

Under the surface of these trade statistics lies the most essential and fundamental feature of economic relations between the U.S.A. and Canada. Our economies, though in some respects competitive, are largely complementary and mutually interdependent. We rely on the United States for vital industrial materials, machinery and manufactured goods, such as coal, oil, cotton, steel, machine tools. By the same token, your country is highly dependent on Canada for such basic essentials as newsprint, wood-pulp, lumber, nickel and asbestos. Believing with confidence that supplies would not arbitrarily be cut off during periods of shortages, we have been able to develop our production on the basis of economic co-operation rather than of autarchy. We have thus extended the field of specialization and thereby enhanced the standard of living of our peoples. We have not been driven to attempt lines of production which, though technically possible, could only be produced at much higher real cost.

Investment, like trade, has acted as a powerful economic link between our countries. United States investments in Canada exceed 5 billion, roughly 70 per cent of total foreign investments in Canada -- more than your total investments in Central and South America combined. These investments, from the point of view of safety, security and returns have been by long odds your best foreign holding. You are currently receiving interest and dividends at the rate of 275 million a year, all in cold hard U.S. dollars; nor does this figure exhaust your returns from Canadian holdings. The flow of investment capital across our border has been a two-way movement. It would probably surprise you to know that Canadian investments in your country on a per capita basis are considerably greater than your investments in Canada.

There are many other aspects of economic relations between our countries which are equally impressive. I know I need not labour the point. I have said enough to indicate that our economic inter-relations are vast and vital. They are being conducted in a most friendly and co-operative manner. They have served to enhance the welfare and prosperity of both countries.

Our relations in the past have not always been as happy as they are to-day. We did not come by them easily. It took one war to teach us the wisdom of living in peace but that was as long ago as 1813. It took us much longer to learn the meaning of effective co-operation in the economic field. As recently as the early thirties both our countries implemented policies which virtually amounted to trade warfare. Beggar-thy-neighbour policies as typified by these prohibitive and discriminatory trade barriers did much harm to both countries. The mutually advantageous trade agreements of 1935 and 1938 enacted under the Hull Reciprocal Trade Agreements Act, reduced tariffs in a sensible manner and made possible a great recovery in trade between Canada and the United States.

The genius of our two peoples is best applied in periods of stress and adversity. So it was during World War II.

An understanding on the question of defence reached at Ogdensburg between your President and our Prime Minister pointed to the need for co-operation and integration on the economic plane. The Ogdensburg Agreement, therefore, was soon followed in the economic field by the Hyde Park Declaration of April, 1941, which became the Charter of Canadian-American economic co-operation during World War II. The fundamental proposition underlying the Declaration was that the United States and Canada in mobilizing the resources of North America should concentrate on those essential goods which each was able to produce quickly. It assured that the economic and military strength of the two countries would suffer no more than was absolutely necessary by reason of their being separate countries. It recognized, at the same time, the importance of the closely related problem