

STATEMENTS AND SPEECHES



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CANADA'S UNIQUE RELATION WITH THE UNITED STATES

An Address by the Secretary of State for External Affairs, the Honourable Mitchell Sharp, to the Buffalo Area Chamber of Commerce, Buffalo, New York, May 9, 1972.

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We who live on the shores of the Great Lakes know from experience that any attempt by one partner to gain more than a temporary advantage at the expense of the other is self-defeating. We instinctively reject the doctrines of narrow economic nationalism that from time to time become popular in our two countries as cures for unemployment.

President Nixon paid us a very welcome visit in Ottawa a few weeks ago and in the course of a speech to both Houses of Parliament summed up very succinctly what I am saying to you now:

"It is time for Canadians and Americans to move beyond the sentimental rhetoric of the past. It is time for us to recognize:

- that we have very separate identities;
- that we have significant differences;
- and that nobody's interests are furthered when these realities are obscured."

He also had this to say:

"Our policy toward Canada reflects the new approach we are taking in all of our foreign relations -- an approach which has been called the Nixon Doctrine. The doctrine rests on the premise that mature partners must have autonomous independent policies:

- each nation must define the nature of its own interests;
- each nation must decide the requirements of its own security;
- each nation must determine the path of its own progress.

What we seek is a policy which enables us to share international responsibilities in a spirit of international partnership."

Perhaps I may be forgiven if I say that Canadians like the President's Doctrine rather better than we liked some aspects of his New Economic Policy as enunciated last August 15.

Over the past three years both Canada and the United States have been reviewing their foreign policies. The reasons given for doing so were identical on both sides. We were at the end of an era. The postwar order of international relations was going. With it were going the conditions which had determined the assumptions and practice of our respective foreign policies. The ending of the postwar era had not been a matter of sudden upheaval but of cumulative change over two decades, which, in the aggregate, had transformed the international environment. The task now, we both concluded, was to shape a new foreign policy to meet the requirements of a new era.

In the new scheme of things, both Canada and the United States saw a relative diminished role for themselves. In our case, we argued that our role had been enhanced at a time when Canada had enjoyed a preferred position and a wide range of opportunities as one of the few developed countries to have emerged unscathed, and indeed strengthened, from the Second World War. The Canadian role was bound to be affected by the recovery of our friends and former enemies and by other changes in the configuration of world power.

In your case, it seems to us that you have drawn substantially similar conclusions -- subject, of course, to the very different scope of your role and responsibilities in the world. The Nixon Doctrine is evidence of a growing conviction among Americans that the time has come for others to share a greater portion of the burden of world leadership and its corollary that the assured continuity of United States involvement required a responsible but diminished American role. It is the sense of the Nixon Doctrine that it will enable the United States to remain committed in ways that you can sustain without placing undue stresses upon your human and other resources.

These perceptions on both sides have their counterpart in the role that national objectives and national interests are henceforth to play in the conduct of foreign policy. In the American case, the greater weight to be given to the shorter-term national interest is the function of the diminished role you see for yourselves and of the enhanced capacity and potential of your international partners.

The Canadian foreign policy review, if anything, goes even further. It defines foreign policy as the extension abroad of national policies. The test of a sound foreign policy is the degree of relevance it has to national interests and basic national objectives. The most appropriate policy for the 1970s, therefore, our review concludes, will be one that strengthens and extends sound domestic policies dealing with key national issues.

In sum, the broad premises and underlying perceptions of the two foreign policy reviews are remarkably similar. It is in their implications for two

quite different entities on the world scene that they inevitably differ.

Let me remind you very briefly of some of the realities of the Canada-United States relation.

Canada and the United States share the North American continent north of the Rio Grande. Our economics are interdependent to the point where they might better be described as interlocked. Total trade between us exceeds \$20 billion annually; each is the other's best customer. If we were economies of the same order of magnitude, the problem would be different and certainly less acute. But we are not: there is a factor of ten or more to one in favour of the United States in terms of our populations and our gross national products. In *per capita* terms, Canadian investment in the United States exceeds American investment in Canada. The difference is that United States investment in Canada results in some 50 percent American control of our manufacturing industries -- in some sectors, including automobiles and petrochemicals, the percentage is much higher. On the other hand, the degree of Canadian ownership of the American economy is negligible. If our policies are to serve Canadian interests, they must take full account of this disparity of power.

While our approach to foreign investment in general, and American investment in particular, is and will remain a positive one, Canada is now in a position where Canadians can afford to be more selective about the terms on which foreign capital enters Canada.

It is in the light of this determination that Canada's new policy on foreign takeovers of existing Canadian business enterprises should be understood. Canada is a growing country that needs a capital inflow if its full potential is to be developed. The need is dispersed throughout the country and is felt most strongly in the Atlantic Provinces and the Eastern half of the Province of Quebec. The new legislation, when it is passed, will not hinder the free flow of capital into capital-hungry areas and capital-hungry industries. It may impede the takeover of existing, viable Canadian enterprises.

About 17 per cent of the net annual capital inflow to Canada is used to purchase going concerns rather than to develop new industries or new units in existing industries. This kind of capital inflow may or may not be in the Canadian interest. The intention of the new legislation is to see to it that it is.

For instance, if the net effect of an American takeover is to export research and development from Canada to the United States, replace Canadian management with American management and take the enterprise out of the export market, Canada is the loser, and such a takeover would almost certainly be prevented by the new legislation. It is important to note, however, that the procedure under the new act is to be one of review and assessment, and I hope that in the vast majority of cases a process of negotiation would result in approval of the takeover on terms which respond to Canadian interests and priorities.

No reasonable person could suggest that the proposed legislation is xenophobic or even unduly restrictive. It may cause hardship, and it is unlikely

that the frustration of the buyer would match the frustration of the would-be seller. But we are determined that foreign interests shall no longer be free to buy up Canadian enterprises with a view to closing them down and substituting imports for their production or reducing their role as exporters in world markets, closing down research facilities or otherwise reducing them to branch-plant status.

In its economic policy, Canada remains the most internationalist of nations. This does not imply abrogation of economic sovereignty, any more than Canada's internationalist attitude in world affairs implies abrogation of political sovereignty.

The trick is to differentiate clearly between essentials and non-essentials. Narrow self-interest and outmoded notions of sovereignty threaten world prosperity and world security today. If they are persisted in, the threat they pose will become more menacing.

I suggest to you that our goal should be to exercise our national independence, political and economic alike, as responsible parts of a whole that can be greater than its parts, where each pursues his own interests and aspirations with full respect for the interests and aspirations of others.

It is against this background that one should, I suggest, view the current trade differences between the United States and Canada.

What is involved is not a confrontation between two opposing philosophies of trade. What is involved is not primarily a disagreement as to objectives. There is even a wide measure of agreement as to the facts. The points at issue are matters that concern in the main the working of an agreement relating to automotive trade that goes to the root of the unique economic relation between our two countries.

This is why the differences are difficult to resolve. We are dealing with the operation of multinational companies owned in the United States and producing in both the United States and Canada and supplying the North American market. How are these operations to be carried on in the most efficient manner, with the fewest constraints to trade to the advantage of both countries? How is production -- and thus employment opportunity -- to be divided so that each of us will have his fair share?

These are the questions we have been trying to answer for many months, long before August 15, when the New Economic Policy was announced.

It is an important question, but you will understand why I said that it does not involve a fundamental difference of principle in trade policy between our two countries. It would indeed be ludicrous if there should be a serious rift in relations because of the difficulty in reaching agreement about the future of the automotive agreement that has been so beneficial to both Canada and the United States.

Let me assure you that Canada does understand and sympathize with the

United States Administration in its desire to correct certain fundamental imbalances in international monetary and trade relations. We made our contribution to the correction of some of these imbalances, for example, by floating our currency and by advancing tariff reductions under the Kennedy Round many months before the United States announced its New Economic Policy, and we are prepared to go further, as we indicated to your Government some time ago. Regrettably, they did not accept our offer.

This is only a part of the search for further liberalization of international trade, a search in which Canada would wish to see all of the world's trading nations engaged, even as they seek to protect their own essential economic interests.

In this endeavour, the whole trading world looks to the United States for responsible and effective leadership. We look to the United States for vigorous support of multilateral liberalized trade based on non-discriminatory principles, further improvements in the terms of competition and the encouragement of outward-looking postures by other countries.

Recent statements by President Nixon suggest that longer-term United States economic interests call for the pursuit of the objectives of freer international trade and capital investment and for an orderly and effective international trading and monetary system, reformed and adapted to the new international situation.

And this suggests that the United States, far from turning inward, is reasserting its leadership responsibilities and charting a course for future trade liberalization that serves its own interests and those of all trading nations.

If this reading is correct, and I believe it is, I have no fears for the future United States-Canada trading relation.

The \$20 billion in total trade between Canada and the United States involves about 67 per cent of our total exports and about 75 per cent of our total imports. These facts, taken together with the high degree of American ownership of the Canadian economy, mean that Canada is particularly vulnerable to the vicissitudes of the American market and to changes in your economic policy. To offset this vulnerability, the thrust of Canadian policy is to seek the maximum diversification in our export markets. Our aim is not to reduce the dollar value of our exports to you but rather to increase our exports to the rest of the world at a faster rate, so that the proportion of our exports entering this country will be stabilized and perhaps, over a period, somewhat reduced.

In this endeavour we have to be realistic, even hard-headed. For Canada, there is not, and will not be, any substitute for the market this country represents. Canadian prosperity depends on access to the American market. But I think that, if there is one thing Canadians and Americans agree about, it is that Canada should remain free, sovereign and independent. If we are to do this, we must not allow ourselves to drift from interdependence with you to total dependence upon you.

This calls not only for the greatest possible diversification in our patterns of international trade but in the totality of our international relations. In the course of the last few years, Canada's world view has been enlarged. Up to the Second World War, Canada's world view was focused, to a very large extent, on London. The events of the War, and the emergence of the United States as the predominant world power required us to broaden our field of vision to acknowledge Washington's pre-eminence. In a bi-polar world, we found ourselves very much at home among the nations clustered around the American pole.

The great changes in world power relations that have taken place have been incubating for a decade or more and have come to light only within the last few years. They are three in number: the Soviet response to the long-standing efforts of the West for a reduction of tension; the emergence upon the world scene of China; and the resurgence of Western Europe and Japan. The enlarged Common Market and Japan are now great powers in economic terms and can become so politically.

Rivalry between the Soviet Union and China is one of the root-causes for Soviet *rapprochement* toward the West, however slow and hesitant. 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, Canada has been a leader in the move from confrontation to negotiation.

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 -- Canada and the United States.

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 the 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. 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.

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, the world of the former colonies and developing countries. This is a development that must be watched carefully. A multi-polar 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.

Voices have been raised on our shared border, 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 that have seen our contacts with the countries of Eastern Europe multiply and mature have also seen us increase very materially our commitment to the countries of Black Africa, of both English and French expression. I was the first Canadian foreign minister to visit Black Africa. 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.

The Government of Canada has had a completely fresh look at our relations with Latin America, which has led to an important strengthening of Canadian participation in the inter-American system. We now have permanent observer status in the Organization of American States, with a resident ambassador. We have become members of nearly all the constituent agencies of the inter-American system. We joined the Inter-American Development Bank last week, and shall be contribution \$100 million to the Bank over the next three years.

In the light of this broadening of our world-wide interests, it is unacceptable to suggest that Canada is turning away from the United States. Some observers 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 with whom we co-operate despite deep differences in policy and philosophy.

Whatever Canada may gain from broadening and deepening its international relations, Canadian relations with the United States will always remain unique in their complexity, their closeness and their dynamic quality. This dynamic quality, this readiness to innovate, was most recently exemplified in the Great Lakes Water Quality Control Agreement signed by President Nixon and Prime Minister Trudeau in Ottawa last month.

This agreement is one that will affect all of us here and is of particular interest to those living in the vast urban conglomerations surrounding the Great Lakes, such as Buffalo, Toronto, Detroit and Chicago. For it is these cities and the people living in them that have done much to despoil the natural beauties and purity of the Great Lakes system. Canadians and Americans now have the opportunity and responsibility to restore to the Great Lakes a large measure of the purity which once was theirs. Every one of us, whatever his special field or knowledge, has to live with the consequences of what man does and is doing to his environment. As a representative of a Toronto constituency, I am particularly conscious of the resources our countries possess in the Great Lakes. The Great Lakes Water Quality Agreement will not only protect that resource but will do a great deal more. In a wide range of man's activities on and in the Lakes, we are re-examining those activities to determine their effect on the environment and to compensate for or eliminate that effect where necessary. This agreement establishes a co-operative framework through which, for many years to come, our two countries will work to defeat a common enemy -- pollution. The tribute to our friendship and co-operation enshrined in it will be visible long after any of the present differences between our two countries, which at the moment seem to loom so large, are forgotten.

It is in this spirit that I see Canadians and Americans living and working together in the future as neighbours and doing their utmost to ensure that the quality of life for all their citizens is as rich as possible.