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CANADIAN-UNITED STATES RELATIONS

Speech by the Honourable Paul Martin, Secretary of State for External Affairs, to a Joint Session of the Canadian Public Relations Society and the Public Relations Society of America, Montreal, November 9, 1964.

I am very glad to have the opportunity of addressing this joint meeting of the Canadian Public Relations Society and the Public Relations Society of America. I understand that this is the first time that the Public Relations Society of America has held one of its annual sessions outside the United States. May I, therefore, extend a particularly warm welcome to our American friends on this occasion. I am sure that this joint session of the two societies on Canadian soil symbolizes the friendly interchange of ideas that is both a continuing and a conspicuous feature of relations between our two countries.

The state of Canadian-United States relations is something which, I believe, can never be very far below the surface of our thinking. That is certainly so as far as Canadians are concerned. And I was encouraged to see Mr. Livingston Merchant, twice United States Ambassador to Canada, quoted on the cover of the current special Canadian issue of the Atlantic Monthly as saying for the United States that "Canada is more important to the United States than any other single country".

The nature of Canadian-United States relations is inevitably compounded -- as are the relations between any two countries -- of the elements we have in common and those in respect of which we differ. To say this is not to coin a commonplace. For the fact is that our relations are so close and cover so wide an area of our respective interests and concerns as to give them something of a unique character. And, because of their unique character and complexity, I believe there can be no real understanding of Canadian-United States relations without some understanding of the elements of which they are compounded.

Canada and the United States are neighbours on this North American continent which we share between us. Important segments of our people look back to common origins and speak a common language. Our public institutions are based on common assumptions as to the rights of the individual and the nature of a free society. We are partners in many endeavours, public and private, to promote our common interests and those of the world at large.

We have made common arrangements for our defence and are allies in the North Atlantic Treaty Organization. We carry on more trade with each other than any other two countries in the world. The same is true of the flow of investment capital across our borders. We are linked by a network of information media that is surely second to none. We are in contact with the same ideas and in large measure participate in a common North American culture.

These are the elements we have in common. In my view, they justify the conclusion that Canadians and Americans have a stake in each other. Inevitably, however, they raise the question which was recently put by Dr. John Conway in an article entitled "What is Canada". The question is this -- are Canadians, then, "simply a variant of the American republic, shaped by the same forces, governed by the same beliefs, based upon a political philosophy which is all but the same"?

Dr. Conway answers the question in the negative and that, I think, is how most Canadians would answer it.

This brings me to some of the differences that distinguish what I might call the Canadian situation from that of our friends and neighbours to the south. It is true that, between us, we share the North American continent. But, while we share it, we fill it very unequally. There are only some 19 million Canadians against about ten times that number of Americans. Moreover, these 19 million Canadians are concentrated along a narrow belt immediately adjoining the United States border, leaving the rest of our vast country relatively sparsely settled.

This pattern of settlement is largely related to our climate. But the important point to remember is this -- between them, our rigorous climate, the relative sparseness of our population and its diffusion over the breadth of a half-continent have important implications for our economic situation. They add to our overhead costs; they provide a productive base which is often too narrow to achieve the economies of scale that make for maximum efficiency in our modern, technological world; and they make Canada a great deal more dependent on outlets for our exports than is true of the United States. This has always been recognized by Canadians. We accept it as the price we pay for our nationhood.

This is another aspect of the Canadian situation in which we differ from the United States. We derive our nationhood from a process of historical evolution. We have never turned our backs on Europe as the United States did at a certain stage in its emergence as a nation. On the contrary, our two founding races have endeavoured to perpetuate their essentially European heritage, to adapt it to their North American environment and, as an ultimate objective, to weld it into a distinctive national pattern and identity. That, in essence, is the subject of the great dialogue which is engaging Canadians at this very moment.

There is one further point I should like to make about Canada, and it relates particularly to the part we play and can play in the world around us. Canada is a middle power. That term is now a matter of common usage, but I think it bears defining. When I speak of Canada as a middle power, I do not, of course mean that we are in some way neutral or non-aligned on the big issues. That would

certainly be far from reflecting our position. What I do mean is this -- that, while we are not a country which, by its very size, strength and economic power, is able to determine these issues decisively, we nevertheless have the capacity and the resources to play a constructive and responsible part in world affairs. In this respect, too, there is, of course, a difference between the Canadian position and that of the United States, which is clearly a big power.

I wish now to say something about the problems we encounter in Canadian-United States relations. Some of these problems are based on special interests which governments on both sides of the border often find themselves in the position of pleading as part of their responsibility for the welfare of different sections and segments of their communities. Other problems between us involve substantial aspects of the national interest, whether it be defence or foreign policy or the balance of payments or the broad conditions of trade and investment. Such problems are an integral part of international life and the measure of our success in dealing with them in the context of Canadian-American relations is the extent to which we can achieve solutions based on the highest common denominator of the interests of our two countries. And, finally, there are problems in our relations which arise not as a result of any deliberate act of policy but simply because of the vast disparity of size and power between us.

I have so far spoken in general terms. I should now like to give you some specific examples of the problems that tend on occasion to trouble our relations with the United States.

First, there is the matter of resource management. It is our view that the natural resources with which this continent is so richly endowed should be regarded as a common asset to be used for our common benefit. We can see little sense in barriers being imposed on the free flow of these resources across our borders. There are indications that this view is coming to be more widely accepted and this is something we welcome.

Second, there is naturally concern in Canada whenever action is taken in the United States, in the tariff field or outside it, to restrict access to that market of this or that Canadian product. Restrictive action of that kind has to be seen in the special perspective of the Canadian-American trading pattern. In particular, we must remember that, in recent years, 19 million Canadians have tended to buy \$700 million more in American goods than 190 million Americans have bought from Canada. We must also remember that both our countries have an interest in the freest possible flow of world trade and that we are engaged in a common effort to reduce world trade barriers through the "Kennedy round".

Third, there is the matter of our balance of payments. We have for some years now encountered deficits in our payments balance that are greater than we should like. The position has improved somewhat in the last year or two, but we must look towards further improvement. This means, in essence, that we must be able to improve our trading balance with the United States. We are aware of the concern of the United States about its own balance-of-payments situation. I should remind you, however, that Canada has made a

positive contribution to the United States balance of payments in an amount averaging something like \$600 million a year over the past decade or so.

Fourth, we have had to rely on substantial inflows of capital to help meet our payments deficit with the United States. This has added to our external debt. It has also made our economy more vulnerable than we should like it to be to disruptions in the flow of international capital. Furthermore, while we have welcomed and continue to welcome the investment of United States capital in Canada, which is now in excess of \$18 billion, this has inevitably faced us with certain problems relating to foreign ownership and control of segments of our economy.

Fifth, there have been occasional differences between us in the foreign policy and defence fields. Such differences -- as over relations with Cuba or trade with Communist China -- are, however, the exception rather than the rule. In substance, our two countries have a similar outlook on world affairs; we are close allies and partners in many areas of international co-operation and, by and large, where there are differences between us, they tend to be matters of emphasis and tactics. We in Canada acknowledge the primacy of the United States in the leadership of the free world, and I think it is fair to say that the United States, for its part, acknowledges the role Canada has played -- and which it would not have been open to the United States to play -- in such fields as international peace keeping.

I have left to the last the problem which is presented for Canada by its contiguity to the United States, coupled with the size, the vitality and the drawing power of that country. This is a problem which has been with us from the beginning and, I suppose, will be with us in the foreseeable future. In essence, it is the problem of our separate and distinctive identity. For my own part, I like to think of it not so much in terms of a problem as in terms of a challenge -- a challenge to our determination to manage our affairs sensibly, to develop our national strength and unity, and to play a responsible part in the world at large.

It is in the nature of things that our bilateral problems should figure prominently in Canadian-United States relations and that pressure for their solution should at times be both urgent and insistent. I am glad to be able to record some important achievements in this field over the past year or so.

We have carried out our intention to maintain close and continuous contact between the two countries at all levels, to ensure "that the intentions of each may be fully appreciated and misunderstanding avoided".

We have settled the issue of nuclear weapons for Canadian forces at home and abroad and for United States air-defence forces in Canada in accordance with previous Canadian commitments.

We have been able to reaffirm and elaborate the principles governing the defence production-sharing programme which is so important to our Canadian industry and which is now nearing the billion-dollar mark in mutual procurement.

We have been able to secure exemption for new Canadian issues from the Interest Equalization Tax.

We are engaged in discussion with the United States looking towards a more rational pattern of trade in automobile parts between our two countries.

We are likewise engaged in a fresh study of our bilateral air relations.

We have been able to restore conditions in which shipping can move freely on the great waterways between Canada and the United States.

We have agreed with the United States on the appointment of a high-level group to look into the possibility of working out acceptable principles which would make it easier to avoid divergencies in economic and other policies of interest to each of us.

We have been able to complete and ratify the treaty covering the development of the Columbia River. This I regard as the most important single achievement of the past year and as a landmark in continental co-operation.

This concludes my review of some aspects of Canadian-United States relations. Perhaps I could sum it up like this -- Canada and the United States each has an important stake in the security and the prosperity of the other. Inevitably, however, there is a disparity in our respective capacity to influence developments and thinking in the other country. Because of this disparity, which in itself reflects a disparity in population and in power, it is essential that public opinion in each of our countries is made aware -- and is kept aware -- of the concerns of the other. It is on this note that I should like to close and to wish you success in your deliberations during the remainder of this week.

s/c