

# Yank Banker Appointed As Defence Secretary

WASHINGTON (AP) — Neil McElroy, the first U.S. space-age defence secretary, resigned Tuesday and Philadelphia banker Thomas Gates Jr. was named to succeed him.

McElroy, 55, is returning to the soap business after 25 months at the helm of the defence department — a period which saw changes in military concepts more drastic than any comparable period of U.S. history.

Gates, 53-year-old investment banker in private life, recently has been serving as deputy defence secretary of the navy.

He moves into the job a little more than a month before President Eisenhower's new military budget goes to Congress for an expected buffeting from Democrats who want to spend more on missiles and other weapons.

**WHITE HOUSE STATEMENT**  
McElroy's resignation — effective immediately — was announced by the White House while he was sitting in at a meeting of the National Security Council, with Eisenhower presiding.

At that meeting Eisenhower conferred the medal of freedom on McElroy for "outstanding service to his country and dedication to his task."

Also made public was a warmly-worded exchange of letters. Expressing deep regret, McElroy told Eisenhower he had to resign because of "personal reasons of an urgent nature."

Addressing McElroy as "Dear Neil," the president regretfully accepted the resignation and lauded McElroy for invaluable contributions to U.S. defence.

McElroy indicated months ago he would step out after the military budget for the fiscal year starting next July 1 had been hammered into shape.

He is expected to become board chairman of Procter and Gamble, Cincinnati soap making firm. He was a \$285,000-a-year president of that firm when he took the job of defence secretary — at \$25,000 a year — in October, 1957. He succeeded Charles E. Wilson.

# Conservatives Warned Against Complacency

By ALAN DONNELLY  
OTTAWA (CP) — The Progressive Conservative Party looked to its grass roots Tuesday amid warnings against complacency over the next election.

Prime Minister Diefenbaker, in a pep talk to the general meeting of the party's national association, said the Conservatives "do not intend to lose touch with the grass roots of this country, so long as I remain leader."

A few hours earlier, national director Allister Grosart called for efforts to win more than the record 208 Commons seats, of a total 285, that the Conservatives won last year.

"I am not willing to admit we can't do better the next time," Mr. Grosart said.

**TALKS PREDOMINATE**  
Speech — making predominated as the two-day meeting, attended by some 1,300 delegates — and members, got under way slowly.

The pace will pick up today with debate on resolutions and election of association officers.

Mr. Diefenbaker said Liberal leader Lester B. Pearson had explained the Liberal government's election defeat in 1957 by saying the Liberal "brass" lost touch with "the grass." J. W. Pickers-

gill, former Liberal Immigration minister, had said the Liberals ran out of ideas.

"This meeting shows we don't intend to allow ourselves to fall into either of these mistakes," the prime minister said.

An overflow audience filled the 750-seat auditorium as he called the meeting the largest political convention, apart from leadership conventions, that Canada has seen.

**NO SINGLE GROUP**  
The confidence placed in the Conservatives in two elections did not come from any single group in Canada.

"It is the confidence of all Canadians . . . who look to us as the way of the future."

Tuesday's meeting saw the introduction of a new political arm in Quebec — the first federal Conservative association to be established in that province in many years.

The Quebec association was formed at Montreal Monday and its new executive, headed by president Lucien Thinel of St. Jerome, came to Ottawa in a body. Hitherto there has been no permanent organization of federal Conservatives in the province.

# 'World Disarmament' Is Plea Of Khrushchev

By ANTHONY PEARCE  
BUDAPEST, Hungary (AP) — Soviet Premier Nikita Khrushchev said Tuesday that Russia has enough nuclear rockets to raze all its foes, and declared world disarmament must be solved along with the Berlin question.

The Soviet leader spoke at the seventh congress of the Hungarian Communist Party, the first since the 1953 revolution that overthrew Communist rule only to be crushed by Soviet tanks.

Declaring that agreement on an East-West summit meeting "has practically been reached," Khrushchev said he agrees with West German Chancellor Konrad Adenauer that disarmament is the first order of business at such a meeting.

**WANT DISARMAMENT**  
Russia wanted universal disarmament with "the most comprehensive and profound control" and is willing to destroy a whole stockpile of rockets with nuclear warheads which could "raze to the ground all our potential enemies."

"But in order to have confidence on both sides, we must settle the issue of West Berlin," he said.

He accused Adenauer of being an "obstinate soloist" using "bovine logic" in seeking to maintain West Berlin as an occupied city.

"This occupation regime meant a desire to pursue a policy directed against Socialist states, to heat the atmosphere, to continue the positions of strength policy."

**NO ULTIMATUMS**  
Repeating his proposal for a free city in West Berlin, Khrushchev said "we set no deadlines, present no ultimatums" but if all other means of settlement fail Russia will sign a separate peace treaty with East Germany.

Khrushchev denied he has cooled toward a summit conference, and declared the sooner it is held the better.

"We want this meeting, but we want it to be fruitful," he said.

President de Gaulle's wish that Khrushchev visit Paris before a summit conference was not unreasonable and "perhaps this will make for a better understanding at a meeting of the heads of the government," he said.

# U.K. Recognizes Arab Republic

By DAVE OANCI  
LONDON (AP) — After three painful years, Britain and the United Arab Republic have decided to recognize each other's existence.

The foreign office announced the move in a brief statement: "The governments of the U.A.R. and the United Kingdom have agreed to re-establish relations at the level of charge d'affaires."

Weeks of backroom manoeuvres and appeals, in which Canada played a significant role, were necessary before the two countries could agree on the wording of the statement.

Diplomatic relations collapsed three years ago at the time of the Suez crisis in 1956. This was followed by a period of intense bitterness and mistrust between the two countries.

It is understood that both External Affairs Minister Green and Arnold Smith, Canadian Ambassador in Cairo, strongly urged President Nasser's government to patch up his diplomatic quarrel with Britain.

In recent months, Britain has made no secret of its desire to let bygones be bygones.

Government sources here said Canadian representatives took a direct hand in allaying U.A.R. suspicions and in arranging meetings aimed at achieving a rapprochement.

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# Trading Stamps Alternative Suggested By Commission

OTTAWA (CP) — Retailers giving trading stamps should be required to offer the buyer the alternative of a specified cash discount, the royal commission on price spreads recommended this week.

Reporting to the government on a two-year study of the spread in the price received by the food producer and that paid by the consumer, the commission said the consensus is that premiums and trading stamps are self-defeating — gains in traffic, sales and profits are dissipated when competitors imitate the innovator.

Furthermore, such promotional devices had not increased the food consumption of individual Canadians.

The commission found that the cost of these "services" is passed along to the consumer. Dr. Andrew Stewart, commission chairman, said that "in moving in the direction of preventing food price increases, the commission believes that the services which could most properly be dispensed with are the promotional services such as contests, giveaways and 'gimmicks'."

One big chain spent 75 per cent of its promotional budget on such devices while another spent nothing.

The commission said apparently the cost of trading stamp plans to the retailer is equivalent to about two per cent of his sales. If the plan is to be a success, he must increase his dollar sales volume by 20 per cent.

# OPPOSES GIMMICKS

He said in an interview that 'gimmicks' mean such things as towels or cutlery in soapflake boxes but might also be extended to include stamp plans.

These promotional devices were part of an 84-per-cent increase in the cost of marketing a basket of food between 1949 and 1958. Premiums and trading stamps represented 28 per cent of the promotional expenses of food chains.

Stamp plans are in operation in most provinces but have been banned in Alberta. Justice Minister Fulton has said they are a provincial responsibility to deal with insofar as they are merchandising devices. He has promised to plug any loopholes found in the criminal code prohibition against trading stamps that might endanger the currency system or be fraudulent.

In addition to its recommendation on stamp plans, the commission suggests:

1. "As an alternative to any possible limitation of promotional expenditures (or revenues) retail firms might elect, as they are permitted to do under existing legislation, to pay patronage dividends similar to those paid to members and non-members of consumer co-operative organizations."
2. "Where prices continue to be associated with a high level

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# Western Europe Is Hit By Destructive Storms

LONDON (Reuters) — Winter Tuesday smothered western Europe in storms, fog and torrential rain, causing havoc on land and sea.

Ships went aground, flood danger signals were issued and road, rail and air traffic was snarled.

Tugs braved gale-lashed seas to refloat the British liner Braemar Castle after the 17,029-ton liner ran aground near Gibraltar Monday night. The liner had 300 passengers aboard, but no casualties were reported.

The gale raged all night in the Gibraltar area and many ships and small craft were reported in trouble. Mountainous seas swept the Spanish and Portuguese coasts.

**GALES IN SPAIN**  
Winds of up to 60 miles an hour swept into Spain and heavy snowfalls were reported in the mountain areas.

Three persons were reported killed in Spain. Two ships went to help a freighter, the Panamanian-registered Libertad, 7,176 tons which went aground off Tunisia Sunday.

On the French Riviera, rivers flooded after three days of rain. Inland, gale-force winds struck Toulon, ripping off roofs and shattering trees and telephone lines.

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