



STATEMENTS AND SPEECHES

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No. 54/40 CANADA AND THE UNITED STATES - OUR AREA
OF ECONOMIC CO-OPERATION

An address by the Secretary of State for External Affairs, Mr. L.B. Pearson, made at the University of Rochester, Rochester, N.Y., September 2, 1954.

I am delighted to be here, for more than one reason. For one thing, I am a graduate of this University, even though without benefit of or hindrance by examination. For another, it is good to see so many old friends. Then, also, I enjoy American-Canadian occasions, especially non-official ones. This particular occasion has a particular claim on both my interest and my support. It marks the inauguration of an annual series of conferences on Canada-United States relations, as a regular activity of the new Canadian studies programme sponsored by the University of Rochester.

This is an imaginative and valuable contribution to a better and more informed understanding of our mutual problems. I would like, personally and officially, to thank those who are responsible in this University for the idea, and those who have worked so hard to carry it out. In this connection, I hope that I may be permitted to make special mention of Dr. Gilbert.

In an earlier age, it would have been unusual for the Minister responsible for foreign affairs to be the spokesman of his Government at a conference dealing with economic matters. Today, however, we know that international political affairs cannot be separated from economic conditions and relationships. I was, therefore, not too surprised when I learned that the subject which you allotted to me had to do with our common economic interests and the possibilities for co-operation - and conflict - between us in that field.

It should be no surprise to anyone that the organizers of this conference have taken for granted that Canada and the United States do have economic interests in common. The very fact that we are such close and inter-dependent neighbours has itself given rise to a great variety of mutual interests in this as in other fields. It has no doubt made it easier for intimate association in economic endeavours to be developed between our people and for a volume of trade to be built up, which is now far larger than that between any other two countries in the world.

It might be a mistake, however, to read too much into the geographical accident that we share the same continent. If our countries were to be towed out to sea

in opposite directions and became two widely separated islands - a development which neither of us would wish to see, except possibly on rare occasions! - I have no doubt that our economic relations would still be close and that we would continue to share many of the same economic interests. As is the case now, our economies would compete with, as well as complement and reinforce each other. We would also retain our common concern with the economic state of other friendly countries, and remain, I hope, partners with those countries in the search for a better and more secure world.

In any discussion of the nature, necessity and methods of securing effective economic collaboration between us, a distinction should be drawn between emergency and normal situations. In war a tightly organized continentalism as part of a larger alliance may be desirable and inevitable. In ordinary times, however, a narrow or exclusive continental approach to our problems may be neither adequate nor practicable. This applies, in fact, to both the economic and political side of our relationship.

The symbol of the kind of collaboration of which we are capable in wartime or in a military emergency is provided by the Hyde Park Declaration of April 1941. This joint statement, very simple but very significant, which was issued by President Roosevelt and Prime Minister King, recorded their agreement on the need for the closest kind of collaboration in the critical circumstances of the time. Production programmes were to be co-ordinated on the basis of each country doing what it could do best. Foreign exchange problems between us were to be forgotten, or at least relegated to the background. Our respective programmes of aid to other countries were to be meshed together. For the remainder of the war period our two economies were for most practical purposes to be treated almost as though we were a single country.

This imaginative arrangement was supported by the people on both sides of the line, and it worked effectively and with a minimum of friction. One common, simple interest was overriding. It was nothing less than our survival, and that objective was well served by the arrangements which we then made.

In April 1949 when international conditions again appeared threatening we established a Joint Industrial Mobilization Planning Committee which proved very useful in coordinating preparations for industrial mobilization if that should prove necessary. The aggression in Korea gave new importance and urgency to these joint arrangements.

In October 1950 the two Governments revised and adapted the concepts of the Hyde Park Agreement in a "Statement of Principles for Economic Co-operation" between the United States and Canada to apply in the new situation. It was agreed that our two Governments should "co-operate in all respects practicable to the end that the economic efforts of the two countries be co-ordinated for the common defence and that the production and resources of both countries be used for the best combined results." Faced with the necessities of the Korean emergency and the requirements of the defence build-up in NATO, a large measure of co-ordination was achieved between us in keeping with the spirit of these principles.

Under the imperatives of war or grave emergency, then, our peoples have shown self-discipline and regard for the common good in virtually all of their economic activities. They have been ready to subordinate their individual commercial interests to ensure the political and military security of themselves and their allies. The record is an impressive one. I am sure we can repeat or even excel it if the occasion requires.

That is not to say, however, that either of our countries would welcome this tight co-ordination as a permanent state of affairs. We have learned, and we have shown to others, the value of flexibility in co-operation. If our capacities are to be fully developed, and if our creative and constructive energies are to find expression in their natural directions, we can hardly be content with a rigid and controlled continental system. It is true, of course, that even in normal times we should always have in mind our ultimate dependence on each other and should refrain from actions which would hinder close and effective collaboration in times of peril. Generally, however, neither you nor we would wish to be tied too closely to each other in any rigid, organizational way, and I think there are good and respectable reasons for such an attitude.

In an emergency many of the aspirations of both our countries may have to be suspended and we may have to concentrate on one single, fixed objective. When the crisis is over - or at least eased - it is right and proper that varied national interests should reappear.

That does not mean - it certainly should not mean - that our national purposes then become conflicting and that we find ourselves unable to work together. Fortunately I think it is clear that in ordinary times no less than in times of crisis the national interests of the United States and Canada are more often common than divergent. Nevertheless, in such ordinary circumstances, our interests undeniably become more complex and diffuse, the role of government undergoes a substantial change, and different methods of co-operation are required. Arrangements between us become somewhat looser and less formal. The blunter instruments which may have served in the emergency lose their effectiveness and we must apply ourselves more painstakingly to the more delicate and subtle arts required for international co-operation in the conditions of competition, and heightened national feeling.

With the vigour of youth and in the flush of achievement, we Canadians often remind others that our country is on the march to a great destiny. Even on the most sober and modest appraisal we see a very considerable future ahead - that is if any country is to have any future at all in this age of hydrogen and hate. Indeed we may occasionally appear to be a shade too assertive or sensitive or self-conscious about our nationalism - a fault which would be easier to correct if some people in this country would stop thinking of us as a colony! - I do not believe, however, that we can be accused of following courses in our national policies which deviate substantially from those which might seem best internationally on strictly economic grounds. In the interest of our national unity, Donald Smith may have

built our first transcontinental railway along rather a different route from that which Adam Smith might have recommended. Our concern with the building of a Canadian nation may from time to time again require that severely economic standards be subordinated to larger considerations. As a rule, however, I think you will find that we have not carried - as we do not wish to carry - nationalism too far. We recognize that our own interests are likely to be best served by policies which do not ignore the interests of our friends, and which are based on the freest possible relations with other countries.

One example which I should mention of the complexities as well as the possibilities of United States-Canadian co-operation for economic development is the St. Lawrence Seaway.

For more than twenty years we in Canada tried to persuade you to join us in this development so that it could be done on a basis of genuine partnership, where we would together share the cost, the control and the benefits. For more than 20 years your Congress refused to accept the invitation extended to it by the Canadian Government and by Administrations in Washington representing both your parties.

Then, finally, after we had worked out in 1952 an inter-governmental arrangement which was essential for the development of power in the international section of the St. Lawrence, Canada agreed, as one part of that arrangement, to construct the navigation works, which could, of course, be started only after the power arrangement had been made. At first we were hesitant about taking on this responsibility but we soon came to accept it willingly, even eagerly. It was a challenge to our national pride and our new national strength, which we knew that we could meet, and which we desired to meet.

Four-fifths of the navigation works would, in any event, be a Canadian responsibility. We would now be glad to take on the other fifth as well. We would have a Canadian seaway in the sense that all the canals and locks would be in Canadian territory; but it would be one which would be open to your shipping without prejudice or discrimination.

Then, at the last moment, your Congress acted; not by following the principles which had been embodied in the international treaty which years before (in 1941) had been worked out between us on a broad and equitable basis, but by deciding to build unilaterally on the United States side of the international section of the St. Lawrence, the two canals which would be required.

To be perfectly frank, many Canadians didn't think too highly of this last-minute participation - either of its timing or its nature. We could, of course, have gone ahead anyway with our own canals in the international section. They would then be in competition with yours from the first day of the seaway, to the great economic disadvantage of us both. Or, alternatively, we could have refused to proceed with the rest of the seaway in our territory, and thereby made your canals useless, or made it impossible for you to build them. We did not do either.

What we did was to say, "Well, now that you have decided, even at this late date, to carry out this construction on your own side of the St. Lawrence, we will co-operate by doing the rest of the work required. We will also build at once one of the canals in the international section. This will be a firm indication of our view that when the time comes, as we are sure it will, that duplicate canals are required along the whole of the seaway, they will be built on the Canadian side of the international section along with those which would in any case have to be built on Canadian soil for the rest of the seaway. Hence, in due course, we will have, but without economic dislocation or international irritation, our Canadian Seaway".

The Canadian Government considered - and still considers - this to be a better way of reconciling national interest and good neighbourhood than by following either of the other courses that I have mentioned.

To revert to the more general question of economic co-operation; this is assisted both by increasing habits and customs of consultation, as well as by such consultative machinery as our recently established Joint United States-Canada Committee on Trade and Economic Affairs; a body which has an important function to perform in enabling members and officials of our two Governments to understand better the interests and views of one another. The day-to-day contacts not only of officials but also of business groups, labour organizations and private citizens of our two countries are also essential to effective co-operation over the wide range of economic activities in which we are involved.

In some cases, also, acceptance of common codes of conduct - established internationally - can help to ensure that our actions do not harm but rather strengthen each other.

Generally what is required on the part of both our peoples and their governments is a recognition of the fundamental similarity of our interests and of the necessity of always keeping in mind that it is seldom to the advantage of either of us to do things which are to the detriment of the other, even in matters not covered specifically by formal machinery or agreements.

In our legitimate and deep concern with relations between us we should never, I think, lose sight of the identity of our basic interests with those of other free countries in the world. Even if we had no regard for the welfare of our friends abroad, and such disregard would hurt us as well as them, it is a simple fact that economic relations between our two countries can never be entirely satisfactory if the rest of the world is not prospering.

Canada's own trading relationship with the U.S.A. is traditionally and often heavily unbalanced in your favour. It is surely in the interests of both countries to work for a better balance. We shall certainly do our best in this regard, especially when we are stirred up by restrictions against our exports to this country - already so much less than our imports from you. Nevertheless, the situation is one where in the foreseeable future it will continue to be necessary for us to bring in the Old World to redress the trade balance of the new.

For these reasons, as well as for more general ones, any policies which you or we might follow and which would be against the interests of other free countries could hardly help being against our own common interests as well.

Except in the most dangerously short-sighted sense, our economic interests themselves point us toward a liberal import policy. As Director Harold E. Stassen of the Foreign Operations Administration told your Congress in 1953:

"Any industrial country such as the United States, which depends on the outside world for 100 per cent of its tin, 100 per cent for its mica, 100 per cent for its asbestos, 100 per cent for its chrome, 90 per cent for its nickel, 93 per cent for its cobalt, 95 per cent for its manganese, 67 per cent for its wool, 65 per cent for its bauxite, 55 per cent for its lead, 42 per cent for its copper, is unwise in terms of its own self-interest to raise new trade barriers."

Similar considerations apply, of course, to my own country.

I recognize that though the long-term economic and commercial interests of both our countries point toward the desirability of liberal trading policies, practical politicians, like practical businessmen, are sometimes subjected to the urgent temptation to compromise with long-term principle in favour of short-term expediency. It should never be forgotten, however, that not only our ultimate economic interests, but the immediate interests of our political and defence policies, impel us toward economic co-operation with each other as well as with our overseas allies and the other nations of the free world. I have said it many times before, but it cannot be too often repeated, that economic conflict and political collaboration are not reconcilable.

To the extent that businessmen, labour groups, legislators and spokesmen for the various sections of our society realize and accept the primacy of these longer and more fundamental interests, the pressures, geographic and occupational, on politicians will tend to strengthen rather than weaken our nations as they sometimes do now.

It was in recognition of this fundamental fact that, in Article 2 of the North Atlantic Treaty, we and you solemnly undertook with our other allies to "seek to eliminate conflict in . . . international economic policies" and to "encourage economic collaboration . . ."

We must endeavour to carry out that obligation, while recognizing that this cannot adequately be done on a continental or even a purely regional basis.

We have agreed, for instance, that codes of commercial and financial conduct must be applied almost universally in the free world if they are to serve our broader economic and political purposes.

We have not sought, and we should not seek, preferential treatment for each other. Our standards of neighbourliness should be comprehensive, not exclusive.

While co-operation between us remains close, it should not be closed. It should also be such as to enable us to be more effective and constructive in our collaboration with others - economically as well as politically. As the communique issued after the first meeting of our Joint Trade and Economic Committee in March last observed, "the economic problems of Canada and the United States can be solved with greatest success in a world where the volume of trade is steady and increasing and where exchange arrangements are of a kind to facilitate its growth". It was, therefore, natural that the representatives of our two countries gave consideration at that meeting to "the need for action towards freer trade and payments on a broad front". Such outward-looking collaboration is not only good for us: it is, I think, good for our friends throughout the world.

We in Canada are especially conscious of the need for such broad policies of co-operation, because while we are very much of the new world, our associations and links with the old world continue to run deep. I know you will bear with me, therefore, if I take a moment to explain why we regard the present situation to be so critical in terms of a need to develop closer and more effective economic relations with our friends and allies abroad.

Since the end of the war the United States and Canada have campaigned together for a more rational system of world trade based on more liberal tariff and other commercial policies. We have stood together through some dark times when everyone else seemed to be going off in another direction, relying on restrictions, quotas and discriminations against us to deal with their external financial problems. These particular difficulties seem to be receding. A number of our friends across the Atlantic are now feeling a new surge of economic strength and they have taken important initiative to lead their neighbours forward in common efforts to achieve convertibility and non-discrimination in trade. It is clearly in our best interests to welcome and encourage these efforts by every means available to us, and to do nothing by our own policies which would hinder and possibly prevent them.

While the opportunities for real progress towards a freer system of trade and payments are more promising at present than at any time since the end of the war, we must nevertheless recognize that the balance of forces abroad - and, indeed, at home - in favour of major progress now is a precarious one. As the Secretary-General of the U.N. reminded us in a speech to the Economic and Social Council a few weeks ago, "the world is still skating on thin economic ice".

A great deal will now depend on whether we in North America are ready and willing to extend the co-operation which will be necessary if recent constructive moves are to continue. Overseas countries are watching with great interest any developments in our two countries which offer an indication of the direction of our trade policies. A positive lead on the part of North America at this critical juncture can, I feel, tilt the balance in favour of progress. By the same token even minor defections on our part are liable to have an influence on the attitudes of overseas countries which goes far beyond their actual impact on trade.

We must, in these circumstances, make it entirely clear that the United States and Canada continue to attach the utmost importance to the development of more satisfactory trading relations between all the countries of the Free World and that we stand ready to pursue the kind of policies which will promote the attainment of these important objectives. We have waited patiently, and we have worked hard to bring about the present somewhat more favourable international economic climate. If we fail to take advantage of the opportunities for progress which now appear to exist, there is a real danger that similar opportunities may not recur, at least for a long time. Nor can we stand still in these matters. If we don't go forward, we will slip backwards.

Though the arrangements and undertakings for broad international economic co-operation made in both our countries may themselves be quite impressive, though the words of our governmental pronouncements be eloquent and virtuous, it is inevitable that questions should be asked as to what extent they are reflected in our behaviour and actions. Are our tariff and import policies and customs practices in keeping with our real national and joint interests? Are our policies with respect to natural resources consistent with our immediate and long term interests and with the requirements of any foreseeable emergency situation? Are our agricultural policies in the best long-run interests of our two countries? Is the example which we are setting to the rest of the world in the economic field generally one which is likely to encourage them to make the forward moves which are in our interests as well as their own?

These are large and important questions. To examine them would, I am afraid, take me beyond my subject and well beyond my time. But the practical value of co-operation between us and with others in our common interests depends very much on the answers to down-to-earth questions as these.

In all these matters - and in many others, our two countries should work closely and constructively together. I hope - as I know you hope that we can do so in the days ahead when our relations will undoubtedly grow in importance and complexity. Above all I hope that those relations - in the economic as well as the political sphere - will be solidly based on the recognition of our interdependence and the reality of a deep and understanding friendship.

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