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COMMITTEE ON FOREIGN AFFAIRS, 1970/72.

Highlights from the Report of the  
Standing Senate Committee on Foreign  
Affairs.

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# HIGHLIGHTS

from the Report  
of the Standing Senate Committee on

## FOREIGN AFFAIRS

respecting

## CANADIAN RELATIONS

with the countries of the

## PACIFIC REGION

March, 1972

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MEMBERSHIP OF COMMITTEE  
(As of March 1, 1972)

THE STANDING SENATE COMMITTEE ON FOREIGN AFFAIRS

The Honourable John B. Aird, *Chairman*

The Honourable Allister Grosart, *Deputy Chairman*

and

The Honourable Senators:

Belisle	Haig	McNamara
Cameron	Heath	Nichol
Carter	Lafond	O'Leary
Choquette	Laird	Quart
Connolly ( <i>Ottawa West</i> )	Lang	Rattenbury
Croll	Lapointe	Sparrow
Eudes	Macnaughton	Sullivan
Fergusson	McElman	White
Gouin	McLean	Yuzyk—(30).

*Ex Officio Members:* Flynn and Martin

(Quorum 7)

ROBERT FORTIER  
Clerk of the Senate

*Note:* The Honourable Senators Hastings, Pearson and Robichaud served on the Committee during the Third Session of the 28th Parliament.





## ORDER OF REFERENCE

*(Third Session—28th Parliament (1970-72))*

Extract from the Minutes of the Proceedings of the Senate, Thursday, October 8, 1970:

With leave of the Senate,

The Honourable Senator McDonald moved, seconded by the Honourable Senator Denis, P.C.:

That the Standing Senate Committee on Foreign Affairs be authorized to examine and report to the Senate from time to time on any matter relating to foreign and Commonwealth affairs generally, on any matter assigned to the said Committee by the Rules of the Senate, and, in particular, without limiting the generality of the foregoing, on any matter concerning the Pacific area with particular emphasis on the position set out in the policy paper "Foreign Policy for Canadians: Pacific";

That the said Committee be empowered to engage the services of such counsel and technical, clerical and other personnel as may be required for the foregoing purposes, at such rates of remuneration and reimbursement as the Committee may determine, and to compensate witnesses by reimbursement of travelling and living expenses, if required, in such amount as the Committee may determine; and

That the Committee, before assuming any financial obligations in connection with the said examination and report, submit to the Standing Committee on Internal Economy and Contingent Accounts a budget for approval setting forth in reasonable detail the forecast of expenses to be incurred.

The question being put on the motion, it was—  
Resolved in the affirmative.

ROBERT FORTIER,  
*Clerk of the Senate.*

\* \* \*

*(Fourth Session—28th Parliament (1972))*

Extract from the Minutes of the Proceedings of the Senate, Tuesday, February 22, 1972:

With leave of the Senate,

The Honourable Senator McDonald moved, seconded by the Honourable Senator Smith:

That the Standing Senate Committee on Foreign Affairs be authorized to examine and report to the Senate from time to time on any matter relating

to foreign and Commonwealth affairs generally, on any matter assigned to the said Committee by the Rules of the Senate, and, in particular, without limiting the generality of the foregoing, on any matter concerning the Pacific area with particular emphasis on the position set out in the policy paper "Foreign Policy for Canadians: Pacific";

That the said Committee be empowered to engage the services of such counsel and technical, clerical and other personnel as may be required for the foregoing purposes, at such rates of remuneration and reimbursement as the Committee may determine, and to compensate witnesses by reimbursement of travelling and living expenses, if required, in such amount as the Committee may determine; and

That the papers and evidence received and taken on the examination of the Pacific area in the preceding session be referred to the Committee.

The question being put on the motion, it was—

Resolved in the affirmative.

**ROBERT FORTIER,**  
*Clerk of the Senate.*



**HIGHLIGHTS**  
of  
**CONCLUSIONS AND RECOMMENDATIONS**  
of the  
**REPORT**  
of the  
**STANDING SENATE COMMITTEE ON FOREIGN AFFAIRS**  
Respecting  
**CANADIAN RELATIONS**  
with the countries of the  
**PACIFIC REGION**

**GENERAL**

While Canada cannot attempt to adopt uniform general policies toward the heterogeneous group of countries found in the Western Pacific Rim, an overall attitude and approach of increased Canadian involvement in the whole Pacific region is not only possible but essential.

It is probably only in the economic field that Canada can at present be called "a Pacific power". Canadian trade and investment relations in this area provide immense economic benefits to Canadians, including new opportunities for the diversification of Canada's overall economic interests. This alone is an insufficient basis for Canada's future relationships in the region. Pacific countries are anxious to see what role Canada will play in the achievement of regional peace and security and in co-operative action to share the benefits of economic development with the disadvantaged countries.

**I THE BASIS FOR INVOLVEMENT**

**AWARENESS AND UNDERSTANDING**

The Committee's evidence has indicated that Pacific Asia is the least familiar to Canadians of all the world's great zones of civilization. Canada lags behind other developed countries of the region, and some of the less developed, in generating a regional consciousness of the Pacific Rim and in acquiring the necessary knowledge and expertise. The Committee has therefore concluded that a large-scale and concerted national effort to improve Canadian understanding of the Pacific region is a vital pre-requisite to broader and more fruitful Canadian involvement.

Specifically, the Committee recommends measures to promote the study of Pacific area languages in Canada; to better utilize and strengthen Canada's resources for Asian and Pacific studies; to expand exchanges of public information with Pacific countries; and to increase cultural exchanges (including sports competitions) and scientific and technological co-operation.

#### CO-ORDINATION

Canada suffers distinct disadvantages, in its relationships with close-knit Pacific societies, because of the diffuse and unco-ordinated character of its national dealings. A national policy of fuller and more active participation in Pacific affairs is unrealistic unless Canada is prepared to assert a more unified national presence and pursue consistent and coherent national policies.

In order to overcome a costly "fragmentation of effort" in Canada's economic relations with Pacific countries there is an urgent need for improved patterns of co-operation and communication between government and industry and among Canadian businesses themselves. Involvement of the academic community will also prove beneficial, and the Committee recommends prompt action on proposals of the Government's Policy Paper on the Pacific, to stimulate exchanges of personnel among these three sectors.

#### REPRESENTATION

While recognizing the financial and other constraints involved, the Committee has concluded that, if Canada is to pursue broad policies of increased involvement, the need for strengthened official representational facilities in the Pacific is urgent and inescapable. Prompt action should be taken to raise the Canadian mission in the Philippines to the status of a full embassy, and to establish a resident embassy in South Korea.

## II CANADA'S ECONOMIC INTERESTS

In recent years, Canadian trade with Pacific countries (in both directions), has expanded at a phenomenal pace, and two-way flows of investment are growing steadily. All the indications are that the Pacific will continue to be an increasingly important focus for Canadian economic interests.

#### JAPAN

Japan is the dominant factor in Canada's Pacific trade and will probably become Canada's second largest market within the next few years.

The most striking features of Canada's export flow to Japan are the predominance of a few major groups of raw materials, and the concentration of their production in Western Canada which accounts for almost 80% of total Canadian exports. In contrast, more than 96% of Japanese exports to Canada are made up of a diversified range of processed and manufactured goods, with two-thirds of the total going to Ontario and Quebec.

The Committee is deeply concerned with the need for upgrading and diversifying Canadian exports to Japan. There is no longer any justification for the



great bulk (as much as 65%) of Canadian exports to be shipped to Japan, as the Policy Paper says, "in their rawest transportable and least profitable form."

The time has come for Canada to begin redressing this imbalance. A concerted national effort will be required, however, and the Committee considers this an urgent priority for action by industries concerned and by governments at all levels.

With respect to the serious problem represented by the unsatisfactory level of Canada's manufactured exports to Japan (less than 3% of the total), the Committee believes that the Canadian Government is justified in pressing for further tariff liberalization by Japan and for the elimination of its many "non-tariff barriers". Other clear needs, however, are to overcome the lack of familiarity, imagination and aggressiveness on the part of Canadian businessmen in the area, and to attack the general problem of lagging scientific and technical innovation in Canadian industry.

In view of the vast discrepancy in the level of processing involved in Canadian and Japanese exports, the Committee found no basic inequity in the past in the overall dollar-imbalance in Canada's favour. Since Japan achieved a surplus in its 1971 trade with Canada there are now even more compelling reasons to focus on the "quality" rather than the gross volume of trade.

There have also been expressions of Japanese concern about Canadian limitations on certain types of imports. The Committee takes the view that Canada has a relatively open market in the textile field and that the voluntary restraint system, tied to rationalization plans, is a good one. Nor does it appear that the instrument of "anti-dumping" actions has been abused.

The increasing flow of private investment, in both directions, between Canada and Japan promises growing mutual benefit. Japanese investment in Canada represents a healthy diversification of Canada's sources of development capital, and seems to be sensitive and responsive to the conditions now prevailing for foreign investment in Canada.

Another increasingly important area of co-operation with Japan is that of scientific and technological exchanges. With the important Canadian mission of March 1972, a good beginning has been made in this field, and the Committee believes that Canadians can look forward to expanding, and highly beneficial, contacts in the future.

#### CHINA

Canada's trade with the People's Republic of China has been significant for more than a decade and shows considerable potential for further growth.

However, the present large imbalance of trade in Canada's favour cannot be sustained indefinitely. The main obstacle to increased exports from China to Canada in the past seems to have been the limited Chinese supplies of the goods of interest to Canadian importers. The general opinion, based on recent trade



fairs, seems to be that these shortages are now being rectified. While total balance is not necessarily to be expected, it is probable that China will increasingly press for Canada to accept more of its exports in return for a continuing and growing place in the Chinese market.

China continues to provide a substantial and reliable market for Canadian grains. There are also encouraging signs that China will in future buy a widening range of Canadian goods, including forest and mineral products, machinery and transportation and communication equipment.

In the next few years, Canada is likely to meet increasing competition from other Western countries for the Chinese market in most product-areas. While spectacular growth should not be expected, however, the Committee believes that with the proper selling efforts, the Chinese will continue to be favourably disposed toward Canadian exports.

#### AUSTRALIA AND NEW ZEALAND

Canadians too often underestimate the importance of their economic relations with Australia and New Zealand. Each of these countries has long provided a substantial market for Canadian goods, especially job-producing manufactured and semi-manufactured products.

For all concerned, it will be essential to re-negotiate the full range of mutual preferences on a bilateral basis once the Commonwealth preferential system comes to an end, as a result of Britain's entry into the E.E.C.

#### OTHER COUNTRIES

In general, Canada tends to have a favourable balance of trade with the developing countries of the Pacific region and especially with the least-developed among them. Various factors are involved, but major adjustments will have to be made if these countries are to be helped to help themselves by expanding their exports.

It seems likely that private investment, particularly under joint venture or management contract arrangements, will be a key factor in Canada's future economic relations with most of the developing countries of the area. A formula which has been highly successful in the past, and may prove increasingly essential in the future, is the "package" approach to developing new industries.

#### THE CANADIAN APPROACH

In view of the urgent need for improved co-ordination in Canada's economic relationships in the Pacific, the Committee recommends that further action be taken on the Policy Paper's proposal for the establishment of a joint Pacific economic advisory council. If it can be assured that the representation of the Pacific Basin Economic Council is sufficiently comprehensive, the Committee recommends that the Government take a joint initiative with the Canadian Committee of P.B.E.C. to establish arrangements for continuing consultation on a firm and regular basis, rather than creating a new advisory council.



These are only preliminary steps, however, to the very basic new co-ordination required. The establishment and enforcement of uniform national requirements for the processing of resource exports is one pressing need. Another is for a national approach to scientific and technological innovation which will keep Canadian products marketable in the highly competitive Pacific environment.

In this competitive environment, the Committee also considers it essential that Canadian businesses receive government encouragement to export and invest abroad which is fully comparable with that provided by other countries.

Another imaginative, and well-supported, suggestion is for the formation of some kind of Canadian counterparts for the highly-successful Japanese trading corporations. These structures would provide market intelligence, negotiating facilities (including translation) and expertise and co-ordination of export production, distribution and sales. The Committee recommends that the formation of new trading structures of this kind be the first priority for discussion by the Government with the Pacific economic advisory council when such a group is formally constituted. In the meantime, the Government should conduct full studies of the types of structures in use elsewhere and the organizational alternatives available to Canada.

In the Committee's view, Canadian business groups concerned with the Pacific should also be studying actively the experience of the Canada-Japan Trade Council in Ottawa and considering the establishment of a counterpart body in Tokyo.

One field of closer co-operation which seems to have immediate potential is that of development assistance to the region's less-developed countries. The scope for co-operation is wide: through regional organizations (such as the ADB and ECAFE); through consortia and consultative groups; and through joint efforts with other medium-sized "donors" such as Australia, the Netherlands and Japan.

### III CANADA'S INTEREST IN DEVELOPMENT CO-OPERATION

The Government has made it clear that development aid will be one of the main elements in Canada's future official involvement in the Pacific region. The Committee firmly supports this policy emphasis. It seems especially appropriate that Canada should very actively discharge this responsibility in the Pacific community, to balance the attractive commercial opportunities and economic benefits which it finds in the region. Through development co-operation Canada can also best utilize its national capabilities to make a constructive contribution to the long-term peace and stability of the region.

In spite of the very good reasons for expanding aid to Pacific countries, it must be recognized that Canadian aid will be limited by the scarcity of Canadian resources in relation to the size of regional needs, by continuing commitments elsewhere in the world, and by Canada's general inexperience in the area. The Committee thus considers it essential that Canada's approach to development



co-operation in the Pacific be constructive and unostentatious in its tone, reflecting the limits of its present capabilities.

In the new Pacific aid programme, selectivity will be essential, both as to countries and fields of operation. In those countries where it will not be practicable to mount full bilateral programmes, Canada can still participate to great advantage through multilateral and regional organizations.

On a regional scale, Canada is already active in the Pacific programmes of the World Bank group and the Asian Development Bank, and it is to be hoped that closer association with the ECAFE can soon be achieved. At a sub-regional level, support of the Mekong Committee, Asian Institute of Technology and the University of the South Pacific appear to be highly effective uses of Canadian aid funds. (A discussion of Canadian programmes in individual Pacific countries may be found in paragraphs 116 to 121).

After the cessation of hostilities in Indochina, the needs for rehabilitation and reconstruction aid will of course be immense, and Canada, because of its non-involvement in the war and its francophone capability, can play a particularly helpful part.

The Committee recommends a vigorous expansion of Canadian assistance to the countries of the South Pacific in co-operation with other outside countries concerned. It is important, however, to acknowledge the need for Canadians to learn more about this area, and to avoid creating paternalistic relationships. The possibility of some form of closer association with the South Pacific Commission merits further examination by the Government.

As in its report on Canada-Caribbean relations (of June 1970), the Committee wishes to stress as forcefully as possible the crucial role of expanding trade opportunities in the economic progress of developing countries. Many of the Committee's recommendations with respect to Canadian imports from the Caribbean are also applicable to Pacific countries. A full discussion of the problems involved for Canada and the new policies needed has also been presented in Chapter IIA of the Report of the Commons Subcommittee on International Development Assistance (29 May, 1971).

Canadian implementation of the Generalized Preference System (GPS) for developing countries is needed as soon as possible to demonstrate a genuine Canadian commitment to development assistance. Once a GPS scheme is in operation, it should be applied as generously as possible and its coverage should be steadily extended as circumstances permit.

Under the right conditions, the flow of Canadian private investment to these countries offers exciting potential for economic co-operation and development. The encouragement offered to potential investors by CIDA and the Export Development Corporation (EDC) is thus a valuable complement to the official aid programme.



Similarly complementary to the official programme of development assistance is the work of non-governmental agencies in the development field. While the Pacific region has not been an area of primary emphasis for these groups in the past, they are successfully responding to a growing demand and merit continuing support.

#### IV CANADA'S POLITICAL AND SECURITY INTERESTS

##### REGIONAL CHALLENGES AND CANADIAN CAPABILITIES

Because of their own history, Canadians have an instinctive understanding of the aspirations of the smaller Pacific powers for national independence, and a familiarity with the lop-sided power relationships which are characteristic of the region.

It is noteworthy that Canada is the only developed nation of the Pacific region which enjoys the full range of inter-state relations with China. Since Canada also has open lines of communication with all the nations which will sooner or later be moving to strengthen their relations with the People's Republic, there appears to be a continuing potential for a modest but useful Canadian contribution in normalizing China's position in the Pacific community.

The Canadian Government does not envisage participation in military alliances with Pacific countries, or any other extensive military involvement, in the region. It has instead given priority to co-operative political and economic action to alleviate the deep-rooted causes of social and international tension. The Committee fully agrees with these priorities which are well-suited both to regional needs and to Canada's interests and capabilities.

The major element in Pacific activity involving Canada's direct security interests is in jurisdictional, coastal, and territorial protection on Canada's West Coast. These activities have been assigned a very high priority in the Government's new defence policy. The Committee considers this an important step in the effective utilization of the federal government's overall capabilities to promote important national interests in the Pacific coastal region.

The Committee generally supports the continuation of Canada's limited programmes of military co-operation and training assistance with a number of Pacific countries. In the absence of a final legal settlement to the Korean War, the Committee is concerned about the possible legal and political implications of Canada's continuing representation on the Armistice Commission. These matters should be thoroughly examined by the Government. The Committee believes that the establishment of a Canadian embassy in Seoul would allow for political representation to reflect and clarify Canada's current policies on these changing issues.

With respect to truce supervisory functions in Indochina, the Committee, while understanding the reasons for the Government's reservations, believes it important for Canada to indicate its continued willingness to accept a role in order to help bring an end to the war in Indochina.





## APPENDIX

### STANDING SENATE COMMITTEE ON FOREIGN AFFAIRS (1970-1972)

<i>Issue Number</i>	<i>Date of Meeting</i>	<i>Witnesses Heard</i>
1	October 27, 1970	Dr. Lorne Kavic, Lecturer in International Politics, University of British Columbia.
2	November 4, 1970	<i>Department of Industry, Trade and Commerce:</i> Hon. Jean-Luc Pepin, Minister; Mr. F. R. Petrie, Director of the Pacific, Asia and Africa Branch; Mr. T. M. Burns, Assistant Deputy Minister for External Services; Mr. V. J. Macklin, General Director, Office of Economics.  <i>Export Development Corporation:</i> Mr. F. M. Carlton, Loan Director, Asia Area.
3	November 10, 1970	Mr. R. W. Bonner, Executive Vice-President, Administration, MacMillan & Bloedel Ltd., Vancouver, British Columbia.
4	November 24, 1970	<i>ALCAN Aluminium Limited:</i> Mr. R. A. Gentles, Planning Co-ordinator; Mr. Karel C. Bala, Assistant Secretary; Mr. R. F. Allen, Assistant to the Vice-President (Finance) of ALCAN International.  <i>International Nickel Company of Canada:</i> Mr. K. H. J. Clarke, Assistant Vice-President.  <i>Canadian National Committee, Pacific Basin Economic Corporation Council:</i> Mr. K. H. J. Clarke, Chairman.
5	November 25, 1970	Mr. Mark Gayn, Chief of Asia Bureau, Toronto Star, Toronto.
6	December 1, 1970	<i>Canadian Pacific:</i> Mr. A. F. Joplin, Director of Development Planning.  <i>C.P. Air:</i> Mr. Ian A. Gray, Vice-President—Administration; Mr. H. D. Cameron, Vice-President—International Affairs.  <i>COMINCO:</i> Mr. G. H. D. Hobbs, Vice-President, Pacific Region.
7	December 8, 1970	Dr. Hedley N. Bull, Professor of International Relations of the Australian National University, presently on sabbatical leave at the Institute of War and Peace, Columbia University, New York.
8	January 27, 1971	<i>Department of National Defence:</i> Hon. D. S. Macdonald, Minister; Brig. General G. G. Bell, Director General of Plans; Mr. William Snarr, Director of Policy Guidance, Finance Division.



<i>Issue Number</i>	<i>Date of Meeting</i>	<i>Witnesses Heard</i>
9	February 9, 1971	Mr. Thomas Pope, Assistant Vice-President, Bankers Trust Company, New York City.
10	February 24, 1971	Mr. Chester A. Ronning, Former Canadian High Commissioner.
11	March 2, 1971	<i>Canada-Japan Trade Council:</i> Mr. Robert L. Houston, President; Mr. N. Gauthrie, Executive Secretary; Professor Keith Hay, Economics Professor at Carleton University.
12	March 9, 1971	<i>Department of Fisheries and Forestry:</i> Hon. Jack Davis, Minister; Dr. W. M. Sprules, Director, International Fisheries Branch.
13	March 11, 1971	Dr. John F. Howes, Professor of History, Department of Asian Studies, University of British Columbia.
14	April 6, 1971	Dr. Benjamin Higgins, Project Director, Centre for Research in Economic Development, University of Montreal, Montreal, P.Q.
15	April 27, 1971	<i>Canadian University Service Overseas (C.U.S.O.):</i> Mr. David M. Catmur, Director of Overseas Operations and Acting Executive Director; Mr. Robert D. H. Sallery, Editor-in-Chief, Readings in Development/Newstatements; Mr. Alfred E. Harland, Field Staff Officer in Papua-New Guinea; Mr. Jean-Marc Metivier, Director of Asian Programs; Miss Gail Ann Taylor, Assistant to Director of Fund Raising.
16	May 4, 1971	<i>Canadian International Development Agency: (C.I.D.A.):</i> Mr. Fergus Chambers, Director General of Planning; Mr. Rick Ward, Desk Officer, Asia Area.
17	September 22, 1971	<i>Department of Industry, Trade and Commerce:</i> Hon. Jean-Luc Pepin, Minister; Mr. Frank Petrie, Director, Pacific, Asia and Africa Affairs Branch, Office of Area Relations; Mr. J. L. MacNeil, Chief, Pacific Division of the same branch.
18	October 20, 1971	Dr. Phillips Talbot, President, The Asia Society, New York City, U.S.A.

*Note:* A number of informal meetings with experts were also held.