

Nevertheless the Committee recognizes that at the present time a mixed approach is needed. In order to give positive policies time to work and also perhaps to reassure Canadians that the Government is alive to the danger of too great a dependency on the United States, the Committee sees a need for certain defensive policies in its cultural and economic relations with the United States. Its recommendations and suggestions, however, have been deliberately framed where possible in such a way as to stimulate Canadian self-reliance.

Placed between the United States and the Soviet Union, geographic, military and economic considerations dictate that the basic foreign policy principle of an independent Canada must be the maintenance of peace and the establishment of friendly relations with all countries and particularly between and with the United States and the Soviet Union. Similarly a strong independent Canadian nation is in the interests of the United States, the Soviet Union and other countries.

In the Parts of this Report which follow, the Committee has set out its views on how certain issues of great domestic significance can ultimately affect, for good or bad, Canada's future relations with the United States. Recognizing the sensitivity and the concern of many Canadians in matters which involve Canadian relations with the United States, the Committee has felt it important, as a preliminary to its treatment of the substance of a number of major problems areas which it has examined, to set out at some length the philosophy and the objectives which it thinks should guide Canadian policies in these areas.

1.08 *Conclusions and Recommendations (Part I)* The danger facing Canada is not one of political absorption by the United States; the danger which Canada must guard against is that it will drift into such a position of dependency in relation to the United States that it will be unable, in practice, to adopt policies displeasing to the United States because of the fear of American reaction which would involve consequences unacceptable to Canadians. The Committee believes it is in the interests of both Canada and the United States that Canada should remain politically united and economically strong.

The Committee has concluded that, in addition to maintaining political independence, Canada must also maintain a sufficient degree of military, economic and cultural independence that it will, in practice, be able to make the independent decisions which constitute the vital characteristic of an independent nation.

PART II—ECONOMIC DEPENDENCY

2.01 *Imports and Exports* The Canadian Statistical Review for May 1970, published by the Dominion Bureau of Statistics, indicates that by far the largest part of Canada's total imports are from the United States rising from about 69% of total imports in 1948 to 73% in 1968. The United States is also Canada's best customer for its exports rising from about one-half total exports in 1948 to two-thirds of total exports in 1968.

Over the period the value of imports from the United States has exceeded by a very large amount, namely, \$12.5 billion the total value of Canadian exports to the United States. Indeed in every year during that period with the exception of 1968 the value of Canada's imports from the United States exceeded its exports to that country by a large amount.

Canadians are sometimes concerned because they believe that our exports consist largely of raw or partially processed materials whereas our imports consist mostly of manufactured goods. They are concerned lest Canadians be-