

"The first modern long-range bombers with which Canada might be confronted came into operation over five years ago, but the numbers produced now appear to be much lower than was previously forecast. Thus the threat against which the CF-105 could be effective has not proved to be as serious as was forecast. During 1959 and 1960 a relatively small number of modern bombers constitutes the main airborne threat. It is considered that the defence system of North America is adequate to meet this threat. Potential aggressors now seem more likely to put their effort into missile development than into increasing their bomber force. By the middle of 1962 the threat from the intercontinental ballistic missile will undoubtedly be greatly enhanced, in numbers, size and accuracy and the ICBM threat may be supplemented by submarine-launched missiles. By the middle sixties the missile seems likely to be the major threat and the long-range bomber relegated to supplementing the major attack by these missiles. It would be only in this period, namely after mid-1962, that the CF-105 could be fully operational in the R.C.A.F.

"The United States Government, after full and sympathetic consideration of proposals that the U.S. Air Force use the Arrow, reached the conclusion that it was not economical to do so. Already the U.S. Air Force has decided not to continue with the further development and production of U.S. aircraft having the same general performance as the Arrow. The development of interceptor aircraft that is now proceeding in the United States and abroad is on different types.

"Since my announcement of last September, much work has been done on the use of a different control system and weapon in the Arrow. These changes have been found to be practical. Although the range of the aircraft has been increased it is still limited. It is estimated that with these changes the total average cost per unit for 100 operational aircraft could be reduced from the figure of about \$12.5 million each, to about \$7,800,000 each, including weapons, spare parts and the completion of development, but not including any of the sum of \$303 million spent on development prior to September last.

"The Government has taken no decision to acquire other aircraft to replace the CF-100, which is still an effective weapon in the defence of North America against the present bomber threat. The Minister of National Defence and the Chiefs of Staff are now engaged in further studies of the various alternatives for the improvement of our defences.

"Canadian requirements for civilian aircraft are very small by comparison with this huge defence operation and frankness demands that I advise that at present there is no other work that the Government can assign immediately to the companies that have been working on the Arrow and its engine.

"This decision is a vivid example of the fact that a rapidly changing defence picture requires difficult decisions, and the Government regrets the inevitable impact of it upon production, employment and engineering work in the aircraft and related industries.

"As will be appreciated, this decision has been a very hard one for the Government to take, not only because of the immediate disturbance it is bound to cause to those who have been working on the Arrow and related items, but because it means terminating a project on which Canada has expended a very large amount of money and in which Canadians have demonstrated the high level of their technical work. However much I might hope that the project be continued in the sense of pride of achievement to avoid immediate dislocations which are regrettable defence requirements constitute the sole justification for defence procurement.

"Having regard to the information and advice we have received, however, there is no other feasible or justifiable course open to us. We must not abdicate our responsibility to assure that the huge sums which it is our duty to ask Parliament to provide for defence are being expended in the most effective way to achieve that purpose.

"Now I wish to turn to another aspect of defence.

"As previously announced the Government has decided to introduce the Bomarc guided missile and the Sage electronic control and computing equipment into the Canadian air defence system and to extend and strengthen the Pinetree Radar Control System by adding several additional large radar stations and a number of small gap filler radars. Canadians will be glad to know that agreement in principle with the United States Defence Department has now been reached on the sharing of the costs of this programme.

"Under this arrangement, Canada will assume financial responsibility for approximately one-third of the cost of these new projects. The Canadian share will cover the cost of construction of bases and unit equipment, while the American share of approximately two-thirds of the cost will cover the acquisition of technical equipment. Such division of functions is necessary for the reason that the United States is well advanced in the planning and implementation of this programme and the development of the technical equipments required for it. In so dividing the sharing of costs, uniformity of construction will be ensured and the dangers of differences in technical equipment will be avoided.

"In respect of construction of these bases in Canada, work will be carried out as a practical matter by Canadian construction companies employing Canadian labour and material. It is intended that the bases when complete will be manned by Canadian military personnel.

"As for the technical equipment which is to be financed by the United States, both Governments recognize the need for Canada to share in the production of this equipment. Within the principles of production sharing, the United States Government and the Canadian Government expect that a reasonable and fair share of this work will, in fact, be carried out by Canadian industry. To that end a number of groups of officials representing both countries have been established to initiate the production sharing activities and to deal with the problems involved.

"While time is required to work out all the necessary details between our Governments, considerable progress has already been made and several contracts have been placed.

"The production sharing concept also covers the broad range of development and production of military equipment for North American defence generally. Procedures are currently being evolved between officials of the two Governments whereby greater opportunities than have existed in the past will be afforded Canadian industry to participate in the production of technical equipment related to programmes of mutual interest.

"Under the irresistible dictates of geography, the defence of North America has become a joint enterprise of both Canada and the United States. In the partnership each country has its own skills and resources to contribute and the pooling of these resources for the most effective defence of our common interests is the essence of production sharing.

"Believing that Parliament and the people of Canada are determined that this nation shall play its full part, in terms both of quantity and quality, in deterring and resisting aggression, the Government intends that the Canadian Forces will be well-equipped and well-trained for the Canadian share of these tasks in a balanced, collective defence.

"In keeping with that determination careful thought is being given to the principles that, in our opinion, are applicable to the acquisition and control of nuclear weapons.

"The Government's decisions of last autumn to acquire Bomarc missiles for air defence and Lacrosse missiles for the Canadian Army were based on the best expert advice available of the need to strengthen Canada's air defence against the threat to this continent and on its determination to continue an effective contribution to the NATO shield.

"The full potential of these defensive weapons is achieved only when they are armed with nuclear warheads. The Government is, therefore, examining with the United States Government questions connected with the acquisition of nuclear warheads for Bomarc and other defensive weapons for use by the Canadian Forces in Canada and the storage of warheads in Canada. Problems connected with the arming of the Canadian Brigade in Europe with short range nuclear weapons for NATO's defence tasks are also being studied.

"We are confident that we shall be able to reach formal agreement with the United States on appropriate means to serve the common objective. It will of course be some time before these weapons will be available for use by Canadian Forces. The Government when able to do so, will inform the House, within the limits of our security, of the general terms of understanding which are reached between the two Governments on this subject.

"I wish at this time, however, to give the House an indication of certain basic considerations in the Government's thinking on the question of the acquisition and control of nuclear weapons.

"The first important consideration is the Government's firm belief in the importance of limiting the spread of nuclear weapons at the independent disposal of national governments. The Secretary of State for External Affairs said in the External Affairs Committee on July 29 last, that it took but little imagination to envisage the dangers of the situation if the know-how with respect to the production of nuclear weapons were disseminated in numerous countries of the world. The prospect of further dissemination of such techniques continues to be a matter of fundamental concern to the Government. As a contribution to this important objective, it is the policy of the Canadian Government not to undertake the production of nuclear weapons in Canada, though we believe Canadian scientists and technicians are quite capable of producing them.

"The second consideration is the Government's determination to leave no avenue unexplored in the search for an acceptable agreement on disarmament with the Soviet Union, even though we must reluctantly admit the need in present circumstances for nuclear weapons of a defensive character. The objective of disarmament must ever be kept in view, even though it may be capable of only partial realization, as for example in agreed zones of inspection in the Arctic, or agreed measures to guard against surprise attack. Canadians will continue to support effective measures for disarmament but in the meantime, we cannot minimize the importance of providing the strongest deterrent to aggression and of protecting the deterrent power against surprise attacks.

"Another basic consideration is the Government's commitments to support the collective security of the NATO alliance. Whether Canada's effort is made directly in continental defence - the defence of the Canada-United States region of NATO - or whether it is made on the continent of Europe, Canada's contribution will be made in concert with the efforts of our NATO partners, and it is the Government's intention to provide Canadian Forces with modern and efficient weapons to enable them to fulfill their respective roles.

"Believing that the spread of nuclear weapons at the independent disposal of individual nations should be limited, we consider



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CONTENTS

Statement on Defence.....1

Canada's Foreign Policy.....4

STATEMENT ON DEFENCE

The following statement on air defence was made in the House of Commons by Mr. J.G. Diefenbaker, the Prime Minister of Canada, on February 20:

"The Government has carefully examined and re-examined the probable need for the Arrow aircraft and Iroquois engine - known as the CF-105 - the development of which has been continued pending a final decision. It has made a thorough examination in the light of all the information available concerning the probable nature of the threats to North America in future years, the alternative means of defence against such threats, and the estimated costs thereof. The conclusion arrived at is that the development of the Arrow aircraft and Iroquois engine should be terminated now.

"Formal notice of termination is being given now to the contractors. All outstanding commitments will of course be settled equitably.

"In reaching this decision the Government has taken fully into account the present and prospective international situation, including the strategic consequences of weapon development, and the effects of the decision I have just announced upon Canada's ability to meet any emergency that may arise.

"Work on the original concept of the CF-105 commenced in the Air Force in 1952, and the first Government decision to proceed with the development and with the production of two prototypes was taken late in 1953. The plane

was designed to meet the requirements of the R.C.A.F. for a successor to the CF-100 to be used in the defence of Canada. At that time it was thought some five or six hundred aircraft would be needed by the R.C.A.F. and their cost was forecast at about \$1.5 or \$2 million each. From the beginning, however, it was recognized by the previous Government, and subsequently by this Government that the development of an advanced supersonic aircraft, such as the 105, and its complicated engine and weapon system was highly hazardous and therefore all decisions to proceed with it were tentative and subject to change in the light of experience. This was known to the contractors undertaking the development, to the Air Force and to Parliament.

"The development of the Arrow aircraft and the Iroquois engine has been a success although, for various reasons, it has been much behind the original schedule. The plane and its engine have shown promise of achieving the high standard of technical performance intended and are a credit to those who conceived and designed them and translated the plans into reality.

"Unfortunately these outstanding achievements have been overtaken by events. In recent months it has come to be realized that the bomber threat against which the CF-105 was intended to provide defence has diminished, and alternative means of meeting the threat have been developed much earlier than was expected.

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CANADA'S FOREIGN POLICY

In his review of Canada's external relations in the House of Commons on February 26, 1959, Mr. Sidney E. Smith, Secretary of State for External Affairs, said that he would not engage in a global survey, but that he would attempt to explain the Government's attitude on a number of specific issues.

Mr. Smith made the following statement on the Berlin situation:

"...The most important and urgent of the problems facing Canada and her NATO allies lies in the field of East-West relations. I approach this subject gravely but not despondently. When I presented my estimates, in July of last year, I believe, I spoke of the need to maintain our defences and at the same time to endeavour to make some advance in establishing mutual trust and confidence and in coming to some understanding with the Soviet Union. The communist leaders, as we all know, have professed their desire to promote the objectives of easing tension and of a reduction of the cold war. These professions, however, are certainly difficult to reconcile with the demands made by the Soviet Government on November 27, 1958 when it abruptly declared that existing agreements on Berlin were null and void.

"Whatever the basic Russian objectives may have been, I am bound to observe that these tactics do not convey an image of a state bent on a lessening of international tension. On the contrary, the Soviet Union deliberately chose to create a crisis where none had recently existed, and thereby to plunge the whole world into a new period of deep anxiety that will not abate until there is some sort of meeting of minds in negotiation between East and West and some agreement has been reached on the German question.

"The Berlin situation was the critical issue before the NATO Council meeting held in Paris last December. I, along with my colleagues the Ministers of Finance, Defence and Defence Production, had the honour to represent Canada at that meeting. Members will recall that before the formal meeting of the NATO Council began on December 16, there was a meeting on Sunday, December 14, at which were present representatives of the three occupying powers from the West--the United Kingdom, the United States and France. At that meeting, held, as I said a moment ago, prior to the meeting of the Council, there were also present representatives of West Germany. Willie Brandt, who honoured this country by a visit recently, also attended that meeting in his capacity as Mayor of West Berlin. Out of that meeting of the three occupying powers and West Germany came a statement in which they publicly rejected the Soviet proposals and reaffirmed their determination to maintain their position and rights in the city, including the right of free access to Berlin.

"When this issue came before the NATO Council the Canadian Delegation took an active part--I say without immodesty that we did take an active part--in pressing for a full discussion of the Berlin situation in the Council with emphasis on maintaining an appropriate blend of firmness in the face of threats, and constant readiness to examine serious Soviet proposals. The position adopted by the Council two days later was entirely consonant with the Canadian position. The Council, in associating itself with the position taken by the four Western powers, adopted the view that the Berlin question could be satisfactorily settled only in the context of a consideration of the problem of Germany as a whole. The Council referred to the notes that had been sent by the Western powers to the U.S.S.R., in which they offered to negotiate on the situation with respect to Germany as a whole. That offer was reaffirmed in the communiqué issued at the termination of the NATO Council meeting. Then, coupled with the consideration of the problem of Germany as a whole, they indicated their urgent willingness and desire to have discussions on the related issues of European security and disarmament.

"In addition to supporting the position taken by the Western occupying powers, members of the Council--and I refer you to the communiqué I have mentioned--reiterated the stand of the occupying powers that NATO is a defensive organization. They also said, Mr. Speaker, that in respect of Berlin they desired to leave no doubt as to the determination of the alliance to stand fast and to employ its defensive capacity in the event of aggression against Berlin or any interference with the arrangements that had been duly entered into between the occupying powers and the U.S.S.R. in a series of meetings culminating in 1949.

"In giving this undertaking in respect of Berlin, neither the Council nor its individual members was assuming obligations that were new. Indeed, the NATO partners have been bound in respect of the defence of Berlin since October 22, 1954. This obligation was undertaken by the NATO Council on the occasion of West Germany joining the North Atlantic Treaty Organization, when all the other members of the alliance formally associated themselves with the provisions declared earlier, in the month of October 1954, that the three occupying powers would remain in Berlin so long as their responsibilities so required. The text of the obligation assumed by Canada, as a member of NATO, is, and I quote:

'to treat any attack against Berlin from any quarter as an attack upon their forces and themselves'.

"Members of the House, Mr. Speaker, may recall that on December 31--that was after the

termination of the meeting of the NATO Council--the United States, the United Kingdom and France sent replies to the Soviet note of November 27, 1958. In these replies, which had been discussed in the NATO Council, the three occupying powers reaffirmed their right to be in Berlin, and they condemned the Soviet Union's unilateral denunciation of the agreements relating to Berlin to which I have referred. In these notes of December 31, 1958 the occupying powers stated that they could not accept the repudiation by the Soviet Union of these obligations in this way, and that they could not consider proposals which would jeopardize the freedom of the West Berlin population.

"Speaking in geographical terms, Mr. Speaker, I may say that here is a community, West Berlin, of 2.5 million people which is 110 miles east of the West German border. This little island is isolated in the midst of Soviet controlled territory, East Germany. I must say that Canada's view is, and I state this very firmly, that we will not countenance the swallowing up or absorption of 2.5 million of our friends in West Berlin into the Soviet complex which surrounds the city of Berlin.

"In the notes of December 31, the United Kingdom, the United States and France also said they would not jeopardize in any way, by negotiation or otherwise, the West Berlin population. Then again in these notes there was a reiteration of the offer which had been made over several years, and which was restated and made manifest in the communique issued after the NATO meeting in December, to negotiate the question of Berlin in relation to the whole German situation, as well as in relation to the problem of European security.

"Subsequent events, Mr. Speaker, have tended to confirm the wisdom of the firm but flexible position that was taken in these notes and in the meetings of the NATO Council. On January 10 of this year, the Soviet Union sent notes to all the powers on the Western side which had fought against Germany in the Second World War. I have reported to the House on that note, and indeed I have tabled it here, accompanied as it was by a draft peace treaty relating to the whole of Germany.

"In that note it was suggested that there should be held a conference of the representatives of these countries--28, I think there are--on the Western and Eastern side which had fought against Germany. The conference would discuss this draft peace treaty. In that note there was, in tone if not in content, the idea that the U.S.S.R. would be ready to consider the problem of Berlin in relation to Germany as a whole. Recent public statements--perhaps we can take some comfort from them--by U.S.S.R. leaders, indicate that they do not regard the note of November 27, 1958, to the three occupying powers in Berlin, as an ultimatum.

"I tabled in this House on February 17, the Canadian reply to the Soviet note of January 10. Briefly, as I stated at the time, our position is this. It would not be useful to have a large peace treaty conference until some aspects of the German question have been examined by representatives of the four states--the United States, the United Kingdom, France and the U.S.S.R., those countries that have a special responsibility in Berlin. The Canadian reply did not, and I do not now, try to lay down a blueprint for the solution of the German problem. There will be general agreement, however--I hope there will be; I will put it that way--that this is not the time for Canada or any other NATO country which has been a party to the preliminary discussion of this problem of Berlin in relation to Germany as a whole and also in relation to European security, to put forward proposals in public. However, I assert and affirm that this is no time for anything other than positive policies. We should not, in the days and months ahead--and they may be critical ones--refuse to consider any proposal that is put forward by any country in the West, or any proposals that may be put forward by the Soviet Union.

"Among the types of proposals which could be considered--and I am not going to give a long list; I am going to give a partial list--are those which envisage some form of mutual limitation on nuclear weapons, and by that I mean a mutual limitation under supervision. There also might be considered agreed arrangements for gradual and mutual armed force reductions and comprehensive security guarantees for the countries of both Eastern and Western Europe. This is not to say, of course, when I give this partial catalogue, that Canada has taken a firm position or a fixed position on any specific measure as yet. They could be considered as general objectives. I would hope that these and others would be considered at a ministerial meeting of some NATO powers or the occupying NATO powers to be held about the middle of March. I repeat, and I say it seriously, that we should not have a negative approach, but at the same time we should have clear objectives in respect to a settlement of these topics to which I have referred. Every proposal, however, must be considered in the light of certain aims and objectives which are basic to Western interests. Among these, I mention again the freedom of the two and a half million people in Berlin. We cannot compromise their situation. We must look toward attaining, with safeguards, and with some advances in terms of European security, the restoration of a free Germany in a free and untrammelled Europe. No proposal, Mr. Speaker, should be accepted which would have the effect of changing the balance of military security to the disadvantage of the West.

"At this part of my contribution to this debate I must say quite frankly that it is distressing that John Foster Dulles, the United States Secretary of State, should have

been stricken by illness. All members of the House will join with me in wishing for him a speedy and complete recovery. I salute him as a man who has devoted his public career, in that high office of Secretary of State of the United States, to the pursuit of an honourable agreement between the East and the West. I express my own admiration of his qualities of fortitude and courage. I can report to the House, Mr. Speaker, that his recent visit to London, Paris and Bonn, just before he was taken to hospital, helped materially in co-ordinating the Western views, in identifying basic Western interests to be protected, and in making clear the objectives to be pursued in any negotiations with the Soviet Union.

"Having mentioned Mr. Dulles, it is not by way of formality but out of the depth of sincerity that I must say that we applaud the current visit of Mr. Macmillan, the Prime Minister of the United Kingdom, to the Soviet Union. It might appear that he has had something of a mixed reception, but for us his visit could be a most significant development, providing as it does a timely opportunity for Mr. Macmillan to make it clear to the Soviet leaders that the Western countries are genuinely interested in a search for common ground but that they do not intend to be intimidated by the belligerence which often characterizes statements coming from the U.S.S.R.

"Prime Minister Macmillan has made it clear in the United Kingdom and to his NATO allies that he is not in Russia for the purpose of negotiating, but that he is there rather to exchange views and to work toward a better understanding on both sides of opposing points of view. I am sure all members of the House are confident of his ability to do that and perhaps more. He carried with him today our best wishes for the success of his visit.

"That sense of well-wishing, for me anyway, has been intensified recently--indeed on February 24--by reason of a speech made by Mr. Khrushchev to a political gathering in the Kremlin. I have studied the press reports of the speech and that is all I have at the moment. I have studied them carefully and at least I can say this. I recognize in that speech the standard Soviet position on questions relating to Germany and Berlin. Although this speech may be discouraging--and I do not think I am running the risk of being Pollyanna-ish--I still want to see what will be the formal reply by the U.S.S.R. to the notes that were recently sent to Moscow. I am thinking of the series of notes which I identify by the date of our own note, namely February 17. I think the Western powers should be guided more by whatever the tenor of that formal response may be than by the remarks made by Mr. Khrushchev at a political gathering."

The Minister made the following reference to Canada's relations with communist China:

"In view of the lively interest that is shown by the Canadian people in the future of

our relations with the Chinese people, I feel sure that the House will expect me on this occasion to discuss in some detail the Government's attitude toward the recognition of the Government of the Chinese People's Republic. As this House knows, this Government, as did the Government which we succeeded, has been giving continued consideration to the advisability or otherwise of extending recognition to the Chinese Communist Government. We are aware of the arguments in favour of such a step. It seems to me, however, that in discussing this question we must make a clear distinction between the legal factors which apply whenever Canada extends recognition to any new government, and the national and international considerations.

"Let me deal with the legal aspects of the question first. It is true that recognition is usually extended to a government when that government exercises effective control over the territory of the country concerned, and when that government has a reasonable prospect of stability. Then, there is a second legal factor. The government of that country should indicate its willingness to assume international obligations inherited from its predecessor. So far as China is concerned, there is some doubt about the Peking Government's willingness to assume the obligations and responsibilities of its predecessor. The Peking Government made known, in September, 1949, that it would, in effect, regard as binding only those obligations which it considered to be in its own interest. There is little doubt, however, that the Peking Government commands the obedience of the bulk of the population. It must be admitted, therefore, that most of the legal requirements for recognition have been fulfilled by the Government of the People's Republic. In any event, I say this: 'the Peking Government has fulfilled its obligation to at least the same extent as some governments which we do recognize now, and about whose political systems we have the same kind of reservations.

"I have just mentioned the legal factors, the legal conditions for recognition. This does not mean, however, that any government which has fulfilled these legal requirements is automatically entitled to recognition. This is a decision that should only be taken on the basis of national and international interests. It is to such considerations that I now address myself. It is stated that if Canada recognized China, greater opportunities for trading with the Chinese mainland would be created. There would almost inevitably follow an era of renewed friendly relations with that country. By this argument diplomatic recognition is made the key to trading relations with China. I must say, however, that I know of nothing to suggest that recognition would bring increased trade.

"In so far as some Western countries that have recognized China are concerned, no benefits in the matter of trading have accrued

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from that act. On the other hand, others, without recognizing communist China, have seen their trade grow substantially. It is true that on occasion Peking has used the question of trade as a special weapon. I would draw to the attention of the House the fact that the Peking Government has used trade as a political weapon. I am thinking of the action in 1958 when that Government cut off trade with Japan and later with Malaya and Singapore, because the Governments of those states acted in a certain way, within their own jurisdiction and within their own prerogatives as sovereign governments, but which the communists considered unsatisfactory. I do not regard trade, in that context, as being an argument in favour of recognition. Indeed there are dangers inherent in trading with communist China.

There are, however, other arguments in favour of recognition. It is undeniable that, unless the Government which has effective control of the mainland of China is represented at international meetings, there will be less possibility of settling issues that create tensions and endanger the peace of the world today. This is in no way to say, however, that we cannot deal at all with communist China. The West has done so at Geneva when discussions took place on topics relating to Korea and Indochina. The United States is doing that very thing now in the ambassadorial talks in Warsaw. It does not follow, either, that if we and other friendly governments were to recognize communist China all the problems which beset us in the Far East would immediately be solved. This is to say that non-recognition of communist China is a symptom and not a cause of the tensions which endanger peace in the Far East.

"What really is required, fundamentally, is a desire on the part of the Chinese to settle the outstanding problems. I mean to say that the pronouncements of the Peking Government on international affairs in the past year, which is under review, give few grounds for believing that they are actually interested in removing those causes of discord separating them from the West.

"It remains true, however that the present exclusion of China--and I come back to this point--from the United Nations and other councils of the world, except in isolated instances, makes international diplomacy more difficult to carry on. Disarmament is a case which I have in mind. What would be the use of an agreement or a treaty with respect to the cessation of nuclear tests--and I give this just by way of an example--if mainland China was not somehow involved in the working out and implementation of such a treaty? I must observe also, Mr. Speaker, that the authority and prestige of the United Nations has been weakened to some extent because many important international negotiations, such as those on Korea and Indochina, have not taken place within that organization.

"I trust--and I say this very carefully--that I am not being unfair if I say that some of the arguments in favour of immediate recognition of communist China seem to me to overlook, to a certain extent, the complex nature of the problem. The problem of relations with communist China is an extraordinarily delicate one, for however much we may wish to develop an acceptable basis for relations with this increasingly important Asian state, it is by no means clear that recognition would accomplish this end. Indeed, we could contemplate that it would give rise to fresh problems.

"The attitude that I commend to the House is one of prudence based on an appreciation of the realities of the situation. This Government has taken a positive attitude with respect to trade. My colleague the Minister of Trade and Commerce (Mr. Churchill) this afternoon in the House mentioned one aspect of that trade. I remind the House that in 1957--and these figures have been presented already this session to the House--our exports to China amounted to \$1.5 million. In the first eleven months of 1958 this figure rose to \$7.7 million. In the difficult question of exports by Canadian subsidiaries of United States firms, as a result of the Prime Minister's discussions with President Eisenhower in July of last year, we have an understanding with the Government of the United States which aims to protect the interests of Canadian producers and provides greater scope for trade. Despite the considerations to which I referred, we hope to increase our trade with China in the coming years.

"Many Canadians visited China last year and that fact is responsible for increased interest in this topic. We are not unhappy that they have gone there. The reports of their impressions published in the Canadian press have been a source of information to the Canadian public. We hope that more personal contacts can be built up on the basis of these individual visits. In this way, by developing friendly relations in limited sectors, we may break down some of the political distrust which unavoidably exists between Canada--and indeed, the whole Western world--and the Peking Government.

"On the specific issue of the establishment of diplomatic relations as opposed to relations confined to cultural and trade matters and the like, I realize that there are weighty considerations on both sides. As I have mentioned already, there is an opinion that friendly relations will flow from recognition. We believe that we should proceed prudently while we discover to what extent relations with communist China can be improved. We do not see much point in extending recognition to communist China, if the result of such an act will be to put us in a position similar to that of other countries which have recognized China and then have been berated and extravagantly attacked because they have not always

backed communist China, pursuant to what the Peking Government feels was an obligation arising out of recognition.

"I ask three questions, Mr. Speaker. The first one is this. Should we recognize mainland China until we have reason to believe that our act will not result in deterioration of relations other than the opposite? My second question is this. Should we recognize mainland China if our act will give rise to misinterpretation of our attitude in the countries of Asia; that is, if those countries were to say that since Canada and other Western powers have recognized communist China, there is no point in their resisting the growing influence of the Peking Government, not only in international affairs, but in domestic affairs as well. My third question is this. Should we not also bear in mind the effect of recognition by Canada and by other countries on Peking's position among the overseas Chinese in Southeast Asia? They might take out of that act of recognition the view that they would be free to undermine the national interest of those countries by being willing then to transfer their loyalties wholly to the Peking regime.

"These are questions which we are weighing extremely carefully. It is, moreover, a matter of some concern that in the past year communist China has given us little warrant to believe that they have much conception of their responsibility for the maintenance of world peace. As a result of Mr. Dulles' visit to Taiwan in October last, a joint communique was issued by Chiang Kai-Shek and Mr. Dulles, to the effect that the nationalist government would not resort to force as the means of returning to the mainland. It is disturbing to find, however, that no similar renunciation of force has been made by the Government of communist China in respect of their intentions towards Formosa and the offshore islands. I am not discussing at this moment the place of the offshore islands but I am merely saying that there is on the part of the Peking Government, no manifestation of intention corresponding to that which was given by the nationalist government. That is their right. The mere fact that they have not done that is not necessarily an indication that we should not recognize China. But we are equally free to judge that in such circumstances, recognition might be of little value and advance none of our interests.

"It is for these reasons that it is the view of this Government that we must go carefully. We should take the initiative in limited fields--in fields of trade and in other ways to which I have referred--and we should take every opportunity that presents itself to overcome the causes of discord between the West and Peking China. We must be patient. We should not be hasty. Otherwise we may undo the good work that has already been accomplished in laying the basis for progress

towards the goal of removing the occasions for misunderstanding now existing between Canada and communist China.

"Whether this process will be followed by recognition is to be seen; but I say this emphatically, that it will depend upon the success that we have in improving our relations in limited fields, and our assessment of the advantage to be gained by such an act. We have never stated that we will never recognize the Peking Government. In the Prime Minister's words:

'The question of the recognition of Red China is one that has been receiving consideration for the last several years and the question is continually and continuously before members of the Government.'

* * * *

STATEMENT ON DEFENCE

(Continued from P. 3)

it is expedient that ownership and custody of the nuclear warheads should remain with the United States. The requirements of Canadian and United States legislation on atomic energy will continue to apply and there will be no change in Canada's responsibility for regulating all flights of aircraft over Canadian territory.

"The Canadian and United States Governments have assumed joint responsibility for the air defence of Canada and the continental United States (including Alaska) and have implemented their responsibilities through the establishment of the North American Air Defence Command. The Canadian Government exercises with the United States Government joint responsibility for the operations of the Command including the use of defensive nuclear weapons, if necessary. In the event that these defensive weapons are made available for use by NORAD, they could be used only in accordance with procedures governing NORAD's operations as approved in advance by the two Governments. Such weapons, therefore, would be used from Canadian territory or in Canadian air space only under conditions previously agreed to by the Canadian Government.

"Decisions as to the procedures concerning custody and control of nuclear warheads for use by Canadian Forces operating under the Supreme Allied Commander in Europe and the Supreme Allied Commander in the North Atlantic Ocean will be subject to negotiation with appropriate NATO partners and those Commanders.

"I feel sure Hon. Members will recognize the gravity of the decisions that we in Parliament are called upon to make in these defence matters by reason of the almost unbelievable nature of the world in which we live. I would like to emphasize the Government's desire to ensure the security of Canada by all efficient and reasonable means at our disposal and in concert with our strong and trustworthy allies."