

Statement

Secretary of
State for
External Affairs



Déclaration

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**NOTES FOR AN ADDRESS BY
THE HONOURABLE BARBARA McDOUGALL,
SECRETARY OF STATE FOR EXTERNAL AFFAIRS,
TO THE
UNIVERSAL SPEAKERS GROUP**

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Affaires extérieures et
Commerce extérieur Canada

External Affairs and
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Canada

A World in Change

Next Tuesday will be the first anniversary of my appointment as Canada's Secretary of State for External Affairs. To say that this has been a busy year is to diminish the breadth and magnitude of the changes that have occurred in the world and will permanently alter the course of human history.

I have just returned from South Africa, where I had the opportunity to speak with President de Klerk, Nelson Mandela and the many other leaders who will manage the transition of that society. On Monday, I was in Washington to speak with my Organization of American States (OAS) colleagues about the urgent situation in Peru. Next month, Canada will be hosting one of the multilateral meetings that are part of the United States-Russia-sponsored process to bring peace to the Middle East.

The world is changing at breakneck speed -- and Canada is a respected player at the meetings and in the institutions where that change is transformed from philosophy and political theory into food, medicine, education, jobs, peace, security and respect for basic human rights.

Because the opportunity for change -- positive change -- does not come often, our generation must recognize that, as we approach the new century, we have in our hands the power to bequeath to our children a more stable, prosperous and peaceful world.

The Challenge of the New Eastern Europe

But it is not an easy task, nor is it without new dangers -- and no part of the world exemplifies the enormity of this challenge more than the newly emerging Eastern Europe -- Russia, Ukraine and the other European countries that were part of the former Soviet Union.

The next generation in those countries will test the legitimacy and the viability of the Western values that are now in the ascendancy -- democracy, pluralism, free market economies and respect for human rights.

We in Canada have a direct interest in the region, in its stability and prosperity, not only through direct ties of family and friendship, but as potential new trading partners and allies.

I am pleased to report that Canada and Canadians are already very active in the new Eastern Europe -- but it is important first of all to understand the pressures and tensions that are currently at work in this region.

In throwing off the Soviet yoke, the people of Eastern Europe have driven home to us how precious freedom is. The dangers of global war or nuclear annihilation have been reduced dramatically -- but freedom has a price.

Led by Poland, Hungary and the Czech and Slovak Federal Republic, the Central European countries are painfully making the leap to democracy and market economies. They will continue to need our strong support.

Lithuania, Latvia and Estonia are renewing their links with Western Europe and the world. They will need help in regaining their economic self-sufficiency.

Yugoslavia demonstrates the fact that there is no automatic evolution to stability and progress. We have seen the rebirth of countries such as Slovenia, Croatia and the other republics, but it is a slow, painful and costly process, full of enmity and hatred.

The greatest challenge of all lies in the countries of the former Soviet Union. Bringing them into this new Europe and into the world community is a momentous task -- for them and for us. We have not faced anything on this scale since the rebuilding of Western Europe after World War II.

Consider the magnitude of the challenge:

- o 12 independent states, each with its own wants and needs, often in direct conflict with one another, impatient after 75 years of oppression and enforced togetherness;
- o divisions internally based on language, religion and custom -- right now 25 million ethnic Russians live outside of Russia!

Add to this a legacy of foreign debt, technological backwardness and environmental degradation -- much of it cruelly hidden for decades -- and one can get a sense of the enormity of the challenge. There is nowhere else to go -- survival can only come from finding ways to get along within the region.

Russia and Ukraine are the main players, but the other countries of the region also want a say in the future, while honouring as few of their commitments from the past as possible.

There is little of the framework of institutions that we take for granted:

- o Democracy is just in its beginnings. Free and fairly contested elections are very new. The people have yet to be truly empowered.
- o Market economies are still a dream. There will be a long and painful transition from Inter-continental Ballistic Missiles (ICBMs) to VCRs. Millions face unemployment.

- o Development is uneven, accentuating national differences and fueling social conflict. Some will prosper, while others join the ranks of the poor.

The result is rising instability and violence. Right now, we are confronted by civil strife in Georgia, ethnic insurgencies in Moldova and a bloody dispute between Armenia and Azerbaijan over Nagorno-Karabakh. Russia itself is feeling separatist pressures.

At the same time, these countries are caught in a spiral of rising expectations. The free flow of information has jolted people out of their isolation. They want everything the West has to offer, but their leaders often cannot deliver even the most basic of services.

For Canada and other Western countries, this produces a whole new dynamic, which will test our vision, our ingenuity and our patience, to say nothing of our resources. The countries of Eastern Europe look to us as potential benefactors. We will have to respond, not just with aid but with more open trade and with investment.

The return on our investment must not be measured only in cold numbers on the balance sheets for specific ventures -- as important as that is. There are broader returns from supporting the move of Eastern Europe to democracy and market economies -- peace and stability in the region and hope, progress and prosperity for millions of people who very recently could only dream of those prospects.

Canada's Assistance to Eastern Europe

Many Canadians probably do not recognize the innovative nature and magnitude of our assistance efforts to date, nor the leadership that we have shown to other Western countries in the rationale and mechanisms for our assistance.

Canada has provided and is providing assistance to Eastern Europe worth about \$4.5 billion dollars through a creative mix of debt relief, balance of payments support, currency stabilization, commercial credits, technical assistance, humanitarian aid and business incentives.

Earlier this month, President Bush and Chancellor Kohl announced a US\$24-billion Group of Seven (G-7) package of assistance for Russia in 1992. Canada's share of the bilateral credits for this package was already in place when it was announced. Canada will also play its part in supporting the International Monetary Fund's (IMF) Rouble Stabilization Fund, details of which are being worked out. We will continue to work closely with our G-7 partners on this package as we head toward the Munich Summit in July.

Helping transform Eastern European economies is not only good for peace and stability, it is also good business. Commercial credits are a key element in our assistance because they induce and reward economic change, foster private sector relationships and have a number of multiplier effects -- including the stimulation of direct trade with Canada, something that is of considerable importance to Canadian industry and Canadian workers. For example:

- o in the Czech and Slovak Federal Republic alone, there are more than \$350 million worth of projects in the pipeline;
- o in Romania, a new \$300-million Export Development Corporation (EDC) line of credit will allow completion of a Canadian Deuterium Uranium (CANDU) nuclear power plant, helping to ensure energy self-sufficiency and an environmentally safer nuclear choice; and
- o EDC lines of credit worth \$30 million will soon be in place with Lithuania, Latvia and Estonia.

We are also helping Russia and the other former Soviet republics. The Canadian Wheat Board's \$1.8 billion line of credit is allowing Canadian farmers to continue supplying our largest grain export market.

The bulk of the \$150-million EDC line of credit for food has already been delivered to Russia.

These sales mean profits and jobs for Canadian producers and food processors, but as important as this trade is for Canada economically, it is even more critical for Russia. Canadian credits were key to getting much needed food supplies to the Russian people this winter. While others talked, we delivered -- and on commercial terms.

During President Yeltsin's recent visit to Ottawa, the Prime Minister announced a new \$100-million EDC line of credit for the purchase of Canadian goods and services. The Russians intend to use this primarily for oil and gas equipment.

Negotiations have been concluded between the EDC and the Ukrainian National Bank on the \$50-million EDC line of credit I announced in Kiev last September.

Canada has not shied away from direct financial assistance either, where the pace of reform may be hostage to harsh economic conditions. As one of Poland's largest creditors, we led the way by reducing Poland's outstanding debt by 50 per cent, at a cost of \$1.6 billion.

Canada is contributing \$75 million in balance-of-payments support to Hungary, the Czech and Slovak Federal Republic, Romania and Bulgaria. We are ready to help Russia and the other countries of the former Soviet Union stabilize their economies as part of agreed IMF programs.

Canada was also a founding member of the European Bank for Reconstruction and Development (EBRD), subscribing a large share in the capital -- around \$120 million over the next five years -- but our assistance has gone well beyond business-driven decisions. We have not stood idly by when there have been conflict and human suffering. Canada has been quick to offer emergency humanitarian relief -- over \$10 million in the last six months alone!

This past winter, with the former Soviet Union facing critical shortages, Canada sent 20 Department of National Defence (DND) flights with over 600,000 pounds of medicines and basic medical supplies for children's hospitals in Russia, Ukraine, Belarus, Moldova, Kyrgyzstan, Lithuania, Latvia, Estonia and Armenia.

Canada has provided more than \$2 million in humanitarian assistance to the victims of the Civil War in Yugoslavia. We have also given more than \$1 million in direct medical aid for victims of the Chernobyl tragedy, especially children.

I was in Kiev for the arrival of the first DND mercy flight as part of Operation Boreal. It was an emotional moment as the plane landed, a moment for which all Canadians should feel great pride.

Canada was also the first country to deliver medical assistance to both Armenia and Azerbaijan for those wounded in the fighting over the disputed enclave of Nagorno-Karabakh.

So our humanitarian record has continued, as Eastern Europe moves from challenge to challenge, crisis to crisis.

But Canada and Canadians have always been sensitive to the human dimension of any situation, and this continues to be the rationale behind our technical assistance program for Eastern Europe. We believe that there is no substitute for person-to-person contacts, whether through exchanges, training or internships.

Canada has committed \$85 million in technical assistance to Eastern Europe -- one of the largest commitments proportionally of any of the G-7 nations -- but, despite the magnitude of our program, which began in 1989, demand continues to far outstrip available resources.

There is a need for a whole new psychology of business, and that means management training for the next generation of managers, networking and a program to "train the trainers."

A few examples will illustrate the range of our involvement:

- o In Hungary, Canada helped found the International Management Centre, the first in Eastern Europe -- and the Dean is a Canadian.
- o In Prague, the Canadian Bureau for International Education, a non-profit organization, developed a managerial program for the top 130 managers in the Czech and Slovak Federal Republic, which included some intensive training in Canada.
- o Sixty-two dairy farmers from Poland came to the International Livestock Management School in Kemptville for skills upgrading, and 33 Polish veterinarians and related personnel came for management training.
- o In Ukraine, Canada is financing six policy advisers in key areas such as finance, defence conversion, health and legal reform.
- o In the Baltic States, we are providing assistance to Canadians who are providing advice to these new governments.
- o Oil and gas will play a major role in the development of Eastern Europe, and Russian President Yeltsin will focus his next visit to Canada later this year on this matter.
- o Russia, Kazakhstan and other former Soviet republics are frontier energy plays offering big risks and bigger rewards. They need help in areas where Canada has world-class expertise -- enhanced recovery, deep drilling and pipeline construction.
- o We are developing a training program for 700 Russian oil-field workers and managers with the Petroleum Training Service of Calgary. Other projects may see Canadian community colleges developing curricula for Russian technical institutes.
- o With Alberta, we are looking at ways to help Russia develop a regulatory and legislative framework for effectively managing its depleting resources -- a crucial requirement if they are to be the foundation for continuing progress.

The underlying message of all of our technical assistance programs is that market-driven economies are the fairest and most efficient way to achieve prosperity. Governments establish the

climate for change, but individual entrepreneurs make it happen.

To eliminate trade barriers, we are granting the Eastern European countries General Preferential Tariff treatment. We are also doing everything possible to encourage Canadian business to get involved in this vast new market of more than 400 million people. Household names like Bata, Gulf Resources and McDonald's of Canada are already there creating opportunities.

In May, Jake Epp will be in Moscow in conjunction with a major oil and gas show featuring 23 Canadian companies. In June, Michael Wilson will be leading a high-level business delegation to Russia, Ukraine and Kazakhstan.

The potential for Canadian business in Eastern Europe seems unlimited as Eastern European economies privatize and become more competitive.

The Political Agenda

I spoke earlier of both the positive and negative forces that were being unleashed by the rapid transformation of Eastern Europe. The Gulf War showed that the world is ready to unite in standing up to despotism and international bullying. We must also unite in facing the challenge of creating a new Europe.

At Stanford University last September, the Prime Minister gave a landmark speech committing Canada to the task of bringing these fledgling democracies into the community of nations. His urgent message is even more relevant today.

We are all neighbours in this undivided Europe where Croatia and Nagorno-Karabakh are only as far away as Newsworld or CNN.

The West must reach out to the countries of the former Soviet empire, not with empty gestures but with full hands. Recent events in Russia have shown us just how fragile the balance is between reform and political chaos, between an open vision of the future and a repressive and regressive wish to return to the past. The current situation is critical and dangerous, and our interests must lie with those reformers who seek prosperity and stability for themselves and for the whole of Eastern Europe.

The fragmentation of the old order and the threat of a power vacuum in Europe can be met only through co-operative security. Canada has been active in pushing for more interventionist approaches, whether in containing the conflict in Yugoslavia or using the resources of the North Atlantic Treaty Organization (NATO) to deliver humanitarian aid.

There are many threats to peace and security in the new Europe, which are in turn threats to our own security. Surges of

nationalism, xenophobia and ethnic rivalries; the failure of early attempts to reform democratic institutions or economic systems; and sheer human unpredictability provide a dangerous brew, which can be a recipe for intolerance and violence.

There must be well-understood rules of conduct; there must be stable democratic institutions; and there must be fair and wise administration of public policy or the region will sink into a pit of never-ending misunderstanding, mistrust and human suffering.

One approach that has already paid dividends is the inclusion of the emerging nations in established international peace and security institutions. For example, the association of the new republics with NATO in the North Atlantic Co-operation Council (NACC) brings them into a North Atlantic community of values. Their membership in the Conference on Security and Co-operation in Europe (CSCE) obliges them to accept and implement the Helsinki principles on human rights and the treatment of minorities.

We intend to hold these countries to their commitments as new partners in the NACC and the CSCE. Should they abandon democracy, they will also abandon our assistance -- but common security institutions, such as the UN and the G-7, will be working actively to assist the development of the democratic process, as we also will on a bilateral basis. These security institutions can also bring emerging countries into a security network that is able to intervene when conflict does break out.

I was personally involved in getting the process going for hopefully resolving the problem of Nagorno-Karabakh -- so I have seen this new dynamic up close and in the real world.

Canada invented modern peacekeeping, and once again we have provided our expertise and training, with the contingent of 1,200 men and women who are now in Yugoslavia. But peacekeeping is our second preference after peacemaking, the building of confidence through the rule of law, which is the objective of our diplomacy in the CSCE negotiations now going on in Helsinki.

Peacemaking becomes much riskier when there are thousands of nuclear weapons under the control of Russia and other republics. Russia and the other three nuclear republics must hold to the course of nuclear weapons reductions agreed to with the United States. The transfer of nuclear weapons from Ukraine, Belarus and Kazakhstan must continue. This transfer of weapons was a condition of our diplomatic relations.

Any second thoughts about these transfers for reasons of subjective negotiating leverage with Russia, or politiques de grandeur, will test our good will in having extended that

legitimacy. Of course, Russia needs to be flexible in settling its bilateral issues, but we have no sympathy with the notion that there can now be additional nuclear weapons.

To Canada, the proliferation of nuclear weapons is the world's number one security problem, dramatically underlined by the lessons of our discoveries about Iraq. This is not a casual matter for us, and we will not acquiesce in the emergence of new nuclear weapons states among our new CSCE and NACC partners.

We will also take steps to reduce the risk of proliferation of nuclear weapons capabilities to other states. For example, the establishment of international science and technology centres in Moscow and Kiev will reduce the nuclear "brain drain," and we will also be helping countries develop export control regimes to reduce the risks of inadvertent proliferation.

Our abiding concern for the safety of civilian nuclear reactors is enhanced by the shadow of Chernobyl. Atomic Energy Canada Limited (AECL) and Ontario Hydro are currently working urgently to find out how Canadian expertise can assist in the safety of reactors in Lithuania and Russia and in the management of nuclear waste.

Multilaterally, the G-7 is working on a number of joint approaches, while we work through the UN International Atomic Energy Agency (IAEA) to limit the risks and increase the benefits of safe nuclear energy.

These nuclear proliferation and safety issues are top priorities for Canada. We bring to them almost half a century of technical expertise and policy conviction. They will be at the forefront in our international efforts at NATO and NACC in Oslo in June, at the Munich G-7 Summit in July and at the Helsinki CSCE Summit right after that.

Helping these countries make the transition from military-dominated to consumer-driven economies will be costly. Powerful enterprises have to be scrapped, trading patterns changed and workers retrained, and an increasingly politicized military might be tempted to intervene at the slightest stumble.

Canada is participating in all of these efforts to give Western publics the real peace dividend they expect. There can be no backsliding in our conviction or our commitment; we all recognize that the consequences of failure are very real.

The multilateral management of a stable transition for the new Europe will require a level of vision comparable to that which created the institutions that guaranteed the democratic choice to postwar Europe, brought the West unprecedented prosperity and

ultimately defeated the Soviet threat. The countries in the region must be partners in this transition.

This past winter, the emphasis was on immediate humanitarian needs. The Washington Conference in January, which I attended, forged a new global coalition and a co-ordinated agenda for dealing with Eastern Europe. With the follow-up Conference in Lisbon next month, I believe the priority should be on medium-term strategies for locking in structural reform.

Canada and Eastern Europe in the Future

If Canada wants to be a player in this more interdependent world, we cannot isolate ourselves from what happens in Eastern Europe. Our future is inextricably bound up in what happens there.

One advantage that we have is the fact that Canadians are already working as advisers in Hungary, Poland, Latvia, Lithuania, Ukraine and many other countries. They are advancing reform and networking for the future. They know the markets and, very often, the new people in power. Their numbers and economic clout can help offset the geographic advantage of our Western European competitors.

Hopefully their Canadian views of pluralism and human rights will provide a much needed buffering agent in the region.

The Soviet collapse has released pent-up ethnic hatred and unbridled nationalism throughout the region. Sensibly managed, patriotism can lend political legitimacy and create a basis for social cohesion. Exploited, nationalism can quickly become a destructive force, exploding into violent confrontation and civil war.

We are, of course, concerned when Russia or Ukraine play to extremist constituencies for political advantage.

The victory of freedom over tyranny can be assured only when Europe is truly secure. We cannot abandon the courageous people of Eastern Europe to whom we owe this historic opportunity. Democratic values and principles must be fostered and preserved.

Just last week, the Prime Minister helped mark the 75th Anniversary of Vimy Ridge and the 50th Anniversary of Dieppe. The graves of over 100,000 Canadian men and women mark our place in Europe forever. No one should doubt the strength of our commitment. Now that commitment must be channelled into meaningful change for the future.