

bec and the only people who are interested in going in there are one American company. Well, if you are in that position you are going to have to induce them, probably, if they have any alternative. That is a very different kind of thing. But if all you are saying is, "We are opening it up. We want investment no matter where it comes from. Whether it comes from Toronto or the United States or whether it comes from Europe or comes from Japan is indifferent to us so long as it produces jobs in that part of Quebec"—if you are saying that, then you are in a good bargaining position.

I am sorry I got a little off your point about control, but, as I say, I think you are right that the situation is quite different because we are talking about a different sort of activity.

Senator Rowe: I have a final question on that. You remember, of course, the confrontation, I suppose you would put it, which developed in the Eisenhower days. In fact, you referred to it earlier. We had a somewhat similar situation in recent months in respect of Cuba. Has that same situation obtained vis-à-vis American investments in, say, England and Italy?

Mr. Diebold: Yes, indeed. We had all kinds of trouble during the fifties and sixties with almost every western European government you want to name, usually about trade with the communist countries. For a short period the laws were more or less uniform and then the Europeans were promoting East-West trade at a time when the U.S. was remaining more restrictive. One of the worst disputes we had, in which managers risked going to jail in two countries, was with the French government about a shipment of trucks to China. That was some time ago. Oh, yes, we have had the same problems. We are not picking on the Canadians.

Senator Connolly: Mr. Diebold, early in your opening remarks you used the expression "dilute the Canada-U.S. trade relationship". With respect to the question of diluting, or diverting Canadian trade from the United States elsewhere, again I quote: "It seems to me to be a mug's game." That is a negative thrust, and I really perhaps would rather say it this way, that I really do not think these three options which we have before us are mutually exclusive. It seems to me that they are not options. I think they are modalities of a course of dealing between interested traders on both sides of the border, and while governments can influence certain aspects of those relationships, you are probably going to have a great deal of each of these options in the actual course of dealings. What I prefer to say—and perhaps Mr. Diebold would comment on this—is that I prefer to see on the part of Canada a more positive thrust. In other words, perhaps, to try to get the best of both worlds, to maximize our trade relationships and our economic activity in respect of the United States—and I think any trader does this—but at the same time to try to find new markets elsewhere with a view to building our foreign trade, and perhaps our trade with the United States, but to increase it in other markets, like the Community, if it survives the onslaught of the last few weeks, or with Japan. Perhaps you would like to comment on that.

Mr. Diebold: Surely. I think that that effort, to diversify, is one that has been part of Canadian policy for a

long time, and I think you are absolutely right, sir, to distinguish between the positive diversification of the sort you are describing, and the idea you referred to when you used the words, "diverting trade."

Senator Connolly: Or diluting.

Mr. Diebold: When I used the word "diluting" I was thinking of a bit more than trade, but that is neither here nor there. However, if I am not mistaken, "diverting" was the word Mr. Diefenbaker used when he came into office and said he was going to divert 15 per cent of Canada's trade from the United States to the rest of the world. I think the sort of difficulty and troublesomeness that that concept led to was due to the weakness that you are describing. I think what you say is exactly right, that an increased development of Canada's trade with the rest of the world is very much in Canada's interest. It is natural, I would say, as an economist. It is also very central to the point I was making when I said that, although Mr. Sharp did not explore it in detail, he was right to say that the global setting has a great deal to do with what the options mean. One of the three points at the end of my opening statement stressed the interest that I believe Canada has in a general movement toward multilateralism and away from blocism. Otherwise you cannot develop the diversification that is desirable from your point of view, and, I think, ours as well. By "diluting,"—perhaps it was a bad word—I meant only to remove some of the strain. If everybody is dealing with everybody you are not penned in, two by two.

Senator Connolly: I think, in deference to Mr. Diefenbaker, I am not too sure that he meant literally what came out of that statement. I have never been able to clear the point up myself, but I do not think he actually really believed that we should go as far as to attempt to divert. I think probably he had the positive idea of diversification rather than diversion in his mind. However, the record is there, and it is for him to explain it, not me.

The other question is quite different from any of the questions that have been asked, I think, and I think it is a consideration that we should bear in mind in these investigations that we make.

Our study of Canada-United States relations is bound to be looked upon, I think, certainly by people in the Third World, who are interested, as another attempt on the part of the rich to get richer. Perhaps we justify the idea of promoting trade and enlarging trade and developing commercial interests in different parts of the world, first of all, because it is wise national policy to strengthen the economy and to broaden it and to get growth. Perhaps it is also justifiable on a larger basis, on the ground that the West must protect itself by remaining strong. But I would like to ask Mr. Diebold whether in these discussions, which we will be conducting over a long period of time, we should, in his view, keep in mind also the repercussions that might develop in the Third World if we in North America try to expand our two big economies in Canada and the United States.

When you hear the reports of the meetings on international monetary policy, you inevitably hear remarks about the effect of international monetary arrangements on the underdeveloped world. Just to take a specific example, I understand that with the increase in the cost