



STATEMENTS AND SPEECHES

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IMPLICATIONS FOR CANADA OF THE "NIXON DOCTRINE"

An Address by the Secretary of State for External Affairs, the Honourable Mitchell Sharp, to the Centre for Inter-American Relations, New York, September 21, 1971.

...Canada emerged from the Second World War with a new strength and a new sense of independence. At that time we saw ourselves very much as a North Atlantic nation, having close ties with this great country to the south of us and with Europe to the east. Changing patterns of world trade and changing world power relations have brought about a gradual shift in our orientation to the world. This shift was given shape and recognition in the course of a fundamental review of our foreign policy that was undertaken in 1968 with the coming to power as Prime Minister of Pierre Elliott Trudeau, and completed -- in the limited sense in which such a review can ever be completed -- last year.

The first effect of the review was to reaffirm our close ties, political, economic and cultural, with the United States and Europe. The second was to come to terms with the reality of our position in the world of the 1970s by accepting first that we are an American nation, with interests and aims in the whole hemisphere. These include a special responsibility for the Arctic region and its ecology and closer relations with the nations of Central and South America and the Caribbean.

A natural extension of this reorientation of our policy was acceptance of the reality of our position as a Pacific power. In a generation, Canada's understanding of its place in the world has changed profoundly. We remain the North Atlantic nation we saw ourselves to be 25 years ago; we now see ourselves equally to be an Arctic nation, a Pacific nation and above all, as I have said, an American nation.

Changes in the orientation of a country like Canada -- bilingual and multicultural -- take place imperceptibly, partly as a result of changes in the perception of national goals and interests, partly in response to changes in the international environment. The review we completed last year enabled us to take into account the changes that had occurred and to set new directions.

Acceptance of our position as a Pacific nation was one of the forces that led us to recognize the People's Republic of China and press for the seating of Peking in the China seat at the United Nations. It is strange how

non-controversial that seems now as President Nixon prepares for his history-making visit to Peking; in 1968, our early moves were looked upon with great reserve by some in this country.

Acceptance of our position as an Arctic nation was one of the considerations that led us, earlier this year, to sign a protocol on consultations with the world's other great Arctic power, the Soviet Union. Next month Mr. Kosygin will spend a week in Canada, returning the Prime Minister's visit to the Soviet Union. This is compelling evidence of the extent to which Canada and the Soviet Union share assets, interests and problems.

In these brief introductory remarks, I have given some indication of the optic in which Canada sees today's world and I have stressed that we see ourselves first and foremost as one of the nations of the Americas. We accept our responsibilities as such; we intend to pursue our national goals and interests in this hemisphere and to play our part as one of its constituent entities. This has led us to a re-examination of our political, economic and cultural relations with the Latin American republics and the Caribbean nations, of whom there are so many distinguished citizens here today.

Concrete results of this re-examination can now be seen as Canada draws closer to the inter-American system and develops closer bilateral ties with the nations of Latin America. We are joining more of the agencies within the system, and increasing our participation in others. We have applied for permanent observer status in the Organization of American States. Our application has been accepted in principle, and modalities are now being worked out. This will lead to the establishment of a Canadian mission to the OAS. If you wish to regard permanent observer status as a way-station on the road to full membership in the Organization, I do not challenge your right to do so, although I cannot predict what course the Canadian Government may follow in the future. Much will depend upon how the members of the Organization and Canada see their best interests served. Certainly, in a number of conversations I have had with Latin American governments, full membership was not seen as the first imperative for closer inter-American relations.

The review of foreign policy to which I have referred identified Canada's central problem as "how to live in harmony with, but distinct from, the greatest power on earth". I am sure this problem is one that is fully shared by our friends in Latin America and, in varying degrees, by most of the countries of the world. And so I must now set sail on rather a stormy sea, where the charts that have served us well in the past seem suddenly less reliable and the navigation aids less fixed.

The enunciation of the "Nixon Doctrine", and more particularly its specific manifestation in the economic measures taken by the United States last month, has effectively, and perhaps brutally, challenged some of our assumptions and led us to re-examine our position as an industrial and trading nation.

The Canadian and United States economies are interdependent to an extent that is probably unequalled anywhere else and to an extent not always recognized on either side of the border. The United States takes 68 per cent of Canada's exports and provides 75 per cent of our imports. This 75 per cent of our imports amounts to 25 per cent of total United States exports. Certain elements of our industrial production are fully integrated -- farm machinery, automobiles and defence production. About half of Canada's manufacturing industry is controlled by multinational corporations based in the United States; in the case of the petrochemical industry the figure is over 90 per cent.

The United States depends on Canada as a secure and reliable source of essential resources -- oil and gas, forest products and minerals. The uninterrupted flow of these materials is essential to the proper functioning of the American economy. Canada's export trade, though world-wide in extent, is heavily concentrated on the United States and the United States relies heavily on Canadian manufactures. This amounts to a true interdependence, but it is an interdependence between powers of different orders of magnitude. A United States measure that damages the Canadian economy also damages the American economy and the reverse is also true. It is also true, because of the different order of magnitude of the two economies, that United States actions can have much more far-reaching effects that could those of Canada.

This is the background of reality in which the effect on Canada of President Nixon's measures must be understood. The 10 percent import surcharge affects about \$2.25 billion of Canada's exports to the United States, some 25 per cent of the total. This is serious in itself. It becomes more serious when one considers that the \$2.25 billion affected is in the labour-intensive secondary manufacturing sector already adversely affected by the appreciation of the Canadian dollar. If this surcharge remains in effect, employment will be exported from Canada to the United States at a time when unemployment in Canada is running at a level even higher than that in the United States.

The surcharge is said to be temporary in nature. If it is very temporary, Canada will be able to absorb its effects without the need for major readjustments. On that assumption the Canadian Government has already introduced legislation of a temporary nature to mitigate its effects and we have other contingency plans should they be required. The purpose of these measures, I should emphasize, is to support employment, not to subsidize exports to the United States. The companies affected can claim assistance whether or not they export to the United States.

It is instructive to look again at the purposes of the 10 percent import surcharge as expressed by the President on August 15 and elaborated on by other spokesmen:

To encourage the United States' trading partners to revalue their currencies in terms of the American dollar;

to encourage the lowering or removal of tariff and non-tariff barriers that discriminate against American imports;

to encourage other nations to accept a greater share of their international responsibilities.

What is Canada's record in these three areas? We floated our dollar in May 1970; its value in terms of the American dollar has appreciated by some 7 per cent and is determined solely by market forces. Canada presents no discriminatory tariff or non-tariff barriers to the free flow of American goods. Canada is allied with the United States in NATO and maintains effective forces in Europe. We share responsibility for the defence of the continent in NORAD. Our development aid program compares favourably with that of the United States in *per capita* terms and as a percentage of the national product. It is increasing steadily and substantially -- not being cut back, as reflected, for instance, in our more active participation in the Inter-American Development Bank.

In President Nixon's own terms, there is no possible justification for the application of the 10 percent import surcharge to Canada, nor is there any apparent action Canada could now take to meet the President's standards and thus to avoid the surcharge.

In the longer term, the so-called DISC legislation and the proposed job-development tax credit, both of which would discriminate against imports, pose an even greater threat to Canada as an industrial and trading nation. These proposed permanent protectionist measures call into doubt the basic assumptions of our trading relations with the United States, and, indeed, of world trading arrangements generally. They may signal a fundamental re-adjustment of American trading policy and one that would be a deliberate turning away from the policy of trade liberalization on which postwar world prosperity has been built.

I hesitate to believe that the United States is now turning its back on a partnership in the development of North America that has served both our societies well for centuries. I do not accept that the United States, in a narrow and short-sighted pursuit of its own interests, has adopted a beggar-my-neighbour policy towards Canada. For one thing, it would make no sense. You don't help your own business by creating difficulties for your best customer.

Canada, in close co-operation with the United States, has built a balanced and successful industrial and trading economy. I can assure you that Canada is determined to continue on the course it has set for itself. Suggestions from responsible authorities in the United States that Canada should reduce its secondary manufacturing industry and concentrate on the exploitation and processing of natural resources are as insensitive as they are uninformed. We have the fastest-growing labour force in the world. Extractive and processing industries could not begin to absorb the labour force we have today, let alone provide the new jobs we need now and in the future.

Needless to say, we in Canada are asking some pretty fundamental questions about the future. We have proceeded in the postwar period on the assumption of freer trade and stable trading relations between Canada and the United States, relations which have been profitable to both countries. The announcement of August 15 could not help but shake that assumption, and, as a Government responsible for the security and prosperity of more than 20 million Canadians, we have to look at the alternatives.

Let me emphasize that I do not myself assume that questions about alternatives are going to have to be answered in practice, even though they must be studied in theory. I am optimistic enough to believe that reason will prevail. Hence I look forward to an end to this period of uncertainty -- to a renewed, rationalized and more effective international monetary system and better and more liberal world trading arrangements.

Underlying the current crisis is a basic and probably durable change in the configuration of power and industrial wealth in the world at large. Throughout most of the postwar period, the United States was by far the richest and the predominant economic power in the world. It assumed the largest responsibilities and burdens for upholding the international monetary and trading system created at the end of the war. This dominant position found recognition in the monetary field by the unique position accorded to the United States dollar as a world reserve currency firmly pegged to the price of gold. The United States responded with generous and far-sighted leadership, and must be given credit for making possible the remarkable recovery and growth of war-ravaged economies. Thanks to the wealth and far-sighted generosity of the United States, the international economic machinery established at the close of the war proved remarkably successful. In contrast to the disastrous period of the Thirties, the world experienced the most rapid and sustained expansion of international trade that it had ever known, and the principal beneficiary was the United States itself. Canada played its part in the reconstruction of the postwar world, acting generously like the United States, in the enlightened pursuit of its own self-interest.

Within the international monetary and trade system, the most notable developments have been the emergence of a more cohesive Europe and of Japan as major trading and financial centres in many ways comparable in importance to the United States. This is the broad context in which the United States under President Nixon has endeavoured to chart new directions for United States policy, adapted to the new realities.

The "Nixon Doctrine", presaging a lower world profile for the United States, takes account of new trading patterns and new power relations. In the so-called "Western" world, the United States is no longer a giant among mere mortals. The economic paramountcy of the United States will be challenged by the Europe of Ten, which, with its associated states and special arrangements with former colonies, will encompass some 45 per cent of the world's trade.

On the other side of the world is the economic miracle of Japan. Just as in the field of world politics a triangle of centres of power is emerging -- the United States, the Soviet Union and China -- so in the

non-Communist world economic leadership has now to be shared and co-ordinated by the Big Three -- the United States, the Europe of Ten and Japan -- perhaps with an assist from Canada, the fourth-largest trading entity. The United States cannot escape the responsibility of leadership, but it must now exercise its leadership in a world environment very different from that which prevailed only a few years ago.

Postwar prosperity has been built on two foundations: the generous and imaginative reconstruction policies of the United States, and the development of stable, liberal multilateral trading arrangements through such instrumentalities as the GATT and the OECD. If the developed nations are to continue prosperous and secure and if the developing countries are to be given a chance to achieve prosperity it will only be done by adequate development aid supported by continuing co-operative arrangements between trading nations.

To the extent that President Nixon's measures have forced a showdown and a rethinking of some of the world's basic monetary and trading problems, they are to be welcomed. I am sure I do not misread the intentions of the American Administration when I say that I do not regard the Nixon package as a new American policy but rather as a deliberate shake-up designed to create an atmosphere in which some of the deep-seated problems in the monetary and trading systems can be solved by the world community working in concert. To this extent, the measures have been effective. We in Canada share the desire of the United States to see currencies realistically realigned. We share the desire of the United States to see arbitrary restrictions on trade like those employed in Japan and Europe removed, for we too are adversely affected by them. Experience suggests, however, that unilateral action of the kind taken by the United States, if persisted in, leads to the sort of confrontation politics that rarely serves its purpose and invites retaliation. The world trading community, through the GATT, has found the temporary surcharges to be inappropriate and has called for their removal. I would urge, therefore, that the surcharges, which are contrary to accepted fair trading practices, be withdrawn without delay. I urge, also, that the United States not proceed with the DISC proposal and amend the proposed job-development tax credit to remove the discrimination against imports.

A couple of years ago, the Canadian Government began to be very concerned about the possibility of a return to protectionism, notably on the part of the United States and the European Common Market. Since that time I and my colleagues, Edgar Benson, the Minister of Finance, and Jean-Luc Pepin, the Minister of Industry, Trade and Commerce, have had continuing consultations with the United States Government, the Western European governments and the European Economic Commission, warning of this very real danger. We discussed this again, as recently as last week, with Mr. Malfatti, President of the European Economic Commission, in Ottawa. And I admit that Canada has a very special interest -- in a battle of giants, the innocent bystander usually suffers most. Our talks have convinced me that nobody wants this to happen. I don't suppose anybody really wanted the Great Depression, or the Great Wars, to happen. But happen they did.

The "Nixon Doctrine" serves timely notice upon us all that the United States cannot be counted upon to carry more than its fair share of responsibility for the security and material prosperity of the world. This is a fair and welcome position. At the same time, and for its own sake, the United States cannot avoid its responsibility for the leadership required to bring about the saner and healthier international monetary system and trading arrangements the world so clearly needs. Nor can the enlarging European Economic Community and Japan. The better arrangements must be reached after full and free multilateral consultations, not by ultimatum and confrontation. The purpose of these consultations must be the further enlargement and liberalization of the terms of world trade, not its contraction, and they will only be successful if all the leading economic powers are determined to make them so. Canada will use every opportunity and every instrument at its disposal to get these consultations under way. We will work with the United States and our other partners to help make sure that they are both thorough and far-reaching, dealing effectively with the problems before us and laying a secure foundation for another generation of economic growth for developed and developing nations alike.

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