

OPTIONS

The Liberal Party and Foreign Policy: Part 1

EDITOR'S NOTE: On June 23rd in Calgary, the Liberal Party of Canada will elect a new leader and possible Prime Minister. With this issue, International Perspectives begins a look at the foreign policy positions of the leading contenders alphabetically by surname. Jean Chretien, who was Secretary of State for External Affairs for little more than two months in the summer of 1984, outlined in a speech to the *Empire Club* in Toronto what he called "a new foreign policy" for Canada. It was, on reflection, a melange of traditional Liberal government strategies that have been updated to address today's concerns.

The *environment* "must be at the top of any domestic and international agenda," he said, the objective being halting and reversing global degradation. "Our country accounts for one-sixth of the land surface of the world. We are directly responsible for the Arctic, the last and most vulnerable frontier. Our proximity to the greatest industrial power on earth makes us highly vulnerable to all kinds of pollution." Given that, he urges priority development of an international environmental regime for the Arctic, a key part of which would be a special ambassador for the environment whose responsibilities would include circumpolar affairs.

On *international trade and payments*, the system is under "such great stress today that it may be incapable of solving the major economic issues of the 1990s without strong remedial action." Mr. Chretien warned against growing regionalism as manifest in the emergence of trading blocs such as the European Economic Community and the one being phased into effect by the Canada-United States Free Trade Agreement. "Competition ... will be fierce in the 1990s because prospects for growth are uncertain and because the United States will have to achieve a balance-of-payments surplus to service its international debts. We face a clear threat of protectionism ... and even of trade wars."

Turning to *international economics*, he pointed out that continuing multilateral negotiation and "a lot of belt-tightening" by poorer countries has prevented a major breakdown so far. "This is not good enough. The North-South gap continues to widen, international debts continue to grow [and] protectionism continues to undermine the multilateral system." He suggested that Canada, as a member of the Group of Seven industrialized countries, should work to open the system to the Soviet Union, to Eastern Europe and, indeed, to any country willing to move toward a

free market economy. Furthermore, there should be a concerted drive to consider the constraints and interests of the Third World. "While developing countries continue to need economic assistance, even more valuable to them would be improved access to markets for their export products.... The answer, if we are sincere in our desire to help the poor of the world, is to move steadily towards the removal of barriers that now impede imports from poor countries and to provide adequate transitional assistance to domestic industries adversely affected."

The *debt crisis* also was highlighted as he pointed out that the situation in the Third World in particular cannot be allowed to continue deteriorating without becoming a major threat to world peace. "Canada, as a major holder of debt, should be prepared, along with other creditor-country governments, to play a more active political role in bringing about acceptable procedures for reducing debt." Typical of the innovation he would prefer is a proposal along the lines of that put forward by the North-South Institute: permitting banks to realize losses on their debt and then to capture tax write-offs through donations to development agencies.

On *global peace*, Mr. Chretien lauded the historic events in the Soviet Union and Eastern Europe. "Elsewhere, new Soviet thinking is beginning to help bring about negotiated settlements of conflicts in Africa, Asia and in Central America." This was why it is time for the North Atlantic Treaty Organization and the Warsaw Pact to become essentially political instruments of consultation and co-operation. "The new task ... should be to heal the wounds left by 40 years of confrontation, to manage arms reductions in Europe and to create in that part of the world a new peaceful order which Eastern European countries can freely join." He said this country should remain

in NATO but should be willing to withdraw the Canadian Forces from Europe as part of a concerted move toward a new European order and to permit the military to meet new demands at home and abroad.

These include *peacekeeping* commitments, which he said could be expanded. "Peacekeeping forces require special training.... Instead of closing military bases such as Summerside (Prince Edward Island), with the resulting economic dislocation in the surrounding area, perhaps we can be imaginative and use our expertise and our facilities for productive purposes such as training peacekeeping forces of other countries."

The *defence sector* was a natural follow-on. He noted that the military budgets of Canada and its allies will be substantially reduced in the next few years. "Many of our high-tech firms have prospered because of military contracts," he said. "Conversion of plants from military-related purposes to civilian purposes must be an essential part of industrial policy in Canada. If we do not act now and plan now, some of our most productive workers will be facing a bleak future."

Finally, the *United States*, which he said is, of necessity, the most important aspect of Canadian foreign policy. "We do not necessarily have the same interests and the same perceptions of what is happening in the world. Our fundamental policy challenge ... is therefore to keep in balance the freedom of action we need to protect our interests when our friends to the south step on our toes, question our sovereignty or when our own freedom is required to pursue other worldwide interests."

Returning to *free trade* with the U.S., Mr. Chretien said that although he opposed the Free Trade Agreement, it is now in effect and rather than abrogate it, he would like to see it renegotiated. "Why? By the time of the next election, many Canadians will have made plans and investments based in good faith upon the Agreement. Our international reputation would be better served by a renegotiation.... The very fact that some Americans say renegotiation will be difficult is the best evidence that our negotiators gave away too much."

STATISTICS

International Trade

December evidently yielded Canada's second merchandise trade deficit in nearly 14 years, the first have occurred in October. Statistics Canada's latest preliminary figures attribute more than half the drop to lower automotive exports but industrial goods also were down. The December deficit of \$91.2 million, seasonally adjusted on a balance of payments basis, left the surplus for 1989 at a preliminary \$4,679.4 million — down 52.2% from 1988 — on exports of \$138,934.4 million and imports of \$34,255.0 million. The value of exports in December was \$10,953.6 million, subject to revision, down 4.9% from November. Imports rose 1.5% to \$11,044.5 million and the change was broadly based. Here is a rounded breakdown in millions of dollars:

	DECEMBER			CUMULATIVE			Change from '88
	Exports	Imports	Balance	Exports	Imports	Balance	
U.S.	8,138.0	7,929.6	+208.4	103,731.7	93,321.8	+10,409.9	-3,225.2
Japan	679.3	677.1	+2.2	8,471.9	8,262.3	+209.6	-96.8
U.K.	268.8	335.7	-66.9	3,538.3	4,604.5	-1,066.2	+107.8
other EEC	645.9	814.5	-168.7	7,927.6	9,880.6	-1,953.0	+1,429.8
other OECD	315.4	294.3	+21.1	3,407.2	4,029.6	-622.3	-109.5
all others	906.2	993.6	-87.4	11,857.5	14,156.2	-2,298.7	-3,235.4
TOTALS	10,953.6	11,044.8	-91.2	138,934.3	134,255.0	+4,679.4	-5,129.3

External Affairs Budget

Finance Department figures show that the External Affairs share of the federal purse continues to shrink from year-earlier levels. Total federal spending in December amounted to \$11,664,000,000, of which 2.04% was for the Department of External Affairs and related programmes. This compared with 2.40% of \$11,255,000,000 in overall spending in December, 1988. The pattern is similar in a comparison of the cumulative figures for the first three quarters of the current fiscal year. Total spending to December 31 was \$99,849,000,000, of which 1.90% was for the External envelope. The year-earlier share was 2.25% of \$91,593,000,000. Here is a rounded breakdown in thousands of dollars:

*Abbreviations used refer to the following:

- APF — Asia Pacific Foundation
- CCC — Canadian Commercial Corp.
- CIIPS — Canadian Institute for International Peace & Security
- CIDA — Canadian International Development Agency
- APF — Asia Pacific Foundation
- EDC — Export Development Corp.
- ICOD — International Centre for Ocean Development
- IDRC — International Development Research Centre
- IJC — International Joint Commission

	DECEMBER		F. Y. CUMULATIVE	
	1989	1988	1989/90	1988/89
Interests abroad				
Operating costs	64,676	50,130	470,339	416,778
Capital costs	11,037	8,732	52,656	42,800
Grants	3,805	56,774	67,929	117,476
Passport fund	-584	-838	-4	-1,064
APF*	—	—	—	500
World exhibitions	35	327	314	1,684
Sub-total	78,969	115,125	591,234	578,174
CCC*	739	660	10,002	9,486
CIIPS*	1,000	—	4,000	3,250
CIDA*				
Operating costs	8,687	7,183	68,989	65,787
Grants	116,502	136,801	1,035,552	1,245,833
Pymts to financial inst.	—	—	35,426	67,188
APF*	—	—	—	500
Sub-total	125,189	143,984	1,139,967	1,379,308
EDC*	21,425	—	63,493	—
ICOD*	1,500	400	6,200	4,350
IDRC*	9,050	9,517	81,425	85,650
IJC*	378	243	3,327	2,988
OVERALL TOTALS	238,250	269,929	1,899,648	2,063,206