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"CANADIAN FOREIGN POLICY: PREPARING FOR THE 21st CENTURY"

SPEECH BY THE

HONOURABLE PAT CARNEY,

MINISTER FOR INTERNATIONAL TRADE,

TO THE CANADIAN INSTITUTE OF INTERNATIONAL AFFAIRS

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Minister for
International
Trade

Ministre du
Commerce
extérieur

Canada

It is a great honour to address the Canadian Institute of International Affairs on the occasion of your Sixtieth Anniversary. I join with you in celebrating your long and distinguished past. The Prime Minister and Mr. Clark asked me to convey their very best wishes as well.

Over the years relations between the CIIA and the Department of External Affairs have been singularly productive. You've provided us with a wealth of ideas. You've even provided us with some of our best people. Escott Reid and John Holmes come immediately to mind. We've tried to reciprocate all this generosity whenever and however we could. For example, we were kind enough to let you have John Holmes back again.

For everyone, CIIA publications are indispensable to the study of Canadian foreign policy. For External in particular, the "International Journal" is a source of constructive criticism and fresh thinking. Reports like the one you issued this week, "The North and Canada's International Relations", give food for serious thought. Your other activities, conferences especially, also help shape Canadian foreign policy. This Conference will be no exception, I am sure.

At this Conference, we are looking ahead to the 21st century. Let me first of all assure you that in the year 2000 Prime Minister Mulroney's government will be just as committed to involving you in the foreign policy-making process as we are now.

The fact is we do believe in participation. We believe that involving Parliament and the public, tapping their contributions, putting policy to the test of public scrutiny, makes for better policy. The role of the Standing Committee on External Affairs and International Trade has been strengthened out of all recognition. The new Standing Committee on Human Rights is now fully operational. Surely experience has also shown that any future full-scale foreign policy review should follow the example of the Special Joint Committee of the Senate and House of Commons and its cross-Canada hearings.

This audience will be aware just how much of a contribution Parliamentary Committees and the concerned public have been making to the government's policy of constructive internationalism. Take human rights for example. I dare say that we would not now be creating an International Centre for Human Rights and Democratic Development if it had not been for the Special Joint Committee. We studied their recommendation and agreed with it. The necessary legislation will soon be ready to table.

Take also for example the northern dimension of our foreign policy. Thanks in no small part to the efforts of the Special Joint Committee and of interested groups like the CIIA, we are developing a more coherent and comprehensive approach to circumpolar affairs.

As your latest report is hot off the press, the government is still studying it. Also, time does not allow me to go over all the ground. Let me just say that with each of the Arctic and Nordic countries we are seeking to enhance even further our economic, cultural, scientific and environmental cooperation in matters related to the North. Recent results are as various as the naming of an Honorary Consul in Greenland, the treaty to protect the Alaska-Yukon Porcupine caribou herd, the Canada/Soviet polar expedition, and the agreement with the United States regarding ice-breaker navigation through the Northwest Passage.

We are also seeking to enhance multilateral cooperation in the Arctic. For arms control and security matters, which have an East/West character, the appropriate framework already exists for us in the North Atlantic Treaty Organization (NATO) and the Conference on Security and Cooperation in Europe (CSCE). But the framework for cooperation in non-military fields needs to be developed further. We are working especially closely with Norway in the hopes of building on the progress made at the joint Canada/Norway Conference in Tromso last December. Whatever else, Mr. Gorbachev's Murmansk speech showed that the Soviet Union may finally be serious about multilateral cooperation in non-military fields such as the environment. Canada's own bilateral program with the Soviet Union, which is successful and growing, suggests that it is in the interests of the entire Arctic community to encourage the Soviets towards multilateral cooperation as well.

Let me turn now to some of the other issues Canada will be facing in the future, beginning with the area I know best - international trade. The Special Joint Committee declared that "The combination of global awareness, interdependence and participation is transforming the very nature of foreign policy - and nowhere faster than in Canada". I would only add that nowhere is this more true than in trade and economic relations.

We are seeing today the emergence of a single world capital market and a single world securities market. I remember seeing estimates that the amount of money that changes hands in the global financial market in one day is over a trillion U.S. dollars. That was before October 19. We all remember that day only too vividly as the stock markets began their mad chase around the world.

Increasingly, not only national monetary policies but also fiscal policies are becoming a matter for international discussion and coordination. So are structural policies. Consider, for example, the impact of the European Community's

Common Agricultural Policy (CAP) on our farmers. At the Economic Summit in Toronto, leaders will be coming to grips with all these issues.

Countries are exporting a growing proportion of their GNPs. For Canada the figure is now one-third. Trade patterns can also change rapidly. Consider this for example: the first shipment of Hondas produced in the United States is expected to arrive in Japan next week. Technology is revolutionizing production and marketing the world over.

This is the economic environment in which we live.

It is important to appreciate that the forces of interdependence lead to the greater competitiveness of nations - and hence to their greater prosperity. The forces of interdependence can also lead to friendlier relations among nations - provided they manage their interdependence well. Secure and open access to each other's markets, based on fair rules, is more vital than ever.

We all know full well that Canada's most important trading partner by far is the United States. We share with that country the largest and most complex bilateral trading relationship in the world. If we want to enter the 21st century in good shape we had better get that relationship right. Clearly, it has not been working as well as it should. Even to list the Canada-U.S. trade disputes in the 1980s would take up most of my time tonight.

Confronted with this situation, the government did not choose the route of vicious trade wars. We chose the positive route. The result is that today we have a free trade agreement that is the envy of our other trading partners. It will give us open and secure access to the biggest market in the world. A major benefit, only now coming to be fully appreciated by our exporters, is that it will also strengthen our competitiveness in third markets.

The agreement will not make us any less Canadian, only more prosperous, as joining the Common Market did for Britain and as the trade agreement between Australia and New Zealand did for them. In the area of foreign policy, the Canada/U.S. free trade agreement is one of this government's greatest achievements - and, you may be sure, one of its most enduring.

The free trade agreement is fully compatible with the General Agreement on Tariffs and Trade (GATT). It will reinforce our efforts for trade liberalization in the Uruguay Round. It breaks new ground in areas like trade in services and agriculture that we hope to advance in the multilateral negotiations.

We are pushing hard for early progress in those negotiations. You will be aware that the Mid-Term Review Meeting of the Uruguay Round will be held in Montreal in December. At the Economic Summit Canada will be seeking a commitment to an "early harvest" at the Mid-Term Review Meeting. At Toronto, leaders must demonstrate the necessary political will and imagination if we are to reap the gains of trade liberalization.

If Canada is to prepare itself for and be competitive in the 21st century, we will need to adjust not only to trade liberalization but to the realities of the New Information Age. Comparative advantage is increasingly being invented, rather than being so much the result of inherited bounty. Materials substitution, bio-engineering, robotics, and microprocessing are among the new realities. Countries like India are no longer customers for our wheat because the Green Revolution is helping to make them self-sufficient. The Third World is producing more and more of the things we produce. We will not, therefore, be able to rely as much as we have in the past on natural resources and semi-manufactures.

Research and Development (R&D) will be critical to our future competitiveness. Last year the government established a \$1.3 billion five-year program. The Prime Minister is himself chairing the new National Advisory Board on Science and Technology. Every effort must be made to raise the combined spending of government and the private sector to levels reached by other technologically-advanced countries and to make every dollar count.

Economically, nothing will be more important in the future than having our domestic policies capitalize on the global forces of interdependence. Canadian governments will need more than ever before to encourage savings, investment, and entrepreneurship. Within a context of fiscal responsibility, they will also need to ensure that Canada's infrastructure is of the calibre needed to support world-class industry.

If I had to point to a single area where Canada should be focussing more attention in the future it would be education. Shifting the economy to higher value-added activities depends on education. By education I do not mean only the professions, but grade schools, polytechnical institutes, apprenticeship programs, extension programs, and manpower training. One of the reasons for Japan's success, indeed a principal reason, has been that its labour force as a whole, from top to bottom, is comparatively well educated.

Speaking of Japan, let me give you an example of one of our shortcomings in the area of education. We all know that our trans-Pacific trade now exceeds our trans-Atlantic trade and that Japan is our second largest trading partner. Yet there are only about 1200 students studying Japanese in Canada compared to 15,000 in Australia.

A good number of you here tonight, and in the CIIA generally, are educators. An important contribution the CIIA could make is to look at questions related to the training of our youth for the internationalist roles we all envisage for Canada.

Your Conference will be discussing the "New Realities in the Pacific". Some of those realities were scarcely imaginable as recently as ten years ago: Japan becoming the world's largest capital exporter, China modernizing and joining the GATT, the Asian Newly Industrialized Countries (NICs) turning into the four tigers.

The need for Canada to adjust to the new realities has entered our collective consciousness. Governments, federal and provincial, are devising strategies and programs to take advantage of the exciting opportunities in trade, investment and scientific and technological cooperation. We are making good progress. The many ministerial visits to the region, including the Prime Minister's, the emphasis on Asia/Pacific in our National Trade Strategy, the support given to the Pacific Economic Cooperation Conference (PECC) and to the Pacific Basin Economic Council (PBECC), and the strengthening of our diplomatic and trade missions in Asia, are all evidence of that.

More is being done all the time. Grace McCarthy, the B.C. Minister of Economic Development, and I are co-chairwomen of the new Pacific Initiative Advisory Committee which involves the private sector in efforts to promote Vancouver's role as Canada's Gateway to the Pacific. The Committee will be seeking ways to strengthen economic ties with Japan, the NICs, and the rest of the Pacific in international trade and finance, transportation, tourism and other areas.

The new economic weight of Japan and increasingly of the NICs as well, makes it essential that they take on greater responsibilities in international economic institutions. This is a process we are encouraging in our dialogue with them.

Some day we may also see the emergence of a pan-regional economic institution of Pacific Rim countries. This is a vision that is close to my heart. People are talking of a "Pacific OECD". Whatever institution finally emerges will be a new and unique institution reflecting the special characteristics and needs of the region, and I think the OECD itself in its membership and activities, should reflect more of the dynamism of the Pacific.

During this Conference you will also be discussing the brightening future of East-West relations. A sign of the times perhaps is the title of an upcoming Wilton Park Conference: "Europe into the 1990s: An End to the Post-War Era?". In the afterglow of the Reagan-Gorbachev Summit and the signature of the INF Treaty, the first post-war arms reduction agreement, we have reason to be hopeful. We should also be realistic.

Mr. Gorbachev, need it be said, is no liberal democrat. He does not want to remake the Soviet Union in our image. His driving goal is to restructure the Soviet economy to make it more modern and efficient.

Mr. Gorbachev faces a monumental task in implementing a top-down reform of the economy. He is asking the Communist Party to cut back its own powers and privileges and the population at large to accept dislocation and unemployment.

Mr. Gorbachev could also face serious tests in dealing with the nationalities question in the Soviet Union, as we are already seeing in the Baltic Republics and Armenia. What is even more important, we cannot know how he will respond to eventual dissent in Eastern Europe. What he said about relations with other Communist countries during his visit to Yugoslavia last week is, however, a positive sign.

There is then no guarantee that Mr. Gorbachev will succeed with his program of reform. Even if he does, the Soviet Union at the end of his tenure would still be a formidable if less threatening military power. It would be a less totalitarian but still authoritarian state. Its yoke on Eastern Europe would perhaps chafe a little less but would still not allow full self-determination.

What does this mean for the West? Mr. Gorbachev's changes open up new opportunities for us to solve regional conflicts such as Afghanistan and the Gulf War, to improve the working of international institutions, to promote human rights, and to reach arms control agreements.

The INF Treaty is the first of what we hope will be many agreements. There is now a real possibility for a START Agreement reducing strategic nuclear forces by half. This would be a major achievement of the post-war era. But there will still be a long way to go.

NATO is working hard to arrive at a mandate for negotiations on conventional force reductions in Europe. It will not be easy to remove the Soviet Bloc's clear advantages in troops and arms. Nor will it be easy to change the posture of Soviet forces from one of potential offence to defence.

NATO's goal of totally eliminating chemical weapons, the horrors of which we are again seeing in the Iran/Iraq war, will also not be easy. The Eastern Bloc maintains a massive superiority in these weapons.

What all this means is that the need for Western collective security will last far into the future. NATO will continue to be the best instrument for preserving the peace, and Canada's place will continue to be in NATO. Our alliance is committed to pursuing greater stability at lower levels of armaments.

Canadians have every reason to be pleased with the results of the NATO Summit, three weeks ago. It achieved a remarkable degree of consensus around a sensible and open-minded approach to future relations with the Soviet Bloc.

The government has in the Defence White Paper charted a course that will enable Canada to meet all its commitments - to collective security, to peacekeeping and to sovereignty protection - into the 1990s and beyond. There are some Canadians who wish to abandon one or another of those goals but we remain committed to all of them.

We are closing the commitment/credibility gap. We have reinforced our contingent in Europe. We have taken on peacekeeping responsibilities in the Sinai. We are solving the problems of obsolescent and inadequate equipment.

That includes submarines. This government believes that Canada should have a three-ocean navy capable of operating in the Atlantic, Pacific and Arctic Oceans. Only nuclear-powered submarines can operate in the Arctic Ocean. But most important, nuclear-powered submarines are more cost-effective and operationally effective than conventional submarines for fulfilling the navy's primary role - the protection of the Atlantic sea lanes.

The government has been no less active in charting Canada's future aid and development policy. Earlier this month my colleague Monique Landry tabled in the House of Commons a strategy entitled "Sharing Our Future", which draws on the advice of three parliamentary committees. It is the first major government statement on international development in 13 years. It includes the first-ever ODA Charter (Official Development Assistance) setting out Canada's principles and priorities in the area of development.

The strategy will direct our assistance to the poorest countries and peoples of the world. Our bilateral aid will be focussed on 30 countries or regional groupings, with 65% of the total going to our Commonwealth and Francophone partners. Africa will receive 45% over the next five years. A substantial part of CIDA's operations will be decentralized to the field. The total effect of the strategy will be to ensure that Canada has one of the most progressive and effective aid and development programs in the world.

Our ODA level has reached .5% of GNP. It will amount to \$2.7 billion this year. Aid is one of only two government programs being allowed to grow in the current climate of fiscal restraint. We have, moreover, put it on an all-grant basis. But Canada still must meet the accelerated growth targets set out in "Sharing Our Future": .6% by 1995 and .7% by the year 2000.

The debt burden is one of the most serious problems inhibiting growth in developing countries today. Canada is doing more than its share in helping to deal with this problem, both as it affects middle-income Latin American debtors and as it affects the poorest countries in Sub-Sahara Africa. We have forgiven \$600 million in ODA debt of the poorest countries and are urging other donors to take similar steps.

For the middle income debtors we are helping in the search for creative solutions. We will be discussing some of the possibilities with a group of Latin American Foreign Ministers who will be arriving in Canada this weekend for pre-Summit consultations.

In the last quarter of this century, the environment has emerged as a compelling issue in foreign relations. In the words of the Brundtland Commission: "When the century began, neither human numbers nor technology had the power radically to alter planetary systems. As the century closes, not only do vastly increased human numbers and their activities have that power, but major unintended changes are occurring in the atmosphere, in soils, in waters, among plants and animals, and in the relationships among all of these".

Canada has acted on the Brundtland Commission Report. The National Task Force's report has been approved by the Prime Minister and the ten provincial premiers. The Brundtland Commission's concept of "sustainable development" is thus being integrated into industrial activities and government programs alike. The concept has, for example, been made a central feature of CIDA's new aid strategy.

Canada also has been active internationally. The Montreal Protocol to protect the ozone layer was a major milestone on the way to a Law of the Atmosphere. Canada will also be host country to the Conference on the Changing Atmosphere this June in Toronto, which Stephen Lewis will chair. In November, we will be host for a meeting of experts from many countries to consider legal principles as a basis for future international accords on the atmosphere.

Two particular environmental challenges will continue to engage Canadian diplomacy: acid rain and the Arctic. It is incumbent on the United States to enter into a cooperative acid rain agreement similar to the Great Lakes Water Quality

Agreement. That is what we will continue to strive for, until the United States finally meets its responsibilities towards us, and towards the North American environment which we share.

The Arctic has one of the most fragile ecosystems on earth. To protect it, cooperation among Arctic Rim countries is essential. The environment will therefore continue to be a major part of our approach to circumpolar affairs.

In his address to the Bilderberg Meeting last fall Prime Minister Mulroney said of international relations: "What is needed is a global effort to re-energize the international spirit that animated the post-war world". Canada can provide some of that energy. That is why we are seeking election to the United Nations Security Council. That is why we are lending strong support to the peace process in Central America and the Middle East, and taking a lead to promote human rights in South Africa. That is why we have been working so hard for U.N. reform. The Francophone Summit in Quebec and the Commonwealth Summit in Vancouver also did much to help animate the international spirit.

Canadians are ready to advance with confidence into the 21st century. We know that interdependence among nations holds out the promise of a new world order. But getting there will be a slow and often painful process of confidence-building and consensus-building. We will have to be as persevering as we are hopeful.

A foreign policy of constructive internationalism needs the participation of Parliament and public. It needs the participation of the CIIA. All of us pulling together will give Canada a stronger voice in the world.