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Notes for an Address by the Prime Minister,
the Right Honourable Lester B. Pearson, to the
Canadian Society of New York, March 5, 1965.

In all this development, we wish to maintain the closest and
In the past two years, Canada's economic performance has been
good - and prospects for this year are equally good. In 1963 and 1964,
our gross national product increased by a total of 14.6 per cent, to
\$46.4 billion. In fact, our percentage increase was greater than yours.

On a per capita basis, and in terms of 1957 dollars, our increase
was 6.8 per cent. Your per capita increase was 5.1 per cent. So we're
catching up to your material standard of living. We may soon achieve your
goal of two television sets in every room and a helicopter for every back-
yard.

On the political front, difficulties in building a strong,
progressive and prosperous federal state, covering more than half a contin-
ent, are being faced. I should be the last to deny that these difficulties
are as great and complex as have ever faced 20 million people. But they
are being overcome. New opportunities are also being seized.

It is the first responsibility of the Government of Canada - as of
any government - to ensure that our national purposes are achieved, that our
economic and material progress is continued and that its benefits are spread
as widely and as equitably as possible among all our people.

In our country - as on this whole continent -, it is inadmissible
that technological and other changes that have led to the affluent society
in aggregate should exclude so many from that affluence.

The record is good, but we are on the threshold of even greater
developments.

Many of these are taking place in the vast space Canada occupies
north of the main population centres of this continent, but they stretch
from Atlantic to Pacific and right across the Arctic - from Labrador to
the Alaskan Panhandle.

These developments range from spectacular iron-ore discoveries
on the Arctic Circle and in Baffin Island to active - and promising - oil
exploration over areas in excess of 34 million acres off our three coasts.

The Arctic iron discovery, for example, indicates, after only two years' work, a reserve of some 22 billion tons; I am told this is four times the domestic U.S. consumption of iron to date, and that this may well prove to be the largest single iron deposit in the world.

New developments under way also include: work on both the Peace and Columbia river systems in British Columbia; planning on Churchill Falls in Labrador; potash discoveries in our prairies that promise to make us one of the world's leading suppliers; and shipment begun this year of lead and zinc from the shores of Great Slave Lake, from what may well be one of the richest lead-zinc deposits in the world.

These are but a few of Canada's newly-discovered resources. They don't even begin to tap what we have - in power, in oil, in minerals and in water.

In all this development, we wish to maintain the closest and friendliest relations with our neighbour.

Neighbourhood is more often a matter of history and of geography than of choice.

But good neighbourhood is a matter of choice; determined by policy and decision and desire.

We do have - by conscious choice - good neighbourhood on this continent. But, just as it doesn't occur of itself, it can also be weakened and ultimately lost by unwise action or by careless neglect.

Good neighbourhood, moreover, between two countries so different in power and in world responsibilities as ours, requires on both sides mutual respect and mutual understanding. It does not mean automatic support for each other's policies. It does mean a desire to give and receive such support conscious and continuous action to achieve it. It means also that, when there are differences, there should be a determination to minimise their effect to the greatest possible extent, to recognize that division means a weakening in the partnership and - in the larger sense - a weakening of the strength of U. leadership in the great coalition to maintain freedom in the world.

In concrete terms, and on the Canadian side, this means that we shall support the United States whenever we can and we shall hope that that will be nearly all of the time. Perfection would be too much to expect.

On the economic front, good neighbourhood means that we in Canada should acknowledge and appreciate the very important part American enterprise and American capital have played in the development of our country - both in its pace and in its pattern. We wish to continue the pace - but we are somewhat worried, as Americans would be in our place, about the pattern. It is a pattern that has resulted in a greater proportion of Canada's resources and industrial production coming under foreign, largely American, control than is the case in any other industrial country. Today, non-resident control, almost entirely from the U.S.A., covers almost 60 per cent of our manufacturing.

Naturally, this worries us because of the effect it might have on our political development as a separate independent state. It would worry us even more if our media of communications or our financial institutions were owned or controlled outside our borders.

While our anxiety in Canada on these matters is natural, we should not (and I assure you the present Government will not) permit this anxiety to express itself in policies that are unfair to our neighbour. We shall take steps, when required, to encourage greater Canadian control and ownership of Canadian resources and production. But we can, and must, do this not by punishing or by unfairly discriminating against foreign investors but by sensible policies to encourage our own.

Among the many things that Canadians and Americans share at the present time are difficulties in our balances of international payments.

In essence, as I understand it, the heart of your balance-of-payments problem is that American private investors have been trying to invest abroad rather more than your country can currently afford, and this has resulted in a drain of your gold reserves. Accordingly, in his Message to Congress of February 10, your President launched a campaign designed to moderate the outward flow of your private foreign investment.

The Canadian Government will always wish to co-operate, to the maximum possible extent, in measures designed to strengthen your economic and financial position, for our fortunes depend heavily on yours. Thus, when the President, shortly before delivering his message, sought assurance from us that our policies were being and would be directed towards limiting any excessive capital inflows from your country to ours, the Canadian Government was glad to give such assurance promptly. Our Minister of Finance then held talks with certain Canadian institutions that had been accumulating funds in your market. And, earlier this week, officials of our Government were in Washington discussing the effects of your programme on financial movements between our two countries.

In this connection, the basic nature of Canada-U.S. economic and financial relationships bears repetition and re-emphasis. It is sometimes suggested that, because Canadian borrowings in New York are often large, Canada must, therefore, be a source of financial weakness to your country. This is, in fact, very far from the truth.

The underlying strength of your dollar - and this is true of any currency - comes from your sales abroad of your goods and services. There is no country in which you make larger sales than in Canada. Indeed, in each of the past ten years your sales of goods and services to us have exceeded your purchases from us by more than a billion Canadian dollars. Canadians run an enormous annual current-account deficit with you.

And how do we finance this deficit? In part, by raising capital in your financial markets. But our net borrowings in this country have never, in recent years, been enough to pay our outstanding bills here. So we pay the rest from the net proceeds of our earnings and borrowings in markets overseas.

Thus, while we may borrow large amounts from you, we are, nevertheless at the same time, constant purchasers of U.S. dollars with the money that we obtain from our overseas transactions. Year in and year out, I doubt if there is any country that gives your balance of payments greater support than Canada.

If, notwithstanding this, we are starved of the capital that we normally raise in your markets, we shall find ourselves short of the funds we need to maintain our purchases in your country. This would offer no solution to your problem and would hurt us. Accordingly, I am confident that, in working out the President's new programme, there will be sufficient flexibility to ensure that an adequate flow of capital into Canada will be maintained, and that our growth and strength will continue to increase to our mutual advantage.

There are some timid souls who wonder whether we shall be able to maintain this growth as a separate and independent country in the face of American pressures. Any such fear in Canada does not arise out of hostility to Americans. Not at all. On the contrary, and paradoxically, a source of the fear is friendship, the fact that we are so close to each other, so much alike in so many ways. We come so naturally together that we Canadians have to keep reminding ourselves that we are separate. We are perpetually under the overwhelming influence of the American way of life. We just don't dislike you enough to insist on the satisfactions that are said to come from being proud, poor and independent. Too many of us would sooner watch the Beverley Hillbillies than the Plouffe Family; we pass up an honest-to-goodness Canadian magazine to read a Canadian edition of some gigantic U.S. production controlled by a corporation whose income may be greater than that of any one of a dozen member states of the United Nations.

Indeed, in this field, the pressures against our own thoughts, our own ideas, and our own diversions are a greater danger to our national identity to our cherished separateness, than anything that could arise from financial control and economic imperialism.

Any reasonably good and patriotic government - as all Canadian Governments are - should be able to take care of its economic development to ensure that it is for the welfare and in the interests of its own people. But, in the face of such friendly and strong pressures, to keep Canadian ideas and feelings pure and national - that is something to daunt the most patriotic and persistent government. Let me put it this way - a Canadian Government should always lead the national horse to national waters. But how can you make him drink from them, even if they are fluoridated? Especially when there is a big pool alongside with every kind of enticing, non-fattening, energy- and pleasure-producing ingredient.

But I am an optimist in these matters; Canada will survive and grow.

There have been some pretty scary headlines about our country in the U.S. press lately. They are almost the only kind of news we get here - news being what it is in our competitive free-enterprise system. One source of such Canadian news has been extravagant talk and some extreme action by separatists. These are only a small percentage of French-speaking Canadians. But they are noisy and a few are violent.

Let me assure you that this noise does not mean that Canada is breaking up or that the Federal Government is giving up. We have our problems of federalism, of relations between the two levels of government. So has every federal union - even the U.S.A.. In our case those problems are complicated and made more difficult at times by the nature of our population. Our Confederation recognizes two founding language groups and cultures, British and French. The fact that Quebec has entered a new and dynamic period of change and development has merely emphasized and underlined that French-Canadians are not going to have their culture denatured by a dominant English-speaking Canadian or continental society. Nor should any Canadian or American wish it otherwise. Our problem is to reconcile this dual basis of our Confederation and the regional nature of our federalism with, first, the necessity of a central Government strong enough to discharge its responsibilities under our constitution and, secondly, the necessity of adapting our political thinking to the new Canada, which is a very different country than it was even 50 years ago. Among other things, nearly one-third of our population are now neither of English nor of French origin.

The building of a strong and united Canada, flying proudly its own Maple Leaf Flag but honouring the traditions and loyalties of its past, is not going to be simple or easy. It wasn't easy 100 years ago. It was done then. It will be done now.

The effort we are now making is itself bound to create some tensions. Facing up to problems always does. Indeed, ignoring them has its attractions for one who wishes to lead a comfortable life - for a time. But avoidance of the issue would merely ensure an ultimate explosion. We can and shall prevent this explosion by working out solutions to our problems. Canada is not rocking. She is rolling ahead. In doing so, we shall become a stronger, not a weaker Confederation - an even more powerful and flourishing state.

When the "going gets rough" at home (as it is bound to at times), we can always forget our own problems, our own differences, by uniting in criticising some foolishness in American policy or some American move that seems to ignore our national identity or affront our national pride. In this way, you are often very helpful in cementing the cracks in our unity. You should be happy to do this service for us. You have much to gain by that strength and unity. There are deep roots to our friendship and our good neighbourhood, and this makes for co-operation and mutual support. When the chips are down and there is a real threat to the basic values and principles that we cherish, we have stood and will stand together.

I think tonight of this need for co-operation and support in the light of the situation in Vietnam.

We need cool heads to assess the meaning of the struggle in South-east Asia. We need hard reason to guide our reactions and decisions. We should not permit either anger or anxiety to sway our judgment.

The first principle is surely that mankind can no longer afford war in the atomic age. This statement might seem a truism were it not for the fact that some Communist governments make an explicit reservation - that so-called "wars of national liberation" are exceptions and must be tolerated

by human society as a permissible form of state action.

We have to scotch this dangerous illusion. Assistance given across frontiers in support of local revolts is as great a violation of the basic rights of nations and the basic concepts of international law as invasion by any other means. Every form of outside interference by force is aggression. Unchecked, it will lead by escalation to general war. Today, we cannot afford any "permissible" kinds of international violence. All must be outlawed.

As I see it, the struggle in Southeast Asia today is basically an attempt to establish the principle that armed assistance from outside to "wars of national liberation" constitutes aggression and must be checked.

How to do this is the concern of the whole international community. It follows, therefore, that the whole community has a responsibility to see that such situations are brought under control. If a single power has to undertake this task, there arises the danger of widening the struggle into general war. So the nations of the world must be ready to produce an alternative.

Such an alternative could lie in the international community itself taking over the responsibility of sealing off frontiers against guerilla infiltration and massively and effectively - and I mean effectively - policing and enforcing international agreements that aim to check and control local hostilities. If the Geneva agreements of 1954 had provided for supervision and policing and enforcement in this way, infiltration of Laos and South Vietnam from outside could have been checked in time.

Today, therefore, the aim of the international community must be to secure conditions in Southeast Asia in which, under international control and international supervision and effective international policing, the states in that area can work out their own affairs and conduct their own policies without interference from any neighbour or any outside power.

If, out of the present awful risk of escalation, we can move to such an international settlement, then the United States can be spared the onerous and ungrateful task of acting alone against aggression, and the world will have taken one more step towards the effective and impartial organization of international peace.

If diplomatic negotiations could be held on the basis I have just outlined, then the resumption of the Geneva Conference of 1954 would be well worth while.

We must seize this opportunity, from the danger we face, before it is too late.

Mr. Chairman, speaking to this Society on March 7, 1952, as Secretary of State for External Affairs of my country, and when the Korean situation seemed dark and dangerous, I said this:

"It would be a great tragedy if our policies should diverge on these Asian questions. It is as important to work together in the Pacific

as in the Atlantic. With understanding of each other's problems and by complete and frank exchanges of views and information, this can be done. But let us not deceive ourselves. The problems of Asia will subject our coalition of peace-loving free states to difficult tests in the days ahead. In meeting these tests, Canadian-American co-operation will be important and must be close and strong."

Those words apply today in a very special way.

United States-Canadian co-operation will be important and must be close and strong.

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