

# STATEMENTS AND SPEECHES



CANADA

INFORMATION DIVISION  
DEPARTMENT OF EXTERNAL AFFAIRS  
OTTAWA - CANADA

No. 67/1 CANADA AND THE WORLD ECONOMY

Speech by the Secretary of State for External Affairs,  
the Honourable Paul Martin, to the Vancouver Board of  
Trade, January 18, 1967.

...In this, the centennial year of Confederation, Canadians everywhere have an opportunity, and a responsibility, to take a hard and searching look at where we have come, where we are, and where we are going. It is in this spirit that I speak to you this evening.

In particular, I wish to speak about the present and potential economic role which Canada plays in the world.

No nation can do justice to itself, or its citizens, or the world community of which it is a part, unless it develops its economic potential to the full.

At the end of our first 100 years as a nation, we must be thankful for the high degree of economic prosperity which is ours and which has placed us among the leading nations of the world. Now, if I may borrow a phrase from the title of that very fine book published by the Canadian Confederation Centennial Committee of British Columbia, we face, not only in British Columbia, but in all of Canada, a real "Challenge in Abundance".

The challenge is threefold: to go on realizing our abundance more fully; to ensure that the benefits of our abundance are enjoyed by all; to see that our abundance is used effectively in the service of mankind, and in accordance with lasting human values.

It is hardly necessary to emphasize to you, members of this city's Board of Trade, that the first responsibility for meeting the challenge of economic development in this country rests with private initiative and enterprise. Yet the role of government, and certainly the national Government, is vital if economic growth is to be maintained. Nowhere is this more true than in the field of relations between Canada and other countries.

One of the most striking features of the past few decades has been the extent to which the interests of nations have become interdependent. We have always, of course, been affected by the actions of others. But now the earlier simple and limited relations between states have given way to a complex and pervasive system of interrelationships which any government ignores at its peril.

As populations have expanded, as technology has advanced, as economies have developed and matured, economic activity has spilled more and more across national borders. Here in Canada we are particularly aware of this trend, and of the international corporation which is its most significant symbol. As you know, the international corporation has its headquarters in one country, but typically it operates in many; its capital and personnel are likely to be multinational; it attempts to rationalize production and distribution throughout the area in which it operates and to which it brings the benefits of efficiency, knowledge and progress.

I am glad that Canadians have played a leading part in these developments and that several Canadian companies are prominent in the list of progressive international corporations of this kind.

However, we see another side of this coin, for Canada is also a leading site for the operations of many such foreign-owned companies. Let us make no mistake about it -- Canada has always welcomed foreign investment, it has been, and will continue for some time to be, essential to our economic development. The benefits to us are evident, but there are difficulties and dangers of which you will be aware.

Economic activity must necessarily take place within a framework of law. The natural tendency may be to assume that the law to which a corporation is subject at its headquarters also applies throughout the area of its operations. This can bring the laws and policies of one country into conflict with another. We have seen cases over recent years in which anti-trust regulation, in itself desirable, has encroached across national boundaries. More recently we have been involved in a profound difference of view as to the national interest in certain cases where attempts have been made to inhibit legitimate trade by foreign subsidiaries in Canada.

A nation must retain full control over its economic destiny if it is to survive, prosper and play its proper role in the world. It is for this reason that I have consistently taken the position that extraterritorial application of the law of another country in Canada was inconsistent with our national integrity and our national status, and was unacceptable to the Canadian Government. This position is, I think, well understood and is now generally accepted.

But the power to determine its economic destiny which a nation must have if it is to realize its full potential involves more than legal considerations. It involves also the degree of influence which Canadians have in the policy-making councils of the major corporations doing business in this country. For this reason, it is natural and proper for Canadians to be concerned about the increasing amount of foreign ownership in our economy.

You will be aware of what the Government is doing to meet and remedy the situation: to establish a code of good corporate behaviour for foreign subsidiaries here, and to encourage greater Canadian participation in companies which operate in this country. In achieving this second objective, the Canada Development Corporation will have an important role to play.

I look forward to the day when we will no longer be so dependent on foreign capital inflows. I do not think we have yet fully exploited all the possibilities of encouraging a greater flow of domestic savings, nor of so regulating our affairs as to promote greater Canadian ownership.

In recent years there has been a healthy controversy concerning the role of foreign capital in Canadian economic development. There is now emerging a consensus on this much-debated topic, which can perhaps best be stated in four principles:

1. We must not discourage or penalize the foreigner who has had the faith and imagination to invest here.
2. We must provide the legal and policy framework in which the foreign investor can make the maximum possible contribution to our national welfare.
3. We must facilitate efforts by Canadians to devote increasing amounts of their ingenuity and resources to productive investment in this country.
4. We must encourage the legitimate and natural aspiration of Canadians to own more of their country's industry, and to exercise greater influence in the making of decisions concerning it.

In considering the question of foreign investment in Canada, we should not lose sight of the fact that Canadians have long been active as investors in other countries. Indeed, in the United States alone, we Canadians have invested more in proportion to our population than the United States has invested in Canada. In other parts of the world (for example, the Caribbean), Canada is among the most important sources of foreign investment. We have, therefore, a twofold interest in preserving freedom of capital movement across international frontiers.

In this beautiful city of Vancouver, Canada's gateway to the Pacific, the importance of international trade is obvious. As with the role of foreign capital and foreign corporations in Canada, trade policy is a matter of primary concern to the Federal Government.

No other developed country is so dependent on world markets as Canada. It is only in these world markets that the fullest potential for some of our new and highly specialized products, as well as our traditional exports, can be realized. With this in mind, the national Government is determined to continue its vigorous and active support for the lowering of world tariff levels and the dismantling of other trade barriers.

The "Kennedy round" of trade negotiations in Geneva is now entering its decisive phase; we are hopeful that it will result in a substantial step forward. With the end of the "Kennedy round", we must be prepared to show imagination in finding ways to liberalize trade still further. We must be prepared to show courage in adapting the Canadian economy to the changes we must expect in the international market place.

We are also very much aware of the potential opening up for Canadian exporters in the Soviet Union and Eastern Europe. During my visit there last fall, I was able to observe at first hand the winds of change which are stirring, and in particular to note the more flexible and decentralized techniques of economic management which are being adopted. Canadians must be alive to the opportunities this will present for more diversified trade, in addition to our present exports of grain and flour. We must be prepared to adapt our normal trading techniques if we are adequately to develop markets for our products in these state-trading countries.

In speaking of the challenge of economic development, I have referred to the vital role which the Federal Government is called on to play in the fields of foreign investment and international trade policy. But economic development within Canada is not in itself sufficient; we must also be concerned with economic development on an international scale.

Unless we can, as a nation, dedicate ourselves to translating into reality throughout the world the economic well-being which we consider essential within our frontier, our own prosperity will remain vulnerable. Unless we recognize the principle of redistribution of wealth which is the basis of Canadian social values, our own social and cultural progress may be imperilled. Unless we place at the disposal of the less-developed countries some of the wealth of human and material resources which we possess, our own security cannot be assured.

It is my personal conviction, which has been strengthened by years of experience in the field of foreign affairs, that aid constitutes one of the best and most constructive instruments we have in our quest for international peace and stability. Self-interest dictates that we should maximize our aid effort and improve the quality of our aid to the greatest possible extent.

It so happens that, as we increase and improve Canadian aid, which is usually provided in the form of Canadian goods and services, we are at the same time making an increasing contribution to agricultural, industrial and technological development in Canada. This is only natural, for aid is a co-operative endeavour and its success depends on the availability in developed countries of highly-qualified human resources, and of a highly-developed industrial potential.

Nevertheless, the immediate effect which aid has on our economic well-being is but a marginal, if important, aspect of the question. As the Minister responsible for external aid, I am proud of the fact - verified every day from the large number of verbal and written testimonies I receive - that it is humanitarian motives and an ingrained sense of social justice which are at the root of the widespread support which Canadians in all walks of life give to the national aid effort.

Because the task of international development is so desperately urgent, and the consequences of failure so potentially dangerous for us all, it is a matter of grave concern that the collective aid effort of the developed countries has tended to stagnate in recent years.

The developed countries, including Canada, must not allow their efforts to lag; they must devote their energies to mobilizing greater resources and putting them to effective use for the benefit of developing countries.

Canada has endeavoured to set an example in this field; in recent years, the Canadian aid programme has increased considerably, and now stands at over \$300 million annually. It is the Government's intention, subject to economic circumstances, to continue expanding the aid programme to a point where, by 1970-71, it will equal one per cent of the gross national product.

We are encouraged by the fact that circumstances are becoming more favourable to the effective use of the aid resources which Canada can provide. There are promising new channels of aid, such as the recently-established Asian Development Bank, and long-established institutions such as the World Bank have expanded their facilities. Equally important, there is a growing body of knowledge of the complex ingredients of economic development.

The immense task of galvanizing national energies towards the objective of establishing an international society of the kind which we are dedicated to create in this country is one that cannot be accomplished through aid alone, and I would not suggest for a moment that economic assistance by itself can hope to provide answers to the problems of continued underdevelopment. Our ultimate objective must be to provide developing countries with the means to support themselves, and, in particular, to procure through the normal channels of trade the goods and services required for their development.

The inadequate growth of trade in the poorer countries led in 1964 to a world conference on trade and development, and subsequently to the establishment on a permanent basis of the United Nations Conference on Trade and Development. Discussions in this forum have already yielded a much better understanding of the nature and magnitude of the problem which must be resolved to permit more rapid economic development of the poorer countries.

Clearly, one of the most urgent tasks is to stabilize and improve the earnings of developing countries from the export of basic commodities, which for many of them account for a large portion of their total earnings from trade. In recent years, lower prices for some of these commodities have often offset the foreign-exchange benefits of foreign aid. Vigorous efforts are now being made to achieve international commodity agreements in sugar and in cocoa. Developed countries, which are often the main consuming areas, have been called on to play their full part, and must be prepared to adapt their policies and make certain sacrifices. The benefits to the developing countries would be immense, and in the longer run we would all stand to gain.

The developed countries must also be prepared to open up their markets to a much wider extent than we have done in the past to the products of newly-established industries in developing countries. You are all familiar with the problem of preventing low-cost imports from disrupting our markets. We in Canada have a good record in working out co-operative arrangements with low-cost producers, and have provided a growing and substantial market for their products.

If all developed countries were more generous in their treatment of these low-cost imports, the burden on individual importing countries would be very slight when compared with the benefits for developing countries. The trading opportunities of all countries, both developed and underdeveloped, would be greatly increased.

It is evident that the problems of international development are both complex and challenging. We should, perhaps, be thankful that Canada is well-equipped, both to help in unravelling the complexities, and to meet the challenges. The Federal Government has a clear responsibility to provide leadership in this field, but it can only fulfil its responsibilities with the full support and co-operation of all Canadians. I am confident that this support will be forthcoming in the future, as it has been in the past.

I would like, for a minute, to speak about the rewards and benefits of a non-material nature which Canadians derive from their participation in the wider world economy. What I have in mind are the personal experiences which we may have, as individuals, and which can enrich our lives enormously.

There is the Canadian businessman, searching out new markets for Canadian products in a distant land where Western visitors have until recently been rare; there is the Canadian technical adviser, learning to work and live with people in a developing country who want to benefit from his knowledge and experience: in these and in other cases, individual Canadians are learning at first hand of the difficulties and frustrations, but also of the satisfactions, that come with a direct involvement in the interdependent world community in which we all live.

There are some in Canada who find cause for concern in the state of our Confederation in this centennial year. True, there are problems, which require skill and patience if they are to be successfully resolved. But let us realize that Canada is one of the truly blessed among the lands of the earth; let us not dishonour our patrimony by petty criticism and bickering; let us try and hold up for the world an example of generosity and understanding.

I have been concerned this evening with Canada's role in the world economy. In Canada's second century, the interdependence of nations will become even greater than it is now, perhaps most noticeably in the economic field.

Canadians have accomplished much in the first 100 years of Confederation. Let us not now become overly preoccupied with our problems here at home; let us rather accept, gladly, the responsibilities and challenges which arise

from Canada's role as one of the world's major trading nations, and one of the world's wealthiest and most dynamic countries. Let us see ourselves as others see us in this international perspective. Let us remember that Canada, prosperous and outward-looking, not depressed and self-absorbed, is the abiding Canada, the Canada whose centennial we honour this year.

It is a time for faith and confidence in ourselves, as individuals, and as Canadians. With this faith and confidence, Canada will realize its great and true destiny.

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