
Remarks by the Honorable George W. Ball,
Senior Partner, Lehman Brothers, New York
City. Before the Canadian Club, Toronto,
Canada on Monday, November 12, 1973.

Whenever I have come to Canada, I have seemed to my own astonishment to generate a sense of outrage, not by what I have said but because Canadians have read into my quite innocent words a meaning I did not intend, nuances that have never crossed my mind and motives that I cannot recognize. No doubt these misinterpretations reflect nothing more than my own inadequacies of expression or the differences between the Canadian and American versions of English. In any event, I shall content myself with that explanation.

I do not say this in a querulous mood; I have invariably felt the warmth of your remarkable hospitality on every visit and you have repeatedly asked me to come back. It is this last phenomenon that I find especially fascinating, for I do not know whether your frequent invitations reflect a puckish sense of humor or a kind of national masochism.

In any event, I fear I must disappoint you today. I have not come to urge that Canada join the United States -- as I have often been quite erroneously accused of doing -- but rather of exploring the possibilities that the United States might become a part of Canada. In other words, would you let us join you?

There would be many benefits from this for both sides. We Americans would once more have a government, while Canada could rival Switzerland as a quadrilingual country -- adding Brooklynese and the Texas patois as its third and fourth official languages.

I will not press for an answer today, yet I urge you to consider the proposal quite solemnly since it would at least ease many of the problems that trouble the relations between our two countries.

It is about those relations that I would like to speak today -- an idea that will come as no surprise to you -- but first let me clear away some of the misapprehensions that seem to be widely held on this side of the border.

The first and most important is that no one in the United States to my knowledge has any deliberate designs on Canada's sovereignty. There is no deep, dark plot to annex Canada, nor has there been, so far as I know, since about 1871. We Americans take it for granted that you Canadians live in a separate country and that you will continue to manage your affairs according to your own lights -- and, in our observation, manage them very well -- and the thought that Canada might ever be incorporated in the United States is totally alien to the American consciousness. Not only do Americans not think about it, but even if they did the idea would seem to raise more problems than it would solve. It would upset that delicate balance of political forces on which America's governmental system depends. So if a plebiscite were taken in the United States today, I am afraid the project would evoke little affirmative support.

That does not mean, of course, that my countrymen do not like you Canadians; quite the contrary. Nor does it mean that, short of some form of merger or consolidation -- I use the words like a banker -- our two countries may not be able to work out common political arrangements and even institutions that will serve several of our common -- or even our divergent -- interests without destroying that ultimate sovereignty to which each of us resolutely clings.

Since abstractions must be carefully qualified, I use the words "ultimate sovereignty" carefully, because unless we are prepared

to turn the clock backwards toward a dangerously fragmented world there is not a chance that either of us could avoid a continuation of that steady erosion of sovereignty which is the process for which the Twentieth Century may be longest remembered.

In the area of military, political, or even economic power, my own country has nothing like the freedom of independent action -- which is what sovereignty is all about -- that it had fifty or seventy-five years ago, and the constraints that hedge us about are getting tighter and tighter.

Today wise policy requires that in most of what we Americans do we must act with the advice and approval of other nations, or at least take their interests into account. When we neglect that policy and strike out unilaterally -- as we have done even recently on several occasions -- we pay high costs in the long run.

In military affairs the very existence of the ultimate instrument of destruction -- nuclear weaponry -- compels us to avoid actions that might precipitate a confrontation with that other great nuclear power, the Soviet Union, just as it has so far tended to restrain the Soviet Union. In political affairs we can no longer send gunboats to impose our will on small nations, while our unhappy experience in Vietnam makes clear that we can no longer successfully interpose force in support of one of the competing sides even in small civil wars. In economic matters we suffer all the ills of other nations, great or small, including balance of payments problems, the expropriation of our industries overseas and the penetration of our markets. Yet most sensible Americans have lived long enough

to know that protectionism creates more problems than it solves, involving far more costs than benefits, so that, even though we make self-pitying and xenophobic noises about how badly other nations have treated us, we will not at the end of the day go very far down that road.

All that I am trying to say, of course, is that all nations and peoples must adjust to an intricate world of counter-vailing forces, and that the day when one nation could act in disregard of the interests of others without paying a high penalty is long since passed. Because nation-states are no longer an adequate framework for the world's economic activities, they being rapidly outpaced by the creation of other institutional arrangements. We are witnessing, for example, the rapid evolution of the multinational company about which so much sense and nonsense is being written today -- an economic improvisation that derives from the obsolescence of the nation-state at a time when our entrepreneurs are learning to shape their plans and visions in the spacious terms of a single world market. Recognition of that obsolescence is implicit also in the decision of ^{some} ~~ten~~ nations of Europe to merge their national markets into a vast common market that operates under the surveillance and jurisdiction of common institutions. Finally, there is the emergence of a whole congeries of international institutions designed to provide common rules for economic activity under the tutelage of common organizations created by treaty or other arrangements among the member-states. There is the OECD, which enables the major industrialized powers of Europe, North America and Japan to harmonize their separate economic policies within the framework of

an accepted body of principles; the International Monetary Fund which, at least until two years ago, effectively administered the Bretton Woods rules governing our international financial dealings; and, finally, the GATT, designed to provide a forum for the negotiation of common trading practices.

Imperfect as these may be both in scope and authority, the acceptance of common rules by definition restricts the sovereignty of the participating states.

It seems to me clear that these trends will continue, for, as the world becomes more crowded and complicated, nations will find it less and less possible to act unilaterally. We are, for example, now finally aware of the dangers of environmental pollution that pay no attention to the political boundaries of nation-states, while the full implications of economic interdependence are becoming more and more evident as mankind comes face-to-face with the finite character of natural resources. For tomorrow we will no longer face the problems of how to dispose of surpluses; we will face the harsh realities of scarcity. Before long, in fact, we must tackle the development of adequate allocation machinery on a world scale to deal with competing needs for our finite stock of natural resources, particularly as the exhaustion of one material after another will require intricate adjustments for the development and exploitation of substitutes.

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That/ is the world environment -- briefly and perhaps too starkly outlined -- in which we must necessarily discuss relations between our two countries. As we move toward an age where national

sovereignties in the classical political sense no longer control the hard decisions facing all of us, we shall be compelled to turn more and more to new forms and structures for the development of common solutions to common problems that overleap national boundaries.

This larger perspective should, if we are rational about it, enable us to discuss the relations between our two countries in calmer voices than has been the case in the past, particularly because our countries are no longer so sharply divided in their policies with regard to other areas of the world. Without deliberate intention my own country has, within the past three or four years, tended to shape its policies more in accord with those of Canada -- while events have made other disagreements moot.

For a long while our two countries disagreed in their policies toward China, with Canada favoring recognition at a time when the United States was still lost in juridical confusion over the existence of two Chinese governments. Now America has established communications with Peking, Mr. Kissinger is including it in his regular travel itinerary, and Washington and Ottawa are no longer disputing the issue. The same is partially true of relations with Moscow, since bilateral diplomacy between the United States and the Soviet Union has^{now}/conjured up that fragile and elusive state of affairs known as detente. Finally, America's military involvement in the civil wars of Indochina is rapidly passing into history, thus removing another prickly argument that for a long while imposed severe strains on Canadian-American relations.

Thus, there is little in the substance of international politics about which we any longer disagree -- although we may still

have arguments about method. Which leaves us with little more than tradesmen's arguments, and in that narrow sector we should be able to find the means to reconcile our diverging interests without painful dispute, especially if we conduct the dialogue with a minimum of passion and metaphysics.

To be sure, there is a particularly troublesome problem of pollution that concerns many Canadians -- how to preserve the purity of Canada's ^{cultural} environment -- but that is, I am afraid, not amenable to effective political action. No doubt the United States does exercise what is often a lamentable influence over Canadian culture through television, radio and advertising, the circulation of books and magazines, the attraction of American universities and so on. But if there is one point on which we can have no disagreement, it is that neither of our countries can inhibit the free flow of ideas, whether good or bad, benign or malign, without doing violence to its own traditions. You are not going to jam our television or radio, burn our books or exclude our magazines from your mails. All you can realistically do is to encourage your own instruments for cultural expression; subsidize your motion-picture industry to produce admirable Canadian movies, as you have been doing; provide both funds and freedom for your national television and radio and give some special advantages to your own magazines. All such actions are clearly within your national judgment and not subject to any legitimate American complaints, but you cannot do much more than that. You cannot encyst your culture in an enveloping shell of protective restraints without suffocating it; it will have to hold its own in the world market place.

So, if one grants that the United States has no conscious design to limit or impair Canada's political sovereignty, and if there is little Canadians can do by protective action to preserve the purity of their own culture, then it would seem to me that the only area of serious controversy between us is the field of commerce and economics, where it should be possible to quantify projected costs and benefits at least in orders of magnitude.

What, in general terms, are the essential elements that must be taken into account? The United States has capital, technology and a great market. Canada has natural resources, including an enterprising labor force. Canadians fear that American capital will be used to seize the levers of power over Canada's economic life, control her industries and acquire ownership of her resources.

The fact that American capital is essential for the rapid development of Canada's natural resources and that both American capital and the American market are necessary to the growth of Canadian industry adds special complexity to the equations Canada must solve, which, it seems to me, comes down to these: How can Canadians be masters in their own house if the decisions that govern Canada's industrial life are made by absentee managements? How can Canada best develop her natural resources, taking full account of the need for sound conservation practices, in a manner that will contribute most to the Canadian economy and the improvement in the standard of living of the Canadian people -- if that development is under the control of American entrepreneurs? Finally, how can

Canada best use the leverage provided by her national birthright of natural resources to assure the improvement and enrichment of her national life in a time of increasing world scarcity?

There is, it seems to me, a considerable misconception with regard to the ownership of Canadian companies by multinational corporations domiciled in the United States. In my experience, there are remarkably few occasions when corporate decisions are made in terms of the national interest of the ~~company~~^{country} in which the corporation has its home base. Instead, they are made for what is deemed to be the greater profit of the corporation. I can think of few circumstances where the management of a great Canadian company such as Massey-Ferguson would make a decision different from that made by an American company such as International Harvester merely because one had its juridical base in Canada and the other in the United States.

One exception to this rule is, of course, where the United States Government has -- as has occurred from time to time -- sought to impose its own national policies or prejudices on Canada through the extra-territorial application of American laws, particularly those having to do with the regulation of exports to China or Cuba.

I have always regarded this as a thoroughly misguided practice. I opposed it when I was in a position of responsibility in my own government and succeeded, in certain instances, in preventing what seemed to me quite unwarranted interference in the affairs of other nations. It is a practice born of an excess of bureaucratic zeal and, in my view, has little survival value.

Fortunately, the modification of America's misguided attitude toward trade with the Soviet Union, and particularly with China, should go far to remove abrasive problems of extra-territoriality.

But if one rules out any attempt by the United States Government to extend the application of its domestic law beyond its borders by exerting control over parent companies of Canadian subsidiaries, the physical locus of the power of decision over corporate affairs should not be of serious concern. It should be of even less concern as the multinational corporation evolves toward an increasing degree of statelessness by diffusing ownership internationally through the sale of equity and convertible securities abroad, and by progressively expanding the base of management and boards of directors to include nationals of countries in which it operates. This is a trend that may take time to express itself fully, but it is, I think, almost inevitable.

In time we shall have to face up to the need for some kind of international supervision over the operations of multinational companies. Five years ago I put forward a proposal for the international chartering of such companies in a speech in London, but the suggestion was, I fear, some years ahead of its time. What I had in mind was that, in order to preserve the values of the multinational company as the best institutional means yet devised for assuring the most efficient mobilization and deployment of world resources,

we would need effective means for supervising the activities of multinational companies wherever they might operate in the world, while at the same time discouraging nation-states

from imposing suffocating requirements and restrictions on their local operations -- requirements and restrictions that might be at cross purposes with those of other states. The result would be to destroy the mobility of the key factors of production on which the values of the multinational corporation depend. With this in mind, I proposed consideration of an international treaty that would, on the one hand, charter corporations prepared to submit themselves to the regulation and surveillance of an international body created by it, and at the same time establish a common body of rule binding on signatory states, that would define the areas in which they might properly interfere with the operation of such international chartered companies.

Oh, well, nothing has come of that but, sooner or later, it seems to me, we shall need to devise some such scheme as a means of reconciling the competing and often conflicting interests of multinational companies and nation-states. Until that day we will have to struggle along without any agreed set of rules.

This leaves the problem for Canadian decision: How far can it go in trying to assure that absentee managements conduct the affairs of Canadian subsidiaries so as best to contribute to the welfare of the Canadian people without discouraging the flow of capital on which the future of Canadian industry depends? For, let there be no mistake about it, the constant infusion of investment capital is essential to efficient production and, unless your industries are enabled to produce on an efficient basis, you will pay high costs not only in the loss of export markets but also in the standard of living of the Canadian people.

In the United States we have been debating another facet of the question. Protectionist advocates have been contending that the export of capital in the form of direct investment abroad results -- so they phrase it -- in the export of American jobs. It is a highly dubious argument, yet widely believed in labor circles in my own country. But, granting its validity, what about the converse? Will the export of capital in direct investment form by Canada result in the creation of Canadian jobs? In my opinion, it will -- which is a matter of obvious interest to a nation sorely troubled by unemployment. Yet I find at least one Canadian authority who seriously argues that, because of what he considers "Canadian vulnerability," investments by multinational companies might serve to reduce employment.

When one approaches the problem of how Canada can derive the greatest benefits from its natural resources, the equation becomes even more complex. Today we see that problem best expressed by a world concerned over energy supplies and costs. Once a surplus producer of oil, the United States is increasingly becoming a deficit nation and, over the next few years, we shall grow more and more dependent on oil imports from the troubles areas of the Middle East. One can understand, therefore, a declaration by my own government that America must become self-sufficient in energy by developing alternative sources of supply, while at the same time Canada has indicated that it does not intend to ship oil freely to the United States without looking first at its own requirements.

All this, of course, is natural enough, yet I cannot help feeling a certain sadness when governments adopt goals of national

self-sufficiency with respect to any commodity, for the end result is likely to be a woefully inefficient use of resources.

Fortunately, we North Americans need not fear our energy shortage in the long run. Those of us south of the border sit on vast coal reserves still only marginally exploited, and we shall inevitably have to devise improved technology for reducing to more usable form the energy derived not merely from coal but also tar sands, shale, uranium and other sources. It is by no means an insoluble, or even a very difficult, problem. All that is needed is time and capital. But, in the meantime, if we pursue strictly national policies toward energy, we shall each incur unnecessary costs.

I am not suggesting that the United States in Canada's position would behave more rationally; faced with a period of stringency, ~~I suspect~~ *it is possible that* we would make the same national decision to keep our resources primarily for ourselves. Yet, in the long run, it seems tragic to me that you and we have not been able to devise a common energy policy, just as we have been unwilling or unable to devise a common approach that will assure the most productive use of the raw materials that lie beneath the surface of this great continental land-mass that we share.

You will note that I offer no specific suggestions today as to how any of these problems can be solved. In the long run, the answers must come from you to a far greater extent than from the United States. They are Canadian national decisions and the answers must largely be in terms of how much you are willing to pay in productivity and in a somewhat lower standard of living in order to preserve values that seem of major importance to you as Canadians. There are many economic consequences of living next to the United

States that cannot be altered or deflected, or even greatly mitigated by Governmental action.

Yet they are not decisions that can be made as though Canada were an island existing apart from the turmoil and conflicts elsewhere in the world. Consider, for example, the possibilities of friction between our two countries resulting from the decision of the Arab states to stop the flow of oil to the United States. From official statements that have so far been made, it would appear that Canada may halt shipments to the North Eastern United States from American-owned refineries built in Canada exclusively to serve the American market, so as to avoid the risk of Arab reprisals because a quarter of the feed-stock is from Arab sources in the Middle East. Yet, if that decision adds materially to the United States' fuel oil problems this winter, there will inevitably be resentment against Canada. I hope it will not happen but one cannot rule out as part of the emotional backlash that my country might be led to such a foolish act of retaliation as to shut the Portland, Maine, terminal of the pipeline that supplies Montreal with crude oil.

Even those Americans not fully committed to United States' policy toward the Middle East would still find a Canadian action of this kind hard to justify. The proximate cause of Arab resentment was the United States' re-supply of the Israeli armies during the recent war, and what would Canadians have wished us to do, in view of the fact that the Soviets initiated supply of the Arab armies and that an American refusal to supply Israel would have inevitably condemned it to defeat?

Even those Americans who had criticized Israel as overly obdurate in refusing to make territorial concessions felt that the United States had no option but to respond to the Soviet challenge in order to maintain some balance on the battlefield, while efforts could be made to bring about a cease-fire -- now achieved largely through American initiative.

The question this incident poses is, it seems to me, for Canadians to ponder seriously, since it illustrates the problems of conflicting policies that arise between two nations where one feels required by its preponderance of wealth and power to try to play a responsible role in world affairs. I do not mean to contend that my country has always played that role wisely. I differed with my own Government's policy over Vietnam, as many of you know, and I never blamed the Canadian Government or the Canadian people for their lack of sympathy in that unfortunate affair. But the situation in the Middle East is, it seems to me, quite different, since the failure of the United States to resupply the embattled Israeli in the recent war would not have been an act of neutrality, but an act decisively favoring the Arab side. In that event, not only Israel's chances for survival but any serious possibilities for a peaceful solution of the tangled Middle Eastern problem would have been hopelessly prejudiced.

I say this today not in an effort to pass judgment on the decisions of your Government, but merely to raise what seems to me to be a question that well illustrates some of our many problems of living together on this continent. I need only add that if Canada were an oil deficit country facing a severe fuel and energy crisis, I would not have raised the question at all.

If there is one point I have tried to emphasize this noon, it is that, though Americans may be obtuse and often insensitive to Canadian feelings and ill-informed as to Canadian attitudes, they harbor a high degree of goodwill toward Canada. Nor is there an ambition in my country to interfere with your freedom of decision. So I have read with perplexity assertions that Americans, including myself, have been urging Canadians to give up their political or economic independence and become, as one eminent Canadian has described it, a Scotland to America's England. All that any of us have done, to the best of my knowledge, is to consider the problem you face in sharing the continent with a restless elephant and consider it with sympathy. If some of us may have from time to time speculated as to what may be the nature of your national decisions in the long run, when one takes into account all of the factors involved, still have -- to my knowledge -- never urged or advised Canadians to take any national decision unless our advice was explicitly sought. For we Americans are, believe it or not, far more modest than you think.

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