

# STATEMENT DISCOURS

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EXTÉRIEURES.



NOTES FOR A STATEMENT BY THE  
HONOURABLE ALLAN J. MACEachEN,  
DEPUTY PRIME MINISTER AND  
SECRETARY OF STATE  
FOR EXTERNAL AFFAIRS,  
TO THE STANDING COMMITTEE ON  
EXTERNAL AFFAIRS AND  
NATIONAL DEFENCE,  
OTTAWA,  
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Mr. Chairman, this is my first appearance on Estimates for the Department of External Affairs since I last held the portfolio in 1976. I am here as the Head of an expanded Department, whose responsibilities have been enlarged to include responsibility for the conduct of Canada's trade and international economic relations. In carrying out that broader mandate I benefit from the assistance of my colleagues, Mr. Regan and Mr. Lapointe. Together, we face the task of conducting Canada's international relations in a challenging international environment.

The past year has not been easy. No country, rich or poor, has been spared the effects of global recession. The industrialized economies have been plagued by low demand, low investment and higher unemployment. Interest rates, while they have fallen, remain historically high in real terms. World trade has contracted, competition has become more fierce, and protectionist pressures have mounted.

These events also have had serious consequences for the countries of the developing world. Markets for their goods have stopped growing and real prices for their commodities have dropped. The debt loads of some countries have become severe, placing strains on the international financial system. The uncertainty of the international oil market is but the latest complicating factor. The recession has cut world demand for oil and made it difficult to predict where prices will stabilize. A sharp fall in oil prices would be a mixed blessing; a limited and controlled reduction probably would be beneficial.

The implications of all this for Canada are obvious. As a major trading nation we are immediately affected by a contraction in the world economy. Any moves by our trading partners to restrict the free flow of goods and services strike hard at Canadian prosperity.

Despite the difficulties, we have reason for optimism. Canada has fared well compared to many other nations. Our trade surplus is at record heights. Inflation and interest rates have fallen, consumer demand is picking up in the important U.S. market, and signs of global recovery have appeared. Our confidence in ourselves has withstood the tests of adversity, and there is a strong will amongst our major partners to work together.

Mr. Chairman, in my Department we are acutely aware of the direct linkage between domestic priorities and their pursuit in the international environment. We have been working diligently to advance Canadian interests in this difficult situation.

In November I chaired the GATT Ministerial meeting in Geneva. It was a difficult session. But we did emerge with a political agreement to resist protectionist measures that limit trade and to work within the GATT rules. We also agreed on a work program to address a number of trade issues, including trade in agriculture, fishery products and other resource products, notably metals and minerals. These are important issues to Canada and we will be participating actively in this work.

Secondly, we have participated in multilateral cooperative measures to assist the countries that are in the most serious financial difficulty. I refer, for example, to recent actions by the IMF, as well as official and private creditors, to assist Brazil and Mexico. These are ad hoc measures, but they do reflect the determination of the international community to manage the immediate crisis.

We have also been working to strengthen the capacity of the IMF to play its key role in supporting the international payments system. Recently its resources have been increased to enable it to better manage payments imbalances.

Later this Spring, at the OECD Ministerial Meeting and the Williamsburg Summit, Canada will be exploring ways in which nations can act together to further encourage a global economic recovery.

Our dominant economic relationship is of course with the United States. We have seen, in recent times, a new intensity in that complex partnership. In a difficult period generally, this is to be expected. Together, our interests are engaged across the entire spectrum of our national activities. The inter-connection of the North American economies is one source of Canada's prosperity and strength. We must not be surprised that such a vital relationship carries with it certain problems.

In pursuing our national objectives, we are sometimes obliged to adopt policies that are not immediately understood or easily accepted by our American neighbour. But this is a normal feature of the interplay of national interests in a close relationship.

In a period of recession, every country is tempted by protectionism. In the USA, that impulse is aggravated by structural re-adjustments in the older industrial areas of the country. It is reflected in the mood of the new Congress. We Canadians have our work cut out for us in ensuring that the Canadian perspective is understood and

respected in the United States. Acid rain and other environmental problems represent another area in which we are not satisfied with the progress made so far.

There is, however, a balance and tone in our broad relationship that is heartening. Both sides are aware of the points of friction, but there is a renewed commitment on both sides to better management of the relationship. I am extremely pleased with my regular contacts with Secretary Shultz. We have found that we can deal quickly and thoroughly with the issues before us.

Another abiding priority in Canada's foreign policy is the quest for international peace and security. Efforts to control and reduce nuclear weapons command our constant attention. It is a long struggle, with the highest stakes. I wish to acknowledge the useful work of the Committee in this area.

One cannot regard the present state of relations between East and West as a particularly positive one. However, there is every reason to regard 1983 as a crucial year in reviving the momentum of arms control and disarmament negotiations.

Within the last eighteen months, two sets of negotiations on nuclear weapons have begun, and there are now signs that the negotiating process is beginning to work. At the talks on intermediate-range nuclear forces (INF) and at the talks on strategic nuclear weapons (START), both sides seem to be addressing the issues with a greater sense of urgency.

These negotiations are aimed at genuine, balanced reductions in nuclear arsenals. Canada fully supports this objective. We maintain close contact with the USA on the progress of the talks. And when I was in Geneva in February to address the Committee on Disarmament, I took the opportunity to be briefed by the Heads of both the USA and Soviet negotiating teams, in order to inform myself personally on the current state of those negotiations.

The vigorous pursuit of verifiable arms control and disarmament agreements is one vital dimension of Canada's security policy. It is reflected in the commitment of specific resources in my Department's 1983/84 budget in support of disarmament initiatives, including contributions to the objectives of the World Disarmament Campaign, and a substantial increase in the Disarmament Fund of the Department of External Affairs.

Another dimension of our security policy is our commitment to the deterrence of war through the collective security arrangements of NATO and NORAD. As a member of the NATO Alliance, committed to the defence of Europe, we shared the concern of our partners over the Soviet deployment, beginning in 1977, of the SS 20 missile. We regarded this as a destabilizing move, one that threatened a well-established balance of forces in Europe and posed a direct threat to the security of our allies and ourselves.

Accordingly, in December 1979, the NATO members, including Canada, took what has become known as the 'two track' decision to counter this Soviet threat: to deploy Pershing II missiles and ground-launched cruise missiles in Europe, beginning in 1983; and to begin negotiations between the Soviet Union and the United States to limit land-based intermediate range missile systems on both sides.

Consistent with Canada's support for the 'two track' decision has been the negotiation of a framework agreement with the United States concerning the use of Canadian facilities and airspace for the testing and evaluation of US defence systems. Separate agreements would have to be negotiated for the testing of each system. Among the systems that could be tested is the guidance system for unarmed cruise missiles.

None of these separate agreements has yet been worked out, and Canada has the right to refuse any testing proposal. Each testing arrangement would be subject to Canadian control at every step of the process.

I have gone into the 'two track' decision at some length because it has been a matter of considerable discussion in Canada in recent months. And, in my view, a vigorous public debate on matters of international security is something positive. It expresses the deep-seated commitment on the part of the Canadian people to peace and security. It reflects the difficult balance between those objectives.

But international peace and security can be endangered by regional conflict as well as by direct confrontation between the super powers. It is partly for this reason that the the Arab/Israeli dispute remains an issue of the highest concern to the Government of Canada. Canadian policy on this question is both balanced and evolving with events. Let me highlight some of our particular concerns.

Canada supports a just, lasting and comprehensive peace settlement based on Security Council Resolution 242, including the right of all countries to live within secure and recognized boundaries and the requirement for Israeli withdrawal from 'territories occupied' in 1967.

We support the existence, security and well-being of Israel. The Arabs should make clear their willingness to live at peace with Israel.

We have expressed our opposition to certain Israeli policies and practices. We are deeply concerned over Israeli settlement policy. We regard the establishment of settlements, and other actions Israel has taken to extend its control over the occupied territories, as contrary to international law and extremely unhelpful to the peace process. We would like to see an end to this activity.

We recognize that for there to be a just peace, the legitimate rights of the Palestinian people must be realized, including their right to play a full part in negotiations to determine their future and their right to a homeland within a clearly-defined territory, the West Bank and Gaza Strip.

We have stressed the importance of negotiations to resolve the dispute and of the need to avoid prejudging the outcome of these negotiations. We welcome President Reagan's initiative; it offers opportunities for progress in the peace process.

Finally, we opposed the Israeli invasion of Lebanon; we continue to urge the withdrawal of Israeli and all other foreign troops whose presence is not sanctioned by the Lebanese government.

Mr. Chairman, Canadians insist that our democratic values and respect for human rights be clearly visible in our work abroad.

Central America is one region where the complex interplay of social justice, economic development and security is a focus of Canadian concern. Countries of that region are under considerable social, economic and political stress.

These developments are not simply the result of outside meddling, nor of current economic difficulties that affect all countries of the developing world. They are in large part the political expression of decades of social and economic injustice.

It is Canada's position that economic and political reform in Central America is desirable, indeed necessary. But change must be accomplished by peaceful means, and without outside interference.

The convergence in Central America of our own human rights concerns with our developmental and security objectives, has made the region a focus of attention in our foreign policy. In 1981 and 1982, Parliament gave unprecedented attention to El Salvador and its neighbours. The Government announced in 1982 the tripling, on an annual basis, of our development assistance to the region. We appointed a resident Ambassador in Guatemala to strengthen our capacity to pursue Canadian interests, including our representations on human rights and on other issues of concern. We also increased the staffing of our Embassy in San Jose, Costa Rica for political reporting and development assistance purposes.

But we must be realistic. Our capacity to achieve our human rights objectives through bilateral means in situations of virtual civil war is limited. We have found that the multilateral arena offers the best opportunity for the pursuit of our goals in this area.

Only last week, at the United Nations Commission on Human Rights in Geneva, the Canadian delegation sought to secure the adoption of a resolution intended to focus attention on the human rights situation in El Salvador while avoiding extraneous political considerations. We were very nearly successful. In the process we demonstrated the enormous difficulty of securing international consensus on a balanced approach to a complex issue.

We seek to avoid the politicization of humanitarian issues. But the problems of Central America are not purely humanitarian in their nature. There are East-West and Hemispheric political considerations in play. There is outside interference, even though it is not the only cause of the present difficulties.

As we pursue a range of objectives in that region - humanitarian, economic, developmental and security - we must be faithful to the principles that motivate our foreign policy, and we must be honest in our estimation of what we can achieve. Rhetorical gestures are no credit to Canada, and no benefit to the people of Central America.

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Mr. Chairman, in my remarks I have touched on but a few of the many issues of concern in Canada's foreign policy. The members of the Committee will identify many more. I look forward to your questions.