



CANADA

DEPARTMENT OF VETERANS AFFAIRS
Ottawa, August 7, 1946.

I-40-3

IN YOUR REPLY REFER TO FILE NO

J.R. Baldwin, Esq.,
A/Secretary,
Privy Council,
East Block,
Ottawa.

Dear Sir:

On the 26th of July I wrote to you enquiring what should be done in the case of former Captain J.I. Gottheil of 4250 Sherbrooke Street West, Montreal, who is receiving allowances from this Department while undergoing training at Columbia University.

Mr. Gottheil is, I believe, the individual named in the last report of the Kellock-Taschereau Royal Commission.

I do not know what action is contemplated in his case and would be glad to have advice as to whether or not he should continue to receive veterans allowances.

E.L.M. Burns
Director General of Rehabilitation

ELMB/JT

*answered
by phone - no
action to be
taken*

DVA 1

RG2 654 P. 1-40-3 1746

DEPARTMENT OF



EXTERNAL AFFAIRS
CANADA

Circular

I-40-3

CONFIDENTIAL

Ottawa, June 1, 1946.

No. _____

Sir,

I enclose for your information, copy of a memorandum which has been prepared in the Department on the subject "Reaction Outside of Canada to the Investigation concerning Breaches of the Official Secrets Act".

I have the honour to be,
Sir,
Your obedient Servant,

L. A. D. Stephens

Acting Secretary of State
for External Affairs.

Also referred to: Minister of N H & W
Director of CIS
Commissioner of RCMP
Mr. Arnold Smith for Royal Commission

CONFIDENTIAL

REACTION OUTSIDE OF CANADA TO THE INVESTIGATION CONCERNING BREACHES OF THE OFFICIAL SECRETS ACT

1. On February 15th last, the Canadian Government issued a brief statement announcing an enquiry into breaches of the Official Secrets Act. The Government called for caution and reserve in viewing the whole matter and emphasized the domestic nature of the investigation. Official statements and reports were issued as they became available.
2. The appeal for reserve was lost in a great volume of comment from all over the world. The Canadian High Commissioner to Australia and Canadian Minister to Norway both wrote that no other Canadian news development had been so widely publicized since their arrival. The appeal for caution was ignored by many newspapers which published irresponsibly conceived reports, and enthusiastically placed many unconnected items of current news against the back-drop of the investigation. Such reports connected the espionage investigation with the curtailment of Canadian exports to Russia, questions concerning the investigation into the affairs of the Eldorado Mine, and even the work of the Royal Commission on the Civil Service. One story claimed that a certain foreign power was seeking to build up an eastern Canadian base in the Province of Quebec where the use of the French language would render their accent less conspicuous.
3. Editors of Communist, anti-Communist, nationalist, and other persuasions cited each official statement and reports as further proof of the wisdom of their own editorial policy. Comments centred on the original Canadian Government press release (February 15th), the official Soviet statement in reply (February 20th), the publication of the Royal Commission's Terms of Reference (February 23rd - 26th), the publication of the three Interim Reports (March 5th, March 15th, March 29th), the arrest of Fred Rose (March 16th), the Prime Minister's statement in the Canadian House (March 19th), and the application for Writs of Habeas Corpus (March 23rd).
4. The Communist press in most countries adhered to the Party line as set out in the Russian newspapers. The Soviet statement of February 20th contained the first official recognition that the U.S.S.R. had been the foreign power referred to in Mr. King's press release of February 15th. The Canadian emphasis on the domestic nature of the investigation was ignored by the Russian press, which concentrated rather on imputing international political motives to the Canadian Government.
5. The line taken by the Soviet press was that since Russian technical knowledge was superior to Canadian, it was ridiculous to affirm that the alleged leakages of information to the U.S.S.R. could constitute a threat to Canadian security. Thus, since the affair was of slight importance, it was considered that in pursuing the enquiry without direct consultation with the friendly Russian Government, the Canadian Government was prompted by political motives. Although the implicated Russians had been recalled, the Canadian Government had embarked on an anti-Soviet campaign. It was true that Mr. King had not named the Soviet Government, but it was clear from the remarkable concert in the Canadian press that the line taken was a "coincidence" arranged by the Canadian Government. The time chosen by Mr. King to dig

unimportant facts out of his archives was conclusive proof that he had had advice from London, and that an attempt was being made to retaliate for the unpleasant moments caused by Russia to Mr. King's friends at the United Nations meetings. (On February 22nd the Canadian Chargé d'Affaires in Moscow wrote that Canada's status was not clearly understood in the Soviet Union, and so the official line of the controlled press would be generally accepted by the Russian people.)

6. Later reports from the Russian press compared the Canadian "manoeuvring" to the staging of the Reichstag fire and concluded that there had been growing disapproval of the Canadian Government's action by "advanced" public opinion throughout the world. Finally, on March 30th, it was stated that the anti-Soviet campaign in Canada was now proceeding on other lines and that the espionage "scare" was dying down. In no report in the Russian press was there any trace of comment unfavourable to United States policy.

7. In the United States the Communist press followed the Party line. The Canadian Government was accused of conducting a "Red-baiting" campaign, and exaggerated accounts were carried of the treatment accorded individual suspects.

8. Many United States editors searched for lessons applicable in the United States, and wide publicity was given to a report that the State Department had intervened when the Federal Bureau of Investigation had proposed an espionage enquiry in the United States. Since it was anti-British in tone, the Soviet announcement of February 20th produced a split in the reaction of the nationalist papers depending upon whether they were more anti-British or anti-Russian in their editorial policy. A few nationalist editors noted with approval the anti-British tenor of the Soviet note, but most considered that the note had been satisfactorily answered by the first interim report of March 5th. The anti-Communists called for a "purge of Reds in high places", and the nationalist press generally, considering the legal measures taken by the Canadian Government to have been quite justified, urged a review of security measures for the protection of United States military secrets. Several conservative editors emphasized that the alleged activities had preceded the use of the atomic bomb, and a few carried adulatory accounts of Mr. Gouzenko's motives in making his disclosures.

9. Some independent left-wing newspapers played down the international aspects of the case and centred their critical attention on the restrictions which the Canadian authorities had imposed on the liberty of those detained for questioning. One newspaper remarked that the whole investigation was a reactionary "spree" conducted by the R.C.M.P. in spite of objections from the Department of External Affairs. A substantial group of commentators, while reserving final judgment, expressed doubts that the investigation justified the attendant deterioration in the relations of the Western Powers with Russia. In commenting on the Prime Minister's statement of March 19th in the Canadian Parliament, the radical press questioned the original delay in launching the investigation, and one left-wing paper suggested that the whole affair had been "staged" by United States Government officials who favoured placing the control of atomic energy in the hands of the military.

10. Many moderate newspapers also played down the international aspects of the case. They argued that the Royal Commission Reports did not indicate that any very secret information had actually been obtained or communicated, and that any disruption in normal relations was therefore unlikely. Even in the moderate press, however, very few editorials attempted to present the dilemma facing the Canadian Government in choosing a course which would be compatible with national security without injuring diplomatic interests or impinging upon the traditional liberty of the individual. A few responsible papers printed lengthy quotations from legal opinions about the constitutionality of the various proceedings. The following quotation was typical of moderate reaction to the Prime Minister's statement in the House on March 19th:-
"Mr. King has adroitly handled the worst foreign relations crisis in Canada's history. Canada has made its public servants sternly aware of the consequences of breaking an oath of official secrecy, but the way has been left open for the continuation of normal relations between Canada and Russia".

11. There was a good deal of adverse criticism, on the other hand, of the way in which the Canadian Government had proceeded with the investigation. Many editors complained that the advice to view the matter with "caution and reserve" had been meaningless when the original "provocative" announcement had been followed by a "paucity of revealed facts". Papers representing all shades of opinion considered that the official silence in Canada had caused "Red-baiting" on a scale inimical to normal international relations. Many papers, however, pointed out that in nothing the Canadian Government had done was there any trace of anti-Russian propaganda.

12. In the United Kingdom, the Communist papers gave little notice to the investigation until after February 20th, when they adopted the attitude outlined in the Soviet announcement. Wide publicity was given to the opinion of certain scientists who suggested that the whole affair was a predictable corollary of the policy of secrecy with regard to atomic research.

13. The responsible United Kingdom press, with memories of the Zinoviev letter, was at first surprisingly free of anti-Russian comment. After the Soviet note of February 20th, however, Russia was criticized not for the alleged espionage activities but for interpreting the investigation so as to further anti-British propaganda. The Royal Commission Reports were observed to indicate a Soviet interest in things "not scientific, but mundane", and it was asked how the Soviet Union could continue to protest amity when many of the alleged disclosures have been made after V-E Day. Although there was wide-spread surprise that British subjects had allegedly broken the law, apparently on ideological grounds, there was little comment concerning Canadian civil liberty. The technique of the enquiry was considered to be a Canadian affair.

14. The Australian press carried syndicated news despatches and gave wide coverage to the Interim Reports and the Prime Minister's statement. Left-wing papers reacted sharply along predictable lines. Queries in the nationalist press prompted a Government statement to the effect that there was no evidence to warrant an espionage investigation in Australia. The responsible press was

generally critical of the Soviet note of February 20th, and after the publication of the Interim Reports some conservative newspapers suggested a check on the personal backgrounds of Australian civil servants.

15. In South Africa, editors of nationalist papers found in the Canadian case another opportunity to remind the South African Government of the "foreign ideology" being spread amongst the non-Europeans in this country".

16. From New Zealand a typical editorial noted that Mr. King had every right to check up on "unauthorized talk" by public servants, and concluded that in both the Canadian enquiry and the Soviet reaction thereto additional evidence might be found that "as a neighbour, Soviet Russia (was) exceedingly hard to live with in the post-war world".

17. An editor in Dublin blamed irresponsible newspapers for producing a "near panic" and concluded that no reasonable person could blame Russia for resorting to espionage when, had the position been reversed, the United States and the United Kingdom would have done the same thing.

18. Newspaper reaction in France followed predictable lines. The Communist press disregarded the international aspects of the affair or followed the Party line with innovations. One left-wing editor, however, suggested that relations between United States and United Kingdom and Russia had been determined for five months by the vicissitudes of the investigation in Canada, and alleged that the United States State Department had concluded last December that the affair was of little significance, which led to an improvement in relations between the United States and the Soviet Union. The French right-wing press printed many of the more sensational news despatches from United States sources. It was claimed that directives had been sent from Moscow to Ottawa through Communist agents in France, who had wartime resistance contacts in Canada.

19. One interesting editorial in a Belgian newspaper discerned a basic conflict of two points of view concerning information. While the Canadian authorities, in accordance with American custom, had disclosed the facts and let the news agents deal with them freely, a European Government might have been far more reticent because diplomats were involved. The Soviet newspapers on the other hand had attacked Mr. King personally, a tactic which the Anglo-Saxons would not regard as compatible with fair play.

20. In Norway there was a great volume of reporting on the enquiry. News agency despatches were printed in full and comment reflected expected trends. During the earlier stages of the investigation one editor suggested that before Canada broke diplomatic relations with Russia the whole affair should be brought before the United Nations Security Council. After the publication of the Soviet note of February 20th, the same editor concluded that since Russia had repudiated the acts of her officials the enquiry would not result in any breach of normal relations.

21. The Brazilian press was slow to react and influential newspapers commented only briefly on the investigation. One Communist paper found it strange that the Canadian Government, which had advised newspapers to proceed cautiously, had refrained from censoring the press in Canada. Some

right-wing comment took the line that the remarkable feature of the case was not the alleged espionage, but the official Canadian action in disclosing it. It was pointed out that the agents of a totalitarian regime had the advantage in espionage activity because individuals enjoyed freedom of movement in a democracy.

22. Reaction in Chile was clearly split. The Communist press, which had praised Canada during the war, cited the espionage enquiry as one more indication of Canadian adherence to "imperialistic policies". Conservative editors approved of Canada's thoroughness in detaining even a Member of Parliament.

I-4-3
①

For release at 6.30 p.m. Friday, February 13th.

DEPARTMENT OF EXTERNAL AFFAIRS

PRESS RELEASE

No. 17

Ottawa, February 15th, 1948.

The Prime Minister, Mr. Mackenzie King, made the following statement this afternoon:

Information of undoubted authenticity has reached the Canadian Government which establishes that there have been disclosures of secret and confidential information to unauthorized persons, including some members of the staff of a foreign mission in Ottawa. In order to make possible the full investigation which the seriousness of this information demands, the Government has appointed Mr. Justice Taschereau and Mr. Justice Kellock of the Supreme Court of Canada to act as Royal Commissioners to hear evidence and to present a report which will be made public. The Commissioners have appointed as their Counsel Mr. E.K. Williams, K.C., of Winnipeg, Mr. Gerald Fauteux, K.C., of Montreal, and Mr. D.W. Mundell of the Department of Justice; the Commission has already commenced its investigation, which is proceeding in camera.

Upon the application of Counsel, and having regard to the serious nature of the evidence already adduced before the Commission, the Commissioners recommended Counsel to apply to the Minister of Justice for orders for the interrogation and detention for that purpose of a number of persons known or suspected to be implicated. This action has been taken today. The persons involved include some now employed or who have been employed in a number of Departments and agencies of the Government.

It is the intention of the Government that, after the report of the Royal Commissioners has been received, prosecution will be instituted in cases in which the evidence warrants it. It would not be proper at this stage to make a more complete statement or, in particular, to make public the names of those concerned. Some of them appear to have been far more deeply and consciously involved than others. Some will probably be found to be more or less innocent instruments in furthering activities much more serious than they may have imagined. Obviously, the whole matter should be treated with caution and reserve, pending the time when it will be possible to issue a fuller statement. Until the investigation by the Royal Commissioners has been completed the case remains sub judice.