

The Mulroney Doctrine

by David H. Pollock and Grant W. Manuge

The dramatic changes which have brought a new team to power in Ottawa presage a thorough re-evaluation of Canadian foreign policy. What will Canada's international role be under the new regime? The answer to this question lies in the hands of the new Prime Minister, who like his predecessor appears destined to be the chief architect of Canadian foreign policy. On the domestic front, Mr. Mulroney's political ambition extends beyond victory in the next election to the longer-term role of replacing the Liberals as the "natural governing party" of Canada. He will attempt to do this, it already seems clear, by staking out the moderate middle path so dear to the hearts and minds of Canadian voters, while simultaneously attempting to move that path somewhat to the right. At the heart of this strategy are two economic policies which are likely to have profound implications for the future of Canadian foreign policy: closer Canada-US economic ties, and greater reliance on foreign investment and the private sector generally. Taken together, these may be described as the seeds of a "Mulroney Doctrine" in Canadian foreign policy.

Dependent on US trade

Prime Minister John Diefenbaker's Progressive Conservative government of the early 1960s sought to defend Canadian independence against what it saw as the insidious continentalism of the Liberals and their US friends, the Kennedys in Washington. Today that same party, under a new chieftain who professes great admiration for Diefenbaker, is leading us into closer political and economic ties with the US. Why such a major volte-face in twenty years? The reason is simple: during the past two decades the Canadian government has explored one alternative after another to closer economic ties with the US, including closer links with Western Europe, the Pacific Rim, and Third World countries generally. Each of these has borne fruit and generated foreign trade. However, taken together they have not made the slightest difference to the encroaching reality of greater Canadian economic dependence on the US. In the early 1970s, for instance, we sold two-thirds of our exports to the American market. It is now in excess of three-quarters and climbing.

This experience has had a profound impact on an old Canadian debate. Instead of arguing the pros and cons of closer economic relations with our southern neighbor, the new Mulroney government is beginning to explore the terms of the best deal possible. Whether one is in agree-

ment or not — and the authors of this paper have personal reservations on this matter — there is every reason to believe that the coming years will see the acceleration of Canada-US economic integration.

Hail to the private sector — anywhere

A second, closely related aspect of the new government's economic policy that will bear heavily on Canada's future foreign policy is the intention to promote private sector economic growth as "the engine" of national renewal. One of the first statements of the new government was a declaration that the country was now wide-open for foreign investment ("the welcome mat is out"). The government also has made clear that it will be less interventionist in the future than the Trudeau government had been in the past. Upon taking office its first significant act was to offer for sale to the private sector five of Canada's many crown corporations. Its second was the transformation of the Foreign Investment Review Agency (FIRA) from an investment screening into an investment promoting agency (now called Investment Canada). This policy constitutes the government's basic recipe for economic recovery.

It may be asked whether this represents a truly significant change in direction. Surely Canada has always had an essentially free enterprise economy? The answer is that it has, up to a point. But mixed in with free enterprise has been an important element of government investment and participation in economic development: in the railroads, in telecommunications, and in the utilities, among others. Canadians have been comfortable with this mixed economy blend of the private and public sectors. Of course it may well be that the new government is making only a temporary correction, feeling that state enterprise had gone too far. Or, alternatively, it may be the beginning of a long-range effort to bring the Canadian economy, and economic thinking, into much closer synchronization with the American.

Taken together, these two elements of the Mulroney Doctrine — closer economic integration with the United

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