



STATEMENTS AND SPEECHES

INFORMATION DIVISION
DEPARTMENT OF EXTERNAL AFFAIRS
OTTAWA - CANADA

No. 56/21

CANADA - U.S. ECONOMIC RELATIONS

Excerpts from an address by Mr. C.D. Howe, Minister of Trade and Commerce, to The Milwaukee Association of Commerce, Milwaukee, October 16, 1956.

...The Communists--and sometimes others who should know better--refer to Canada as a satellite of the United States. This assertion is so unfounded that it is barely worth denying. Nor do Canadians live in fear that the United States might at some time try to dominate them.

There is, however, in Canada a great and growing pride of country, not anti-American or anti-anyone, but strongly pro-Canadian. We are now engaged in a task, familiar to you, of forging a nation on the North American Continent which expresses the desires and the hopes of peoples of many different racial origins living over a vast area. We have been engaged on this task for less than a century and it is only in comparatively recent years that the hopes of those who founded Canada are beginning to be realized.

Today, Canada is amongst the most rapidly developing nations on the face of the globe--it may indeed be developing more rapidly than any other. It is expanding in all directions--in population, in wealth, in industrial output, in industrial skills. It is beginning to move north as the mineral potentialities of the Pre-Cambrian shield and the power potentialities of our great northern rivers are being realized. Oil and natural gas and iron ore, the sinews of modern industrial might, have been discovered in enormous quantities; not only discovered but are being mined and are already moving in volume to market.

Is it any wonder that there is in Canada a new pride of country? We are in many respects going through the same experience that the United States went through during the nineteenth century.

There are, however, some important differences between your experience and ours. In particular, the United States grew to industrial maturity at some distance from other great industrial nations and at a time when distance was more of a barrier

to communication and commerce than it is today. Canada is growing to industrial maturity sharing 3,000 miles of common boundary with the greatest industrial power the world has ever known.

This fact has been of very great advantage to Canada. Your capital, your research and your technical skills have been freely at our disposal, and your business men have had the enterprise to jump at the opportunities that have presented themselves to participate in Canadian development.

Nor have Canadians sought to interfere in any way with this fruitful inflow of money and ideas. Quite the contrary. There has been positive encouragement, not only by the federal authorities but by the provinces, which have a good deal of direct responsibility and interest in industrial development within their territories. It is recognized by all responsible elements in Canada that much of the impetus in our current development came from south of the border, particularly in those industries in which Americans are so highly skilled and experienced and in which Canadians have still much to learn.

I might interject to point out, however, that Canadians are, in fact, financing a very high proportion of their current expansion. Since Canadians are free to invest abroad as well as at home without restriction, they chose to invest a fair proportion of their savings outside Canada, mainly here in the United States. You may be surprised to learn, for example, that on a per capita basis Canadians have more invested in the United States than Americans have invested in Canada. We are, in fact, your most important source of outside capital. The result is that Canada has recently depended upon outside capital for about twenty-five per cent of her domestic requirements.

Although Canada is only marginally dependent upon outside capital, these figures do not wholly reveal the importance of United States capital, which has been prepared to undertake projects in Canada which, but for American initiative, might still be dreams, rather than actualities. Oil interests from the United States took the lead in the search for oil and gas in Alberta, which after so many early disappointments has paid off so handsomely. Incidentally, the largest and longest natural gas pipeline ever constructed anywhere in the world is now underway in Canada. It will extend from the Province of Alberta at the one end to Montreal at the other. In the West the main line will be 34" diameter and in the East 30". This pipeline, like so many of our gas and oil projects, is sponsored by United States interests, but I am hopeful that when it is publicly financed a majority of the common stock will, in fact, be taken up in Canada.

You in Milwaukee have a direct interest in this line. It may be that Canadian gas will in the near future add to the supplies available in the mid-west area of the United States. And a very large order for large diameter pipe is being filled by a steel mill located here in Milwaukee.

The opening up of the rich Ungava iron fields is another example of United States enterprise. I could cite many, many others. At the end of 1955, United States investments in Canada were valued at \$10.3 billion, a good deal of it concentrated in a few industries, principally oil and gas, mining, automobiles and the electrical industry, but large amounts also invested throughout our industrial structure.

Some of this is borrowed money; some represents minority stock holdings in Canadian companies; a great deal of it represents investment in wholly-owned subsidiaries in Canada, in other words in Canadian branch plants. All of it is welcome in Canada. There is in Canada, and I feel confident there will continue to be, no discrimination against outside capital. I hope that United States capital and enterprise will continue to be freely available to us. We need it. 1956 is the biggest capital investment year in our history. 1957 promises to be as big, if not bigger.

I do have a word of advice, however, to those who plan to establish branch plants in Canada or who are already operating them. Remember that these branch plants are in Canada, not in a state of the Union. They may be closer than branch plants in California or New Mexico but they are still in a different country. We are just as pro-Canadian as you are pro-American. We believe in the Canadian way of life, just as you believe in the American way of life. You will be more successful in doing business in Canada, therefore, if you Canadianize your branch plant operations as far as possible. To be specific, I suggest that you give Canadians a chance to buy stock in your Canadian companies, that you give Canadians, when they are qualified, a chance to manage your Canadian operations, and that you publish the financial results of your Canadian operations. Many United States companies already operate their Canadian plants on these principles with marked success. They have given Canadians both an interest and a stake in the success of their operations, which I suggest is good business for all concerned.

What I have been saying about the operations of United States controlled plants in Canada is capable of application to other aspects of our economic relationships. Consider, for a moment, trade between Canada and the United States. Canada is the best customer of the United States. The United States is the best customer of Canada. Trade between our two countries is greater than between any other two countries, amounting last year to \$6 billion.

But, too often, or so it seems to us in Canada, Americans take it all for granted. They take it for granted, for example, that Canada will continue to buy every year a billion dollars more from the United States than the United States buys from Canada. Americans apparently take it for granted that they will continue to be able to bring raw materials from Canada while placing high tariffs against imports of Canadian manufactures and threatening still further restrictions.

Now I am not saying that Canada is about to retaliate against the United States by raising barriers to imports from this country. I belong to a Government that has moved steadily in the direction of freer trade, which we believe to be in the Canadian interest, and in the interests of a peaceful world. Nor do I overlook the progress that has been made by the United States in the same direction in recent years.

It is just that I am convinced that Americans who sell goods to Canada and appreciate the value of the Canadian market would do well to remind themselves more often that Canada is a separate nation, not a state of the Union, a nation which in the long run can import only as much as it exports. If Americans think more often of their Canadian market in that sense, there will, I am confident, be greater support in this country for the kind of trade policies that will put United States-Canadian trade on an even more secure footing, and that will at the same time result in greater markets for United States goods in Canada.

When I think of how Americans and Canadians can work together as citizens of separate countries, living side by side, each respecting the legitimate interests of the other, I think immediately of the St. Lawrence Seaway which is of such vital interest to the city of Milwaukee. For many, many years Canada tried in vain to get the agreement of the United States to proceed with that great project. Finally, Canadian patience was exhausted. If the United States was not prepared to join in an international navigation project, Canada stood ready to go it alone.

Fortunately, that did not become necessary. Thanks to the unflinching support from communities such as your own, the opposition was overcome, and our two countries reached agreement and began work. I take this occasion to congratulate you on the success of your efforts.

Only a comparatively short time ago, the idea of Canada building the deep waterway by herself would have seemed absurd. But not today. This is a measure of the advance in economic strength of my country in recent years. That Canada stood ready to go it alone is another instance of the growing confidence of the Canadian people in their own capacity.

An international project was greatly to be desired, however, and Canadians have joined with enthusiasm in the construction of both the power and navigation aspects of the work. In fact, most of the navigation improvements are in Canada and will be paid for by Canada. We look forward, as you do, to an immense development following upon the completion of the improvements that will bring the ocean to the heart of the Continent.

I have been most interested to learn about and now to see at first hand the enterprise in preparing for the Seaway that is being shown at American ports along the Great Lakes such

as right here at Milwaukee. Thanks to the foresight and perseverance shown by the authorities of your city, Milwaukee is in a unique position to reap the full benefits to be derived from the completion of the Seaway. Your port is generally conceded to be the best equipped of all Lake ports to handle Seaway traffic as the result of almost thirty years of preparation for the day the Seaway would be a reality.

Our ports along the Great Lakes and the St. Lawrence are preparing, too, to handle a greater volume of business, some of which will come from the United States. As far as Canada is concerned, we hope that the Seaway not only means a new era for us, but that it more than justifies the hopes of those in the United States who supported it. We know that in this project, as in so many others, what is truly in the interests of the United States is also good for Canada.

Large ocean-going ships will, of course, use the Seaway connecting inland United States and Canadian ports directly with ports in overseas countries. This in itself will be a great step forward in the history of both countries. I am inclined to think, however, that the really outstanding benefits of the Seaway will arise from large lake freighters being able to traverse the Seaway all the way from ports like Milwaukee, Chicago and Duluth and Forth William and Port Arthur at the one end to Montreal at the other, without having to trans-ship from larger to smaller freighters which can navigate the present channels. The benefits will come partly from this saving in transshipment costs and partly from the economies which are inherent in the use of large lake freighters, one of the most economical methods of transportation in the modern world. We can look forward, I believe, to substantial reductions in freight costs between lake ports and the Atlantic Ocean...

I have sought today to plant a few ideas that will help you to understand perhaps a little better what is happening in Canada and what Canadians think about their economic relations with you here in the United States. They are simple, not profound ideas. They may be summed up in a few words. If you operate a business in Canada, give Canadians an interest and a stake in its success. If you export to Canada, remember that Canadians can buy only if they have an equal opportunity to sell.

Most of all, I suggest that in your business dealings you do not take Canada for granted. Much better results are obtainable if Canadians are treated as people with as much pride in their country as you have in this great country of which you are citizens.