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REPLY TO MR. BULGANIN

The following is the text of a letter to Mr. Nikolai Bulganin, Chairman of the Council of Ministers, U.S.S.R.; from Prime Minister John G. Diefenbaker, made public last week:

"The Government of Canada has given thoughtful attention to the contents of your letter of December 13, 1957 in which you set forth your views on the causes of international tension and offer a number of proposals for the easing of the international situation and for the development of confidence between states.

"You deal at length in your letter with the activities of the North Atlantic Treaty Organization and you allege that measures are being taken by that organization to prepare for nuclear war and that an artificially fanned military hysteria is propagated in Western countries. It is also suggested that current NATO policies will lead to the intensification of the cold war. I do not wish to engage in extended arguments over NATO policies since the purely defensive nature of NATO has been made clear on many occasions. These charges cannot go entirely unanswered, however, and the Canadian Government wishes to emphasize that the organization has no aggressive intentions whatsoever. If it had, Canada would dissociate itself from it immediately, since such intentions would be neither in the letter nor the spirit of the North Atlantic Treaty. As your letter arrived shortly before the NATO Council meeting in which heads of government participated, I am sure that you have given

careful attention to the Declaration and Communiqué issued at the conclusion of the session. In my opinion, the Declaration and Communiqué comprise an adequate response to the various accusations which you have made against the North Atlantic Alliance.

"Perhaps it may be helpful in understanding our position if I supplement these NATO documents with an outline of the Canadian attitude towards NATO. As I said in the House of Commons on December 21 last the recent NATO meeting has made a substantial contribution to the cause of peace, not only by reaffirming the purely defensive character of the Alliance, but by leaving the door open to meaningful disarmament negotiations. I pointed out in regard to the NATO heads of government meeting that I have never seen a group of men less actuated by any other purpose than that of achieving peace. I emphasized that the NATO governments were prepared, in the realization of the awful realities which face us, to go as far as possible to bring about a climate and atmosphere which will ensure the laying of a foundation for international peace.

"You will see from this, Mr. Chairman, that the question of disarmament looms very large in our minds and that we view with deep concern the unwillingness of the U.S.S.R. to participate further in the disarmament discussions which seemed to show some promise of success in the middle of last year. We welcome your advocacy of step-by-step progress but surely the first step is for the countries

concerned to resume their discussions and to make use of the United Nations machinery created for the purpose.

"One of your main proposals is that an obligation be adopted by the nations possessing nuclear weapons not to use these weapons and to cease the testing of nuclear weapons at a given date. We should point out that some time ago the U.S.S.R. did accept the principle, in the course of discussion in the Disarmament Sub-committee, that an obligation not to use nuclear weapons might be subject to the condition that they could be used for purposes of defence against aggression. This is a factor which certainly could be pursued further if disarmament talks were resumed. In general, we shall continue to advocate the proposals which we supported at the recent session of the United Nations Assembly. I would like, furthermore, to draw your attention to the flexible approach adopted in the NATO Communiqué that was designed to facilitate the re-opening of discussions at an early date.

"Rather than debate again the major issues on which our points of view diverge, I think it might be useful in this letter to concentrate on matters of particular concern or interest to Canada. Thus in reference to NATO policies, you refer to the existence of United States bases on Canadian soil. Canada has every right to take measures of self-defence and any actions it takes in this regard come within the provisions of the United Nations Charter. Our defence measures - whether taken alone or in concert with friendly countries - result from a conviction that such measures are necessary. Our readiness to bring about conditions in which the need for defence measures will be lessened was shown last summer when I gave assurance that in the context of a disarmament agreement the Canadian Government would be willing to open all or part of Canada to aerial and ground inspection on a basis of reciprocity. It seems to me that this is the type of proposal which should prove attractive to both our countries, since we are neighbours across the Arctic. I have in mind in particular the kind of proposal Canada joined in sponsoring last August involving a system of inspection in the Arctic regions. We were willing then and are willing now to take such action in order to provide assurance against the fear of surprise attack.

"Perhaps not unrelated to this is your assertion that attempts to alter the status quo by force would have catastrophic consequences. Without equivocation we assert that Canada rejects any attempt to impose territorial changes by force. It is not clear what comes within your definition of status quo, and this is something on which more information would be welcome. The Canadian Government continues to be concerned about the domination exercised by the U.S.S.R. over Eastern European countries and the Soviet zone of Germany. You

speak of co-existence, but if this concept means recognition of the existence side by side of capitalist and communist countries, it must also imply non-interference in the internal affairs of other countries including those of Eastern Europe. The events in Hungary of 1956 have not faded from our minds.

"The idea of the status quo is extended in your letter to cover the Middle East. I would like to emphasize that Canada is making a positive contribution to stability and peace through its participation in the United Nations Emergency Force. We hope that no power, including the U.S.S.R. will take any step which would interfere with the important duties which the United Nations Emergency Force is now performing with such a gratifying degree of success.

"As a member of the Disarmament Commission and Sub-Committee of the United Nations, we are studying the comments which you made on a proposal put forward earlier by Poland for the creation of a zone in central Europe free of nuclear armaments. The NATO Communiqué pointed out that we are prepared to examine any proposal, from whatever source, for general or partial disarmament and we therefore intend to join with our NATO allies in looking into the implications of this type of proposal. One factor in considering such proposals would be the readiness of the participants to undertake an adequate system of inspection and control.

HIGH-LEVEL MEETING -

"Your suggestion that a meeting of representatives at a high level could usefully be held would receive my immediate support if there were adequate assurances that beneficial results could be expected. Past experience has shown, however, that such meetings if they are to be fruitful must be carefully prepared through diplomatic and other channels. I am sure that you will agree that a meeting of this kind which did not lead to positive agreement on at least some of the basic issues with which we are confronted might result in a public reaction more likely to heighten than lessen world tension. In order not to disappoint public opinion in our respective countries we must therefore, I submit, make sure that such a meeting be prepared in advance with the utmost care. You may be aware that there has been a suggestion in the Canadian House of Commons that the Government might invite the participants in such a meeting to consider holding it in Canada. This suggestion was undoubtedly prompted by the consideration that Canada is the next-door neighbour of the United States and the U.S.S.R. and has a special relationship to Commonwealth countries and to France. I can assure you, Mr. Chairman, that when the participants decide that they are ready to call such a meeting and should they decide to hold it in Canada, they will be welcome.

COAST GUARD SERVICE

In a statement in the House of Commons January 20 regarding coast guard service provided in Canada, Transport Minister George Hees pointed out that with perhaps two important exceptions, both of which are covered by other Government agencies, the substantial fleet of vessels maintained by the Department of Transport performs the same functions as those of the United States Coast Guard and, as well a great many additional functions.

United States coast Guard activities are devoted in large part to provision and maintenance of buoys, lights and other floating and fixed aids to navigation, and the supply of isolated stations, such as lighthouses. They also provide some icebreaking and related navigational assistance. The Department of Transport maintains a fleet of over 30 vessels, located on the Pacific and Atlantic coasts, and in the St. Lawrence and Great Lakes areas, which also perform these functions, as well as concentrating on coastal icebreaking work and major convoy and navigational assistance in the Arctic areas during the summer season. The Department has built and is building a number of excellent new vessels to satisfy this requirement.

The Department's vessels do not undertake police patrol activities. This function is carried out very effectively by the R.C.M.P., which also has a number of special cutters operating on both coasts and the Great Lakes for this purpose, the Minister said.

Usually references to a coastguard are connected with marine search and rescue, since this is a field in which the United States Coast Guard receives, from time to time, considerable publicity, Mr. Hees pointed out. In the United States, the Coast Guard has been charged with a major role in the field of search and rescue generally, and performs tasks of search and rescue in coastal areas, both for air and marine purposes. Its activities in this field are based largely upon the maintenance and operation of a very substantial fleet of specialized aircraft, supplemented as well, where the need arises by its coastal vessels. In Canada, this function is performed by the Department of National Defence, through the R.C.A.F., which has followed generally the same course as the United States Coast Guard in developing specialized aircraft and personnel to assist in the matter of search and rescue - in fact, on an even broader basis than in the United States, because the R.C.A.F. in its operations covers not only coastal areas, but inland territory as well.

Moreover, the R.C.A.F. search and rescue keeps in touch with various vessels operated by the various government departments, as well as private vessels, so that in co-ordination of marine activities they are in a position to carry out the same function as the United States Coast Guard.

Continuing, Mr. Hees said:

"To provide a fleet of special vessels solely for marine search and rescue work in Canadian waters would be a large and expensive undertaking, and it should be remembered that a very efficient organization is now maintained through co-ordination of the activities of the various vessels operated by the Royal Canadian Navy, the Department of Fisheries, the R.C.M.P., and my own Department.

"To assist as much as possible in this regard, we have kept the problems of marine search and rescue very much in mind in developing our own departmental ship programme, and most of our new ships will be provided with helicopter platforms, since it is now well established that helicopters have a major role to play in marine search and rescue.

"As new ships become available, it will undoubtedly be desirable to expand our helicopter operations in connection with our ships, provided the necessary funds are voted for this purpose by Parliament.

"I might point out, in this connection, that my Department now operates some four supply ships on the Pacific Coast, as well as three weather ships; five vessels in the Great Lakes area; about a dozen ships in the Ottawa and St. Lawrence River and Gulf area; and about nine in the Atlantic area. These are available to assist in marine search and rescue work in their respective areas, along with the ships operated by the Department of Fisheries and the R.C.M.P.

"Moreover, in connection with our programme to replace older vessels, we are now calling tenders for one specially designed vessel for the Atlantic coast and one for the Pacific coast, each to carry a helicopter, of a type which should, in addition to being useful agency ships, be of special value for marine search and rescue work.

"Just as the United States Coast Guard maintains special ships for ocean weather stations as part of its programme, so does the Department of Transport. The weather ship service was established by international agreement, and Canada's responsibility under this agreement calls for the maintenance of this weather station in the Pacific Ocean. This weather station is operated by three special vessels; two in active service and one held in reserve, and these ships, too, are available for marine search and rescue work within the area where they are stationed, in the same way as United States Coast Guard weather station vessels are available.

"The United States Coast Guard has also engaged in work in connection with the growing small boat field, where proper regulation and educational safety programmes have become very important. Here again, my Department has

recognized the growing need in this field in Canada, and has taken initial steps towards helping in this field by the appointment of a small boats officer within its Marine Services Branch who is specializing in educational safety and regulatory programmes for this purpose. This is a field of Departmental activity which we expect to expand in the future.

"We also pay a subsidy to the British Columbia Tugboat Owners' Association, which covers the salary of a special official they provide to co-ordinate their own activities in marine search and rescue work."

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NUCLEAR ICEBREAKERS

The use of nuclear power for icebreaker propulsion is being studied by the Department of Transport, Mr. George Hees, Minister of Transport, said in an address last week at the annual dinner of the Dominion Marine Association and the Lake Carriers Association.

Mr. Hees said, in part:

"As you know, considerable progress has been made with the design and application of nuclear power for ship propulsion. Having in mind the need for continuous icebreaking effort over the years, the Department is studying the use of nuclear power for icebreaker propulsion, and we are setting up a committee to keep in touch with progress in other countries, with a view to application of nuclear power to Canadian icebreakers, in the future. This committee will also keep in touch with progress which may be made by Canadian commercial companies interested in the construction of nuclear powered ships, or propulsion equipment."

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WUS GENERAL ASSEMBLY

At the invitation of World University Service of Canada, the WUS General Assembly will meet in Maison Montmorency, Quebec City, from August 16 to 22. Meetings of the International Executive and National Secretaries will be held on August 15 and 23 respectively. One hundred participants from some 30 countries are expected to attend.

The General Assembly is the supreme governing body of WUS at the international level, and meets annually in a different country. It is composed of delegates from WUS National Committees, members-at-large selected for their knowledge and experience of university affairs, and representatives from international university organizations. As WUS enjoys Consultative Status with UNESCO, and works closely with several UN Agencies, observers are usually from these agencies; and as an organization of students and professors, the Assembly is composed of students and professors in almost equal numbers.

An important part of the Assembly will be the Symposium Sessions which enable distin-

guished scholars and educators from many countries to discuss matters affecting the university community. The topic selected for the 1958 Symposium Session will be announced shortly.

Funds to cover the basic costs of the Assembly are assured, and include a grant of \$12,000 from the Canada Council. Efforts are now being made to secure travel grants to enable as many Assembly members as possible to attend.

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NEW AIR SERVICES

Belgium and Switzerland will this spring be added to Trans-Canada Air Lines international route pattern, it is announced by President G. R. McGregor:

Service will begin to Brussels on April 2 and to Zurich on May 17. Initially there will be one flight a week, but this frequency will be doubled on June 3.

Using super constellations, with wing tip fuel tanks and weather radar equipment, the Belgian flight will initially operate Toronto-Montreal-Brussels-Dusseldorf, while the service to Switzerland will operate Montreal-Paris-Zurich.

TCA this summer will operate a minimum of two daily round trip flights to the United Kingdom and Europe. In addition to Brussels and Zurich, TCA already serves London, Shannon, Prestwick, Paris and Dusseldorf.

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TRAVEL SPENDING UP

Canada's travel industry earned a record \$306,000,000 in travel revenues from other countries during the first nine months of 1957, a preliminary estimate from the Dominion Bureau of Statistics has revealed. This is an increase of about eight per cent over the same period of 1956, when foreign travellers spent \$282,000,000 in Canada.

It is expected that when the final figures for tourist spending in 1957 are available they will surpass the all-time record set the previous year when travellers from the United States and other countries spent \$337,000,000 in Canada. Travel receipts from the United States in 1956 were \$309,000,000.

The preliminary estimate also shows that Canadian travellers spent \$422,000,000 in other countries during the first three-quarters of 1957, compared with \$395,000,000 during the same period of 1956. For some years the pattern of Canadian travel spending has shown a sharp increase during the first three-quarters of the year. Officials pointed out that the 1957 increase has not been so pronounced which seemed to indicate a "levelling off" in Canadian travel spending in other countries.

TRADE AT RECORD LEVEL

Canada's foreign trade again reached a record level during the first six months of 1957, according to the Review of Foreign Trade published by the Dominion Bureau of Statistics. The rate of expansion, however, slowed markedly and thus paralleled the declining rate of general economic activity in Canada and elsewhere. Total exports stood at \$2,331,000,000, while imports were \$2,905,000,000. The consequent import balance of \$574 million was the highest ever recorded in a six-month period and was 6 per cent above the previous record established in the first six months of 1956.

Every leading trading area increased trade in both directions with Canada except the United Kingdom and Commonwealth countries, where, although exports to Canada increased, imports from Canada declined. Gains everywhere were smaller than those for the corresponding period in 1956 and especially in trade with the United States. Total exports were 1.2 per cent higher than the relevant figure for 1956 and imports advanced by 2.1 per cent. These figures compare with the respective increases of 11.7 per cent and 28.8 per cent recorded in the first half of 1956. The general upward movement of trade began in mid-1954 and imports rose almost uninterruptedly to a new high level in the first quarter of 1957 and thereafter declined to a seasonally adjusted annual rate of about \$5.7 billion in the second quarter of 1957. Exports reached their peak in the third quarter of 1956, then turned downward and by the second quarter of 1957 were running at a seasonally adjusted rate of about \$4.7 billion.

Between the first six months of 1956 and the same period of 1957, the average prices of exports and imports rose slightly. Import prices went up at a somewhat higher rate and there was a slight deterioration in the terms of trade. The price increases were accompanied by a fractional volume decline of both imports and exports.

World trade in 1956 attained a new record with a 10 per cent increase over the level of the previous year. Canada again ranked fourth among the leading trading countries, following the United States, the United Kingdom and the Federal Republic of Germany, with a close to 6 per cent share of world trade. On a per capita basis, Canada again led the world's traders followed by Belgium and Luxembourg, and according to preliminary data this trend remained unchanged at mid-1957.

The United States continued to be Canada's most important trading partner, supplying 74 per cent of Canadian imports and taking 60 per cent of total exports. Exports to the United States increased at about the same rate as total exports and set a new first half-year record. Imports from the United States rose at

about half the rate of the total import increase, but still achieved a record level. Iron and steel products providing about half the total imports, remained the largest group but did not quite hold their own.

The share of the United Kingdom in Canadian total trade declined fractionally to 11.5 per cent. Exports to the United Kingdom fell at twice the rate of the corresponding decrease in 1956, while imports rose at about one-third of the 1956 rate of increase. Imports from the United Kingdom were the highest for any first half-year period and were also concentrated heavily on iron and steel products.

Exports to Commonwealth countries fell to about the level of the first half of 1955, while imports rose by about the same rate at which exports declined. Exports to Europe rose, but imports from Europe increased even more, whereas in the case of Latin America the export increase was considerably in excess of that for imports. Japan accounted for half the trade with all other countries, and for this residual group as a whole imports fell by somewhat more than exports rose.

The principal factor in the export picture once more related to wheat, which went down by one-third, reversing the upswing of the previous year. Exports to Soviet countries, which made a very substantial appearance in 1956, declined by four-fifths; exports to other countries were also reduced, and the fall in exports to non-Soviet countries represented some two-thirds of the total decline. Grains and farinaceous products fell 28 per cent in total, while the remaining exports as a whole rose 6 per cent as compared with an increase of 9 per cent in the corresponding period of 1956. Wood, wood products and paper continued as the largest group, accounting for close to one-third of the export total, although the value of forest products was somewhat smaller than in the first half of 1956. Non-ferrous metals and products, which now include uranium, maintained its rate of increase and became the second largest commodity group, displacing agricultural and vegetable products by a wide margin.

Individually, newsprint, although increasing at a falling rate, continued as the principal commodity, while crude petroleum had the largest value gain of all export commodities. Aluminum recorded the second largest absolute increase, and uranium doubled in value to record a relative gain surpassed only by exports of used ships. There were also marked increases for flaxseed, tobacco, non-farm machinery, rolling mill products, pigs, ingots, blooms and billets. Planks and boards fell even more sharply than in the previous year, and there was also a marked fall in exports of aircraft.

On the import side, two main groups -- fibres, textiles and products and miscel-

laneous commodities -- declined in value, and all others recorded moderate gains. The iron and steel group established a new record and accounted for some two-fifths of the total value of imports. The group increase was about 3 per cent compared to 50 per cent in the same period of 1956. Non-farm machinery, as usual the leading import, showed the sharpest value gain of individual commodities. There was also a marked advance for pipes, tubes and fittings, while internal combustion engines were the only leading iron and steel item that rose at a higher rate than in the previous year. But passenger cars dropped by one-third to record the largest value drop of all imports. For the remaining commodities, there were substantial gains for crude petroleum, sugar and bauxite and alumina, while sizable declines took place in fuel oils, certain chemicals and refrigerators and freezers.

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NEW AID TO REFUGEES

The Secretary of State for External Affairs has announced the Government's intention to include in supplementary estimates a contribution of \$1,500,000 worth of Canadian flour to the United Nations Relief and Works Agency for Palestine Refugees (UNRWA). This contribution, which represents approximately 20,000 tons of flour, or roughly 1,000,000 bushels of wheat, is in addition to the regular \$500,000 cash contribution to UNRWA already proposed for 1958.

The Canadian donation of flour is being made in response to a special United Nations appeal for increased contributions to meet the desperate financial crisis which is faced by UNRWA, a body which has the responsibility for caring for 930,000 Palestine refugees in Jordan, Lebanon, Syria and the Gaza Strip. UNRWA is sustained entirely by voluntary contributions from UN Member States; despite generous assistance from a number of countries, notably the United States and United Kingdom, the Agency is already so short of funds that it has had to cut some of its relief services, already at subsistence level, and will have to eliminate its rehabilitation programme altogether if more support is not forthcoming.

The Canadian Government hopes that its special contribution will go some way towards enabling this United Nations Agency to carry on without serious reduction the vital humanitarian work it is performing, and that the appeal of the United Nations Secretary-General will meet with widespread response.

REPLY TO MR. BULGANIN

(Continued from P. 2)

- GOOD NEIGHBOURLINESS -

"With your final assertion, Mr. Chairman, - that neighbours should live in a spirit of good neighbourliness - there can of course, be no disagreement. We have been living in a state of warm friendship with our great neighbour to the south for generations and we would hope to develop similar friendly relations with our neighbour to the north. As is well known to you, the exchange of visits and information between Canada and the U.S.S.R. over the past several years has increased considerably. Our countries have explored a wide range of exchanges in the technical, scientific, cultural and commercial fields and a number of these have been implemented. We welcomed the recent visit of a trade group from the U.S.S.R. We hope that there can be an expansion of the exchange of goods between our two countries in keeping with the spirit of the trade agreement which was signed in 1956. In due course Canadian businessmen may decide to pay a visit to the U.S.S.R. in order to explore further the possibilities of trade between our countries. I can assure you that the Canadian Government would be willing to be associated with such an undertaking. We were pleased at the goodwill that was engendered by the visit of the Russian hockey team which toured Canada this winter and we have been happy to learn that performances by Canadian artists in the U.S.S.R. have earned widespread acclaim. We shall certainly continue to give close attention to the development of good relations in these various fields. We would welcome a sign of willingness on the part of the Soviet authorities to permit freedom of movement for those persons who wish to leave the U.S.S.R. and join relatives in Canada as well as for any persons in the U.S.S.R. who hold Canadian citizenship.

"In conclusion, Mr. Chairman, I am sure that the people of the Soviet Union share in their hearts the aspirations of the Canadian people in wanting to live in peace and security and in desiring to be free to pursue their individual and national development, unhampered by the burden of armaments and untroubled by suspicions and fears. May I urge that we all work towards the achievement of a state of affairs in which these aspirations can be realized.

"Since giving consideration to your letter I have received your further letter of January 8, 1958 which was handed to me by your Ambassador on January 10; it also will be studied carefully and replied to in due course."