

The Address—Mr. Pearson

dollars. In order to promote trade between our two countries we set up a continuing committee on trade and economic affairs whose work was assisted by the dollar-sterling trade council set up for that purpose; and if anyone thinks the forthcoming commonwealth economic conference in Montreal is a unique venture in commonwealth economic diplomacy I should like to point out that there were more commonwealth meetings on the prime ministerial and ministerial level in the post-war years, when we were in power, than in any previous period in the history of the commonwealth.

These included the economic conference of 1952 and seven meetings of commonwealth finance ministers. The figures indicate that in spite of difficulties—and there were great difficulties in those years—results were achieved which went far to build up and restore trade between the United Kingdom and Canada after the dislocation and destruction caused by the second world war, during those years when Britain had a hard time getting dollars, when it was comparatively easy for her to sell goods in the sterling area countries especially since they had such enormous sterling balances.

In spite of those difficulties imports from the United Kingdom rose from \$189 million in 1947 to \$486 million in 1956 and our exports to the United Kingdom, in spite of the difficulties I have mentioned, including the low prices obtained by agricultural producers in the United Kingdom market, rose during that period. And this was the market we were supposed to have lost completely.

Nevertheless, in spite of our success in this direction we feel our policy should be not to concentrate on expansion in any one market but in all markets, and it will not help this policy if we merely try to divert trade from one market to another. That is why we on this side of the house last autumn criticized very strongly the proposal to divert 15 per cent of our imports from the United States to the United Kingdom. We opposed that particularly when the response of the Canadian government to the United Kingdom free trade offer—the only way in which this diversion could take place in any reasonable space of time—was entirely negative.

Mr. Green: May I ask the Leader of the Opposition a question? Is the Liberal party in favour of free trade between the United Kingdom and Canada?

Mr. Pearson: I will come to that in a minute or two. I have already stated our position on that question, and I will be glad to do so again. However, not only was the attitude of the present government with regard to that offer entirely negative but it

resulted in what the London *Economist* called the other day the "free trade fiasco".

The Prime Minister, nine months after his first announcement on this matter, in an interview with a United States magazine, the *U.S. News and World Report* which I happen to read every week, says there is no such diversion policy, and that no such proposal for diversion was ever made.

Mr. Diefenbaker: Read the question and the answer.

Mr. Pearson: The question put to the Prime Minister which appears in this news magazine was:

Do you think Canada actually will divert 15 per cent of its trade from the United States to Britain?

And the answer was:

—At no time did we say that we were going to divert 15 per cent. I said, as an example, that, if 15 per cent were diverted, the result would be to bring about a reasonable deficit in our trade with the United States and, at the same time, assure us markets that are virtually non-existent today.

Well, that question and answer raised two or three questions in my mind, and I am sure the same questions were raised in a lot of other minds.

The first question raised in my mind was, "What did the Prime Minister say at that time?" The second question was, "What impression was created by his statement in Canada, in the United Kingdom and in the United States of America." And the third question was, "What steps, if any, were taken during the last nine months to correct this impression, if it was a wrong one, of Canadian policy?"

Let us examine the first question. According to the Canadian Press the Prime Minister stated on his return from the United Kingdom on July 7, and I quote from the Canadian Press story:

He—

The Prime Minister—

—would like to see about 15 per cent of Canadian imports from the United States diverted to Britain.

On July 23 the *Ottawa Journal*, an unimpeachable source, quoted the Prime Minister as saying in an interview:

I regard that objective—

Fifteen per cent diversion, of course—

—as reasonable, equitable and obtainable.

On November 22 the Prime Minister is reported by the Canadian Press as saying:

... he—

The Prime Minister—

—has every confidence that the Canadian trade mission will achieve its objective of diverting 15 per cent of Canadian imports from the United States to Britain.