



## STATEMENTS AND SPEECHES

INFORMATION DIVISION  
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An Address by Mr. Gordon Churchill,  
Minister of Trade and Commerce,  
to the Economic Club of New York  
on Monday, October 20, 1958.

Your interest in Canada, as indicated by your invitation to have me address you, is of course flattering. Your interest has been increased, I presume, by your knowledge of the change of government that took place in our country in June 1957 and by the land-slide victory that we achieved at the polls in March of this year. Republicans and Democrats alike may be a little envious of such political success, and may be doing a little wishful thinking and wondering what the Conservatives in Canada have that they have not got. However, I have not been asked to speak about political matters but rather to discuss the less exciting although fundamental and important subjects of trade and economics. Your programme indicates that, of all the policies of the new Canadian Government, those affecting economics and trade have aroused the most interest and discussion south of the Canadian border.

To Canadians this is all to the good. We want you to notice us. We do not want to be taken for granted. We were very pleased a year ago when the press of your country gave considerable attention to a speech made by our Prime Minister, the Right Honourable John G. Diefenbaker, at Dartmouth College, New Hampshire. He spoke on the Anglo-Canadian American community, a subject dear to the hearts of Canadians, for we like to think of ourselves as an integral part of the close association that exists among our three nations, the United States, Great Britain and Canada.

#### Historical Connections

We have never severed our ties with the United Kingdom as you did in 1776. George III does not mean anything in particular to us, just one among many sovereigns from William

the Conqueror in 1066 to Queen Elizabeth of the present. To you, George III is the evil genius who gives your historians a starting point for your school histories. Yet, prior to 1776 we were all members of one family. Now as a result of our close association in two world wars and in the present uneasy peace we are becoming linked very closely together again.

The links are strong and, as the years go by, will I hope, become even stronger; but not to the extent of domination by you over us. The history of Canada is the history of a long struggle against being overwhelmed economically by the United States. At one time in your history, in the revolutionary days and again in 1812, some of your people conceived the idea of freeing the Canadians from the yoke of Great Britain, and you took military action against our country. Later, in the years following the Civil War, certain armed bodies, whom we call Fenians, made hit-and-run raids into Canada. Our militia was called out and British regular forces were retained in our country to guard our borders.

These incidents over a period of two generations served to set Canadians in marked opposition to Americans. In addition, there are the basic facts of Canadian history, namely that the French in the Province of Quebec had no desire to become submerged by the United States and thus lose their identity, and that the English in Ontario and New Brunswick and Nova Scotia were largely displaced persons who had escaped from the States at the time of the Revolution. They and their descendants are known as United Empire Loyalists and the tradition is not yet forgotten.

During the period of the last ninety years, the struggle between Canada and the United States has been economic rather than political. Our forefathers, with great vision and determination and at great expense, constructed a trans-continental railways line to link our provinces together. Trade was encouraged in an east-west direction against all the forces of economics, for the north-south routes are obviously natural and cheaper. But because of our determination to remain politically a free and independent nation, we have persisted and have paid the economic price.

In the last forty years we have grown in strength, and our stature in the international field has steadily increased. We played our part from beginning to end in two great world wars. In the first, our casualty list was only slightly less than yours, although our population was only eight million. In the second, we bore a full share of the struggle, with a million men in uniform and in service on the battlefields, and with the whole capacity of our country devoted without reservation to the struggle for freedom.

With that background, you may see Canada as a proud and independent country, determined to pursue its destiny on the northern half of this continent. We have grown strong industrially; we are aware of our great natural resources; we see a future of promise before us; we are playing an active part in world affairs. Among our international interests, we place a high value on our link with the United Kingdom and the Commonwealth, and similarly we place high value on our friendly co-operation with the United States, our closest neighbour. We stand firmly on our own. We have never asked nor received any financial assistance from you. We seek no favours or special assistance, but consider that, between our two countries, inextricably linked together in continental defence, equally determined to uphold the cause of freedom, there should be a partnership based on mutual respect and good faith and complete trust.

That, I think, should be the basis of our relationship. It is strengthened every year by the constant and increasing inter-mingling of our peoples, as business association becomes enlarged, as the tourist industry develops and as we work together in the international field towards the same objective of world peace and security. However, to ensure the maintenance of close partnership, there must be a clear understanding, on both sides of the border, of the history, political movements and economic factors of both our nations.

#### Trade and Economic Relations

Canada is a country of 17 million people. In 1840, that was the size of your population now increased to ten times that number. Your development was extraordinarily rapid in the 19th century and in the early years of the 20th century, as millions of immigrants flooded into the United States, and as capital came from abroad to stimulate and expand your economy. You have become the world's most highly industrialized and most powerful nation.

The economic growth of Canada in the same period was much slower than yours, but it has now quickened and we have become one of the leading industrialized nations and the fourth largest trading nation. On a per capita basis, our commodity trade is  $3\frac{1}{2}$  times that of the United States.

In recent years, our gross national product has been expanding more rapidly than that of the United States or the United Kingdom. If present trends continue, our population should be doubled in about twenty-five or thirty years and our national income and national output will exceed that of the United Kingdom. With our great natural resources, we are destined to play an increasingly important role in world trade.

Our natural resources make us increasingly important to you. We have read the Paley Report. We realize that, as the years go by, you will need more of our timber, our iron ore, our other metals and our oil and gas if the tempo of your industrial development is to be maintained. We welcome your interest in our economy, we welcome your capital investment in Canada for, by these means, we in our turn advance and develop just as the United States did with external capital investment a century ago.

Despite all these favourable factors that stimulate trade between our two countries and that arouse your interest in Canada, there are some irritants in Canadian-American trade and economic relations that are very apparent to us, and should be known to you.

Before the Second World War, our trade with the United States was important and was a large part of the total for our country, but it was not noticeably in the position of imbalance that it is today. Over this problem some Canadians are disturbed. Sixty per cent of our exports are going to your country each year and over seventy per cent of our imports come from the U.S. Our trade is concentrated too much in one country. Each year we import from you goods valued at a billion dollars more than the materials we sell to you. To correct this imbalance we have to acquire surpluses in our trade with other nations and attract capital for investment. If you would buy more from us, particularly in the field of manufactured goods, perhaps we would have less complaint. But you take our raw materials or semi-processed materials, put them through your manufacturing plants and sell the finished articles to us. If you would take finished articles from us, we could process more of our raw materials at home, employ more people, and raise the standard of living. Canadians would like to see this done, for we have the basic materials to support industry on a large scale.

Increased exports from Canada to the United States would certainly be helpful to us and we like to think not harmful to you. But, without this increase in exports to the U.S., we have to look abroad to stimulate our trade. Further, we have things to sell that you do not require, and markets therefore must be found elsewhere.

Our wheat is a good example of this. We harvest each year from 350 to 550 million bushels of the best hard spring wheat in the world. It is a quality product that is in demand abroad. We also have a surplus of wheat of some 600 million bushels. Your surplus, although larger, is only one quarter the size of ours if you estimate it on a per capita basis. With these two basic facts before you--good wheat and a surplus--if you want to irritate Canadians, who have been world wheat traders

for over two generations, all you have to do is subsidize your exports of wheat and flour, barter your wheat for strategic materials from countries who normally buy wheat for cash, extend long-term loans reaching almost into the next century and tie your loans to a compulsory annual purchase. The western Canadian wheat farmer is as knowledgeable and as politically vocal as his cousins in the mid-Western States.

You have been cutting into our markets for flour abroad because you subsidize your flour exports. If our two countries were on an equal footing financially, we could do the same, but at the present time your billions rather overshadow our millions.

We are so much more concerned than you with our export market for wheat and flour. Eighty cents of every dollar received by the Canadian farmer from his wheat sales comes from the export market. It is not so with you, for your domestic consumption takes between 60 and 70 per cent of your crop while ours takes only 20 per cent. Twelve per cent of the value of our total exports comes from wheat and flour sold abroad. With you it is less than 4 per cent. The western Canadian farmer must export to live and, if his export markets are interfered with by subsidized exports from other countries, his state of mind is not that of a completely satisfied individual.

There are other people than farmers in Canada. We have people who are very much interested in our developing oil industry; others who depend for a living on the mining processes connected with lead and zinc.

In these three fields, oil, lead and zinc, some difficulties have arisen because of the restrictions that your country has placed on the import of these commodities. We are not unfamiliar with some of the reasons that have brought about these restrictions.

Your national security makes it important that an active oil industry is in operation in your country. With regard to lead and zinc, we understand that your mines are facing problems that appear to be most easily met by the curtailment of imports. However, our concern is due to the fact that, as you protect your native industry, ours takes a serious loss by a reduction of about 20 per cent in its production and export.

Some of the present irritation over this action would have been decreased had there been prior consultation with Canada before action was taken. That is not an unreasonable request. It is one that some of your people have made to us at other times on other subjects. It is recognized good procedure among friendly nations. I welcome the recent proposal of the United States at the GATT Conference in Geneva that we should confer together and with other trading partners concerning this matter.

### Continental Defence

More important in the eyes of Canadians, however, is the implication in your restrictive action on these commodities that our position in continental defence is not fully appreciated. If, for national security, the oil industry must be kept active and base metal production assisted, we do not readily see why we are left out. Is not Canada a full partner with you in the defence of the North American Continent? We occupy a portion of and have sovereign rights over all the northern part except Alaska. We are a tried and true ally--you have none better in the world. We are prepared to play our full part--as we have shown in the past--in the defence of human freedom. If we are to be strong in the military sense, we must also be strong in the economic field. We should be in your eyes a partner, not a competitor.

### U.S. Investment Funds

There is a third field in which minor irritants can affect Canadian-American relations. You are all aware that there has been a heavy inflow of American capital into Canada in recent years. We have welcomed and we continue to welcome this inflow of American investment funds, and we have treated American investors the same way as we have Canadian investors.

A large portion of this capital inflow has gone into direct investment rather than into security investment, and with it, U.S. residents have acquired controlling interests over a wide area of resources and manufacturing industries in Canada. Now, most large U.S. Corporations are well briefed about developments in Canada. With all this expert knowledge at your disposal, we wonder why some of the policies of a number of the large U.S. Corporations, which have subsidiaries in Canada, are not more closely attuned to the needs and public sentiments of the country where these companies are doing a rather profitable business.

Broadly speaking, Canadians would like to see these foreign companies pursue policies leading to closer integration with the Canadian way of life without necessarily giving up control.

What are some of the specific things that subsidiaries of American companies can do to achieve greater integration with the Canadian way of life? They include:

1. Offering Canadians opportunities to buy equity stocks in the subsidiary companies operating in Canada.
2. Encouraging and training Canadian personnel to take an increasing part in the management and professional positions in subsidiary corporations.

3. Carrying out more research work and undertaking new development.
4. Promoting exports from Canadian plants.
5. Using as many Canadian materials and component parts in their Canadian operations as can be economically justified.
6. Doing more processing of Canadian materials before export, where this can be done on a competitive basis.
7. Giving local management greater autonomy in operating Canadian subsidiaries.
8. Encouraging branch plants to participate more fully in the life of their communities.

Mr. Norman M. Littell, a member of the American Bar, has offered American companies the following advice:

"As you move out of your own country into Canada, other considerations than the profit motive must be brought to bear upon your decisions. Canada is our most indispensable ally in the world battle line to maintain our free way of life. The plant which you establish will be on Canadian soil. It will be a part of Canada and not of the United States .... it will become a part of the integrated economy of Canada and its people."

That is the philosophy that makes an appeal to Canadians. When I was in London three weeks ago, I talked to one of England's leading industrialists. Some years back his firm undertook to re-establish certain enterprises in Southern Ireland. Financially it was a success, more people were employed, all seemed well, But my distinguished friend was disappointed at the continued animosity that the Irish displayed towards his firm and all things English. An Irishman finally advised him as follows:

"Bring over to Ireland some of your Greyhounds, for our people like Greyhound racing. And bring over some of your thoroughbred race horses and take part in our racing events." The English industrialist took the advice and his name and that of his firm became popular. He had identified himself with the community.

That I think is the answer. If your branch plant in Canada becomes identified with the community in a broader sense than merely providing employment and wages, there need be no fear of any anti-American feeling being developed in Canada.

There is more to the economic life of our countries than mere exploitation and the skimming-off of profits. The ties that bind our two countries together can be strengthened

equally well by wise action in the area of trade and economics, as by friendly co-operation on the diplomatic level. The businessmen of the United States who are so active in Canada have a responsibility not exceeded by their fellow citizens who deal with us in the field of government.

Over the years, the United States and Canada have set an example of good neighbourliness unsurpassed elsewhere. We are destined to be drawn even more closely together, if the pressure of other elements in the world continues. May our friendship continue to be based on mutual respect and consideration--the friendship of partners whose object is the maintenance of freedom.

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