



## STATEMENTS AND SPEECHES

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An address by Mr. Sidney E. Smith, Secretary of State for External Affairs, to the 208th Annual Meeting of the Halifax Board of Trade, Halifax, Nova Scotia, March, 16, 1959.

It is a great pleasure to me to be with you today on the occasion of your 208th Annual Dinner. Nova Scotia is of course, as I may tell you in confidence, the greatest province in Canada for me! It is difficult to imagine a place where I could feel more at ease and more at home than in what was, for many happy years, my Halifax. Set in my native Nova Scotia, Bliss Carman's lines throw on memory's screen many cherished images for all of us:

"From the sea-light of Yarmouth to  
the headlands of Bras d'Or,  
From the swinging tides of Fundy to  
the wild Southern Shore,  
The Gaspereau Valley, the dikes of  
Grand Pre,  
Farms and mines and fishing fleets,  
river, lake and bay,  
Lunenburg and Halifax and lovely  
Margaree,  
Is all the Land of Acadie, the Sweet-  
heart of the Sea."

The Halifax Board of Trade -- the first such body to be founded in North America -- has been throughout its long history an institution that has always played a vital role in the life and business of this great city and its important harbour, Canada's Atlantic gateway to the world.

A city whose life and prosperity are so largely dependent upon the steady and expanding flow of trade can never be indifferent to conditions and developments in other parts of the world. Halifax, like Canada, "looks out".

Your traditional dependence on foreign markets and foreign trade has made you particularly sensitive, throughout all your long history, to changes of policy and economic conditions in your overseas trading partners. I need hardly elaborate this point before a Maritime audience. Many illustrations will occur to you: the effects of the abrogation in 1866 of the Reciprocity Treaty with the United States, and the consequent growth of impediments to exports to the United States of products not the least of which has been fish; the sad decline of salt fish exports to The West Indies which followed upon the blow dealt to the cane sugar industry of that region by competition from sugar beet; and the Maritime apple industry, which was a wartime casualty but which, with the many active steps now being taken to encourage trade between Canada and the United Kingdom, may yet come back. All these could spring to your minds as examples of your high degree of vulnerability to changes in the world climate -- economic and political.

What is true of the Maritimes in this respect is scarcely less true of Canada as a whole, where per capita foreign trade is no less than 3.5 times as great as that of the United States. When one considers that one out of every five Canadians is dependent on export trade for his livelihood, the crucial importance of our external trade becomes starkly apparent. It is of these external economic relations that I intend mainly to speak tonight and, in particular, about the role of Government in the fostering of harmonious international trade relations. Notwithstanding the fact that Canada has a free enterprise economy and indulges in the minimum of state trading, governmental responsibilities have grown tremendously during the past few decades -- grown, in fact, in direct ratio to the ever-expanding network of international economic and trade regulatory machinery. The governmental role has grown, too, as a consequence of its exclusive responsibility for international aid programmes -- of which I will say more later in my address.

But to deal first with trade -- the general objective, of course, of the Government's economic policies is to facilitate and foster trade both by seeking to overcome obstacles which may arise from time to time, and also by striving to create an international atmosphere which will help to expand trade on a world-wide basis. In the pursuit of this objective, it is of prime and increasing importance today to have an intimate knowledge of the policies and intentions of governments, since international trade is more and more being conducted, or markedly influenced by governments. We also find ourselves participating in regular and close exchanges with our principal trading partners. We find economic matters arising more and more in many of the United Nations activities in which we are participating. Indeed, the means and methods of international economic co-operation have been multiplied out of all recognition over the past twenty years, and this is not just a sort of international

Parkinson's Law in operation (although that seems to be a phenomenon present in some degree wherever governments are involved!), but rather a response to the urgent need to bring about a more rational distribution of the world's economic resources to meet the demands of steeply rising populations seeking ever higher standards of living. It is upon a wise use of the international economic machinery that has developed, that much of our hope of achieving a saner and more prosperous world will depend.

Let us glance briefly at some of the more important international arrangements to which Canada is a party. On the widest plane we have the General Agreement on Tariffs and Trade--better known as the GATT -- which commits its signatories to the most liberal (with a small "l") of trading policies -- that is, to expanding trade and economic development on a worldwide scale by means of the lowering of tariffs and the removal of restrictive barriers. The significance of GATT lies in the fact that its 37 member states between them conduct some 80 per cent of the world's trade, and the reductions and bindings of tariff levels regulated under the Agreement affect some 50 per cent of the trade of the signatories. The Agreement has provided the apparatus by which four rounds of general tariff negotiations have taken place at which substantial reductions and bindings have been effected. This is a most significant contribution to the freeing of world trade.

Of a global nature, there is the wide range of machinery and institutions set up under United Nations auspices for the harmonization of international standards and for the expansion of co-operation at the technical level. They include the Food and Agricultural Organization, the World Meteorological Organization, the International Civil Aviation Organization, (with its headquarters in Montreal), the World Bank and International Monetary Fund, to mention only a few. Canada is an active participant in them all. We have also supported efforts both within and outside the United Nations framework to devise solutions to problems of commodity trade. Thus Canada is a member of all the existing international commodity agreements on wheat, sugar and tin, and participates in the work of a number of study groups in other commodities. The value of this commodity by commodity approach, which attempts to consider and to ameliorate the conditions of trade in terms of the problems peculiar to each commodity, was reiterated at the Commonwealth Economic Conference as a means of mitigating the abrupt and short-term fluctuations in world commodity prices.

That Conference, which, as you know, took place last September in Montreal, was itself a most successful example of what can be achieved when a group of like-minded nations come together to expand their trade by all practicable means. Although the immediate objective was the expansion of Commonwealth trade, the participants declared their firm belief that Commonwealth countries should co-operate

in no exclusive spirit, keeping before them at all times the goal of a multilateral trade and payments system over the widest possible area. It was a source of profound satisfaction to the Canadian Government and to Canadian businessmen that as a direct consequence of that Conference a number of quantitative import restrictions were removed or reduced by the United Kingdom, Australia and Malaya. In addition to its economic and trade accomplishments, the Montreal Conference offered renewed proof, if any were needed, of the vitality of the Commonwealth, of its endless ability to grow and to adapt itself to changing circumstances, and, above all, of the unique role it fills in providing what might be called a bridge of brotherhood between North America, Europe, Asia -- indeed, all the five continents on the earth.

Governmental participation in multilateral organizations and conferences of the kinds which I have been describing can do no more than create the framework within which freer international trade can develop. They require vigorous follow-up action by private business interests and by governments to develop trade opportunities and to exercise constant vigilance to ensure that misunderstandings and obstacles do not arise in our dealings with individual countries. Nowhere is this more true than of our trade relations with the United States which play such an important role in the economic well-being of Canada. The founding in 1957 of the Canadian-American Committee, with which some of you, I know, are connected, has done much to facilitate the frank and friendly examination of Canadian and American problems by private individuals and businessmen. At the Cabinet level, the Joint United States-Canadian Committee on Trade and Economic Affairs, the last meeting of which was held in Ottawa early in January, permits the kind of consultation which is essential to the understanding of our manifold mutual problems.

Admittedly there is still room for more effective co-operation and frank consultation at both private and government levels. Consultation, it should be noted, is not an end in itself but a means of eliminating harmful conflict in our trade relations. To succeed, it must include a reasonable expectation that policies complained of will be modified or ameliorated. Consultation for its own sake or to obscure the absence of constructive mutual accommodation could be not only futile but harmful to the good relations between our two countries.

Less than a week ago President Eisenhower announced that a system of mandatory controls was being imposed on imports to the United States of crude oil and its principal derivatives. The justification for this action was said to be the security interests of the United States, but it is the Canadian Government's firm, and we are convinced reasonable, contention that there can be no justification on security or on any other grounds for the application of such

controls to Canadian oil. Indeed, continental security requires that a more rational use be made of such continental resources as these, and the Canadian Government is determined to persist in its efforts to secure unimpeded access of Canadian oil to the markets of the United States. The President has expressed the hope that in the course of further conversations agreement can be reached which will take fully into account the interests of Canada and other oil producing states. We sincerely hope that his expectations are fulfilled, for the Canadian Government is bound to use all means at its disposal to safeguard vital Canadian interests.

What I have said would apply with equal force to the sharing of defence production contracts required to fulfill the continental defence partnership into which we have entered with the United States. It is of the utmost importance that the highly proficient research and development skills and techniques which have been developed in Canada be preserved and expanded and that Canadian materials, finished products and component parts be used in the common defence effort. This participation by Canada can be justified on political, economic and military grounds. A strong Canada means a strong partner in our continental defence. It is sometimes discouraging to learn that these problems which are of such vital concern to Canada are most imperfectly understood by large sections of the American business community. Indeed, there is often a total unawareness of their existence. To you, as businessmen, I say that we must be persistent in our efforts to gain recognition of our rights and interests when working out practical relationships with our good neighbours to the south.

Our problems as a world trader are not, of course, confined to our relations with the United States, important though they are. One aspect of current economic developments which we follow in Canada with interest, not unmixed with concern, is the creation of the European Economic Community or common market and the various proposals -- none so far successful -- for associating with it, in a less integrated grouping, the United Kingdom and most other countries of Western Europe. Because more than one-quarter of total Canadian exports go to Western Europe, our trading arrangements with that area are of the utmost importance. They are also, I need hardly point out, of fundamental interest and importance to this city through which so much European trade passes. A strong, prosperous and outward-looking Europe would contribute to the expansion of Canadian trade, but a restrictive regional trading group would, by contrast, have most serious implications for us.

May I digress from this discussion of our trade problems to dwell for a moment on a related problem with which the Government has been preoccupied of late -- that of the extent of the territorial sea and fishing limits, which is of such great significance to Canada's fishing industry. Canada

maintains that recognition should be given by the international community of nations to the economic needs of coastal states with regard to the living resources of their adjacent seas. At the first World Conference on the Law of the Sea, Canada put forward what has come to be known as the "Canadian proposal" which provided that every state is entitled to a six mile territorial sea and a further six mile fishing zone reserved exclusively for the fishermen of the coastal state. There will soon be a second world gathering to reach agreement on these questions and I can assure you that the Canadian position will firmly remain to achieve agreement on a rule of law which provides every coastal state with an exclusive fisheries jurisdiction.

You, as a group, are perforce more concerned with trade than with aid, yet, from the Government's point of view, aid now assumes a most important role in our international economic relations. Many of the so-called under-developed countries, particularly in the Far East, have only recently won political independence and are apt to fear that economic assistance may serve as a cloak for political interference. Canada, being a middle power and free of any suspicion of a desire to dominate or control others, is an acceptable donor and we, for our part, have accepted the challenge offered by the extreme poverty and economic under-development of many areas of the world and have striven to help those areas to help themselves. Our post-war financial assistance abroad had, by March 31, 1958, totalled \$4.3 billion. Of this, actual expenditures for economic and technical assistance to under-developed countries totalled about \$290 million. The bulk of the remainder went into postwar reconstruction, loans, relief, and subscriptions to international financial institutions, such as the International Bank and Monetary Fund, which play a major part in the creation of the financial climate necessary to the healthy employment of the world's capital resources.

The huge resources which we and other Western nations have devoted as aid to the less-developed countries can be justified on humanitarian grounds alone. You, as businessmen, will agree that it can equally be justified in commercial terms in that it will provide the initial stimulus which will start the self-generating process by which these nations can in turn become our customers and trading partners. There is, too, the consideration that when Canada makes a contribution of this kind, it is more often than not in the form of Canadian goods and services which these countries need and for which they have asked. It is our belief that a programme which is thus based on a mutuality of interest between Canada and our friends in the under-developed countries is best calculated to advance our common objectives.

One aspect of Canadian aid which is of particular interest to the Maritimes is our programme of assistance to The West Indies. There are, of course, long-standing links between Canada -- especially this part of Canada -- and The West Indies. At the present time the islands in The West Indies are emerging toward independence within the Commonwealth. They are doing so under the auspices of a Federation established last year with its capital at Port-of-Spain. This new Federation will be Canada's closest Commonwealth neighbour and we anticipate that our relations with the Federation will come to reflect this special association through greater and freer trade, through increasing student exchanges, and in many other ways. We have already undertaken to provide The West Indies with assistance in their economic development by undertaking to make a total of \$10 million available to them for this purpose over the next five years. The form which this assistance will take is intended to reflect Canada's interest in seeing the bonds of the Federation as such strengthened. To this end, it is likely that the bulk of the funds to be made available to The West Indies will be used for the building in Canada of two ships for inter-island service in The West Indies. These ships will mean to the new Federation what our transcontinental railway meant to Canada in linking the Maritimes to Western Canada in the building of our nation. These ships will, it is hoped, contribute to the development of a viable economy for the new Federation in which the resources of the small and scattered islands may be harmoniously and advantageously, rather than competitively exploited. The consequent development of a broader commercial and industrial system will be of direct benefit as well to the Maritimes with which The West Indies already enjoy such mutually advantageous traditional trading links.

There is, however, a third reason underlying international aid today which is directly related to the cold war now being relentlessly waged between East and West. I cannot leave the twin subjects of trade and aid which have been my main theme this evening without referring, however briefly, to the challenge that we are facing from the Soviet Union on both counts.

In recent years the Soviet Union and its communist partners have launched a trade offensive which is calculated to capture markets in all parts of the world almost without regard to considerations of cost or profit. They have also, from time to time, disrupted the world's commodity markets -- tin and aluminum are two examples -- by releasing supplies at times and in quantities sufficient to create or intensify serious falls in prices. Offers of economic assistance, too, have been and are made on terms which it is difficult or even impossible for the free economies of the West to meet. In actual fact, of course, the countries of the West have done very much more to help the economically under-developed countries of the world than has the Soviet Union and its allies and satellites. But this certainly does not mean

that we can afford to be complacent about it. We must never lose sight of the need to work with the less fortunate peoples of the world and to help them in their long struggle to free themselves from want and fear. Abraham Lincoln said in another context that his country could not endure, "half slave and half free". Our civilization cannot endure when more than half of mankind still lacks the means to free itself from the servitude of grinding poverty. One way or another, these peoples will continue to reach for their place in the sun, and there can surely be no question that it is to their advantage and to our own that they should be helped to find it without succumbing to the false and hollow attractions of the totalitarian way. My personal conviction is that a great -- perhaps the greatest -- factor in deciding their choice will be the proof that we ourselves can give that our way of life -- the free way -- works better than the totalitarian. Thus, from this point of view as well as all others, it is of vital importance that we should successfully and harmoniously solve the common economic problems of the free world.

I have spent some time in describing "Canada's network of international economic relations" and you may ask yourselves what purpose is served by this network; of what use are all these organizations and agreements and study groups, and plans? Any satisfactory answer must be in several parts. First, I must repeat that Canada's economic structure obliges us to look outwards. "It is necessary, at least in thought, to circumnavigate the world in order to see Canadian life and problems clearly" is the way a recent Royal Commission put it. As the world's fourth trading nation then, we have a special interest in the commitment to the world outside our boundaries. Secondly, it is true that for all countries, isolationism, either economic or political, is becoming less and less possible. If on one side, we have greatly increased inter-dependence on an international and world-wide scale, on the other hand, it is true -- and this is the third part of my answer -- that the responsibilities assumed by national governments of today for maintaining and assuring full employment and high living standards in their respective countries can create strong incentives to economic nationalism. No modern government can ignore this fact of life, even if it is committed by tradition to a philosophy of free enterprise. Given our world-wide inter-dependence therefore, and given the categorical imperatives to which the governments of today must respond, we come at the end to a justification for all these many conferences and committees, plans and agreements. The plain truth is that in the field of international economic relations we must either work together or accept the fact that we may well perish together. The Soviet Union could subjugate the world by driving the Western countries into bankruptcy.

As Minister for External Affairs, I am acutely aware that the trading relationships about which I have been speaking, and on which the prosperity of this country is



dependent, are themselves dependent upon the maintenance of peace. It would be quite unrealistic for any of us to ignore the fact that today that peace is threatened by the crisis which the Soviet Union has chosen to precipitate over Berlin.

I am sure that you are all sufficiently aware of the main issues at stake in Berlin to make it unnecessary for me to rehearse in detail the facts of the situation. Suffice it to say that the rights of the Western powers to be and remain in Berlin are well grounded in historical fact and in various four-power agreements, and that the Soviet attempt to alter those rights by unilateral action is an illegal and potentially dangerous development. Although one's reason tends to reject instinctively the possibility that East and West could stumble into war over Berlin, the grim facts are that on the Western side there is a solemn obligation not to abandon the 2.5 million inhabitants of West Berlin to the mercies of the Communist pressures by which they are surrounded, and, on the Soviet side, and apparently equal determination to put an end to the Four Power Agreements by virtue of which West Berlin remains today a window through which communist East Germany can observe a working democracy at close -- perhaps too close -- quarters. Although it is only the United States, United Kingdom and France who have direct occupation responsibilities in Berlin, Canada shares with other members of the North Atlantic Alliance the commitment to treat an attack upon Berlin as an attack upon itself. Canada has, therefore, a direct stake in seeing to it that the pursuit of conflicting interests in Berlin does not lead to war. For Berlin and for adequate negotiations Canada must "Look Out".

As recently as last year the world passed through dangerous moments -- first, in the Middle East, and then in the Far East -- where war was an imminent possibility. The Berlin crisis differs from those earlier crises in one fundamental respect which imbues it with an infinitely more menacing quality. It is that for the first time since the war we are witnessing a direct confrontation of the armed forces of the world's nuclear powers, with neither a buffer territory nor protege states between them that serve to limit the scope and scale of possible hostilities. Because both sides are alive to the ultimate futility of recourse to weapons of mutual annihilation, I am satisfied that neither would deliberately light the spark which could, by inexorable military logic, lead to their use. The danger, as I see it, therefore, lies in war by miscalculation.

It is for this reason that I have repeatedly called for a moratorium on such talk as "if you shoot, I will shoot" -- which only compounds the possibility of error. This is an age of nuclear weapons in which there is no room for belligerent challenges and responses of that nature. It is for this reason that the Canadian Government has called for flexibility in the approach to the problem of Berlin -- the kind

of flexibility which would permit the Western powers to advance concrete proposals of their own without always being caught off balance by an interminable series of Russian initiatives by means of which the Soviet Union creates the illusion that it has a monopoly on peaceful intentions. Although it is difficult, I know, to accord a serious reception to these Russian proposals which follow one on another in bewildering succession, surely there is room for firmness that would stop short of rigidity -- a firmness that would occasionally permit us to say "Yes - provided that" instead of automatically "No - unless".

I am not at liberty to discuss the details of the kind of proposals which Canada has already advanced. These our Prime Minister and I will discuss the day after tomorrow with the United Kingdom Prime Minister and Foreign Secretary when they visit Ottawa. To them we will, however, say, as I say to you now, that while we recognize the necessity to study carefully how best to meet any eventuality, it is Canada's sincere hope and it will be Canada's endeavour that the extremes which must be envisaged in such planning for contingencies will be avoided. We do not regard flexibility and firmness as incompatible concepts and I am confident that our British visitors will fully share the Canadian point of view. We all must applaud Mr. Macmillan's wisdom and strength in these anxious days. Surely the great accomplishment of his visit to Moscow was the declaration to which both sides subscribed, in which they avowed their determination to settle all disputes by negotiation. In the nuclear age, there is no other way.

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