

STATEMENTS AND SPEECHES

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CANADA, THE POUND AND THE DOLLAR

An address by Mr. L.B. Pearson, Secretary of State for External Affairs, before the Canada Club, London, England, on May 16, 1950.

No Canadian, certainly no Canadian whose life has been as closely connected with that of this great city as mine has been during the past thirty years, could be otherwise than deeply moved upon returning to London in the Spring of 1950. Canada, when I left it last week, was in the grip of great winds and tragic floods, and there was still little sign of the warm weather which we count on to fill out the heads on the wheat stalks and to speed up the proceedings on our Parliament Hill. In England I was greeted with a stretch of warm and sunny weather, that put the city in its best light. But my good opinion of London is, of course, induced by something even more substantial than a feeling of well-being on a sunny May day.

I am very deeply impressed with the ever-increasing pace of London's restoration; a restoration which is more than physical. May we who dwell in newer places cherish our inheritance of the traditions and the qualities of this Imperial city and of this land of glory and of hope.

Amongst the new attractions, I think that I detect a cap set somewhat more self-consciously than usual to beguile the tourist, and perhaps a greater sensibility to the foibles and prejudices of the stranger, especially if his travellers cheques are in dollars. These are good changes, even though we may regret the economic circumstances which underlie their importance.

There are other and even more impressive signs that the people of this new "old country" are addressing themselves with energy and resourcefulness to the solution of those persistent economic problems which cling to, as indeed, for the most part, they arise out of the debris of war.

In the long and hard march back to economic stability and prosperity, important results are being achieved. Among them is the impressive increase in recent months of United Kingdom exports to Canada; an increase which, during the month of March, produced for the first time in years a trade balance in favour of sterling. To put it a reverse way, in March Canada had an unfavourable trade balance with both the United States and the United Kingdom. It is not often that a foreign minister would dare express satisfaction over a reverse in the balance of trade which puts his country on the lighter side of the scale. But I think that in this case all Canadians will join me in hoping that these figures will prove to be the harbinger of greater stability in our trade relations; and of that whole-hearted

welcome which will soon be given to all the food and raw materials we can send to this island; a welcome, you will recall, which was very eagerly extended not so long ago. We appreciate, of course, British dollar difficulties but we know also that the United Kingdom will appreciate our desire that Canada should be more than a very present help in time of trouble.

Economic relations between Canada and the United Kingdom are, of course, a perplexing and difficult problem for us both, and it will take more than a shift in trade figures for a few months to solve it. But I hope that we are now on the way to finding a permanent solution to this problem by increased sales of British goods in our country. Of course, we in Canada have our own special set of economic problems, and it is important that people in this country, preoccupied as they are with their own very real difficulties, should also understand ours. I realize that over here eyebrows are sometimes lifted when a Commonwealth country like Canada is unable to swim, or even to paddle, in the sterling pool. We, on the other hand, get a little worried at times because you seem to be putting a high fence around your pool, with terms of admission which are impossible for us to meet. Full understanding and sympathetic comprehension is required on both sides if we are not to allow these economic difficulties to bring about stresses and strains in our relations generally. I am certain that all of us, on both sides of the water, are anxious to avoid this.

Our Canadian difficulties arise largely from the dual relationship of our financial and economic structure to both the dollar and the pound. We have to keep our eyes - and our mind - on both, simultaneously. This produces occasional dizzy spells and at times we think we are getting cross-eyed. Certainly there is nothing we would welcome more sincerely than a good pair of economic glasses to bring things back in focus. Glasses, however, are not provided under the Government Health Service in Canada and people in England may think that for this reason we are less well equipped to deal with our problems of foreign trade. I assure you, however, that within the limits imposed by our policy in commercial and fiscal matters, which is set in the direction of removing control to the greatest extent possible, we are doing everything we can to maintain the balance of our position between the dollar and pound.

The United Kingdom market is of great importance to us, and we shall do everything that lies reasonably within our means to secure and maintain access to it. I am glad that our economy has since the war been strong and resilient enough to enable us to finance a large part of our exports to the United Kingdom through credits of one kind and another. But the economic strength which has enabled us to do this in turn depends largely on our financial relations with the United States. Our economy will soon run down if it cannot keep on buying certain commodities which are essential to us in the United States. This means U.S. dollars, which are as important for us as they are for the United Kingdom.

We have taken measures of our own to protect and increase our supply of such dollars. From time to time we have restricted the freedom of our people to purchase things they want from the United States, including holidays in New York or California. On the whole these restrictions do not sit heavily on the Canadian public, and they are accepted in good part. I mention them here in this company merely to drive home the point that U.S. dollars are our problem too. People here must not be surprised, therefore, to find us, despite our transatlantic location, joining in the current international parlour game of "hunt the dollar".

For the same reason, they must not be surprised to find us vigorously expanding the market for our goods in the United States. Fortunately, we have been able to develop this market enormously since the end of the war. The United States is now our best customer. We hope that we will be able to maintain this development without diminishing our trade across the Atlantic. Above all, we hope that circumstances will not force us to make a choice of markets between the United Kingdom and the United States. We do not wish to have too many of our eggs in one basket - it makes us too dependent on the basket. But we have a lot of eggs - and we have to find some place for them if we can. We would certainly be unhappy, however, if having, for a long space of time, financed, through credits, part of our trade across the Atlantic, we lost that trade through no fault of our own and were forced more and more completely to depend on our dealings with the United States as the basis of our economic strength and development. I mention these circumstances to this audience in order that you may be the better able to interpret our position in this country.

The economic position is, of course, only one part of the story of our relations with the United Kingdom and the United States. Politically also there is a dualism about our destiny. We are of the North American continent and of the British Commonwealth; bilingual, not merely in the French-English sense, but in the sense that we speak English and American. Do not, however, over here write us off as a former colony going swiftly through a transitional stage of dominion status prior to becoming a United States satellite. Believe me, that is not true, nor is this the destiny that lies ahead of a country whose future is as bright as any in the world. That future is based on national freedom, on self-reliance and on self-respect. It includes the closest possible co-operation with, but not absorption by the United States. It includes also the maintenance of our family relationship in that Commonwealth of Nations which has still a great part to play in the world's affairs.

This dualism of our economic and political development has, of course, been frequently apparent in the present century. We have participated in two great European wars, immediately and from the beginning in each case, because our people knew that their own freedom and their own way of life were in danger when western Europe was in danger. On the other hand, our contribution to those wars has been North American rather than European in character. Industrial strength and economic resources, located at a safe distance from the enemy, have been as important as our military effort, and in both cases we have employed these resources to the full.

In the past it was always possible that this dual British-American association might cause us discomfort. When opinion in the United States became strongly isolationist, there were bound to be reflections of this attitude amongst people in Canada. Our membership in the old League of Nations sometimes embarrassed us, because the attitude of the United States to actions of the League could not safely be predicted. When war came, and we were involved before the United States, tensions were set up across our border, to be removed only when, eventually, we were all in together.

There has, however, been a change of enormous importance in our position - a change which is signified by the fact that both Canada and the United States are represented at the North Atlantic Council meeting now taking place in London. As far as the safety of the Western World is concerned, we are now all in together - the United Kingdom, the United States and Canada, and the other members of our alliance. We are in not only "from the beginning" -

a beginning which we hope and plan to prevent. This is a development that goes far to reduce the danger of Canada being out of step with one or other of her great associates; a danger which is inescapable when they are out of step with each other.

This change has taken place primarily because of the emergence of a common danger to the security of all the people of the free Western World, and of the deadly threat to the values of our civilization, which we now face together. I hope that, as a result of the North Atlantic Council meetings that are now taking place all of us in the Western World may become clearer in our own minds and more articulate in our statements about the broad political and social values that we hold to be basic in our society.

In the pressing business of building up our defences so that we may be strong and secure against aggression, we must not overlook the other obligation we have undertaken in the alliance. The North Atlantic Treaty is more than an agreement for defence - it is a declaration of the political faith which we all share, and which we must express in deeds. Our peoples will not be satisfied with a static defensive attitude in interpreting our democratic tradition.

In the years immediately after the First World War there was an unexampled enthusiasm for democracy, for representative government, for human liberty. Looking back at the idealism of those days, we cannot but feel that the disillusionment of the period between the two wars and the moral and physical shock of the last war have somehow dimmed this enthusiasm. The truths upon which our civilization rests are as valid as ever, but they need restating in fresh and imaginative forms which penetrate the hearts and minds of our peoples.

We must never forget that we are competing with a fighting political faith. Russian imperialism has an immensely valuable asset in the political ideology of Communism; an asset which it is exploiting to the full. False and dangerous as the Communist philosophy is, it has captured some of the best minds of our generation. More than that it has captured the consciences of a few men of good will and high intention in our countries. This intellectual and moral threat cannot be ignored or simply repressed. It can only be met by a fresh re-affirmation of our faith in our own ideals and of our intention to apply them in practice.

The appeal of Communist propaganda to progressive forces and men - in the west at least - has certainly suffered a sharp decline. Yet it is far from being vanquished. There are still too many people who in some mysterious fashion continue to equate Communism with social progress in spite of what we now know of the misery and tyranny behind the Iron Curtain. As long as the Soviet Union can make an appeal to this social idealism it has added strength. I think that our primary quarrel is not so much with Communism as such, strongly as we may reject it, as with Communism used as an ideological mask for Soviet imperialism. I think also that in this connection we may play into Soviet hands when we refer to local Communist movements as "left wing" movements and pro-Communist forces of Socialist parties as "left wing" Socialists. The truth of the matter is that the Communists and their henchmen in other parties are political reactionaries. They constitute the fifth column of a reactionary, out-moded, out-dated political faith which is nothing but a road block in the way of progress towards economic and social freedom.

Neither should we ignore the strength of the appeal which the Soviet sponsored peace offensives are having in many lands.

The Soviet Government is exploiting in their propaganda the deepest human desire in the world today; the desire for peace. This propaganda is of course designed to induce people to believe that the Soviet Union is the proponent of peace and that we are the war-mongers. To give one example of this technique I may refer to the campaign which the Soviet Government has waged to prove that its offers to reach a settlement on the control of atomic weapons were fair and reasonable and were unjustifiably rebuffed. To anyone who knows the facts this is a fantastic distortion of the truth. Yet it has taken root in some minds.

On no point has Soviet propaganda been more insistent than that our Atlantic Treaty Organization is politically reactionary and militarily aggressive. The majority of our peoples believe nothing of the sort as their support of the Treaty proves, but that does not lessen the need for us to reaffirm at every convenient opportunity the defensive character of the Treaty and the fact that only openly aggressive character of Soviet policies is forcing us into these great expenditures and efforts for our common defence.

There is another side to our task in the field of political education. Not only do we have to define the values of our own society and comprehend the nature of the danger in which it stands. We have also to engage in the much harder task of never letting the submerged people of the totalitarian countries forget that there still is a free world in which the state is made for man and not man for the state; in which human rights and freedoms flourish. It is also important that they should understand that these liberties are not incompatible with expanding social benefits and economic security for the masses of our peoples.

I know that all these tasks are of the greatest difficulty and complexity, and I know of no easy way to accomplish them. I suggest, however, that we should set about them with faith and sense of conviction. I hope that we will make real progress towards this objective in the meetings we are having this week.

May I conclude by reading you a paragraph from a report which I received recently from the first Canadian diplomatic representative ever to present himself at the Khyber Pass.

"When we got there (the Afghan frontier) we found a chain across the middle of the motor road. On one side of the chain was an Afghan sentry and on the other, a Pakistan sentry. The Afghan sentry was armed to the teeth. He carried a rifle, had a helmet and wore around his waist several cartridge belts. I was not quite sure what would happen if I crossed the frontier. So, standing firmly on Pakistan territory, I held out my hand to the Afghan sentry. He turned out to be just a youngster. When I held out my hand and smiled, his military bearing collapsed. He rested his rifle on the ground, broke into a broad grin, and invited me to step over the chain. I did this and shook him warmly by the hand."

Difficulties on the border of a friendly and well-intentioned country are not, of course, analogous to those we have in dealing with unfriendly Communist despotisms. But one day - God willing - we will reach across the Iron Curtain - as Dave Johnson reached across the iron chain at the Khyber Pass. - and we will find beyond, the friendly smiles of millions of good people, now masked by the hideous iron of Communist repression and cruelty.
