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CANADA IN A NEW WORLD

An Address by the Secretary of State for External Affairs, the Honourable Mitchell Sharp, to the Vancouver Board of Trade, January 17, 1972.

I have now been Canada's foreign minister for nearly four years. In a man's life, this is a significant period. In the history of civilization it is imperceptible. Yet in those four years we have seen profound changes in our world and in Canada's perception of it. In 1968, the new Government realized that the world was in the throes of the kind of periodic transformation that brings about a fundamental realignment of power relations. I do not suggest that we had the prescience to foresee the course this realignment would take, but the indicators were clear enough for the Government to give priority to consideration of Canada's international posture and relations, and to Canada's capacity to respond quickly and effectively to new situations.

It was for this reason that the Government, as one of its first actions, embarked upon a re-examination of its foreign policy. Not to challenge the past -- certainly not in search of change for the sake of change. What we had to determine, and determine quickly, was the future course of Canadian foreign policy in a period of uncertainty in international affairs. As a politician I do not discount the part that chance plays in the affairs of men and nations and it was indeed a fortunate thing for Canada that we took action at the time we did. But good fortune is more often than not founded in good judgment and certainly it takes good judgment to get the maximum advantage from good fortune.

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Since the Second World War, we have been living in a bi-polar world in terms of power relations. Events in the industrialized world have been dominated by the clash of competitive ideologies and interests between the United States and the Soviet Union, and the Third World, though unaligned, has had to live with the bi-polar reality. Waiting in the wings, obsessed by its own internal problems, there was China.

In this bi-polar world the socialist nations of Eastern Europe had little or no influence with the Soviet Union. Deviations from the official line, in East Germany, in Hungary and in Czechoslovakia were resisted. The United States, a free, open and democratic society worked with its allies around the globe, providing leadership, guaranteeing their security and in

many cases bolstering their economies. In fact, however, the preponderance of the United States in the Western World has been so great that it has necessarily held a position not only of leadership but of authority. To an admirable extent, throughout this period, the United States was open to influence by its friends but it played a determinant rather than just a participatory role in its global sphere of influence. This, of course, is how it looks to a Canadian, an Englishman or a German. If I were suddenly to be translated to the State Department in Washington (which God forbid), no doubt I would feel frustrated and embattled by what appeared to be the intransigence and narrow self-interest of my friends, driven to make concession after concession against my own *enlightened* self-interest.

John Foster Dulles, though not "present at the creation" with President Truman and Secretary Acheson, had a profound effect on world power relations in the bi-polar phase. He believed implicitly that "they that are not for us are agin us". He played his part in strengthening the free world against a clear Soviet threat. Perhaps inevitably, his diplomacy brought about a hardening of attitudes on both sides that may have helped to prolong the Cold War. What is certain today is that we live in a world very different from the one he knew and helped to build.

The great changes in world power relations that have taken place have been incubating for a decade or more, have come to light only within the last few years. They are two in number -- the Soviet response to the long-standing efforts of the West for a reduction of tension and the emergence upon the world scene of China. And here I am not forgetting the developments in Western Europe and Japan. The enlarged Common Market and Japan are now great powers in economic terms and can become so politically. For the purposes of this speech I will discuss them a little later. Clearly these two great developments are linked. Rivalry between the Soviet Union and China is one of the root causes for the slow and hesitant Soviet *rapprochement* toward the West. There are others -- growing self-confidence on the part of the Soviets, their acceptance as a power with world-wide interests, which has reduced their sense of being an embattled fortress, their growing need for Western technology and increasing trade between the socialist and market economies.

Canada has been playing a quiet but effective role in the search for *détente*. In NATO we have been leaders in the move from confrontation to negotiation. As we welcome President Nixon's planned visit to Moscow this year, we remember that Mr. Pearson, then in the portfolio I now hold, visited Moscow in 1955, 16 years ago, at the beginning of the thaw. I was fortunate to be with him and helped to negotiate the first trade agreement between our two countries.

For some years we have worked carefully but steadily to increase our contacts with the Soviet Union and the countries of Eastern Europe. There have been many ministerial visits in both directions; trade agreements and exchange agreements of various kinds have been reached, to the benefit of all concerned. Looked at in perspective, the visit Mr. Trudeau paid to the Soviet Union and Mr. Kosygin's return visit to Canada last year did not signal a

departure in Canadian policy but rather a logical step in a process, taken at the right time, the time when the Soviet Union was clearly signalling its wish for better relations with the countries of the West, not least with the two great states of North America.

By finding, after a long, delicate and demanding process of negotiation, a formula for recognition of the People's Republic of China, Canada broke the log-jam and opened the way for Peking to take the China seat in the General Assembly and on the Security Council. This is not just the Canadian view -- it is a view held widely in the world.

The bi-polar world, with the United States at one pole and the Soviet Union at the other, has passed into history. It was going already as contacts between East and West multiplied and as confrontation gave way to the phase of negotiation that may yet usher in an era of co-operation. The arrival of China on the world scene presents us with a triangle of forces. Chou En-lai has said that China's intentions are peaceful. China is determined, however, to become a major nuclear power and will do so. China has publicly repudiated the super-power role. But at the United Nations and in the world at large this role is being accorded to it. I am interested to note that the *Economist* of London refers without comment or explanation to the three super-powers.

Whatever China's relative position in economic or military terms and however the Chinese leaders see their own role on the international scene, China is already a super-power politically. This is a result, as I have suggested, of a consensus of world opinion. It would appear that China is seeking a position of leadership in the Third World. This is a development that must be watched carefully. The three-cornered world may not be much safer or easier to live in than the bi-polar, but it is more realistic. Without the participation of China the nations of the world could not possibly reach agreements on security, disarmament and arms control or nuclear testing that would be universal in application. With China in the equation, at least it is possible, if not, in the short run, very probable.

China has made clear on numerous occasions that it will not join the United States and the Soviet Union in a great-power hegemony -- even if either or both of those powers wished that to happen. China is committed to universality in seeking settlement of disputes and working toward the great objectives of peace, security and reasonable universal prosperity. What this means remains to be seen. From a Canadian point of view the prospect is welcome.

World experience in the years of confrontation should have taught us all that governments with whom we have disagreements do not disappear or change their ways because we ignore them or keep them at arm's length. Certainly Canada has learned this lesson and learned, too, that people under oppressive rule are not generally helped by sending their government to Coventry. The opposite is more likely to be the case. From our own experience, Canada has learned that world peace, security and prosperity are best served

by maintaining continuing contact with all the countries of the world whatever their political systems or attitudes. Such contact does not imply approval. We have contact with the Portuguese Government but they are in no doubt of our firm position against their colonialist policies in Africa. This affects the relation, sometimes in material ways, but it does not destroy the contact. We live in an interdependent world, where it is unrealistic and destructive to close ourselves off from whole countries because their ways are not our ways.

Voices have been raised crying that reciprocal visits with the Soviet Union, the Protocol on Consultations we have with that country, our recognition of the Peking Government and the support we gave to bringing the People's Republic of China into the United Nations indicate a move away from our traditional friends and the beginnings of anti-Americanism. This is absurd. Canada has always sought diversification in its international relations, to play its own part in the world. The last four years, which have seen our contacts with the socialist countries multiply and mature, have also seen us increase very materially our commitment to the countries of Black Africa, of both English and French expression. In the same period we have developed new relations with the nations of the Pacific. With Japan, we have a joint ministerial committee that meets annually. Our interest in Indonesia and Malaysia is increasing. We are in constant bilateral contact with Australia and New Zealand, formerly seen principally as fellow-members of the Commonwealth. Never before has there been such a careful and deep cultivation of our relations with Western Europe.

In the next few months we expect to achieve permanent observer status in the Organization of American States, and we have already joined many of the constituent agencies of the inter-American system.

In the light of this broadening of our world-wide interests, I put it to you that it is unacceptable to suggest that Canada is turning away from the United States and toward the Soviet Union. Some observers in the United States have suggested that Canada is trying to "disengage" from its southern neighbour. Nothing could be further from the truth. Diversification of relations does not imply disengagement from our community of interest with the United States. What is possible and desirable, and what we are doing, is to avoid drifting into total dependency upon the United States by suitable domestic policies and by developing closer and more effective relations with other countries -- some of them among our oldest friends, others, countries with which we can co-operate despite deep differences in policy and philosophy.

I have called my speech today "Canada in a New World". If this title seemed a little Delphic -- or at least overstated -- to some of you, I hope that you now understand a little better what it implies. I have also felt it worth while to take up much of my time with a group of distinguished West Coast businessmen discussing the reality of world power relationships and how Canada sees them. Now let me turn to the other great change that has taken place in the last few years -- a profound change in world trading patterns and arrangements, one with very direct effects upon Canada and of very direct interest to you as traders and businessmen.

For this audience I do not feel that I need sketch in the historical background. In what I have called the bi-polar phase in postwar history the economic situation closely mirrored the political reality. The world was divided into two great trading blocs, East and West, with the Third World very much on the outside.

Today, trade between East and West is increasing rapidly. Exchanges in the fields of science and technology are multiplying. To a large extent this is a concomitant of the easing of political tension. But it is also a result of the growing interdependence between all the countries of the world, an interdependence that offers some small hope that we can look to an era when co-operation will replace conflict.

The Third World of the developing nations is being drawn more closely into the overall economic system, in large part by the program of international development assistance, to an increasing extent by the growing importance of the developing countries both as markets and suppliers.

The greatest changes, however, have taken place in the industrialized world of the Western nations -- an odd term for a grouping that includes Japan and Australia among others, the members of the OECD and the Group of Ten.

Until a few years ago, the United States enjoyed a predominant position in this grouping. In economic terms, the United States was a giant among mortals. This situation has changed radically. The enlarged European Common Market will have a larger population than the United States and its gross national product will be about two-thirds that of the United States, and likely to grow more rapidly. And this is only to talk of the Common Market itself. With special arrangements with most of the countries on the Mediterranean littoral and with former colonies of the member powers, the Common Market and its associates will encompass 45 per cent of total world trade.

More than a year ago, my colleagues in the Government and I became deeply concerned about a tendency, observable on both sides of the Atlantic, for the United States and the Common Market each to turn inward, raising the spectre of confrontation and trade war. Our concern was twofold: the collapse of the economic system and the trade conflicts that it brought about were among the root causes of the Second World War; closer to home, a trade conflict between the United States and the Common Market would leave Canada out in the cold, unable to join the Common Market for a number of reasons, not the least our interdependence in economic terms with the United States, unwilling to form a Common Market with the United States -- a course that would take us from interdependence to utter dependency in a very short time.

We at once engaged in a series of conversations with the United States, the European Economic Commission, the member states of the Common Market and the British, a series of conversations that is still continuing. We found that there was an effective role for us to play in furtherance of our national interests and in the common cause of the trading world. We are now negotiating with the Common Market to put our consultations with them on a more

systematic basis -- mirroring, if we can, the joint committee at ministerial level that we have with the United States and Japan.

This initiative on our part had two good effects. It enabled us to bring home to the Common Market the reality of our position and our strong and legitimate interest in the freest possible trading arrangements. I believe, too, that both sides, by having to talk to us, were led at a time when both were concerned with internal problems and priorities to give a little more thought to each other.

The second great change in the trading world to which we belong was the economic miracle of Japan. I need not remind this audience that Japan is Canada's third-largest trading partner, after the United States and Britain, and that our trade with Japan is increasing rapidly. Japan is probably British Columbia's leading foreign trading partner. What we think about less often is that Japan is already a regional economic power of the first magnitude, dominating the economy of South and Southeast Asia, and already a major factor in world trade, likely to grow rather than diminish in importance.

In our trading world, the United States no longer enjoys an unchallenged position of leadership. It remains the most powerful economic unit in the world but it is challenged, to the east by the Common Market, to the west by Japan. Every Canadian should pray every morning and evening that the United States economy will continue to prosper. So closely are we tied together that we will thrive together or suffer together. There was a time last year when we thought that the Americans were trying to disengage from us. Fortunately, that threat seems to have receded.

It has been the consistent policy of this Government to seek a maximum diversification in our export trade, thereby reducing to the extent possible our vulnerability to the vicissitudes of the American market and to changes in American economic policy. I want to be very clear about this matter. At the present time the United States takes about 65 per cent of our total exports. We are very glad that they do but we must ask ourselves whether, for a country determined to remain free and to manage its own domestic economy, we have taken full advantage of the potentialities of other growing markets.

In seeking greater diversification in our export trade we are not seeking to reduce by one cent the dollar value of our exports to the United States. Indeed, we hope it will continue to grow. What the Government is after -- I suggest in the national interest and the interest of the trading community -- is a faster rate of increase in our exports to the rest of the world, so that the percentage of the total going to the United States may at least be stabilized and, better still, somewhat reduced, over a period of years.

I shall not stand here and draw at great length the moral of all this, which must be obvious to you. Keep and develop your markets in the United States; nowhere on earth is there a market or an aggregation of markets for Canadian goods that can replace the United States.

At the same time, I urge you, as a Canadian who, like you, wants this country to remain strong, independent and prosperous, to extend your trading and financial horizons as the Government has extended its political horizons. This is the world of the Seventies, not of the Sixties or the Fifties. Some people think that by reason of the formation of trading blocs the world is closing in on us and limiting our opportunities. I do not share that view. The world is, in fact, becoming more interdependent and Canada, in its unique position as an industrialized country with vast resources, a sort of cross between a developed and a developing country, stands to benefit especially from this growing interdependence.

I have spoken to you today very frankly about the new world I see in terms of power relations and in terms of trade. I have outlined for you Canada's perception of this new world and some of the opportunities, challenges and constraints it offers us.

It is not an unfriendly world for Canadians, and Canada is fortunate to live next door to a democratic and friendly nation. I see no evidence whatsoever that the United States has designs on Canada's independence, economically or otherwise. On the contrary, I am more concerned that the United States might turn inward, which could indeed have serious consequences for us and for the world as a whole; so we should do everything we can to encourage that great country to reassume its position of leadership in the further liberalization of trade.

What I do see for Canada is an opportunity to continue to exploit our proximity to the greatest power on earth as a means of strengthening our own Canadianism. We are a far stronger and more independent nation today than we were at the end of the Second World War because we took advantage of our proximity to the United States to become a modern industrial state. Now, as the power centres of the world become more diversified, we can, without diminishing our friendship with the United States, extend our contacts east, west and north and thus reinforce our independence and, I might add, our national unity.

This is the kind of nationalism I advocate for Canada. Not an inward-looking, fearful nationalism, but a confident, outward-looking nationalism, that welcomes contact with other nations, that uses these contacts to enrich Canadian life, that makes Canada a livelier place in which to live and bring up a family.

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