



## STATEMENTS AND SPEECHES

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SOME ASPECTS OF CANADIAN - AMERICAN RELATIONS

An address by the Secretary of State for External Affairs, Mr. L.B. Pearson, to the Canadian Club, Montreal, April 27, 1956.

You will not be surprised, I am sure, especially in view of the current attention being given to the matter, if I talk to you today about some aspects of our relations with the United States.

It is a subject with which Canadians have always been intensely preoccupied; and, I expect, always will be, as long as the facts of history and geography, economics and politics, remain as they are.

This preoccupation, while natural and, indeed, inevitable, at times seems to occupy a disproportionate share of popular interest. If we are not careful, we will soon be spending more time in thinking negatively about what the Americans have done or may do to or for us, than in thinking positively about our own plans and policies.

Canadian-American relations are today the most important single item in the foreign policy of our country; apart, of course, from the transcendental issue of peace and war. Moreover, these relations will probably grow in difficulty and complexity as the importance of each country to the other increases, as is happening. After all, we share most of a continent, and one which is today not on the periphery, but in the very centre of the world. Its northern half - the Canadian half - is growing steadily in strength and influence.

Today there are no two countries in the world whose contacts are so varied, so close and so compelling, as those between Canada and its neighbour.

When Professor Leacock retired from McGill, he was invited to return to England, his birthplace, and pass

the rest of his life there. His reply, courteously and humourously declining the invitation, included the following sentences:

"There's another reason for not wanting to leave Canada for England. I'd hate to be so far away from the United States. You see, with us it's second nature, part of our lives, to be near them. Every Sunday morning we read the New York funny papers, and all week we read about politics in Alabama and Louisiana, and whether they caught the bandits that stole the vault of the national bank, and - well, you know American news - there is no other like it. And the Americans come-and-go up here, and we go-and-come down there, and they're educated just as we are and know all about Kilowatts but quit Latin at the fourth declension.....

"Our students go and play hockey with their stoo-dents and our tourists going out meet their towrists coming in. The Americans come up here and admire us for the way we hang criminals. They sit in our club and say, 'You certainly do hang them, don't you!' My, they'd like to hang a few! The day may be coming when they will. Meantime we like to hang people to make the Americans sit up.

"And in the same way we admire the Americans for the way they shovel up mountains and shift river-courses and throw the map all round the place. We sit in the club, fascinated, and listen to an American saying, 'The proposal is to dam up the Arkansas River and make it run backward over the Rockies.' That's the stuff! That's conversation.

"...We are 'sitting pretty' here in Canada. East and West are the two oceans far away; we are backed up against the ice cap of the pole; our feet rest on the fender of the American border, warm with a hundred years of friendship.....

"...Thank you, Mother England, I don't think I'll 'come home'. I'm 'home' now. Fetch me my carpet slippers from the farm. I'll rock it out to sleep right here."

I do not wish you to infer from all this that the ties that draw us across the Atlantic, that link us with our mother countries, Great Britain and France, and with the nations of the Commonwealth, are weakening. On the contrary, they are stronger than ever. The old problems arising out of our development from colony to nation, and

from the impact of imperial policy on that development, have been solved. There is now little to worry us and very much to satisfy us in the Commonwealth relationship. It is a relationship which we must maintain and strengthen.

On the other hand, our problems with the United States are, if not new, at least expressing themselves in new and, at times, perplexing forms. They constitute a challenge to both countries. It will be easier on our part to meet that challenge successfully - as we must - if we keep a sense of proportion; avoiding excessive touchiness or assertiveness; if we show ourselves to be not only nationally alert but also nationally mature.

We are not, of course, a mere economic or political extension of any other state. We stand firmly on our national feet and we must stand up for our own national interests. When these interests are endangered by the policies and practices of any other country, however friendly, we must speak out and, if necessary, act. The record shows that we are not afraid to do this. Other countries - especially the United States - would not have much respect for us otherwise.

There is a tradition of forthright but friendly exchange of views across our border, which is uniquely valuable. We do not want to lose it. That loss, however, could be brought about from abuse by exaggeration or over-indulgence, on the one hand, or by super-sensitiveness or morbid suspicion on the other. We should guard against both.

This increasing importance of Canada and the United States to each other is two-fold. Not only is our relationship in a bilateral sense of great and growing significance, there is also the fact that the United States through its power and resources is the country best equipped to give political leadership to the Western world, which includes Canada, in the search for peace and security against aggressive communism. Canada, therefore, and the other members of the coalition, have an obligation in their own interest not to act without considering the major responsibilities for collective security now being borne by the United States.

This realization that we must stand together or fall separately explains why today in our defence policies we do not, indeed cannot, rely on national action alone, which would be totally inadequate, but on collective arrangements, especially through NATO.

Among other things, this means that our continent, which is one great sector of the NATO area, must be treated as a single zone for defence, and that Canada and the United States must co-operate closely in that zone for their common protection. It means also that Canadians have no more right to be cool and suspicious when that co-operation brings American soldiers or American installations to Canada, than would be the case when it brings Canadians to France or Germany.

In other days, and under other conditions, we would have assumed complete responsibility for the building, manning, operating and maintenance of every defence facility in Canada. But now that defence installations on our territory protect both countries, the cost and the responsibility is shared by both governments. This is the right and proper course, especially in view of the magnitude of the requirements for continental defence. In the circumstances, the policy we have adopted is, I think the right one. There is full consultation with the United States on all aspects of collective defence, especially continental defence. It is accepted without question that no non-Canadian activity on Canadian soil in connection with such defence shall take place without the agreement of the Canadian Government. Before giving such agreement, we must be convinced that the activity in question is necessary.

Canada accepts responsibility for as much of this continental defence work on Canadian soil as it can undertake, having regard to our other defence commitments. That which we cannot do ourselves - and which we agree should be done in the common interest - is either a joint effort or is done by the United States alone. Furthermore, in every defence arrangement that we have made with our neighbour, and which involves American activity on Canadian soil - this is very important - Canadian rights and Canadian sovereignty are fully preserved.

Surely we should welcome whole-heartedly, as something in our own as well as the general interest, United States defence co-operation on such a basis. This being the case, it is no service to good relations and friendship between our countries, or to peace and security generally, to whisper or insinuate that every time the Stars and Stripes flies with the Canadian flag at some Arctic base, this is a further step in the United States conquest of our country. "Canada, we stand on guard for thee", is something to act on - as well as to sing about. But it doesn't mean that we have to declare war when an American soldier stands guard over his crashed plane on Canadian soil!

The sudden flare-up of this ancient fear that we are about to become "the 50th state of the Union" may have been encouraged by the feeling that defence co-operation with our neighbour and within NATO is no longer so necessary, now that there is a new and better look in Moscow. Joseph Stalin has been degraded by those men who bowed so low before him when he was alive. Therefore, it is suggested we can take it easier now and even indulge in the luxury of suspecting each other. This feeling that it is now safe to relax is a dangerous delusion and, if persisted in, would weaken the unity and strength of the free nations which has itself been a main reason for the improvement which has taken place.

The cult of personality may for the time being have become a communist heresy; but the cult of communist domination remains. So the non-communist world cannot yet afford to indulge in weakness or division or complacency.

There are conclusions to be drawn from this in respect of Canadian-American defence relations, as well as in wider fields.

If worries over United States participation in certain joint defence arrangements in Canada seem recently to have increased, that is at least partly due to the feeling that the menace of communist imperialism has decreased. As Mr. Dulles said in his speech in New York on Tuesday, "Allies no longer feel the same compulsion to submerge differences as when they faced together a clear and present danger". The danger, however, has not disappeared. It may be taking new forms, but it still faces us.

Similarly, if anxiety over certain economic aspects - particularly the foreign investment aspect of Canadian-United States relations - seems also to have increased - or at least to become more vocal - in certain Canadian quarters, that may be due, paradoxically, to the very abundance of the evidence of the economic progress that Canada has been making in recent years. We have been going through our greatest period of development. We can as a people take our full share of credit for this. But we should also remember that it could not have taken place in the way and in the time that it has, without outside participation, especially by investors from the United States, but also from Great Britain and other countries.

We have recently been reminded in Ottawa - and elsewhere - that participation of this kind brings its own problems and poses a threat to that national control, indeed to that independence, which we rightly cherish and intend to maintain.

These reminders can be salutary because the problems are real. But there is no excuse for the assertion - either careless or calculated - that the economic and political domination of our country by the United States is imminent; or for dragging up old anti-American prejudices. The War of 1812 was fought a long time ago, and "54-40" is now more impressive as a football signal than as a call to conflict across the border, or even as a peroration in a House of Commons speech. The times are too serious and the problems too real for irresponsible exaggeration.

Canada has been urged recently to declare its economic independence of the United States. I wonder what that means. Surely not that our tariffs, our budgets and our laws are now made across the border and that we are a mere satellite or dependency of our great neighbour. Ask them in Washington about that!

Certainly we are not independent of the United States in the sense that we can isolate our economy from hers, at least without tragic consequences.

But what country in the free world can be or would wish to be economically independent of the United States in that sense? Canada least of all. The trade figures with our neighbour are themselves enough to refute any such idea.

Furthermore - and this should comfort the Jeremiahs who predict our new colonialism - the United States in its turn is today by no means economically independent of Canada, and will become less so in the future. The fact is that the economic interdependence of our two countries, and indeed of most important trading countries, is both inevitable and beneficial. It is usually forgotten, for instance, as an illustration of this interdependence, that Canadian per capita investment in the United States is almost twice as great as American in Canada.

I know that anxiety is also felt - and it may be very real - because, as it is put, we have too many of our economic eggs in the American basket. It is worth reminding ourselves, however, that it is the strongest basket in the foreign market. I do not like to think what we would have done without it in recent years; which does not mean that we have not sought - or must not continue to seek - to fill other baskets.

Perhaps, however, by economic independence is meant protection against excessive United States investment in our capital development.

Last year, 1955, capital expenditure in Canada reached the figure of \$6.2 billions. The estimate for 1956 is the unprecedented figure of \$7½ billions, or 23½ per cent of our gross national production. The rate of increase of new investment in industry is higher in Canada than in most other countries, including the United States.

For several years now, our savings have not equalled our investment, even though the proportion of such savings in relation to our Gross National Product has been also greater than in the United States.

The deficiency has been made up by an inflow of capital from abroad, largely from across the border. In 1955 this amounted to over \$600 millions, but our total capital investment, it should not be forgotten, was over six billions. Unless we wish to slow down or alter the pattern of our development; or unless we save and invest more ourselves, especially in speculative developments - as I hope we will do - this capital investment by our neighbour - far from being unnecessary and dangerous - is of essential importance.

Do these American investments mean that we are going to lose our national identity; to become - as it has been said - a "banana republic"?

I have too high an opinion of the sturdy patriotism and the national pride of my fellow-Canadians to admit that any attempt by the United States to secure control of or unduly influence our economic or political destiny by its investments in Canada could possibly be successful. We are not the kind of people to accept pressure of that kind.

But I have also far too high an opinion of the common sense and the genuine goodwill of our neighbour to the south to believe that they would ever make such an attempt.

Let us be neither defeatist nor demagogic in these matters. When the growing need in the free world is for close co-operation, for mutual trust, for standing together, this is no time for political or economic jingoism.

Perhaps pleas to preserve our independence are based on fears, genuine or self-induced, that we are losing control of our natural resources to American interests; that we are becoming, as the current phrase puts it, "hewers of wood and drawers of water", as well as - and this is a more original expression - "diggers of

holes" for Americans. Incidentally, a hewer of wood is today no underpaid, unskilled labourer. He is a highly skilled, respected workman who can make fifteen to twenty dollars a day; more than many of his fellow-Canadians working in factories or offices or schools.

This humiliating suggestion that we are in danger of being exploited by and of doing the rough work for the benefit of economic overlords from across the border is one which few Canadians will accept.

It is well to remember that \$1.00 out of every \$3.00 of our national income comes from manufacturing, and that our country of 16 million people now ranks sixth in the world in terms of the total value of manufactured commodities produced. These figures will help us to keep things in perspective.

We are often reminded, however, and again the reminder can be salutary, that our natural resources, though great, are not unlimited; that they should be prudently used and wisely conserved for future generations. Hence the questions: Are the Americans not dissipating too much of them for their own gain? Should we not export less and process more in our own country?

These are very important questions and have to be taken seriously. Where there are trends or tendencies which suggest answers to them that might prejudice our national development, governments should try to correct them.

I do not, however, have to remind a Quebec audience that control over the development of our natural resources rests largely with provincial governments who bear, and rightly, a major share of responsibility for the manner and extent of their exploitation. Moreover, in a free country like ours, and in the present circumstances of our development, would it be wise, as has been suggested, for the Federal Government to impose restrictive controls designed to ensure that we should export from Canada a greater proportion of finished products and less of our raw materials? Such controls could easily do us more harm than good. Surely at this stage of our economic development we should continue to export large quantities of raw materials as essential to our prosperity and employment, and also to our steadily increasing industrial strength itself.

We are steadily increasing, as we should, the manufacture of raw materials in Canada, and this will grow as we develop new markets at home and abroad, new skills and new manufacturing facilities. This process should be



assisted by carefully designed governmental policies, but should not be stimulated by artificial expedients. We have had enough unhappy experience over the last thirty years to recognize the fallacies and the perils of trying to force economic industrial and agricultural growth in the name of economic nationalism.

Economic and trade policies based on short-sighted considerations could do more harm to Canada than to most countries. It is because we have taken the long view of our national interest that the foundations of our economic structure are strong; until today Canada has achieved an important position among the nations of the world; a position which has been buttressed by the development since the war of basic industries. This development, which has been unprecedented, would not, I think, have been possible without the participation of United States venture capital and technical knowledge. We should be very careful, therefore, not to discourage such participation by ill-considered and unfriendly talk. We can't kill the goose, but she may decide to lay her dollar eggs somewhere else.

I am not suggesting that the possible impact of outside and, above all, American investments in Canada may not have important results for our future; or that great care must be taken by governments on all levels to ensure that those results are good. Corporations and investors from outside who come to Canada should be warmly welcomed, but if they are to share in our national progress, they should become rooted in the national community to the maximum possible extent. The experience of recent years has shown that there is no other sound basis for foreign investment.

But this does not mean adopting on our side a narrowly nationalistic and prejudiced attitude; indulging in intemperate language, or striking suspicious attitudes at the expense of those whose co-operation - political and economic - we need.

It is far better to adopt a positive approach to this problem of national development and by our laws, policies and actions to encourage Canadians to supply more and more venture capital and management for enterprises in Canada.

This will be a more helpful and constructive course than merely to lament over the extent to which Americans contribute what we need, but which we do not or cannot ourselves provide.

With pride in our development, with confidence in our future, with satisfaction in the position we have achieved in the world, pessimism of the kind which sees Canada falling under the grasping domination of any other country is both unrealistic and dangerous. After 1867, the weak and struggling Canadian federation, in many respects still a colony, with its very existence as a state uncertain, did not allow sterling from London to prevent it becoming a united strong and free nation; indeed, used that sterling, to help bring it about. Who then would dare to suggest that the Canada of 1956, a strong and self-reliant member of the family of nations, and recognized as such, is going to be submerged by the "Yankee dollar"?

Today, in many important respects, the Western nations, and especially those in the North Atlantic community, are more dependent on one another than they were before the threat of communist aggression led them into closer association, both economic and political. We need not be frightened of that development. In the small atomic world of today this move toward co-operative interdependence is to be welcomed rather than feared; is beneficial rather than harmful. This closer association, however, should not be confused with the loss of our political freedom. The destiny of the Canadian nation will not be blocked because Canada co-operates closely with her neighbour in continental defence, and because United States corporations operating under Canadian law, subject to Canadian policies, and behaving much like Canadian corporations, are playing an important part in our development.

I end, therefore, on a note of optimism, based on the story of Canada's past, nourished by the evidence of its present and to be justified, I am confident, by the achievements of the future.

I make no apology for this optimism and to those who reject it, I would merely point out that if it weren't for the optimist, the pessimist would never know how fortunate he wasn't.

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