

The plus and the minus

In 1972 the world environment was relatively congenial to Canadian aspirations. East-West relations both in Europe and in Asia continued to improve. The chances for concluding a cease-fire in South Viet-Nam seemed better. Elsewhere, as in the Middle East, the prospects were less promising and the uneasy truce was marred by outbreaks of violence. In Cyprus, where 500 Canadian soldiers still remain after eight years of service with the United Nations Force, the search for a negotiated settlement was still going on. Efforts to obtain international agreement on principles of pollution control bore fruit, and some progress was made toward clarifying the issues at stake in the Law of the Sea. Exports grew by 12 percent over 1971, although the balance of current account resumed its deficit position after two years of surplus. Foreign aid disbursements increased by 21 percent. The devaluation of the US dollar may have had little domestic effect in Canada, but the close interaction of the two currencies resulted in somewhat increased competitiveness for Canadian exports.

The entry of Britain into the European Community ended the old Commonwealth preferential system and raised the prospect of further barriers for Canadian exports, although in the long run British membership was expected to strengthen Canada's relationship with the European Community as a whole. The lifting of the U.S. import surcharge did not exclude the uncomfortable possibility that the difficulties which led to its imposition could reappear. Growing imports of overseas oil and the potential effects of the U.S. balance of payments and security added a new dimension to the debate about the development of Canada's North and over policies of resource conservation and foreign ownership. If the devaluation of the dollar was not in itself disrupting except to Canadian tourists, Canada had reason to be concerned, like everybody else, about the shaky state of the international monetary system.

Hemisphere developments

The United States is Canada's closest neighbour, best customer, and strongest ally. But Canadian and American interests do in fact differ in important respects,

which difficult negotiations early in the year on the future of trade in automobiles and defence products made clear. The proper management of this relationship which encompasses a vast array of questions ranging from strategic defence to, for example, pollution of the Great Lakes (an agreement on which was signed in 1972), is Canada's greatest external challenge. In October, 1972, following Cabinet discussion and approval, the Secretary of State for External Affairs published a study entitled "Options for the Future" which concluded that the best means of achieving the goal of living distinct from, but in harmony with, the United States was for Canada to pursue a comprehensive, long-term strategy of developing and strengthening the Canadian economy and other aspects of its national life. The principal means of conducting this policy would be domestic, not external, but it implied a concerted effort to diversify and expand the scope and dimensions of Canada's foreign relations, in the economic, technological and cultural fields in particular, with the countries of Europe as well as with Latin America, Asia and the Third World. The changing world power relationships discussed earlier could facilitate this emphasis on diversification.

Longer-term prospects

The task of diversifying Canadian interests is a long-term one. There is unlikely to be a sudden change, for example, in the pattern of Canada's external economic relationships. Nevertheless, Canada's diplomatic activities in 1972 ranged across a wide spectrum. Ties with Europe were cultivated actively through consultations with the European Economic Commission and with senior officials in capitals of the enlarged Community. Canada's diplomatic representation to the European Community in Brussels was strengthened and raised to separate ambassadorial status. There was involvement in the preparations for the Conference on Security and Cooperation in Europe and the negotiations on Mutual Balanced Force Reductions; exchanges of visits with several of the countries of East Europe; bilateral meetings on science and technology with the Federal Republic of Germany and Belgium, on cultural and scientific cooperation with France, and on industrial