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NOTES FOR A STATEMENT BY THE
SECRETARY OF STATE FOR EXTERNAL AFFAIRS,
THE HONOURABLE MITCHELL SHARP,
TO THE STANDING SENATE COMMITTEE
ON FOREIGN AFFAIRS, OTTAWA,
THURSDAY, MARCH 28, 1974

"CANADA-U.S. RELATIONS"

The relationship Canada has with the United States is unique and by far the most important of our bilateral relationships.

It operates in three main areas:

-- In respect of global, political and security issues which affect Canada, but in which we are not directly involved but where we lend our efforts to a solution. Examples of this are: Viet-Nam and Middle East.

-- In respect of multilateral questions, in which Canada is directly involved and where we may support, seek the support of, or indeed oppose the United States, such as the Law of the Sea.

-- In respect of the many problems which are special to us, where we seek to promote or protect the Canadian interest through mutual accommodation, such as oil and gas export.

Global Situation in the 1970's

The relationship therefore, even in the strictly bilateral area, is significantly affected by developments abroad. It is useful, therefore, to look briefly at what the political scientists call the "international system". The post-war structure of international relationships and institutions is undergoing very important changes in the 70's.

Let me describe these changes under three headings:

First, changing relationships at the political level. The achievement of nuclear parity has led the two super powers -- the United States and the Soviet Union -- to seek appropriate means for stabilizing their relationship. Negotiation has replaced the confrontation of the cold war period. The United States is in the process of complementing the initial SALT Agreement with a second Agreement to cover offensive weapons. Détente is being pursued at both the multilateral level, such as in the Mutual and Balanced Force Reductions (MBFR) talks and at the Conference on Security and Cooperation in Europe (CSCE) and at bilateral levels, in augmented commercial, technological and cultural exchanges between East and West.

Diplomatic contact, if not formal diplomatic relations, have been established between Washington and Peking. Regrettably there has not been a similar improvement in relations between Moscow and Peking even though diplomatic relations are formally correct. The United States has withdrawn its combat units from Viet-Nam and is actively pursuing peace in the Middle East with at least the tacit approval of the Soviet Union. Many aspects of traditional defence relationships are in the process of re-examination in the context of the changing international strategic environment.

The second relates to the new functional influences on the international system. These go beyond the traditional concerns over economic or military power we have been accustomed to.

These new influences involve such comparatively new considerations as the recognition of the finiteness of world resources -- and consequently new attitudes on the terms on which these resources will be made available to meet global demand; dangers to the world environment; managing new technology; the power of modern communications; and needs of less developed countries. These factors are major modifiers of the current international scene. Their impact on the international political situation, including on existing political alignments, is only beginning to be felt.

The so-called energy crisis, alone, is a dramatic illustration. It has touched off a spate of attempts at bilateral supply arrangements, which are having their effects on relations between the United States and many of its allies. It has led to attempts, under the sponsorship of the United States to approach the problem as a global one. Canada supported this concept and was instrumental in moving the initial discussions to wider forums, which will include not only LDCs, but producing countries as well. The energy crisis has forced us to re-examine our own position and to take measures to ensure Canadian security of supply. This in turn has required us to enter upon intensive and continuous consultations with the United States on oil exports.

The third heading under which I want to describe changes in the "international system" is international trade and payments. On this, the effect of the energy crisis has been convulsive.

Well before the curtailment of the international supply of crude oil it was abundantly clear that the pattern of international economic relationships had been dramatically altered. Japan had emerged as a major economic force. The European Community had expanded and strengthened to the point of rivalling the United States in global economic terms. Since the introduction by the United States of the New Economic Policy in August 1971, the post-war system based on the Havana Charter and on Bretton Woods has been in the process of restructuring. Until the oil crisis emerged there were encouraging prospects for developing a reformed monetary system at a fairly early date.

Similarly, preparations were well advanced for entering into substantive negotiations in the "Tokyo Round" of tariff and trade negotiations. The price increases for crude oil have had a devastating effect on the balance of payments of a large number of the developing countries and have posed very significant problems for even the wealthiest nations. As a consequence, discussions of the international monetary situation have tended to focus on the question of ensuring stability and of finding means of assisting those countries hardest hit by oil price increases, with less stress on developing a comprehensive reform of the monetary system. With respect to the multi-lateral tariff and trade negotiation, it is not clear at this stage to what extent the "Tokyo Round" will be affected by emerging economic issues such as resource scarcity. In addition to focusing on the reduction of tariff and non-tariff barriers to trade in order to improve access to markets, it may become necessary in the course of these negotiations to consider the question of secure access to supplies of oil and other raw materials.

Given these three major elements, the changing international system of which Canada is inextricably a part, will profoundly influence our future. We are therefore engaged in all aspects of it. Our first concern is to protect

Canadian interests, but in the wider, not narrower, sense. Nevertheless, there are limits to the available options. We are exposed to an international environment over which we have incomplete control. But it provides us with opportunities since others, even the great powers, also face constraints. Finally, it conditions significantly our relationship with the United States, which will inevitably be a key player in all important areas.

Canadian Policy and the Current State of Relations with the United States

As this decade got underway, the Government, in response to these changes in the international system, began a foreign policy review which led to a number of innovations, including the development of relations with the Soviet Union, and the recognition of China. There was a time when these measures were misunderstood in the United States. This undoubtedly had implications for bilateral questions. However, the foreign policy changes which flowed from the Nixon Doctrine, and United States rethinking on many of these same questions, has meant that the Canadian and American perceptions of the political and strategic aspects of the external world are again largely in parallel.

Moreover, our views on the larger multilateral trade and payments question are broadly similar during this period of substantial change in the international monetary and trading world.

But the economic relationship between the two countries has greatly changed. Since August 1971, the United States has been pursuing what is called the New Economic Policy. Canada, for its part, has been intent on strengthening its economy, and diversifying its external economic relationships, in order to reduce its vulnerability. We have each acted in response to domestic and international circumstances in pursuing separately our own perspective of our national interest.

Nevertheless, the United States and Canada remain each other's most important customer. In fact the trend for the foreseeable future points towards a continuation of this mutually advantageous situation.

We are no longer at a stage where the trade "irritants" of 1971 - 72 assume so much immediate importance. These have taken on a different perspective when viewed against the energy crisis and other international developments. There has also been a recovery in the United States' balance of payments.

The atmosphere is accordingly very much improved. But the situation is quite different from what it was in the 1960's. As I told the House Standing Committee on External Affairs and National Defence on March 19, we are in a period of adjustment to many domestic and international circumstances. National policies in both Canada and the United States, in several areas, such as the resources, economic and environmental sectors, will not necessarily coincide.

The Canadian objective is to expand and strengthen the Canadian identity and the Canadian economy.

To this end, our aim internationally will be to endeavour to ensure that any measures adopted will be compatible with our goals. Domestically, if we are to meet our social and economic requirements our industrial

and manufacturing sectors will need to be strengthened. The level of employment will have to increase, so as to be in step with an expanding labour force. Regional disparities must be reduced. This will require Canadian decisions on locating industries in areas where they will most benefit our society as a whole. In the resource sector it will mean the development of mineral resources at our own pace, and the encouragement of further processing in Canada.

Our purpose is not to take unfair advantage, as some have alleged, of the United States, nor to ignore its needs, nor to eliminate a cooperation which has been so beneficial to both countries. Our purpose is to ensure a fair return in terms of our own requirements, and to support the international trade and payments systems.

Similarly, in the environmental field we shall continue to protect essential Canadian rights and interests through the process of consultation and negotiation. Four matters in this area have been the subject of considerable recent public attention. They are:

- The proposed flooding of the Skagit Valley
- The Garrison Diversion
- The West Coast Tankers problem; and the
- Reduction of pollution in the Great Lakes.

In each case, we are pursuing Canadian requirements actively.

While Canadian and United States policies in the multilateral field are largely in parallel, there is nevertheless a need to inform and consult with the United States to ensure that policies and actions affecting each other's interests will not be misunderstood or misinterpreted. For example, our search for balance and diversification in our external relations is leading us to broaden our relations with the European Community. At the same time the United States is taking important initiatives of its own towards the Community and towards the Atlantic Alliance as a whole.

I am very much concerned at the current tension which has arisen between the Community and the United States. The United States and the Community members include our major allies. It is necessary for Canada that the widest possible measure of cooperation and understanding exists with them and also, I must say, between them. We also need to ensure that political cooperation between Canada, the United States and the Community is maintained within the NATO framework not only in the interest of collective defence but in the common pursuit of détente.

Tension and disharmony between the two sides of the Atlantic will inevitably be to Canada's disadvantage. I have for some years been concerned with this problem, and in 1971 drew the attention of both the NATO Council and of the OECD to the danger to the economic and financial environment, and therefore to Canada, of any misunderstanding or lack of consultation on economic questions. The same holds true if there is discord on political questions. The Third Option is based, as I have said, on the diversification of our relations, not on our having to choose between our major partners and allies.

Furthermore, equilibrium must be restored in the world trading and payments systems. Otherwise economic management, both by government and by private industry, in Canada and in other trading countries, will be severely hampered. This equilibrium cannot be brought about in circumstances when the major trading nations on the two sides of the Atlantic are, as they seem at present unable to take fully into account each other's requirements.

Similarly, our current efforts to explore with the Japanese new avenues for fruitful cooperation in economic and other matters should be seen as a natural manifestation of our diversification policy. It is also, of course, a response to the new status of Japan in industrial, commercial and also political terms.

Managing the Canada-U.S. Relationship

How should the Canada-U.S. relationship be managed in the period ahead? There exists a range of older and newer bilateral mechanisms on which the Canada-U.S. relationship has relied and continues to rely.

Such mechanisms wax or wane in response to changes in the nature of the relationship. In the period of the 1940's through to the 1960's there was a disposition on both sides to develop joint ministerial bodies for cooperation, particularly in the important fields of economics, trade and defence.

There has been less use of these joint ministerial mechanisms in recent years. Contacts between the ministerial counterparts in the two governments, either directly or through various multilateral meetings, have been a frequent and effective substitute for the more elaborate and more formal joint cabinet committees. Such meetings have, for instance, taken place in the past six months on foreign affairs, finance, trade, energy, environment, and agriculture. There is also greater reliance on standard negotiating practices on an issue by issue basis. This is consistent with the emphasis given by both countries since 1970 to national rather than continentalist policies.

I do not believe that we need be unduly concerned that the joint ministerial mechanisms have not been employed frequently in recent years. We have found other ways to respond effectively and quickly to rapidly changing events. Indeed the relationship is such that we can easily and quickly establish new mechanisms as required -- continuing or ad hoc -- to meet new situations.

In addition, there are important specialized mechanisms. Two notable ones are the unique and now venerable Permanent Joint Board on Defence (PJBD) and the International Joint Commission (IJC). Since its inception some 35 years ago, the role and composition of the PJBD have changed as the nature and requirements of joint defence have changed.

The International Joint Commission is a product of the Boundary Waters Treaty of 65 years ago. It had written into its mandate the potential for a broad role in Canada-U.S. relations. For a considerable period, however, the Commission confined itself mainly to activities related to

regulating of boundary waters. More recently, however, the International Joint Commission has come to assume a much wider role, in a variety of bilateral environmental subjects. It is now and will continue to be a most valuable instrument in helping to manage this sector of our relationship.

We have also, of course, the classical instrument for conducting business between states, our Embassy in Washington, with its network of 15 consular missions located throughout the United States. In recent years, we have been giving priority to building up this network so that it can effectively support the Embassy in promoting and defending the full range of Canadian interests.

For example, increased emphasis is being placed on providing the American public as well as the United States Administration with quick and accurate information on Canada and Canadian policies of interest to Americans. This programme has already paid an important dividend. I believe that it was the energetic public information work of our Embassy and consular missions in the United States in recent months, which did much to head off misinterpretation and misunderstanding by many Americans, of Canadian policy on our oil exports to the United States. The process of strengthening our missions in the United States to meet such demands continues.

To sum up, Mr. Chairman, we are in a new phase of our relations with the United States, in which both countries are adjusting to new conditions abroad and more affirmative national policies at home. In both bilateral and multilateral matters we can expect a period of negotiation and adjustment over a wide range of issues which will need careful handling. There will be a continuing need to select our policies on their own merits in an unemotional, business-like and positive fashion.