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CANADA AND THE NEW EUROPE

An Address by the Secretary of State for External Affairs, the Honourable Mitchell Sharp, to the Ottawa Rotary Club, December 14, 1970.

Earlier this year, the Government issued a series of booklets called *Foreign Policy for Canadians*. I commend them to your attention....

This series of papers places before the people the results of a fundamental review of Canadian foreign policy, a review designed to ensure that our foreign policy, both in principle and in operation, serves the needs of modern Canada in the modern world. The review calls for an enlargement of Canadian horizons. This enlargement flows from an acceptance of our true position in the western hemisphere, looking westward to the Pacific as we have always looked eastward to Europe, looking northward to the Arctic, and southward not only to the United States but beyond to the Caribbean and Latin America.

These new directions in foreign policy are of importance to all Canadians in terms of the opportunities they offer for diversification of political relations and the broadening of our patterns of trade, both of which strengthen our sovereignty and independence.

The fact remains, however, and the papers make this very clear, that in terms of political relations and trade, Canada's relations with the United States and Western Europe continue to be of first importance.

I have called my remarks this afternoon "Canada and the New Europe", but I shall refer as well to Canada and the United States. The United States has a position of such predominance in world affairs that its policies and activities affect profoundly the policies and activities of all nations.

I have just come back from a trip to Europe, where I visited London, Brussels and The Hague. The purpose of my visits to the British, Belgian and Dutch Governments and to the European Economic Community was to discuss the anticipated enlargement of the Common Market by the entry of Britain and other European Free Trade Area countries and the effects this significant development of the Community might have on Canadian trade with Europe and its impact on international relations.

Shortly before leaving Ottawa, I met with leading members of the United States Administration, led by Secretary Rogers, and discussed the same general range of topics with them.

The timing of my visits to Europe was determined by the NATO ministerial meeting which is held every December to discuss both defence and political questions, so I should like, first of all, to say something about Canada and NATO. In the course of the foreign policy review, one of the questions that had to be faced and settled early was our membership in NATO and related questions of force contribution in Europe. The result was that Canada is -- and will remain -- a fully committed member of the North Atlantic alliance. Canada's security is inextricably bound up with Europe's and Canada will continue to play its part in European security arrangements.

These decisions were taken after exhaustive examination of factors and trends in Europe, attitudes in Canada and alternatives ranging from disengagement from current world power relations to increased involvement in collective security arrangements. Few if any NATO countries have subjected their membership in NATO to so thoroughgoing a study. That Canada has done so, and determined that Canadian interests call for continued membership and continued military presence in Europe, strengthens the alliance.

Against this background, the precise allocation of Canadian defence resources -- as between the European theatre and the North American and Atlantic regions of NATO -- is largely a matter of deciding where these resources can be used most effectively in the common interest. I can tell you, however, that the Canadian Government has no plans for any further reduction in the level of its military contribution in Europe in the foreseeable future.

The foreign policy review went well beyond considerations of security. Of necessity, much of it was devoted to the central problem facing Canada: how to live distinct from but in harmony with the United States, the greatest power on earth. The nations of Western Europe share this problem but in Canada's case it is magnified by geographical proximity, economic interdependence, the shared defence of the North American continent and the pervasive influence of American culture on Canadian society.

The maintenance of an adequate measure of economic and political independence in the face of American power and influence is a problem we share with the nations of Western Europe. In dealing with this problem, there is at once a community of interest and an opportunity to work together. Canada seeks to maintain close political, economic and social ties with Europe, not as an anti-American measure but to create a healthy balance of relations within the North Atlantic community.

While many people in Europe have a full understanding of the historical and cultural links that bind Europe to Canada and of the great opportunities for a scientific and economic co-operation that can contribute to both our societies, there is a too-frequent tendency among European leaders to say to Canada: "Your interests are adequately taken care of by your close relations with the United States; accept the fact that you are a North American nation, sort out your problems with the United States."

For Canada this is not an acceptable option. The United States is our closest friend and ally and will remain so, but to say this is not to say that Canada will come to accept any kind of United States hegemony. Canada will remain sovereign, free and independent. In pursuit of this prime objective, healthy and strong relations with the nations of Europe are essential.

When Canadians look across the Atlantic it is a changing, indeed a new, Europe that we see. The Iron Curtain is no longer so impervious to trade, the exchange of ideas and the process of negotiation. The European Economic Community has become a dynamic reality. We have been very aware of these changes -- perhaps not always aware enough of their meaning and their effects upon Canada.

We are learning fast. The enlarged Common Market of ten, together with some 50 other countries having varying preferential arrangements with it, will encompass 40 per cent of the world's trade. The Market may be expected to import some 16 per cent of what it consumes. Canada cannot afford to stand aside from this great market, cannot ignore what it means in terms of our international trade, the trade by which we live.

This was one of the principal reasons for my visit to the European Communities in Brussels, as well as to some of the capitals of The Six, and for my discussions with the United Kingdom and the United States. It is vitally important for me, as Secretary of State for External Affairs, to take a firsthand reading of the important developments that are taking place or about to unfold in Europe and to meet personally and to renew acquaintance with the personalities who are engaged in changing Europe. For this is what is happening there; The Six, on the one hand, and the four applicants, on the other, that together would make up the hard core of the enlarged Community, will change the map of Western Europe and to some extent the economic and political equilibrium as we have known it since the end of the war.

An enlarged Community would be the world's leading importing unit and The Six, as well as the four applicants, share a measure of responsibility for altering the balance of multilateral trading relations as we have known them. While it is true that the Community and the applicant countries are involved in very delicate, complex and time-consuming negotiations, those who will make up the enlarged Community should at some point take cognizance of their weight and importance in the new configuration of the Western world. Is the enlarged Community prepared to assume world responsibilities in keeping with its size and importance? Can we expect an enlarged Community to be a liberalizing influence in world trade? -

Perhaps in the past Canadians have seen the growing Common Market too much in terms of the threats and constraints it seems to pose and not enough in the light of the challenges and opportunities it offers. We should be ready to take advantage of this great and growing market, not just as a place to sell in increasing quantity primary products of our farms, forests and mines but as an outlet for the finished products of our secondary industries.

The Common Market can absorb, to its benefit and to ours, far more Canadian manufactured goods. It is essential for us to build up our secondary

manufacturing industry, particularly at a time when unemployment in Canada is close to 7 per cent -- and regrettably higher in some areas. The extractive industries may bring wealth to Canada, but they cannot provide enough jobs for our growing population.

Canadian businessmen have a part to play in responding to this new situation. Our improving trade balance attests to the skill and energy they have put into winning their share of markets abroad. To meet the demands of a highly sophisticated market in the new Europe, we must get to know it; we must be ready to overcome stiff competition -- whether of design or price; we must make the best use of advantages we have -- ingenuity, technology and business acumen.

We feel very real concern about some of the effects of the enlargement of this great market. British entry into the Common Market will bring about disruptions and shifts in Canada's exports, particularly of agricultural products. I do not suggest that the growth of the Common Market should be arrested or delayed for Canadian reasons. I do suggest, and impressed strongly on my colleagues in Europe, that the enlargement of the Community should not be and need not be achieved at the expense of third countries such as Canada.

There is also the very real danger of market polarization between Europe and North America. It has taken a generation to begin to alleviate the political polarization that led us into the Cold War; to recover from the effects of trade polarization leading to trade war might be even harder. The effects of such a polarization on Canada would be dire indeed. We stand to lose perhaps more than any other country from United States protectionism and from retaliation by others. We could be left with the choice between moving totally into the embrace of the United States or out into the cold.

In the process of broadening and deepening the Common Market a new kind of trading bloc is emerging, composed not only of countries that are members of the European Community but a large number of other countries associated in one way or another with the Community by preferential trading arrangements. The principle of non-discrimination in trading relations is being breached on a broad front. This is happening at the same time as protectionist tendencies are reasserting themselves in the United States, most recently in the Mills Bill now before Congress. I believe one is justified in being concerned that these European and American phenomena may come to feed upon one another.

It will be recalled that the formation of the European Economic Community was accompanied by the negotiation of the Kennedy Round. At that time Europe and the world moved together in harmony in what was a most impressive advance toward freer trade. Today there is little evidence of this kind of harmonious relation -- indeed quite the contrary.

When I saw European leaders last week, I urged upon them the need for Europe, as it moves toward economic and political unity, not to forget the wider unity of the world, a unity in which all nations have a vital stake. In Ottawa I made this point most strongly to the leaders of the United States Administration.

I do not think I am being alarmist; such a confrontation is apprehended by expert observers on both sides of the Atlantic. The world cannot afford such a costly mistake. Think for a moment about the kind of world in which such a confrontation would take place. In the Far East there is the economic miracle of Japan. The Japanese are beginning to dismantle their import restrictions. They will not be encouraged to continue by retrograde developments in the West. China is emerging upon the world scene as a potential super-power, and, in terms of population, as a market potentially greater than Europe.

By 1972, if not, indeed, in 1971, the Peking Government could be seated at the United Nations. Certainly this is what Canada hopes to see happen. The changes that could flow from this development are incalculable. Little is known of China's intentions. One thing is certain: if Europe and North America are devoting too much of their energies to a sterile trade conflict, they will find it difficult to meet the challenges and seize the opportunities presented by China's growing participation in world affairs.

Trading opportunities with the nations of Eastern Europe are opening up at an accelerating rate. We must be in a position to take full advantage of these, not just because of their economic benefits but because they make an important contribution to the improvement of East-West relations. More trade means more contacts, better understanding and increased opportunity for effective negotiation of issues. The search for a better accommodation with the Soviet Union must be pursued with skill, patience and determination by Europe and America working together, not at odds in trade or anything else.

The developing nations of the Third World must be watching any drift in this direction with deepening concern and apprehension. Recent studies have reinforced the conviction that a maximum effort is required in the next decade, in terms of aid and trade, to enable these nations to escape the treadmill of poverty, hunger and over-population. This calls for a concerted effort by all the developed nations.

The nations of North America and Europe are not answerable only to themselves. As custodians of a great part of the world's knowledge, technological resources and wealth, they must account for their stewardship to the developing nations. Politically mature and experienced, they must engage their energies in the search for a lasting settlement of world tensions.

I have said that in Canada we have some very real concerns. This is true, but in Canada we also have faith that reason will triumph over the search for temporary advantage and that the nations of North America and Europe will continue to work together for the greater good of all mankind.

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