



## STATEMENTS AND SPEECHES

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Speech by the Secretary of State for  
External Affairs, Mr. L.B. Pearson, made at  
the opening of the International Trade Fair,  
June 1, 1953.

The International Trade Fair is now six years old. Each year it has grown from strength to strength. This year, I understand, it is literally "bursting at the seams". The Fair has won a permanent place not only in the industrial and trading life of Canada but, as your presence here testifies, in the capitals and the market places of the world. In welcoming you who have come from other lands to this opening of the 1953 International Trade Fair, I am sure that I speak in the name of all Canadians.

These six years of growth have been paralleled by the strengthening of the pattern of international co-operation which has extended into many fields and over a widening geographic area. Looking outward at the world from Canada we have witnessed - and we have shared in - a truly remarkable development. Through hard work, through self-help, and with external assistance, the physical reconstruction of the countries which suffered so much from the ravages of war has been largely accomplished. Through the United Nations, collective measures have been taken both to resist armed aggression, and to help bring about a better balance between countries which were the first beneficiaries of the industrial revolution and those which are less developed by our modern material and technical standards.

Through other international associations, effective methods of co-operation and a strong protection for the peace have been built up. In Western Europe, through the development of common institutions such as those which have now come into being for the coal and steel industries, and those which are in prospect for the establishment of the European Defence Community, a significant measure of regional unity and strength has been achieved. Within the Commonwealth of Nations there have been marked signs of a willingness to develop co-operative policies, particularly in the economic field, calculated to strengthen the well-being not only of the members of this association but of other sectors of the world community. In other areas of the free world similar progress towards a greater measure of co-operation could be recorded.

Related to these world movements which have as their central aim the preservation of peace, there has been the fact of the assumption of responsibility and leadership - unsought but inescapable - by the United States. This leadership, which has been bolstered not only by the material might of our continental neighbour, but by the

moral force of a people firmly attached to democratic principles, has contributed much to the progress which has been made both in strengthening the common defence and in extending co-operation in many fields.

However, we must ask ourselves - and the time has come when the question takes on real urgency - do these accomplishments on the fronts of security and political co-operation rest on an adequate foundation?

There is a clear and present danger in thinking that the free democratic nations can make themselves secure through military strength or political measures alone. These are indispensable. But they can be endangered and even nullified if the policies which we pursue on the economic front are short-sighted and inadequate.

Our Prime Minister put this very clearly last month in speaking to the National Press Club in Washington:

"If the free world is to be strong and prosperous and therefore able to deal effectively with threats to its freedom, the economies of the free nations must be as strong and prosperous as they can be made. Free men will stand strong in defence of freedom, even in the face of great hardship; but it is too much to expect them to remain steadfast indefinitely if the future holds little for them and their families but austerity and the fear of depression. Unless the national economies of the free world can be made and kept healthy and productive, Communism would win a bloodless victory without any war, hot or cold. And most of us think that to keep the free nations economically sound there must be a high and expanding level of international trade."

We are still a long way from this goal in the international economic field. That is why many governments, including the Canadian, have become increasingly concerned over the unsatisfactory nature of the economic foundations on which international political and military co-operation is being built.

What is the present picture? Economically the free nations are divided between themselves into dollar and non-dollar groups. The movement of trade between them is still limited by barriers, restrictions and road-blocks both complex and exasperating.

The free world is failing to use its economic resources efficiently at a time when heavy burdens must be borne for the common defence.

The economic and financial policies associated with systems of trade restriction and currency inconvertibility do not contain the elements of a solution. Unless a joint effort is made to change the direction of affairs it is unlikely that the countries pursuing these policies will ever find their way back to freer trade and currency convertibility. On the contrary, the evidence indicates that the prolonged use of such restrictive policies aggravates the underlying difficulties because they provide the wrong economic incentives and lead to an inefficient use

of resources. For some time the fabric of international economic relations has been held together through the provision of special assistance, improvised measures and other expedients. The value of such expedients is diminishing and their existence becoming more precarious.

The unsatisfactory condition of international economic relations, the dangers and weaknesses resulting therefrom, are matters which are now in the forefront of our common problems. They are a challenge to the vitality and endurance of our free societies. Concerted and determined efforts to build a stronger economic framework cannot be long postponed without grave risks both to our common security and to our common prosperity.

These matters are of growing concern to Canada, not only because we depend so much on international trade for the level of our economic activity; but because we feel that they are relevant to the goals which all free peoples seek in this troubled world.

In the post-war period when the institutional framework of the International Monetary Fund, the International Bank for Reconstruction and Development and the General Agreement on Tariffs and Trade was established, Canada played as active a role as any other country in the discussions. Like the other participants, we were anxious that the pitfalls into which countries tumbled in their efforts in the inter-war period to solve the problems of employment and international trade should be avoided in the post-war period. You will agree, I think, that these arrangements for international co-operation and consultation have been of great benefit to all countries that have participated in them.

To achieve these goals we must avoid now any action which would weaken or destroy our faith in international trading and financial arrangements and cause us to revert to a policy of every-man-for-himself and the devil take the hindmost. That way lies economic and political strife and division. There would be no surer way to weaken the free world, and to direct it into the hands of those who would convert it into a totalitarian tyranny than to permit the volume of international trade to start on a downward spiral, with countries again resorting to the unilateral and restrictive measures which brought the level of such trade in the 1930's to a mere trickle. This may be exactly what the forces who are opposed to our free way of life are now contriving. This may be their latest "secret weapon". It may be their economic atom bomb.

Cominform doctrine teaches that capitalist states left to themselves will destroy one another by their internal and mutual contradictions. Apologists for the failure of this doctrine to operate in recent years argue that the stimulant of rearmament and the economic collaboration of the free world have arrested its orthodox development. Therefore, they conclude that if the threat to our security could be withdrawn, or appear to be withdrawn, the economic collapse which Communist theory has been forecasting for years might soon become a reality.

Recent moves on the international chess board may be the first steps in an effort to exploit to the full the weaknesses and divisions which, according to orthodox Communist theory, exist in the economic structure of free, democratic states.

It is not merely a slackening in rearmament that is hoped for, to be followed by reduced business activity in the countries of the West, with consequent political and social difficulties. These are indeed dangers for which Western governments must be prepared. But it is in the field of international trade and international relations generally that the richest prospects for disruption may be discovered and the West split asunder.

Josef Stalin stated the case for this theory plainly last October in an article in "Bolshevik". Noting the disastrous effects of the breakdown of the single all-embracing world market - that is, free multilateral trade - he confidently predicted - once again - that capitalist states would be forced in due course to pursue an independent economic path and would eventually make war among themselves. His successors have not yet repudiated these aims, even though they may have changed their tactical approach to their realization.

Such aims would be well served by a retrograde scuttling into the faulty and out-of-date shelters of a panicky protectionism induced by the insidious suggestion that we have something to fear from the reduction of armaments which should follow genuine peace; that it must bring recession and then depression. That is a craven attitude based on the nervous fluttering of stock market ticker tapes, and no citizen should have anything but scorn for it.

More trade on a wider, not less trade on a narrower basis, is the answer. In normal conditions this would include more trade also with the countries of the Soviet bloc. Our experiences, however, give us the right and the duty to enquire into the motives that may be behind trade overtures from those whose concept of international trade and international relations differs so greatly from our own.

It is highly significant that at the annual meeting of the Economic Commission for Europe in Geneva this year, the Soviet bloc countries set out to preach their own doctrine of more trade to the Western European countries. Their spokesmen argued that it was hopeless to try to achieve a fruitful international balance by increasing exports to the United States; that protectionist sentiment there was so strong that greater competition from abroad would not be permitted. Therefore, it was only by developing its trade with Eastern Europe and reducing its arms burden that Western Europe could save, let alone increase, its standard of living. At the most recent trade talks under the auspices of the Economic Commission for Europe, spokesmen from the same countries dangled attractive looking promises of trade in precisely those goods which the countries of Western Europe are having difficulty in selling in the United States market.

The lesson from this is clear. If no significant moves are made towards liberalizing trade on a broad and freer basis, those who wish to replace our economic system by one in which the state controls everything will be given support and encouragement. So we must strive - on both sides of the Atlantic - to strengthen our economic defences and build up maximum economic strength by liberalising and widening trade.

Some of the disadvantages in the present situation are by no means theoretical or remote. As exporters and importers you must be conscious of these in your daily business. I am sure you all know of export-import agencies which have profited from trade in goods which in conditions of a free market would never have moved in the same direction and probably would not have crossed frontiers. We have seen that, as restrictions grow and harden, the world market has tended to become split up into separate and exclusive compartments within which more and more manpower and equipment gets tied up in producing the wrong things.

Conscious of the harmful economic and psychological effects of trade and exchange restrictions, we in Canada were heartened by the results of the Commonwealth Prime Ministers' Conference last December. While we recognize that these problems cannot be solved by Commonwealth action alone, the fact that the United Kingdom and other sterling area countries showed such real concern about the serious harm that restrictions were doing, and such a genuine desire to remove them, was encouraging. Stress was laid on the need for Commonwealth countries to carry out domestic policies - sometimes difficult - which would curb inflationary tendencies, and would enable them to balance their international accounts without resorting to debilitating import restrictions. Constructive moves to the same end have also been made, as you know, in Western Europe. But the key to the problem is in North America, and more particularly in the most powerful and richest country, and the greatest market in the world, the United States.

Last month I accompanied our Prime Minister, Mr. St. Laurent, on his visit to Washington when he placed before President Eisenhower our views on these international economic problems. We emphasized in very plain terms our fear that political co-operation and collective security did not rest on adequate economic foundations. We stated our opinion that steps should be taken as a matter of urgency towards removing restrictions and permitting an expanding flow of international trade. We pointed out that, for obvious reasons, no steps along these lines could be successful unless there was a ready and co-operative response in the United States. We expressed the opinion that unless a collective effort in which all countries assume the roles and responsibilities which are appropriate to their circumstances, is made to change the direction of affairs, it is unlikely that countries pursuing these policies will find their way back to freer trade and currency convertibility.

If a forthright response comes from the United States, other countries would be immeasurably encouraged to move in the direction of freer trade and an expanding economy. But, if the response is not encouraging, it is difficult to see how these other countries will be able to put through the measures which are needed in order to achieve the desired political and economic results. As our Prime Minister said in Washington, if the other countries are expected to adopt measures to make themselves more competitive, they must be in a position to sell more to the United States.

From both a psychological and a practical point of view, perhaps the single most important step which the United States might take would be to reduce barriers to trade, in particular through a further reduction of tariff levels. The rest of us must be prepared to follow that lead or we have no right to talk about what the United States should do. If, however, we do not act together to this end we will soon reach a "peril point" which it would be folly to ignore.

We hope there will be real opportunities before very long for the downward adjustment of world tariff levels. Existing tariff concessions under GATT are bound only to the end of this year. It will soon be necessary formally to consider how the life of these concessions is to be extended or renegotiated. This would no doubt provide a most suitable opportunity for a fourth round of general tariff negotiations. If it were possible for the United States to play a full part in such negotiations, a significant increase in trade among the free countries might be achieved, and the foundations of political co-operation would be greatly strengthened. Otherwise, the tendencies and trends in the other and wrong direction will increase and bad results will surely follow; political as well as economic.

We must, then, be on the alert and press forward with measures to increase and improve international trade on the widest possible basis. This International Trade Fair is itself a symbol of Canada's interest in such a policy and of her desire to play a part in bringing such a policy into effect.

Sound economic relations cannot be built securely on discrimination and regionalism, or on restrictions and economic nationalism. All past experience proves the harmful consequences or failure to solve the problems of international economic relations. Present dangers underline the truth that our freedom and our unity are bound up with finding the right solution.

Our political security and our economic well-being are interdependent. Short-term solutions which fail to take account of the real world we live in could jeopardize both. While quick to take advantage of any genuine easing of international tension, in our plans we have to think of the cold war not as a passing phase that will come to an end in the next year or two, but as a shadow under which we may have to live and work for a long time. If this assumption turns out to be wrong, and I sincerely hope it does, if there is a genuine relaxation of tension between the East and the West which enables all of us to make

substantial cuts in military expenditure, so much the better. But we would be foolish to base our plans on such hopes until there is concrete evidence of policy and action to support them; in such places, for instance, as Austria and Korea. The only prudent assumption for planning purposes - economic and strategic - is that the threat to our security - to our very existence - will be with us for many years to come.

If this is so, then it is essential, I repeat, that the countries of the free world should do everything they can now to strengthen their economies. The calls on our resources involved in achieving a state of readiness while at the same time meeting the other legitimate needs and aspirations of our people are very great. We simply cannot afford to use our resources inefficiently or wastefully or selfishly.

We simply cannot afford to "go it alone", in this or in other fields, where co-operation is the only key to progress, security and peace. ....Someone once said "Down to Gehenna or up to the throne, he travels fastest who travels alone". In the world of 1953 that saying may apply only to the "Gehenna" part of the trip.

That is why I can say to you that Canada can be counted on to support any measures for extending international economic co-operation and for expanding international trade. We will play our full part in co-operation with other free nations in any collective efforts necessary to establish economic and trade relations on a sound and solid foundation.

We regard such co-operation as basic to the maintenance of peace and the solidarity, security and prosperity of the whole free world.

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