

GOVERNMENT

OF CANADA

STATEMENTS AND SPEECHES

INFORMATION DIVISION
DEPARTMENT OF EXTERNAL AFFAIRS
OTTAWA - CANADA

No. 49/18

CANADA-UNITED STATES: GOOD NEIGHBOURS
BUT ARE WE GOOD ENOUGH?

Text of an address delivered by the Minister of National Defence, Mr. Claxton, to the Economic Club of Detroit, at the Book-Cadillac Club on May 2, 1949.

It is a great honour for me to be asked to speak to your distinguished club.

I have never missed an opportunity to come anywhere in the United States to discuss Canadian-American relations. For a good many years it has seemed to me that the relations between our two countries show a pattern that other countries could study and follow to their profit, security and happiness.

The Common Boundary

Canada and the United States have developed a recognition of mutual interests and an understanding never before seen between any two other nations in the world. We take each other for granted. This is because the shuttle of individual lives and of business relationships across our undefended border have established ties of friendship that are the best basis for international relations. Incidentally the undefended boundary is not the 3,000 miles so well loved by the after-dinner speaker. It is 5,655 miles and every inch of it is undefended. Sometimes we don't even know where the border is.

The ties that bind us are more than material. We share a common political heritage and in the development of our democratic system much of our way has been along a common road. It is not an accident that Canada and the United States are almost the only countries who base their hope for progress and a better life for their citizens on a system in which enterprise is free . . . and our standards of living are the highest in the world.

This boundary line of ours is crossed by the flow of human lives, by births and marriages and deaths, by trade and travel and trains, by hockey and baseball players, by radio and movies, by newsprint both ways, by more of almost everything than any boundary has ever been. Why Canada even exports railway tickets!

I don't suppose that in any like area in the world do the peoples of two different nations mingle to the extent and in the numbers as do the citizens of Detroit and Windsor. What is most important, the association between Americans and Canadians is freely and voluntarily entered into for the mutual benefit of us all. There is no finer illustration of the kind of friendship that exists between our two nations than that provided by the good neighbourhood of these two great cities.

Our record of co-operation has a venerable history. The friendship of Canadians and Americans is not the infatuation of a passing expediency. It is a friendship based on trust and understanding which has matured over many years. In Jay's Treaty of Amity and Friendship of 1794, the following words appear:

"This (treaty) is intended to
promote a disposition favourable to
friendship and Good Neighbourhood."

So far as I know, that was the first time the phrase "Good Neighbour" was used by one nation of another. What two countries could better have begun a good neighbour policy?

Military Co-operation during the Second War

Nearly nine years ago we began a new chapter in the history of international relationships, with the meeting of your President and our Prime Minister in Ogdensburg more than a year before Pearl Harbour when the nations of the British Commonwealth alone withstood the enemy. The outcome was uncertain. Without American aid the Axis powers might be soon attacking our shores. At the President's invitation Mr. King motored down from Ottawa and in the President's car these two old friends sat late into the night discussing the situation and what should be done to meet it.

The next day, after attending church, they continued the discussion and drafted what has since become known as the Ogdensburg Agreement. The agreement of little more than a hundred words established the Permanent Joint Board on Defence "to consider in the broad sense the defence of the north half of the Western Hemisphere". Characteristically the Board was set up by a press release. It was sealed, not with wax, but with the aspirations of two peoples, and it was ratified, not by formal resolutions, but by the common consent of a whole continent.

Hon. Henry L. Stimson, then Secretary of War, came up for part of the Ogdensburg meeting and recorded in his diary that he told the others:

"I felt that it was very possibly the turning point because it marked a major step in American co-operation."

Moreover, Canadian-American co-operation as established at Ogdensburg and developed at Hyde Park was subsequently repeated many times in the pattern of Allied organization which carried us to victory.

One of the first exercises in joint defence that took place was after you had entered the war and an expedition to Kiska was planned to remove the Japanese from that part of our continent. It was the first time that Americans and Canadians had joined together for their common defence. When the Canadian soldiers came to the boundary to enter Alaska it was found that there was no provision that seemed appropriate under your customs regulations whereby not only their personal effects but even their weapons could be entered free of duty. So, of course, the wires buzzed and some very ingenious official, who had a real sense of neighbourhood, as well as a very practical way of getting around difficulties, had your great Secretary of State, Mr. Cordell Hull, write a letter to the Secretary of the Treasury. It was an historic document. It read:

"As a result of informal conversations between an officer of the Department of State and an officer of the Treasury Department, I have been advised that your Department considers that the only way in which free entry can be accorded to these Canadian troops in Alaska is for them to be designated as distinguished foreign visitors by the Department of State.

"It gives me much pleasure to designate the Canadian forces who are now or may later be operating in Alaska in association with the armed forces of the United States as distinguished foreign visitors. These gallant Canadian forces are, I believe, the first foreign troops since Lafayette to stand beside our own armed forces in expelling the enemy from American soil."

Our friendship has stood the strain of war and of peace. As peace broadened the basis of our friendship, war strengthened its bonds.

In all this there are a good many lessons for ourselves and for other nations. The association between Canada and the United States is one of the few occasions when a power of thirteen millions has got along on an equal self respecting footing with a power now recognized as the greatest on earth.

This work together was of the greatest significance leading to the fabrication of the atomic bomb. Canada shares with the United Kingdom and the United States possession of parts of the secret and we are members of the Commission established to deal with it.

The United States built most of the Alaska Highway and helped us with the defence preparations in the northwest. We joined together in the patrol of the Atlantic. Our armies fought side by side. Our men flew together. In special service battalions men of both countries served almost without distinction of nationality and promotion was on an international basis. The American ranks held many men wearing the name "Canada" on their shoulders, and in our forces there were some 15,000 who wore the initials "U.S.A." on their Canadian uniforms to our pride and theirs.

The end of that war did not bring with it that era of peace and security which we all hoped for so fervently. Day by day the democracies are forced to think more and more of our military security, of war strategy and of budgeting for the purchase of military equipment. We have found that the sort of co-operation which won the war is necessary to keep the peace.

Military Co-operation since the War

It seemed sensible that the Permanent Joint Board which had worked so well in our common interests during the war should work equally well in the maintenance of our security. On February 12, 1947, the extension of the existence of the Board was formally recognized in joint declarations by the two governments made simultaneously at Washington and at Ottawa.

Examples of working the close relationship at every level between the armed forces of our two countries:

1. There is a constant interchange of information.
2. Canadian officers are working at American headquarters and American officers are working at Canadian headquarters at Ottawa.
3. At every Canadian staff college and training school in Canada I find American officers. Canadian officers are attending similar establishments in the United States and other countries.
4. We have adopted much the same communication systems, battle procedure, and battle orders.
5. Research for defence is carried on in close co-operation to avoid duplication of effort.
6. As far as practicable we want to standardize weapons.
7. It is in our interest to co-ordinate our universal industrial power.

You are particularly interested in standardization and industrial organization.

Standardization

Canada's experience in the Second World War demonstrates the paramount importance of standardization. Large delays and great expense were caused through our having to make weapons and equipment to British designs but according to North American industrial techniques, procedures and even industrial standards.

Equipment standardization has three aspects:

First, industrial and engineering standards so that parts and tools and metals entering into equipment will have the same standards and be capable of doing the same work. Striking examples are screw threads, sockets for electric bulbs and tubes, and so on. Recently I was informed by the Co-ordinator of Civil Defence in Canada that there were more than 200 different types of $2\frac{1}{2}$ inch couplings for fire hoses, many of which are not interchangeable. As you know, an agreement was concluded between United States, Britain and Canada on standard screw threads. Other progress has been made either in consequence of the work of committees or as the unadvertised practice of industry itself. Industrial standardization will take time as well as goodwill but in the long term it will be of benefit to industry and humanity as well as an asset in the common defence of our freedom.

Second, the second objective of standardization is to bring about the adoption by friendly nations of weapons of the same design or having at least interchangeable major parts.

Because of Canada's close relationship with your country and the United Kingdom we have a very special interest in standardization of design. A major achievement of Canadian skill was the adoption of British design radar to North American standards. Much more must be done along similar lines if we are to take full advantage of our partnership.

In the event of an emergency, Canada would be producing three or four times as many weapons as we would be using ourselves and it would be wasteful of time, effort and money if these were not produced on the same design as your own. Further, Canadian forces would never fight alone but always in association with British, American or other friendly forces. Moreover, the full potential of our industrial capacity in Canada can only be maintained in peacetime and developed in war if the industry of the two countries is integrated so that we each do the things we can do quickly and economically and have all the advantages of planned mass production with which you are so familiar here. A great step forward would be the adoption by the friendly powers of the rimless cartridge and the .300 calibre. We in Canada have decided to take that step but bringing it about is again a difficult matter because we have some hundreds of thousands of perfectly useful weapons with rimmed cartridges and the .303 calibre.

Again to bring about standardization will require time and planned effort. We have a list in Canada of all the weapons we are prepared to standardize on American designs. In fact in some directions it is almost true to say that greater progress has been made in standardization between our two countries than has been made between two services within either country. By agreement with your government Canada recently announced that fighter planes of American design known as the F.86 will be built in Canada for Canadian use. We hope that additional arrangements along similar lines will be possible. Generally speaking, it is not economical for us to make any items of equipment

just for our own needs - the run is too small. We must devote our productive capacity to those things which we can do best and exchange our surpluses for things we need. This implies interchangeability, which in turn required standardization.

Third, the third type of standardization is in some ways the most important and the easiest to accomplish. It is to arrive at designs of equipment in both countries so as to provide for the minimum number of different designs and the maximum of interchangeability of completed equipment and parts.

Great progress is being made here in Detroit and we hope it will continue.

Take that all important equipment, motor vehicles. Today in the modern armies of United States and Canada, we have one motor vehicle for every four men. At the present time in Canada we have on issue or in reserve something like 20,000 motor vehicles. Those 20,000 motor vehicles are of 350 different designs or series requiring an almost equally large number of different sets of spare parts. The Ordnance Depot at London, Ontario, has 118,000 different spare parts for motor vehicles. With you we have been adopting the neutral number system under which in addition to the manufacturers' catalogue we use a neutral number for all parts that are common to more than one car. This has resulted in a large reduction in the number of parts required. One part - "washers lock spring", to use the Army nomenclature, is made by 23 prime manufacturers and used by 155 suppliers. We found that another part was made by 11 different manufacturers which quoted prices for it varying from \$2.10 to \$12.00 for the same interchangeable part.

In order to advise the governments of the two countries in planning industrial organization, on April 12 of this year we set up the Joint Industrial Mobilization Committee to co-ordinate plans for industrial mobilization in the event of an emergency. The committee will exchange information towards this end and will make recommendations regarding such plans as are considered desirable. The pattern for this type of co-operation between Canada and the United States was established during the war by the work of the Joint War Production Committee and the Materials Co-ordination Committee. It is also responsible for co-operation with the Permanent Joint Board on Defence in industrial mobilization matters. The United States is represented by the chairman of your National Security Resources Board and your Munitions Board, whereas Canada is represented by the Associate Deputy Minister of Trade and Commerce and the Chairman of the Industrial Defence Board.

In Canada, because we have so much smaller forces, I believe that our defence organization is unified and streamlined to a degree very much more marked than in other countries and just as I am the Minister for all three services and consequently can effect unification and co-ordination under my own authority, so all defence procurement is done by a single agency in the Department of Trade and Commerce and that agency is advised by a Board representative of industry, the Services and other government departments concerned.

Economic Co-operation

In the field of military co-operation we are applying the lessons we learned in the last war and while much remains to be done generally speaking we have made good progress. But the armed forces of any country must derive their strength directly from their country's economic life. If our two nations are to remain prosperous and at the same time support highly expensive defence forces, then we must have the same sort of economic co-operation between ourselves and other likeminded nations that we have found necessary on purely a military level.

I don't need to say anything to most of you here about the economic and industrial integration between the United States and Canada over the war years. Hanson Baldwin said "The factories of America, the industrial know-how of America and the mechanical competence of America . . . won the war". This is one of the great industrial areas of the world. Detroit was the birth-place of the assembly line. The techniques developed in the automotive industry have been adopted in nearly every type of industrial production. The industrial integration that has been worked out in the Detroit-Windsor area must be multiplied across the continent. The economic co-operation that won the war must be developed to keep peace and prosperity.

Growth of Canadian Trade

Today, we Canadians are your best customers - Canadian exports and imports are greater than your trade with any country. Before the war we exported slightly more than a third of our total exports to your country. Last year, half our exports, valued at \$1.5 billion, went across the border. But even more striking is the fact that we have become your major foreign cash market and, on balance, a heavy net importer from the United States. Last year we bought \$1.8 billion worth of goods, far in excess of what you sold to any other country. The growing industrialization of Canada has been a major factor in our expanding trade.

Growth of Canadian Industry

You are all familiar with Canada's role as a primary producer - our country is a major supplier of a number of basic materials such as wheat, nickel, asbestos, uranium, newsprint, but with Germany and Japan no longer strong contenders, Canada is now one of the foremost industrial nations of the world. The last war provided an even greater stimulus to Canadian industry than did the first World War. Manufacturing production alone more than doubled pre-war levels. And not only was our industrial capacity increased, it also became more diversified. We found we could make many of the goods we had formerly imported - and we could make them as economically as any other country. At the end of the war, Canadian industry quickly and smoothly converted to a peacetime basis and started out on an investment programme that has made heavy demands on our resources of labour and materials.

Capital Expansion for Canada

In the years following the war there has been a tremendous boom in capital expenditures on plant, machinery and equipment to take care of the backlog of deferred investment, to convert wartime plants, to modernize and build up our industrial potential. Last year 20 per cent of our gross national product was plowed back into the Canadian economy in the form of capital investment.

Balance of Trade in Canada

As a result of this expansion, we find that we have to import in greater volume to meet the demands of our investment programme for capital goods and to fill the requirements of our industries for production parts and raw materials not obtainable in our own country. As you know, traditional markets for many of these goods disappeared during the war. In spite of the heroic efforts made by the countries of Western Europe, with the aid of the Marshall Plan, to build up production, we have had to turn to the United States for the greater part of our imports. This created a severe drain on our reserves of gold and United States dollars and late in 1947 emergency measures had to be taken to meet the situation.

We in Canada take some pride in the fact that in bringing our trade with the United States into better balance, we have followed a policy of expanding our total trade by finding new markets for more exports rather than by restrictive measures. Because of the success of the more constructive side of our programme many of the temporary restrictions have since been relaxed. The sympathetic understanding and active co-operation of our American neighbours have helped us to increase our dollar earnings, and the lowering of certain tariffs under the Geneva Trade Agreements and the use of ECA dollars for off-shore purchases have been of great assistance in keeping up our export level.

There must, however, be further improvement in the balance of our trade with your country. World trade is not yet back on a multilateral basis nor are currencies freely convertible. No longer can we balance our excess of American imports against the excess of our exports to the United Kingdom and other soft currency countries. In order for you to keep your valuable cash markets in Canada, we must expand our exports to your country if we are to avoid cutting down on what we buy from you.

The maintenance of a high level of trade between the United States and Canada will be mutually beneficial and will in the long run contribute to national income and employment in both countries. Fellow contributors in the efforts to rehabilitate Western Europe and restore international trade on the basis of mutual exchange, we can set an example to the world by opening the way to freer interchange of commodities across the Canadian-American border. This is the gospel we have been preaching in Western Europe - a policy of closer integration on economic questions. It might be well if we were to put our theories into practice at home.

Canadian Natural Resources

Canada has many natural resources as yet undeveloped or whose development is only in the initial stages. The iron ore of Quebec-Labrador will supplement and may even someday replace the diminishing deposits of the Mesabi range. Our petroleum industry in Alberta is only in its infancy but promises great things for the future. And so it is with coal in Alberta and titaniferous ore in Quebec.

The surface of Canada has only been scratched in turning our resources to industrial use. New frontiers are still waiting to be opened up in this field.

Markets for Canadian Manufactured Goods

Even more important than the development of our trade in primary products is finding additional outlets for our own manufactured products. During the war, Canada found that, by using mass production methods justified by the greatly increased demand, our unit costs compared favourably with yours. As a result of the experience gained in war years and due to expanded plant facilities and better equipment, Canadian industry is efficient and its costs are low. But to achieve the economies that make this possible, we must have mass production and we must have larger markets for our manufactured goods than Canada, with her limited population, can supply.

Only too often our growing manufacturing industries find themselves excluded from American markets. And yet it is our very industrialization that makes Canada your best customer. It is because we need more parts and raw materials, because we have a higher standard of living as a result of our industrial expansion, that we are able to buy more of your goods.

Recognizing their importance, the Canadian Government has taken an active and positive part in the negotiations at Geneva, at Havana, and now at Annecy. Our financial contributions to world recovery are, in proportion to our size and our resources, comparable to those of any other country, including your own. But in spite of encouraging results in developing our foreign trade on a firmer basis, we are still facing serious problems and in our joint interest we must successfully resolve these difficulties. One of our major problems is the fact that trade between our two countries is still out of balance.

Faced with the realities of the present world situation, in which we have not yet achieved a system of multilateral payments, Canada is seeking equilibrium in her trade with different countries by measures that will expand rather than restrict foreign trade. Every effort is being made to stimulate British exports to Canada in order to maintain our markets abroad. This is the policy we would like to see adopted to correct the unbalance in our American trade. Today American tariffs are much more effective in shutting out Canadian goods than our tariffs are in excluding your exports. Only by expanding our exports to your country can we maintain Canadian-American trade at present levels. And to do this, some lowering of trade barriers and a more flexible administration of tariffs should be worked out.

The Strategic Importance of a Strong Economy

Canada's tremendous industrial growth is a strategic asset, not only to ourselves, but to her allies. Only if we can keep up our present levels of productive efficiency will we be able to supply the goods and materials needed for defence purposes. And to do this, we must achieve closer integration in our trade with your country and recognition of our need to use mass productive techniques if we are to maintain our industrial potential.

The Aims of the North Atlantic Pact

The North Atlantic Security Pact recognizes that the good neighbours of the world must together build the defences that will stop the spread of communism. And communism will not be stopped merely by a military alliance.

The Pact commits us to the strengthening of our economic ties, to the encouragement of trade between the signatory nations. We must show the positive superiority of democracy to communism by our prosperity and freedom.

It is the aim of these free countries to work together without thought of aggression, strong in the determination that neither failure from within nor attack from without shall cause any of us to lose the right to "life, liberty, and the pursuit of happiness".

Your great country has shouldered a tremendous burden in the cause of democracy. You have assumed it with the sense of responsibility, the vision, and the generosity that the world has come to expect from America. The Canadian people are determined that they will stand beside you and the other free nations in this the gravest undertaking in defence of freedom.

The Atlantic Pact is an instrument of peace, designed to restrain the spread of communism and the growth of Soviet Power. Since the end of the war, Russia has pursued a course of aggression and conquest. Finland, the Baltic Countries, Poland, Czechoslovakia, Roumania, Bulgaria, Hungary, Berlin and a dozen other names are eloquent testimony to Russian intentions. And make no mistake, what happens to the people of

these countries affects the people of Canada and the United States. Neither Napoleon, the Kaiser, nor Hitler, nor any other great dictator has ever placed or drawn a voluntary line for his conquests. They have been stopped only when the free peoples of the world were able to muster sufficient strength to halt the march of aggression. The world of today shrunk by the weapons of modern war, the speed of modern communications leaves no room for the neutral. Determination to remain neutral is a pathetic fallacy. The sort of aggressor we are faced with cares not at all for any declaration of neutrality.

The North Atlantic Pact will provide such a combination of force, military and economic, that no power could hope to win a war against it. We are determined not to allow Russia to pick us off one by one. This is what Hitler did and what Stalin must not be permitted to do. Acting together the signatories present a preponderance of power that can effectively safeguard the peace. A North Atlantic Pact in good time might well have prevented war in 1914 or 1939. Had Hitler or the Kaiser been faced with the democratic determination represented in the North Atlantic Security Pact, they would have been forced to seek peace rather than war. If we believe in it, foster and support it, it will prevent war in our time.

The Pact conceals no aggressive design whatsoever. Because we have fire engines it doesn't mean we believe in fire; because we have policemen doesn't mean we encourage crime. To the contrary it means that we are sensible enough to take effective steps to prevent damage by fire or by criminals.

On these accounts we have worked with you and the other free western nations to establish the Pact as a basis for an enduring peace. It is another example of a common effort to common ends.

It is with some pride that I tell you of the action that Canada has taken with regard to the North Atlantic Security Pact. Of course, we were in on the discussions from the beginning and it even has been suggested that the first public proposal of the Pact to be made by any national statesman was made at the Assembly of the United Nations at Lake Success in September, 1947 by the present Prime Minister of Canada, the Right Honourable Louis St. Laurent. Last Friday, our Senate and House of Commons each unanimously adopted resolutions approving the ratification of the Pact. On Saturday as Acting Secretary of State for External Affairs, I signed a submission to Council asking that the Prime Minister be authorized to sign the instrument of ratification. That instrument was signed on Saturday and I am happy to say that it was deposited there this very day.

Canada is the first nation to ratify this instrument. We may hope that this example of unanimity and speed of action will be followed to indicate to the only possible aggressor that the democracies can take quick and effective action because action is needed in addition to words.

Good Neighbours

You have observed that the title of my speech is "Canada - United States: Good Neighbours but are We Good Enough?"

As to our being good neighbours, there is abundant and convincing evidence; but what makes evidence unnecessary and words inadequate is that we are linked together by geographical association, economic, social and industrial standards, friendly and family relations . . . as no two countries on earth have ever been.

It is good; it is almost all good, but can our relationship be better?

I believe you will see running through the thread of my talk indications as to how I believe we can further strengthen our good relationship.

1. We should be more positively conscious of our good fortune in having this good relationship. Since you are twelve times as numerous, we are more conscious of this than you are and it might be good for both of us if the United States was more conscious of the advantages of this relationship. Because of our fortunate position and great advantages Canada was after all the only country in addition to the United States which was able to meet all its war payments in cash. After all we are your best customer - our trade together is greater than that between any two countries and American sales to Canada, a country of 13 million people, is only slightly less than your sales to all of the twenty Latin-American Republics put together. Consequently, in your economic planning and legislative action, we believe it to be in your interest as well as our own and indeed in the interest of all-round security and prosperity that the special inter-relationship of the United States and Canada should be taken into account.

2. It should prove possible that even more effective measures can be taken to increase the totality of trade between the two countries, partly by the termination of restrictions, partly by arrangement and agreement between industry and mostly by the recognition that if we are to maintain and increase that trade it can only be done by our being put in a position where we can continue to be your best cash customer by your enabling us to pay for those goods that you have and we want by accepting from us goods which we have and you want to a value which is at least closer to balancing the bill.

3. In our industrial and defence planning and work, we should keep in mind the fact that strategically and industrially the North American continent is one area, the rich resources of which can best be defended and used by the peoples of our two nations if we work together.

It is not for me, a friendly visitor on a friendly soil, to suggest or indicate in any way what action should be taken by the Government or Congress of the United States. With regard to such matters as the St. Lawrence waterways, the extension of the trade agreements legislation, measures to provide for the distribution and procurement of military equipment to and from other countries and other similar matters, it would not be right for me to tell you what you should do - that would be of course justly resented - but I can tell you that if your Congress in its wisdom chooses to pass such measures, it would in no way be upsetting to us because reciprocal action in respect of these matters is the declared policy of the government of which I am a member.

Most of the members of that government have friendly relations with many members of your Cabinet and government. It is just like the kind of relations which so many of you have with your friends in Canada. It is on account of that kind of relationship that our government is in a position to co-operate and take advantage of anything that is possible to the mutual benefit of the two friendly peoples who make North Americans the best of good neighbours.

May 10, 1949.

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