventional power costs are higher being constructed somewhat earlier and with less refinement of design, but concludes that there would be political difficulties in building such a reactor abroad before it could be done in Canada. I am not myself convinced that this is necessarily the case. There seem to me very practical reasons as outlined above for regarding such a project as advantageous to Canada in practical and commercial terms. If this proves upon expert and more detailed examination to be the case, it should not be impossible to persuade the Canadian Government and public to contemplate such a plan.

12. This memorandum has gone on probably longer than is justified by the very preliminary thinking which we have so far put on these matters. I would not propose to explore these concepts in greater detail at present therefore, but would suggest that if they commend themselves to you they might be discussed at an early meeting at which there could be present officials better qualified than we to comment upon the various factors involved. If you found it convenient, a preliminary discussion might take place at your meeting tentatively scheduled for 2:30 on Tuesday, April 29.

RODNEY GREY

[PIÈCE JOINTE/ENCLOSURE]

Note du secrétaire de l'Énergie atomique du Canada Ltée
Memorandum by Secretary, Atomic Energy of Canada Ltd.

[Ottawa], April 9, 1958

CANADIAN ASSISTANCE TO EURATOM

The Energy Situation in the Euratom Countries

It is clear that the Euratom countries have a strong and urgent need for atomic power. Their electricity consumption is growing rapidly, doubling every 10 to 12 years. These countries already import 23% of their total energy requirements and even with the maximum development of their indigenous sources of energy they cannot expect to meet in this way more than one-third of the increase of their electricity needs in the next 20 years. Their energy problem is more threatening than the one the United Kingdom faces. In the report "A Target for Euratom" an ambitious target of the installation of 15 million kilowatts of nuclear power by 1967 is proposed. This would allow for the stabilization of fuel imports from 1963 onwards.

The availability of the very large capital investment involved is a major problem. The present rapid growth of electricity demand is already putting a severe strain on the investment resources of the electricity industries in the Euratom countries. The capital investment for a nuclear plant is at least twice that for a conventional generating plant of the same output. The building of nuclear plants instead of conventional ones, therefore, would substantially increase the investment problem.

In order to construct nuclear power plants at an early date Euratom feels it will be necessary to purchase a considerable proportion of the reactor components abroad. This will pose a balance of payments problem in addition.

In summary it would appear that the Euratom countries want:

- (a) technical and manufacturing knowledge and assistance from countries more advanced in nuclear power technology than they are,
- (b) availability of capital with which to construct nuclear power plants,
- (c) a supply of fuel for the reactors built.

Euratom is looking forward to co-operation with Canada and the following quotation from the report "A Target for Euratom" is of interest. It follows paragraphs concerning co-operation with the United Kingdom and the United States.

"Canada is equally prepared to co-operate. It can do so in two important ways. To begin with, it is one of the world's major sources of natural uranium. It would be ready to provide natural uranium to supplement European resources, provided it receives notices several years in advance, and that any agreement with Euratom guarantees the use of the uranium exclusively for peaceful purposes."

"Further, Canada had done important original work on a type of reactor which promises to be particularly well adapted to European requirements, combining as it does many of the advantages of the natural and slightly enriched uranium approaches followed so far by Britain and the United States respectively. This reactor is well into the development stage. We have every reason to believe that Euratom would find the Canadian authorities willing to co-operate on the construction of prototypes."

The Canadian Interest

Canada has two main trading interests in encouraging the rapid installation of nuclear power plants in the Euratom countries. The first is the potential market for the sale of uranium; the second is the supply of nuclear reactors or reactor components.

There is a firm market for Canadian uranium until 1962-63. Beyond that date there is a real possibility that uranium will be in surplus supply and that there will be insufficient markets for the productive capacity of the Canadian uranium mines. Any real or potential increase in the present foreseeable market is, therefore, of considerable interest to Canada.

It is anticipated that nuclear power will begin to replace conventional thermal power stations in Canada within a decade. The Canadian Government has therefore an interest in the establishment of a nuclear manufacturing industry in Canada so that when nuclear power stations are required in Canada, Canadian manufacturers will be in a position to compete competitively for this business.

Canada's greatest concern is to build up a market for Canadian uranium. The United States and Euratom are presently having discussions regarding the ways in which the United States can assist Euratom in building nuclear power plants at an early date. The U.S. have proposed that they should assist both technically and by the provision of a low interest loan in the construction of up to six nuclear power stations with a total capacity of one million kilowatts. It can be assumed that any such reactors constructed will be based on enriched fuel technology and that as a result these reactors will not open up a market for Canadian natural uranium. Furthermore, the introduction into the Euratom countries of this type of technology will undoubtedly influence the choice of other power plants which the Euratom countries will themselves build in later years. This could have a serious long term influence on the demands for Canadian uranium.

Natural uranium will be used in the Canadian type of nuclear power plant and it is also used in the power plants which are now being built in the U.K. for the Central Electricity Authority. These U.K. stations are much further advanced than the one being developed in Canada and in addition they have the advantage, from the uranium producer's standpoint, of requiring much more uranium. The U.K. stations need a much larger initial charge of uranium and as they do not utilize the uranium so efficiently, the continuing replacement quantities of uranium needed are at least twice as much as that of the Canadian counterpart. A 300,000 kilowatt station of the Bradwell type requires 500 tons of uranium as an initial charge and will consume 100 tons of uranium per year. In comparison, the first fuel charge for a 200,000 kilowatt station of Canadian design will only require about 70 tons of uranium and the annual replacement needed will be 30 - 40 tons of uranium. Hence, if only the interests of the Canadian uranium mining industry were considered, the best thing would be to get the U.K. type nuclear power plants built extensively in the Euratom countries. Perhaps the U.K. and Canada should jointly consider the possibility of assisting Euratom by which C.E.A. type stations are built in Europe with a guarantee that the initial and continuing supply of uranium required are purchased from Canada.³⁸

However as Euratom already has a certain supply of natural uranium from its member countries and Canada will not be the only country in the world which will have surplus uranium available, it is not clear why Euratom should tie itself to Canada for the supply of uranium unless there is a financial interest in doing so. The obvious incentive is low price Canadian uranium. If the lowest price the Canadian uranium producers can afford to offer and still stay in business is insufficiently low to bring sales, then this situation will further aggravate the likely position of the uranium mining industry in the post 1962-63 period.

In the interests of the Canadian manufacturer it would be desirable to have nuclear power plants of the Canadian type (heavy water moderated, natural uranium fuelled) built in the Euratom countries. At present a development programme on such a power station has just been started and it is expected to take three to four years to complete. In order to meet the less difficult goal of economic nuclear power in a European country compared with that in Canada, this development period might be shortened to perhaps two years. However, it does not seem realistic to suggest that Canada should participate in the construction of a large Canadian designed nuclear power station abroad before one has been constructed in Canada,³⁹ and there would appear to be no justification in building in Canada a large station before it is competitive in the Canadian context.

As a practical means of collaboration with Euratom on the natural uranium-heavy water type of reactor which the Euratom "Three Wise Men" considered "particularly well adapted to European requirements," some qualified Euratom experts could be attached to the Nuclear Power Plant Division of Atomic Energy of Canada Limited. There the experience and contributions of these experts would be of value to the NPP Division and at the same time the Euratom experts would gain by having a thorough understanding of the advantages and possibilities of this type of nuclear power station. On the other hand, such an arrangement would be against the interests of the Canadian manufacturers as the consequence would inevitably be that European manufacturers would be put in the position of

³⁸ Note marginale :/Marginal note:

But UK will fabricate the final elements [Rodney Grey]

³⁹ Note marginale :/Marginal note:

? [auteur inconnu/author unknown]

being able to manufacture components for the reactor and that no orders would be placed for Canadian made equipment.

D.W[ATSON]

588.

DEA/14001-1-3-40

*Note du sous-secrétaire d'État adjoint aux Affaires extérieures
pour la Direction économique*

*Memorandum from Assistant Under-Secretary of State for External Affairs
to Economic Division*

CONFIDENTIAL

[Ottawa], May 30, 1958

CANADIAN COOPERATION WITH EURATOM

I am sorry that I have been slow in responding to your memorandum of the 24th of April, which provided a valuable exploration of this subject. I have since discussed it informally with Mr. Bryce and with Mr. Lorne Gray, the newly appointed President of Atomic Energy of Canada, Limited. As a result of that discussion, I should like a new paper to be prepared for consideration at a further meeting to be convened by Mr. Bryce.⁴⁰ You may be interested to know that Mr. Gray told me, among other things, that he had heard a report in Washington that the United States authorities might be willing to cooperate with us in building an atomic reactor in Europe using natural uranium as the fuel and heavy water as the moderator.

2. The new paper that is now required should begin, it seems to me, by listing some of the reasons why it might be in Canada's interest to enter into some form of special association with Euratom. The following considerations, I think, are relevant:

(a) In this way, a new and important export market might be opened up for Canadian uranium, which is already becoming surplus to North American requirements and of which there may be a substantial over-supply after 1962.⁴¹

(b) New opportunities would also be provided for Canada to continue to make advances in reactor technology, for which there may be comparatively little domestic scope over the next ten or fifteen years, although in the long run it is important that we remain in the van[guard] in this realm of research and engineering.⁴²

(c) A special association with Euratom would provide us with a way of showing our support for some forms, at least, of European integration; and this would be particularly important in view of the very reserved attitude that we have been obliged to adopt towards the European Economic Community.

3. The memorandum should then proceed to discuss possible activities that we might undertake in support of Euratom and in cooperation with it. These possibilities, I imagine, would include the following:

⁴⁰ Note marginale :/Marginal note:

Done 2/7 [J. Langley]

⁴¹ Note marginale :/Marginal note:

(1) Uncertain demand pos[itio]n in E[uro]pe. (2) Tied to US & UK (3) Euratom agreements replacing bilaterals. [J. Langley]

⁴² Note marginale :/Marginal note:

Faster development & E[uro]pe as laboratory. [J. Langley]

- (a) ⁴³ technical cooperation;⁴⁴
- (b) construction in Europe of a reactor fuelled by natural uranium and moderated by heavy water;
- (c) cooperation with the United States in constructing such a reactor in Europe;
- (d) cooperation with the United Kingdom in constructing in Europe a reactor fuelled by natural uranium but moderated by a graphite pile.

4. Finally, the memorandum might list the various possible degrees of financial involvement for Canada. These would form a broad spectrum, ranging all the way from the extension of a fairly substantial loan with low rates of interest on the model of what the United States has undertaken to do, through the possibility (as suggested in your memorandum) that we might be responsible for designing and manufacturing in Canada the reactor portion of the atomic power plant, and including at the other end of the range of possibilities a commitment merely to make our experience and knowhow available. For the time being, I think we might refrain from expressing any views on these various possibilities and merely invite discussion of them at the proposed meeting, to which, of course, representatives of the Department of Finance should be invited.

5. I imagine that the Under-Secretary would be interested in attending such a meeting. In addition, representatives of Atomic Energy of Canada, Limited, and of the Department of Trade and Commerce should also be present.

6. If, in your opinion, there are aspects of this matter that require discussion before such a paper as I have tried to outline can be drafted, I should be glad to be consulted early next week. In spite of any delay in following up the suggestions made in your earlier memorandum to me, I regard this as a matter of very considerable urgency and hope we can now move forward on it rapidly.

D.V. LEP[AN]

DEA/14001-1-3-40

589.

*Note de la Direction économique
pour le sous-secrétaire d'État adjoint aux Affaires extérieures⁴⁵*

*Memorandum from Economic Division
to Assistant Under-Secretary of State for External Affairs⁴³*

[Ottawa], July 23, 1958

CONFIDENTIAL

CANADIAN CO-OPERATION WITH EURATOM

We thought that the best procedure, in order to relieve you of the necessity of wading through a further draft of our paper on "Canadian Co-operation with Euratom," would be to prepare this paper in final form. It is attached herewith, together with a covering letter to Mr. Gray,† for your signature if you agree.

⁴³ Note marginale :/Marginal note:
various forms of [J. Langley]

⁴⁴ Note marginale :/Marginal note:
(1) on informal basis; (2) Est. of formal rela[tion]s. [J. Langley]

⁴⁵ Note marginale :/Marginal note:
Mr. LePan: this is a very good memorandum. Many thanks. J. L[éger]

2. Would you agree that we should now propose a meeting of Mr. Bryce's informal committee, perhaps for the latter part of next week?⁴⁶ I think it desirable that this meeting be held as soon as possible in order to enable consideration of the various outstanding problems mentioned in the following paragraph.⁴⁷ The Euratom question and safeguards are particularly pressing since the presence of many senior scientific personalities in Europe in September for the Second Peaceful Uses of Atomic Energy Conference would seem to provide an appropriate occasion for further action on these matters. Although all the papers required for a meeting of Mr. Bryce's committee have not yet been prepared, we are confident that this could be done in time for a meeting next week.

3. Very tentatively, I would suggest that a meeting of the committee might consider the following matters:

(a) Safeguards for nuclear materials. A Working Group report on this matter will be circulated to members of the committee prior to the meeting. In addition, Mr. Léger's letter of July 3† to Mr. Bryce raised the question of safeguards in relation to Euratom;

(b) Canadian co-operation with Euratom.

(c) Canadian participation in the voluntary programmes of the International Atomic Energy Agency, including the question of a Canadian financial contribution.

In addition, a number of other problems loom on the horizon and it might be opportune to mention them at the meeting, if the necessary briefing material can be prepared in time. We are thinking, in particular, of the problem of Canadian co-operation with the European Nuclear Energy Agency (OEEC), the control of exports of nuclear grade calcium and the conclusion of a bilateral agreement for co-operation in the Peaceful Uses of Atomic Energy with Australia.

RODNEY GREY

[PIÈCE JOINTE/ENCLOSURE]

Note de la Direction économique

Memorandum by Economic Division

CONFIDENTIAL

[Ottawa], July 23, 1958

CANADIAN CO-OPERATION WITH EURATOM

The Euratom treaty entered into effect on January 1, 1958, and since then both the United States and the United Kingdom have undertaken negotiations with Euratom, with a view to the conclusion of agreements for co-operation in atomic matters. The purpose of this memorandum is to outline the benefits which might be expected to accrue to Canada as a result of the establishment of some kind of co-operation between Canada and Euratom, and to describe the forms which this co-operation might take.

2. As a major producer of uranium, for which demand after 1962 is uncertain, Canada has an acute interest in the development of new markets for this product. The most likely potential purchasers are the Euratom countries, which have embarked on an ambitious atomic power programme and will probably emerge as substantial consumers of uranium

⁴⁶ Note marginale :/Marginal note:

Yes please. D.V. LeP[an]

⁴⁷ Note marginale :/Marginal note:

To be held Aug 6 at 3p.m. [J. Langley]

over the next decade or so. However, it is not certain that Canada will have access to this market simply by virtue of the bilateral agreements which we may have concluded individually with the various countries concerned. Section VI of the Euratom Treaty grants the Euratom Supply Agency exclusive rights in respect of the option and supply of nuclear materials and the exclusive right to conclude agreements or conventions relating to the supply of such materials (Article 64). Since there is an exceptions procedure (Articles 73 and 74), which may in practice limit these apparently wide powers of the Supply Agency, it is difficult to say at this stage how these provisions of the Treaty will work out in practice. It is, however, at least possible that some form of agreement between Canada and Euratom may be a precondition for the supply of Canadian nuclear materials to Euratom member countries.

3. Such an agreement would not necessarily entail any substantial degree of co-operation with Euratom, but there would seem to be positive advantages in embarking on a policy of atomic energy co-operation with that body:

(a) For a number of years, during the initial stages of Euratom's power development programme, the market offered for uranium will be quite limited. The opportunities for the sale of Canadian uranium will be further restricted by the fact that two Euratom countries are substantial producers of uranium and by the likelihood that the United States and the United Kingdom agreements with Euratom will give American and British firms a commercial advantage in the Euratom market. The establishment of a form of co-operation between Canada and Euratom which would provide our uranium producers with an entree to the Euratom market might, therefore, be a significant factor in preserving part of this market for Canadian uranium;

(b) Co-operation with Euratom might also take a form which would provide Canada with an opportunity to develop reactor technology at a faster pace than is now envisaged by providing us with access to European technological resources. If the effect of such co-operation were to interest European countries in the specifically Canadian type of reactor (CANDU) this might have the added advantage of creating a market in Europe for fuel elements of a kind for which we would be the natural source of supply and also for reactor components;

(c) Euratom represents a significant step towards European integration and it is in Canada's interest to lend support to this political concept particularly in view of the reserved attitude which we have been forced to take towards the "European Economic Community."

4. Before proceeding to consider the type of co-operation which might be envisaged with Euratom, it might be useful to review the terms of the agreements now proposed between Euratom and the United States and United Kingdom respectively:

(a) The United States is offering financial and technological assistance to Euratom for a joint programme for a total electrical output of 1,000 mw. The estimated capital cost is \$350 million, of which the United States will provide \$135 million on a long-term loan through the Export-Import Bank at interest rates up to 4 percent. The United States will also supply up to 30,000 kg. of uranium 235 at prevailing domestic prices. The current value would be \$480 million. Repayment is being deferred until 1973, at which time the principal will be repaid in ten equal annual instalments; interest is payable at 4 percent (we are not sure whether these payments are also deferred or if payment is to begin at once). In addition there is to be a joint research programme for a period of ten years, with each of the two parties meeting 50 percent of the costs. For the first five years it has been agreed that each party will contribute \$50 million.

(b) The United Kingdom, which has been somewhat laggard in establishing any relations with Euratom, announced on May 22 that it was accrediting its representative to E.C.S.C. to Euratom also and that it hoped to negotiate a technical agreement with Euratom providing for co-operation between institutions and individual concerns. Although these negotiations have only recently begun, it is clear that the United Kingdom's interest is mainly commercial. Important political considerations, of course, impel the United Kingdom into entering such an agreement but its main purpose would seem to be to ensure that Britain's access to the European market and to the technological advances which Euratom may make are not blocked by the development of an exclusive association between the United States and Euratom.

5. There are many ways in which Canada might co-operate with Euratom. Among these are:

(a) Technical co-operation.

This might consist merely of the kind of exchanges of information and of scientific visits which now characterize our relations with individual European countries and, to some extent, with ENEA. It might, however, go a good deal further, with provision for an exchange of working scientists, design consultation, work on a contractual basis, etc.;

(b) A joint reactor programme, similar to that on which the United States and Euratom have embarked.

Such a programme might, by pooling Canadian and Euratom technological resources, speed up the development programme for the CANDU reactor and so permit the early construction of such a reactor in Europe where the high costs of conventional power would mean that it was an economic proposition. Access to the European market might follow for Canadian industry. This programme could, however, inevitably be expensive and has one other overwhelming disadvantage, namely that AECL cannot be absolutely sure of the technical and economic feasibility of the CANDU reactor until it has been thoroughly tested in Canada. To undertake its construction in Europe first would be extremely hazardous;

(c) Co-operation with the U.S. in its joint reactor programme with Euratom.

Since the joint Euratom-U.S. programme envisages the construction of boiling water reactors, to which Canada has no real contribution to offer, this possibility would not seem to merit serious considerations;

(d) Co-operation with the U.K. in some form of joint programme with Euratom.

Canada has, of course, co-operated intimately with the U.K. in many aspects of our nuclear programmes. The U.K. does not, however, seem to be particularly interested in embarking on a joint research or reactor programme with European countries except through ENEA and under existing bilateral arrangements and it also appears to be relying mainly on commercial means of interesting foreign countries in its reactors. It would therefore appear that the United Kingdom would prefer that its co-operation with Canada follow the traditional pattern.

(e) A joint programme of research development either with Euratom alone or jointly with the United States.

Such a programme would go a good deal further than the technical co-operation mentioned in subparagraph (a) above since it would involve a joint scientific effort, directed towards agreed objectives and jointly financed. Since the present U.S.A.-Euratom research programme covers the natural uranium/heavy water reactor field, in which

Canada has concentrated its own efforts, the most practical and fruitful course would seem to be for Canada to associate itself with this joint research programme, thereby making a valuable contribution to it and, at the same time, gaining access to all the research work undertaken in Euratom countries and in the United States under the programme. During informal conversations between the President of AECL and USAEC officials, the latter indicated that they would be in favour of such a joint programme.

6. The cost to Canada of co-operation with Euratom would vary from virtually nothing, in the case of technical co-operation, to tens of millions of dollars if we embarked on a joint reactor programme. If it were agreed that the association of Canada with the U.S.A. and Euratom in a joint research programme were the most desirable form of co-operation to undertake, it is probable that Canada would be expected by its partners to make a reasonable financial contribution. (Seeing that each of the two present partners is contributing \$10 million per annum for the next five years, a Canadian contribution of \$2 million might be acceptable.) The President of AECL considers that Canada's participation in such a joint programme might be undertaken with very little extra expenditure of funds, AECL's present power reactor development work being appropriately reorientated.

7. If it is decided to proceed with some form of co-operation with Euratom, the initial negotiation of an agreement might be undertaken by a special mission, consisting in large measure of senior officials from AECL. Since many of these officials will be in Europe in September for the Second International Conference on the Peaceful Uses of Atomic Energy, this might provide an appropriate opportunity for such negotiations. Subsequently, it would probably be necessary to make arrangements to maintain contact with Euratom headquarters and this could be done, without formal accreditation, by a conveniently located Canadian Mission in Europe. As relations with Euratom developed and seemed to require more formal arrangements for liaison, the accreditation of one of our Heads of Mission to Euratom might be envisaged, or possibly the creation of a special Canadian mission to Euratom. This kind of formal arrangement would, of course, have implications for Canada's relations with the European Economic Community.

8. It must be recognized that the benefits which would flow to Canada from any form of association with Euratom would probably be long term. One possible disadvantage of participating in a joint research programme should also be considered. At the present time, AECL offers a good deal of contractual work to Canadian manufacturers. Under the terms of a joint programme, such contractual work would probably have to be open to tender to industry throughout the whole area of the participating countries and there is no assurance that Canadian manufacturers would retain their present share of atomic development work. On the other hand, the interests of both uranium producers and of Canadian reactor manufacturers are in the long run linked with the establishment abroad of natural uranium reactors, if possible of a type which will lead foreign producers to turn naturally to Canada as the source of the fuel and of reactor components and there would seem to be no better way of promoting this situation than by associating ourselves with the U.S.A. and with Euratom in a development programme, the objectives of which would be to accelerate the development of the natural uranium heavy water reactor.

590.

PCO/R-100-1(b)

*Extrait du procès-verbal d'une réunion⁴⁸
de la Commission consultative sur l'énergie atomique
Extract from Minutes of Meeting of Advisory Panel⁴⁸
on Atomic Energy*

SECRET

[Ottawa], August 6, 1958

I. CANADIAN COOPERATION WITH EURATOM

1. *The Assistant Under-Secretary of State for External Affairs* said that the memorandum on Canadian Cooperation with Euratom was an attempt to list the advantages, financial implications and possible means of cooperation between Canada and Euratom. He invited Mr. Gray to comment on the paper.

2. *The President of the Atomic Energy of Canada Limited* said that the proposal for a joint programme of research and development with Euratom or, preferably, on a tripartite basis with Euratom and the U.S.A., would appear to be the most satisfactory form of cooperation. Recent talks that he had had with the U.S.A.E.C. officials had shown them to be in favour of a tripartite programme. However, in view of the close relations we have always maintained with the United Kingdom in atomic matters, it might be tactically wise first to canvass the possibility of a form of cooperation in which the British were included. Since they seemed to prefer their present bilateral arrangements to the broader venture of tripartite cooperation, it was doubtful if our approach would be productive and we could then go ahead with our plans for cooperation with Euratom and the U.S.

3. *Mr. Gray* noted that the most suitable time this subject might be brought up would be during the talks between Canadian officials and Sir Edwin Plowden that were scheduled for October.

4. *Mr. LePan* asked Mr. Gray to explain the situation regarding U.K. patents on industrial atomic energy equipment.

5. *Mr. Gray* said that in order to maintain a steady flow of funds for development and research, the U.K. Atomic Energy officials had had to convince the Treasury that the Atomic Energy programme could be made into a profitable venture. The only way this could be achieved would be by receiving royalties from patents. This limitation made it practically impossible for U.K. officials to release any information of potential commercial value. At present, information on the heavy water-gas cooled reactor was for Mr. Lewis' eyes only. Canadian scientists had got good cooperation from Harwell, but information from Risley, the Engineering and Designing Centre, had been considerably less forthcoming.

An interesting problem would shortly arise if the amendments to the U.S. Atomic Energy Act were passed. Under this agreement the U.S. would give information on the nuclear propulsion reactor in exchange for details on the U.K. Calder-Hill Gas Cooled Reactor. The interesting part was that the U.S.A.E.C. might release to U.S. industry free information on the reactor, while British industry would be required to pay royalties for

⁴⁸ Pour une liste des représentants à cette réunion, voir le document 555.
For a list of officials attending this meeting, see Document 555.

similar information obtained in the U.K. Unless some change in policy was announced shortly, an inequitable situation would arise.

6. *The President of the Atomic Energy Control Board* agreed with Mr. Gray and added that even though we might initially give more information than we might expect to get in return from Euratom, in the long run this exchange should balance out. He felt that it was a good idea to consult the U.K. before we embarked on a programme of cooperation with Euratom and the U.S.

7. In the subsequent discussions, the following points emerged:

(a) If Canada cooperated with Euratom in a joint research programme it might provide an entrée for Canadian fuel elements to Euratom reactors. The political advantages of this arrangement were obvious, as far as the Canadian uranium industry was concerned.

(b) Cooperation with Euratom would require limited re-orientation of the Canadian research and development programme, but only about \$100,000 per annum would be needed for the additional expenses. This money would be used to employ three or four more scientists and their necessary assistants.

(c) As, at present, it was by no means certain which type of reactor would prove to be commercially most satisfactory, Canada, by cooperation with Euratom, would have access to a considerable amount of information that might otherwise be unobtainable and certainly costly to develop on our own initiative.

(d) Cooperation in this programme would not mean that Canadian development contracts would be open to European bids. Apart from the politically undesirable aspect of having foreign contractors build Canadian equipment, the embryonic nature of the development work required day to day contact between scientists and contractors.

8. *The Panel* invited Mr. Langley to revise the memorandum and agreed: that in the revised memorandum it should be emphasized that cooperation with Euratom might provide Canadian uranium producers with entrée into Euratom markets; that the memorandum should recommend a programme of cooperation, either with Euratom alone or, preferably, on a tripartite basis with Euratom and U.S.; that the memorandum should be signed jointly by the Ministers of Trade and Commerce and the Secretary of State for External Affairs; and, that the memorandum should then be submitted for Cabinet approval.

...

591.

DEA/14001-1-3-40

*Note du sous-secrétaire d'État aux Affaires extérieures
pour le secrétaire d'État par intérim aux Affaires extérieures
Memorandum from Under-Secretary of State for External Affairs
to Acting Secretary of State for External Affairs*

CONFIDENTIAL

[Ottawa], November 21, 1958

CANADIAN CO-OPERATION WITH EURATOM

Since the Euratom Treaty came into effect on January 1st, both the United States and the United Kingdom have been negotiating agreements for co-operation with this new organization. We have followed the course of these negotiations with interest and, at the

suggestion of Mr. Churchill and other Ministers, have been considering whether it might be desirable for Canada to embark on a co-operative programme with Euratom.

I now attach for your signature, if you agree, a self-explanatory Memorandum to the Cabinet recommending that Canada negotiate a bilateral agreement for co-operation with the Euratom Commission, with the object of instituting a joint research development programme on natural uranium/heavy water reactors. The details of this joint programme (in which United States officials have stated that their country would probably participate at a later stage) will have to be worked out with Euratom but we are satisfied that it can be implemented on the Canadian side for several years, at very little cost to the government, by a simple reorientation of the present programmes of AECL.

Officials of all the Departments concerned have been associated in the drafting of the attached memorandum. The memorandum has since been approved by the Minister of Trade and Commerce and carries the assent of the Minister of Finance.⁴⁹

N.A. R[OBERTSON]

[PIÈCE JOINTE I/ENCLOSURE 1]

*Note du secrétaire d'État par intérim aux Affaires extérieures
pour le Cabinet*

*Memorandum from Acting Secretary of State for External Affairs
to Cabinet*

CONFIDENTIAL

[Ottawa], November 19, 1958

CANADIAN CO-OPERATION WITH EURATOM

The Euratom treaty, establishing a European Atomic Energy Community embracing France, Germany, Italy and the Benelux countries, came into effect on January 1st, 1958.⁵⁰ The United States and the United Kingdom have since undertaken negotiations with Euratom for the conclusion of agreements for atomic energy co-operation. The purpose of this memorandum is to outline the benefits which might be expected to accrue to Canada as a result of the establishment of similar co-operative relations between Canada and Euratom, and to recommend the form which this co-operation might take.

2. As a major producer of uranium, for which demand after 1962 is uncertain, Canada has an acute interest in the development of new markets for this product. Among the most likely new potential purchasers are the Euratom countries, which have embarked on an ambitious atomic power programme. However, Canada may not have access to this market simply by virtue of our bilateral agreements with individual Euratom countries. Section VI of the Euratom Treaty grants the Euratom Supply Agency exclusive rights in respect of the option and supply of nuclear materials and the exclusive right to conclude agreements or conventions relating to the supply of such materials (Article 64). It is therefore likely that we will have, in due course, to conclude an agreement with the Supply Agency, covering the conditions for the sale of nuclear materials to Euratom countries.

3. Such an agreement would be primarily commercial in character and would not necessarily entail any substantial degree of co-operation with Euratom. However, there would

⁴⁹ Note marginale :/Marginal note:

O.K. E.D. F[ulton]

⁵⁰ Voir Nations Unies *Recueil des Traités*, volume 294, n° 4301, pp. 263 à 410.

See United Nations, *Treaty Series*, Volume 298, No. 4301, pp. 169-274.

seem to be positive advantages in embarking on a policy of atomic energy co-operation with that body:

(a) Euratom countries will naturally tend to purchase nuclear materials from countries about whose atomic energy developments they are best informed. A co-operative programme with Euratom would lead to close contacts between our respective atomic energy industries and this might be expected to provide our uranium producers with an entrée to the Euratom market. This is particularly important in view of the fact that during the initial stages of Euratom's power development programme, the market for uranium will be quite limited. The opportunities for the sale of Canadian uranium will be further restricted because two Euratom countries (Belgium and France) are substantial producers of uranium and because the United States and the United Kingdom agreements with Euratom will probably give American and British firms a commercial advantage in the Euratom market.

(b) Co-operation with Euratom might also provide Canada with an opportunity to develop reactor technology at a faster pace than is now envisaged by providing us with access to European technological resources. It might also serve to interest European countries in the specifically Canadian type of reactor (CANDU) and thus create a market in Europe for fuel elements of a kind for which we would be the natural source of supply and also for reactor components.

(c) Euratom represents a significant step towards European integration and it is in Canada's interest to lend support to this political concept particularly in view of the reserved attitude which we have been forced to take towards the "European Economic Community."

4. Annex A to this memorandum describes the agreements now proposed between Euratom and the United States and the United Kingdom respectively. Briefly, the United States is offering generous financial and technological assistance for both a joint reactor construction programme and a joint research and development programme. The United Kingdom, on the other hand, is negotiating an agreement limited to providing the framework for institutional and commercial co-operation.

5. Of the many ways in which Canada might co-operate with Euratom, the most promising would seem to be a joint research and development programme on a natural uranium/heavy water reactor. Not only have we concentrated our efforts on this reactor system, but the report "A Target for Euratom" noted that it promised to be particularly well adapted to European requirements. The main alternative, a reactor construction programme of the kind on which the United States and Euratom have embarked, would appear to be excessively costly for our purposes and also risky since we cannot be certain of the feasibility of our approach to reactor technology until the NPD plant has been completed.

6. The details of a joint research and development programme would have to be worked out with Euratom. Initially it would probably be confined to exchanges of information but might subsequently involve a sharing of development work now being undertaken by the Nuclear Power Plant Division of AECL for the CANDU Reactor, with particular reference to the lattice, the pressure tubes, and the calandria and moderator system; or we could agree to an exchange of information on our experiences in the use of heavy water with its problems of purity, concentration, losses through fittings and equipment, tritium content, etc. The cost to Canada of such a programme for the first year or two would be small since our share in it could be fulfilled by a reorientation of part of AECL's existing programme of work. The cost of the work being done, to which Euratom might be given access, would probably be of the order of one million dollars per annum (out of a planned annual expenditure by the NPP Division of ten million dollars per annum). The only additional expense

to Canada therefore would be for two or three technical liaison personnel to co-ordinate the joint programme, and collect and disseminate information.

7. The foregoing has been discussed informally with officials of Euratom and of the United Kingdom and United States. We understand that Euratom would welcome a Canadian approach to this matter and that the United States would subsequently be glad to collaborate in a joint programme. In view of our present programme with the United States, particularly on fuel development work, the expression of United States interest is most welcome. The United Kingdom would not, we understand, be interested in collaborating in a joint programme.

8. A joint programme of the kind outlined above would involve the negotiation of a bilateral agreement with Euratom. This agreement would provide the framework for co-operation and would cover such questions as "Safeguards" for any nuclear materials supplied to Euratom. In this connection, Canada could probably not expect Euratom to accept a safeguards system more rigorous than that upon which the U.S. has insisted, details of which are given in Annex B. It would subsequently be necessary to make arrangements to maintain contact with Euratom headquarters and this could be done, without formal accreditation, by a conveniently located Canadian Mission in Europe. As relations with Euratom developed and seemed to require more formal arrangements for liaison, the accreditation of one of our Heads of Mission to Euratom might be envisaged, or possibly the creation of a special Canadian mission to Euratom. This kind of formal arrangement would, of course, have implications for Canada's relations with the European Economic Community.

Recommendations:

9. In the light of the foregoing considerations I recommend,⁵¹ with the concurrence of the Minister of Trade and Commerce, that:

(a) we approach the Euratom Commission with a view to negotiating a bilateral agreement for atomic energy co-operation, with the object of instituting a joint research and development programme on natural uranium/heavy water reactors;

(b) an approach be made subsequently to the United States with a view to their participation in this joint programme;

(c) the Canadian costs of this programme be met initially by a reorientation of AECL's present research programme, except insofar as two or three additional staff may be required for liaison duties.

E.D. FULTON

[PIÈCE JOINTE 2/ENCLOSURE 2]

Annexe A

Annex A

OUTLINE OF THE TERMS OF PROPOSED AGREEMENTS BETWEEN EURATOM
AND THE UNITED STATES AND THE UNITED KINGDOM

(a) The United States is offering financial and technological assistance to Euratom for a joint programme for a total electrical output of 1,000 mw. The estimated capital cost is \$350 million, of which the United States will provide \$135 million on a long-term loan

⁵¹ Approuvé par le Cabinet le 3 décembre 1958./Approved by Cabinet on December 3, 1958.

through the Export-Import Bank at interest rates up to 4 percent. The United States will also supply up to 30,000 kg. of uranium 235 at prevailing domestic prices. The current value would be \$480 million. Repayment is being deferred until 1973, at which time the principal will be repaid in ten equal annual instalments. In addition, there is to be a joint research programme for a period of ten years, with each of the two parties meeting 50 percent of the costs. For the first five years it has been agreed that each party will contribute \$50 million.

(b) The United Kingdom has accredited its representative to ECSC to Euratom also and is negotiating a technical agreement with Euratom providing for co-operation between institutions and individual concerns. While important political considerations impel the United Kingdom into entering such an agreement, its main purpose would seem to be commercial: to ensure that Britain's access to the European market and to the technological advances which Euratom may make are not blocked by the development of an exclusive association between the United States and Euratom.

[PIÈCE JOINTE 3/ENCLOSURE 3]

Annexe B

Annex B

CONFIDENTIAL

SAFEGUARDS AGAINST DIVERSION OF NUCLEAR MATERIALS TO MILITARY USES

The bilateral agreements for co-operation in the peaceful uses of atomic energy which the United States, the United Kingdom and Canada conclude with other countries include provision for the application of safeguards against diversion of nuclear materials to military uses. The United States has already carried out several inspections under the terms of its agreements and discussions are proceeding among officials of the three countries (and of Australia and South Africa) on the possibility of developing a common international safeguards system, perhaps through the International Atomic Energy Agency.

2. The essence of safeguards, as they have so far been conceived, is that they should be applied by the country supplying materials, or by some third party, *and not* by the country receiving materials. The U.S.A.-Euratom agreements involve a marked departure since they concede the principle of "self-inspection" to Euratom: the Community will establish and implement its own safeguards system.

3. In practical terms, this arrangement probably offers sufficient guarantees that materials supplied to Euratom countries will not be misused, particularly as the United States is to assist Euratom in the establishment of its system, details of which are laid down in the U.S.A.-Euratom agreements, and has also retained certain rights of verification. However, the *de jure* situation is less satisfactory since, having conceded self-inspection to one group of nations, it may prove difficult to maintain the principle of "external" inspection for others.

4. In view of the precedent which has been established, Euratom would be most unlikely to agree to safeguards provisions, in any Canada-Euratom agreement which may be negotiated, more restrictive than those it has negotiated with the United States. We might perhaps aim for a more definite understanding with Euratom that, if an international system is developed through IAEA, responsibility for safeguards should be transferred to the latter but it may well prove impossible to reach agreement even to this.

592.

DEA/14001-1-3-40

*Le secrétaire d'État aux Affaires extérieures
à l'ambassadeur en Belgique⁵²*

*Secretary of State for External Affairs
to Ambassador in Belgium⁵²*

TELEGRAM E-2301

Ottawa, December 12, 1958

CONFIDENTIAL. OPIMMEDIATE.

Reference: Your Tel 547 Dec 9.†

Repeat London (Priority), NATO Paris, Paris, Rome, Bonn, Geneva, The Hague, Washington, Permis New York (Routine) (Information).

By Bag Vienna, T&C.

EURATOM

1. Cabinet has decided that we should approach Euratom with a view to negotiating a bilateral agreement for cooperation in the peaceful uses of atomic energy. The intention is that this agreement should provide a framework for the development of cooperation between Canada and Euratom and, in particular, for the institution of a joint research and development programme on natural uranium-heavy water reactors.

2. As you know, there have been informal discussions between Canadian and Euratom officials on this matter and we understand that Euratom would welcome this Canadian initiative. Please therefore address a note or letter along the following lines to the President of the Euratom Commission: Begins: "I have been instructed by my government to inform you that Canada would welcome the development of cooperation with the European Atomic Energy Community (Euratom) in the peaceful uses of atomic energy and to inquire whether Euratom would be prepared to negotiate an agreement with Canada for such cooperation.

"You will be aware that Canada has concentrated its nuclear scientific effort on the development of natural uranium-heavy water reactors and I am authorized to say that the Canadian government would be particularly interested in considering with Euratom the possibility of undertaking a joint programme of research and development on power reactors of this type, in which Euratom is also believed to have an interest.

"If Euratom should wish to develop cooperative relations with Canada in this field and to negotiate an agreement for this purpose, the Canadian authorities would be glad to prepare a draft agreement to serve as a basis for negotiation. The Canadian government hopes that sufficient progress might be made to permit negotiations to take place in Brussels towards the end of January 1959." Ends.

3. Before delivering the foregoing message, please discuss it informally with the appropriate Euratom officials to ensure that it will be acceptable to the Euratom Commission.

4. A working group has been established in Ottawa to consider the type of agreement or agreements to be concluded with Euratom. The following account of our preliminary thinking may be of value to you as background information:

⁵² Note marginale :/Marginal note:

Cleared with Mr. Bryce (P.C.O.) And Mr. Gray, AECL, before despatch. J. [Langley]

(a) We envisage the conclusion of an agreement which will provide a general framework for cooperation between Canada and Euratom. Our present inclination is to work from our standard draft bilateral agreement for cooperation in the peaceful uses of atomic energy, modifying it as necessary; we recognize that substantial changes may be required. This framework agreement would make mention of the joint research and development programme, the broad outlines of which might be set out in an annex. A technical agreement establishing the details of the joint programme would probably have to be negotiated subsequently between AECL and appropriate organs of Euratom. We think that it is neither necessary nor desirable for the United States to be a party to either the framework or the technical agreement, but the latter would be worked out in consultation with USAEC, with a view to USA participation in the joint programme.

(b) The proposed joint research and development programme would not involve any joint construction. (Please make this point clear orally to Euratom.) Initially it would probably be confined to exchanges of information but might subsequently involve a sharing of development work on the full scale power reactor now being undertaken by the Nuclear Power Plant Division of AECL.

(c) We would like to make rapid progress in drafting an agreement, with a view to early negotiations with Euratom. Some of the Canadian officials directly concerned are expected to be in Europe in January and, if matters have advanced sufficiently, we would like to take advantage of their presence to establish a team, including appropriate members of your Embassy, for these negotiations.

5. We intend to consult closely with you and Euratom officials in the drafting of the framework agreement. We have a number of queries which we will raise with you shortly but consider it would be desirable first to complete the formal exchange of letters with the Euratom Commission.

6. London: Please pass a copy of this and subsequent messages on Euratom to Mr. Pierce.

7. Paris Embassy, The Hague, Bonn, Rome: When Brussels has notified you that our formal approach has been made to Euratom, please inform local Foreign Ministry and express the hope that our initiative will receive their support.

593.

DEA/14001-1-3-40

*Le secrétaire d'État aux Affaires extérieures
au haut-commissaire au Royaume-Uni
Secretary of State for External Affairs
to High Commissioner in United Kingdom*

TELEGRAM E-2310

Ottawa, December 12, 1958

CONFIDENTIAL. PRIORITY.

Reference: Our Tel E-2301 Dec 12.

Repeat Brussels, NATO Paris, Paris, Rome, Hague, Bonn, Geneva, Permis New York, T&C (Routine) (Information).

By Bag Vienna.

EURATOM

1. UK and USA officials will already be aware of our plans for cooperation in the peaceful uses of atomic energy with Euratom.

2. When Mr. Gray, President of AECL, was in London in October he spoke informally to Sir Edwin Plowden and the other senior officials of UKAEA on this subject and inquired whether UK would be interested in participating in our proposed joint research and development programme with Euratom. UK officials indicated that their other commitments would not permit such participation.

3. Our Euratom plans have also been discussed informally with officials of USAEC. They have welcomed our proposed joint programme with Euratom and have indicated that USA would probably agree to participate in it, once we have concluded our agreement with Euratom. We welcome these indications of USA interest.

4. We would be grateful if London and Washington would inform Foreign Office and State Department that we now intend to approach Euratom formally on this matter. We do not think it necessary to go into details but we would be glad if London would take this opportunity of seeking an account from UK officials of the difficulties encountered in UK negotiations with Euratom (Brussels telegram 541 December 5† refers). We are particularly interested in the safeguards issue, since we think it important to maintain a common front with UK and USA viz-à-viz Euratom on this. We realize that UK authorities may not feel free to give us a copy of current draft of UK-Euratom agreement, but it would be most helpful to us if they were able to do so. Please reply by telegram, including text of draft, if available.

594.

DEA/14001-1-3-40

*L'ambassadeur en Belgique
au secrétaire d'État aux Affaires extérieures
Ambassador in Belgium
to Secretary of State for External Affairs*

TELEGRAM 552

Brussels, December 15, 1958

CONFIDENTIAL. OPIMMEDIATE.

Reference: Your Tel E-2301 Dec 12.

Repeat London, NATO Paris, Paris, Rome, Bonn, Geneva, Hague, Dept T & C, Dept Finance, Bank of Canada (Information).

Repeat Washington, Permis New York from Ottawa.

By Bag Vienna from London.

EURATOM AGREEMENT

Staderini and others responsible for external relations at Euratom Commission are leaving for London today in connection with negotiations for agreement between UK and Euratom. In these circumstances, we will not repeat not be able to discuss text of proposed note to President of Commission before December 17 at earliest. In view of importance which is attached to this agreement by both Canada and Euratom, we fully agree that a draft agreement should be prepared as soon as possible for transmission to the Commission. In this respect it would be most helpful if you could let us have a copy of Canadian standard draft bilateral to which you refer in paragraph 4 of your telegram.

2. In telephone conversation this morning with Staderini, he warned that despite good intentions on both sides, it may be that matters will not repeat not have advanced sufficiently to enable substantive negotiations to take place in January when team of Canadian officials are expected to be in Europe. He explained that although the Commission would be the negotiating unit the draft agreement would have to be cleared with each of the six governments before the Commission would be authorized to negotiate, and on the basis of past experience this procedure was likely to involve some delay. We suggested that contact between the Commission and officials from Ottawa might be desirable in January if only to clarify some aspects of the proposed agreement whether technical or otherwise. Staderini concurred and said that he personally would do everything possible to ensure that commission officials were in a position to discuss agreement effectively when Canadian officials visit Brussels.

3. Provided there are no chances to discuss with you we shall send a letter to the Acting President of the Euratom Commission as soon as we have cleared informally your draft text with Staderini. Other addressees of this telegram will be advised so that they may inform local foreign ministries as instructed in paragraph 7 of your telegram.

[O.G.] STONER

595.

DEA/I4001-1-3-40

*L'ambassadeur en Belgique
au secrétaire d'État aux Affaires extérieures
Ambassador in Belgium
to Secretary of State for External Affairs*

TELEGRAM 559

Brussels, December 16, 1958

CONFIDENTIAL. OPIMMEDIATE.

Reference: Our Tel 552 Dec 15 and your E-2301 Dec 12.
Repeat London, NATO Paris, Paris, Bonn, Hague, Geneva, Dept T and C, Dept Finance,
Bank of Canada (Information).
Repeat Washington from Ottawa.
By Bag Vienna from London.

AGREEMENT WITH EURATOM

This morning I saw Staderini to discuss text which should be sent to the Euratom Commission proposing that Canada and Euratom enter into negotiations. Staderini suggested this might take the form of a note to the Commission since the President's post had not repeat not been formally filled since resignation of Mr. Armand. He suggested that for presentational reasons it might be desirable to revise slightly the first sentence of the final paragraph to read as follows:

"If Euratom should wish to develop co-operative relations with Canada in this field and to negotiate an agreement for this purpose, the Canadian authorities would be glad to enter into contact as soon as possible with the competent services of Euratom with a view to establishing a draft agreement as a basis for negotiation." Staderini said that if the note was received today there was a good chance that it could be discussed by this week's meeting of the Euratom Commissioners and that we might have the reply of Euratom before Christmas. In these circumstances, and since the drafting changes were of a very minor

nature, a note along the following lines incorporating Staderini's suggestion will be sent to the Commission this afternoon.

"The Canadian Embassy has been instructed by its government to inform the Euratom Commission that Canada would welcome the development of cooperation with the European Atomic Energy Community (Euratom) in the peaceful uses of atomic energy and to inquire whether Euratom would be prepared to negotiate an agreement with Canada for such co-operation. The Commission will be aware that Canada has concentrated its nuclear scientific effort on the development of natural uranium heavy-water reactors and the Embassy is authorized to say that the Canadian government would particularly be interested in considering with Euratom the possibility of undertaking a joint programme of research and development on power reactors of this type, in which Euratom is also believed to have an interest. If Euratom should wish to develop co-operative relations with Canada in this field and to negotiate an agreement for this purpose, the Canadian authorities would be glad to enter into contact as soon as possible with the competent services of Euratom with a view to establish a draft agreement as a basis for negotiation. The Canadian government hopes that sufficient progress might be made to permit negotiations to take place in Brussels towards the end of January 1959."

2. In Staderini's view the outline for negotiations suggested in paragraph 4 of your telegram seemed reasonable. The only point on which he had some doubt was whether it would be more expedient to sketch the broad outlines of the joint research and development programme in an annex or in a separate agreement. He wished to consult other interested services in the Commission before giving a final answer on this point. He agreed, however, that the details of the joint programme could be set out in a technical agreement between AECL and the appropriate services of Euratom. He also did not repeat not foresee any difficulty with our suggestion that the USA government would not repeat not have to be a direct party to any of these agreements. He hoped that things would move rapidly enough to enable effective discussions to take place in Brussels towards the end of January. He suggested that before the technical agreement was completed it might be desirable for Euratom technicians to visit Chalk River to have a first-hand look at the work we were doing in Canada and to have detailed discussions on the spot with our technicians. Incidentally, Staderini volunteered that it would be quite acceptable to the Commission if all negotiations were carried out on the basis of English texts.

3. Staderini suggested that obviously one of the most delicate points in the negotiation would be the selection of a formula for control. A general framework agreement for co-operation along the lines we envisage might involve a different formula from that employed in the USA/Euratom agreement which was a "Programme Agreement."

4. At the conclusion of our talks, Staderini emphasized that he was unable of course, to enter into any commitment until he had consulted the Commission. In turn the powers of the Commission to negotiate agreements were outlined in Article 101 of the Euratom Treaty. That article provides that the Commission has the power to negotiate some types of agreement provided it merely informs the Council but that for other types of agreement it must have the approval of the Council with a qualified majority vote. Since the Commission was in its infancy, it had not repeat not yet established completely with the Council of Ministers the limit of its own responsibilities or an agreed interpretation of Article 101. He mentioned this only so that we might appreciate that any delays would probably be due to procedural aspects rather than to any disagreement in principle. From his own knowledge of the situation however, he could say with confidence that our initiative will be welcomed by the community and that officials in the Commission would make every effort to ensure that negotiations move as quickly as possible. He also suggested as a rough time-

table that we should have a formal reply to our note before Christmas and that as soon as the Christmas Holidays were over the Commission would be prepared to give immediate consideration to any draft which we would submit.

5. I will inform the Belgian Foreign Office as soon as possible of the note which we are proposing to send to the Euratom Commission this afternoon.

[O.G.] STONER

DEA/14001-1-3-40

596.

*Le haut-commissaire au Royaume-Uni
au secrétaire d'État aux Affaires extérieures*

*High Commissioner in United Kingdom
to Secretary of State for External Affairs*

TELEGRAM 4602

London, December 16, 1958

CONFIDENTIAL. PRIORITY.

Reference: Your Tel E-2310 Dec 12.

Repeat Brussels, NATO Paris, Paris, Rome, Hague, Bonn, Geneva, Permis New York, Washington, T&C Ottawa (Information).

EURATOM

We arranged to call this morning on Donald Cape of the Atomic Energy and Disarmament Department of the Foreign Office and informed him of your intention to commence negotiation of an agreement with Euratom. He was interested to learn that you were planning an immediate approach to Euratom on this matter but confirmed that the UK would not repeat not be in a position to participate in these arrangements.

2. Cape told us that the UK were now in the final stage of their own negotiations with the Community since at its last meeting the Euratom Council of Ministers had approved the draft agreement both in principle and in substance. The Council had, however, at the instigation of the French, suggested that the safeguards provisions should be re-drafted so as to appear more "balanced." Cape said that the safeguards clauses in the draft agreement are very similar to those in the USA-Euratom agreement in that they provide for a form of self-inspection by the community. The UK had originally hoped that the safeguards system would be based on the OEEC agency, which would have provided complete balance between the parties, but in the event this had not proved possible. After the precedent of the USA agreement the UK felt that self-inspection within the Community did provide reasonable safeguards in that the members were to a degree at least watching one another; the same would not repeat not be true of a bilateral with an individual country. Cape thought the re-drafting of the safeguards clauses to give an appearance of balance would be rather tricky but he emphasized that the difficulty was one of presentation rather than of substance. The UK for their part do not repeat not in the early foreseeable future expect to be on the receiving end of the agreement so that the real question is one of devising a form of words which will protect the amour propre of the Community.

3. Cape told us that apart from these relatively minor difficulties over safeguards the negotiations with Euratom had gone surprisingly well. There had been no serious difficulties and considerable mutual good will so that progress had been steady throughout. You may recall from our conversation with Cape early in the negotiations (our telegram 3162

July 18†) that he was then very much less sanguine about prospects and rather inclined to belittle the activities of the Commission.

4. Cape has promised to let us have the revised text of the draft agreement as soon as it has been approved by the Euratom Council, which should be about December 22. The arrival of another visitor prevented us from suggesting an earlier date but we shall approach him again as soon as the new negotiations with the Commission (which begin tomorrow) are concluded.

597.

DEA/14001-1-3-40

*L'ambassadeur aux États-Unis
au secrétaire d'État aux Affaires extérieures
Ambassador in United States
to Secretary of State for External Affairs*

TELEGRAM 3068

Washington, December 17, 1958

CONFIDENTIAL. PRIORITY.

Reference: Your Tel E-2310 Dec 12.

EURATOM

When we called on Schaetzel he forestalled us by observing that while in Europe he had learned that there had been no repeat no developments in connection with an agreement between Canada and Euratom and he wondered what significance this situation might have. We explained the current situation. He expressed satisfaction and raised no repeat no questions.

598.

DEA/14001-1-3-40

*L'ambassadeur en Belgique
au secrétaire d'État aux Affaires extérieures
Ambassador in Belgium
to Secretary of State for External Affairs*

TELEGRAM 574

Brussels, December 23, 1958

CONFIDENTIAL. OPIMMEDIATE.

Repeat London, NATO Paris, Paris, Rome, Hague, Bonn, Geneva, Dept T and C, Finance, Bank of Canada (Information).

Repeat Permis New York, Washington from Ottawa, Vienna from Geneva.

AGREEMENT WITH EURATOM

Yesterday the Council of Ministers of the Six met in Brussels and they authorized the Euratom Commission to enter into negotiations with Canada in accordance with suggestions set out in our note of December 16. This morning we received the following note verbale from the Commission which indicates formally the Commission's willingness to begin negotiations in Brussels as soon as possible. Begins

"The Commission of the European Atomic Energy Community (Euratom) presents its compliments to the Canadian Embassy and has the honour to acknowledge the receipt of its note of December 16, 1958, concerning the desire of the Canadian Government to cooperate with Euratom in the development of the peaceful uses of nuclear energy.

The Commission welcomes the proposal of the Canadian government to negotiate a general agreement of cooperation, providing a framework for the subsequent organization of a joint programme of research and development on natural uranium heavy-water reactors.

Therefore, the Commission would be agreeable to enter into contact with the competent Canadian authorities at their earliest convenience, in the course of January, 1959, at Euratom Headquarters in Brussels." Ends.

[O.G.] STONER

4^e PARTIE/PART 4

COMITÉ DE POLITIQUE CONCERTÉE
COMBINED POLICY COMMITTEE

599.

PCO/R-100-1(a)-1

*Note du secrétaire d'État aux Affaires extérieures
pour le Cabinet*

*Memorandum from Secretary of State for External Affairs
to Cabinet*

CABINET DOCUMENT NO. 354-58

[Ottawa], December 6, 1958

SECRET

THE COMBINED POLICY COMMITTEE

Recently the United States State Department handed to our Embassy in Washington a draft Aide-Mémoire proposing that the Canada-United States-United Kingdom Combined Policy Committee, established in 1943 to further the atomic bomb project, be reactivated with expanded terms of reference.

2. The United States proposals (attached as Appendix A) stem directly from the Declaration of Common Purpose⁵³ signed by President Eisenhower and Prime Minister Macmillan in October of 1957 which emphasized the need for interdependence, particularly in the broad defence field. Revisions to the United States Atomic Energy Act, passed by Congress at its last Session, as noted in the draft Aide-Mémoire, permit more extensive co-operation to be carried out in the nuclear field. Reactivation of the Combined Policy Committee along the lines proposed is considered by the United States and the United Kingdom (which has agreed to the United States proposals) to be a logical next step forward as it would provide an umbrella for practical forms of co-operation in military research and development, in both the nuclear and non-nuclear fields, and appropriate Ministerial machinery through which the various forms of technical co-operation could be guided and

⁵³ Voir/See United States, Department of State, *Bulletin*, Volume XXXVII, No. 959, November 11, 1957, pp. 739-741.

stimulated. It would also obviate any difficulties which the setting up of any new machinery would create.

3. The United States Government is now proposing that the revised Combined Policy Committee be given authority to "establish broad policy and procedures for scientific and technical co-operation in research and development for military purposes, both nuclear and non-nuclear." It would operate within the limits of the constitutions and statutes of the Governments represented on it, and would continue the functions at present performed by the Combined Development Agency with regard to procurement and allocation of uranium ore. The more specific responsibilities it would assume are set out in the attachment to the draft Aide-Mémoire.

4. The United States also propose that the membership of the reactivated Committee would be, for the United States, the Secretary of State (who would be chairman of the Committee), the Secretary of Defence, and the Chairman of the Atomic Energy Commission, or their alternates; for the United Kingdom the Secretary of State for Foreign Affairs, the Minister of Defence and the Chairman of the Atomic Energy Authority, or their alternates; and for Canada, the Secretary of State for External Affairs, the Minister of National Defence and the President of the Atomic Energy Control Board, or their alternates.

5. The draft Aide-Mémoire proposes three principal changes in the terms of reference as drawn up in 1943.

(a) Canada, nominally at least, would be a full member of the Committee rather than merely represented on it. Representation for the three countries would be equal both qualitatively and numerically. It should be noted, however, that Canadian representatives would be unable to participate in all of the proposed sub-groups. The revised United States Atomic Energy Act would still restrict certain exchanges with Canada on, for example, matters dealing with atomic warheads. This might also be the case in the field of nuclear propulsion, although it is anticipated that it will be possible to devise flexible procedures to meet the problem.

(b) The Committee would become involved in the non-nuclear as well as the nuclear aspects of scientific and technical weapons research and development.

(c) As the three Governments would each have two Ministers on the Committee, it would be possible to facilitate a higher degree of political supervision and control of matters falling within the Committee's responsibilities.

6. It is believed that Canada should agree to the United States proposals and accept membership on the reconstituted Committee for the following reasons:

(1) The United States proposals clearly reflect recognition on the part of the United States and the United Kingdom of the useful role which Canada can play in the technical aspects of weapons development and of Canada's interests in this field.

(2) Canada would also benefit greatly from the additional information concerning current United States and United Kingdom projects which membership on the reactivated Committee would provide, and which would be of positive benefit in connection with our share in the defence of North America.

(3) Membership would also provide a further channel of influencing thinking, particularly United States thinking, on research and development questions and possibly, eventually, certain defence production questions which might arise, although it is not the present intention of either the United States or the United Kingdom to extend the scope of the Committee's functions to the production field.

7. Accordingly, the Secretary of State for External Affairs recommends⁵⁴ that the Cabinet approve Canadian membership on the Combined Policy Committee reactivated along the lines proposed in the United States draft Aide-Mémoire.

SIDNEY SMITH

[PIÈCE JOINTE I/ENCLOSURE I]

Appendice A

Appendix A

SECRET

DRAFT AIDE MÉMOIRE

The United States Government believes that in order to advance co-operation among the United States, the United Kingdom and Canada in research and development in military fields where the three countries have mutual defence interests, it would be useful to establish some supervisory institutional arrangement. It is suggested that for this purpose the Combined Policy Committee be reactivated with appropriate new guidelines.

The Combined Policy Committee was established by the agreement of August 19, 1943, in order to facilitate co-operation in atomic matters among the three allies. After the end of World War II such co-operation became much more limited, and the Combined Policy Committee for some years now has functioned only to a small extent and through correspondence. Of two subsidiary organizations which were also established, the Combined Development Agency (originally the Combined Development Trust) and the sub-group of scientific advisers, only the Combined Development Agency has continued actively in its field, the joint procurement of uranium ore.

In the fields of non-atomic weapons research and development various arrangements for co-operation among the three countries have now been established, principally among the military services. Some of the co-operation carried out under these arrangements is quite extensive and it is desired that this shall continue in the fullest possible way. More extensive co-operation in atomic fields may also now be carried out under new United States legislation, and it is believed that it is mutually agreed among the three countries that it is in their common interest to carry this out to the fullest extent possible. Co-operation in both atomic and non-atomic fields, it is believed, would be facilitated by centralized supervision.

It is suggested accordingly, that a feasible and satisfactory means of establishing this supervision would be to reactivate the Combined Policy Committee and assign to it the supervisory responsibility for technical co-operation for military purposes in both atomic and non-atomic fields. An outline of principles for the organization and activity of such a reactivated committee has been worked out informally by representatives of the three Governments and is attached herewith. If such a procedure meets with the approval of the three Governments a meeting of the Combined Policy Committee could be convened at a mutually satisfactory time and the new guidelines for the Committee adopted at the meeting. It is believed that this procedure would have the further advantage of obviating any undue publicity being given to the action, even though the Committee's existence would continue to be an unclassified matter.

⁵⁴ Approuvé par le Cabinet le 9 décembre 1958./Approved by Cabinet on December 9, 1958.

It is understood, of course, that co-operation by each country in various particular projects, would be governed by its relevant laws and agreements with either or both of the other two; and, furthermore, that the supervisory function of the Combined Policy Committee would supplement but not replace nor interfere with existing working arrangements.

The United States Government would be grateful for any comment which the Governments of the United Kingdom and of Canada might wish to make to this suggested procedure and outline.

[PIÈCE JOINTE 2/ENCLOSURE 2]

Note

Memorandum

SECRET

COMBINED POLICY COMMITTEE

Preamble

The United States-United Kingdom-Canada Combined Policy Committee, which was established by the agreement of August 19, 1943, is reconstituted for the purpose of facilitating and supervising co-operation among the three Governments in military, scientific and technical fields. Its activities henceforth will be governed by the following principles:

Objective

The Combined Policy Committee, operating within the limits of the constitutions and statutes of the Governments represented, will establish broad policy and procedures for scientific and technical co-operation in research and development for military purposes, both nuclear and non-nuclear. In the nuclear energy field the Committee will also continue to supervise procurement and allocation of raw materials for both military and civil purposes.

Responsibilities of the Combined Policy Committee Will Be:

- (1) To review periodically and as appropriate the scientific and technical co-operation being undertaken and planned for the future by the three Governments in military fields.
- (2) To determine or as necessary recommend to member Governments policies and procedures which may be appropriate to make most effective co-operation in these fields for the common defence and security.
- (3) To give policy guidance to subordinate groups as required.
- (4) To supervise the Combined Development Agency in its continuing function of procurement of raw materials for nuclear energy.
- (5) To allocate raw materials procured by the Combined Development Agency.

Membership

Membership of the Combined Policy Committee is as follows:

For the United States: The Secretary of State, the Secretary of Defense, and the Chairman of the Atomic Energy Commission, or their alternates.

For the United Kingdom: The Secretary of State for Foreign Affairs, the Minister of Defence, and the Chairman of the Atomic Energy Authority, or their alternates.

For Canada: The Secretary of State for External Affairs, the Minister of National Defence, and the President of the Atomic Energy Control Board, or their alternates.

The Chairman of the Committee is the Secretary of State of the United States.

Organization and Procedures

(1) The Combined Policy Committee, or appropriate members thereof, will meet as is determined to be necessary to discharge its responsibilities.

(2) The Secretariat, consisting of one representative from each country, will continue to assist the Combined Policy Committee in such manner as the latter may direct. Such assistance may include: providing an official record, preparing correspondence, keeping minutes, and making arrangements for meetings.

(3) Subcommittees may be established to render advice and reports to the Combined Policy Committee, to give guidance to the technical sub-groups referred to in (5) below, and to receive reports from the technical sub-groups. Initially, a subcommittee on nuclear aspects and a sub-committee on non-nuclear aspects will be established. The subcommittees may be modified by the Combined Policy Committee as may be found to be desirable. The subcommittees, or appropriate members thereof, will meet as required.

(4) Technical sub-groups may be formed on an *ad hoc* basis to facilitate the exchange and development of information in assigned areas and report to their supervisory subcommittees on progress achieved and problems encountered. Organization and procedures will be informal, subject to guidance and requirements established by the subcommittees. The initial sub-groups will be in the areas identified in the report of the United States-United Kingdom-Canada technical discussions held in December, 1957.

(5) The subcommittees and technical sub-groups will establish their own organization and rules of procedure as may be required.

(6) Decisions taken by the Combined Policy Committee will reflect approval of each Government participating. In case of disagreement, individual recommendations will be made by the members to their respective Governments.

(7) Participation by each member country in specific areas of co-operation will be governed by its relevant laws and agreements with either or both of the other two member countries.

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