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TEXT AS DELIVERED
OF AN ADDRESS BY THE
SECRETARY OF STATE
FOR EXTERNAL AFFAIRS,
DR. MARK MACGUIGAN,
TO THE EMPIRE CLUB OF CANADA,
TORONTO, ONTARIO,
JANUARY 22, 1981

Mr. Chairman, Mr. Minister, distinguished ladies and gentlemen,

As the good Chairman, who was all too kind to me in his introduction, was introducing the guests at the head table it struck me -- really the first time that this has struck me about an audience -- that it really should be the audience that he was introducing. When I look around me and down there -- at least before when I could still see, before these lights were in my eyes -- I not only saw many old friends, but many distinguished people, foremost among whom was the Honourable Roland Mitchener and his wife. It's a great honour for me, sir, to have you in the audience today when I speak on our foreign policy.

This is an occasion that I've looked forward to for quite some time. I didn't realize the tradition was so unbroken, but I wanted to come in any event. The only thing that surprises me about the occasion is the modernistic contours and appearance of this lectern, but certainly it's very much in keeping with my subject which -- although I don't call it that -- is, in a sense the future of our foreign policy.

I understand that I follow by just a week a distinguished member of my service, Mr. Ken Taylor. It was a particularly appropriate time, I think, for you to have him because of the events which have been occurring in the last several days which have, really, among many other things, brought foreign policy to the top of everyone's mind.

We, as you know, have stood by the United States in their time of difficulty. I pay tribute to the former government for the way in which they assisted the United States in Tehran, and Mr. Taylor personally. Our policy has throughout been entirely supportive of that of the United States, and indeed of international law and of civilized society.

We are profoundly grateful and pleased that those 444 days of captivity have ended, that the captives have been released, and that at least that part of the crisis has ended. We will at some time in the next year or so re-establish most of our normal relations with Iran, but they're not a priority for us. Like other countries in the West, we will shortly be ending our sanctions because those were imposed only for the period of the holding of the hostages, but with respect to the return of the Canadian diplomatic representatives to Iran, we will certainly want to be certain that they will be safe when they return.

That's one aspect of our foreign policy. In a sense, I'll come back to that in a few moments, but I want to go on to talk to you largely about something else.

The capacity of nations to survive or prosper is conditioned in large part by two factors: their understanding of conditions and events in the world beyond their borders; and their flexibility to fashion their institutions and policies to make survival possible in the world at large. Today, I want to discuss with you the significance of these principles for Canada in the eighties and to suggest a set of policies that might more effectively serve us in this period of radical change. I want, in particular, to deal with ways in which the public and private sectors of the Canadian economy might begin to think and to proceed in a thrust to revitalize economic development at home and abroad.

The first prerequisite -- understanding the dynamics of change and influence in the world of the eighties -- takes us, of necessity, beyond the patterns that have prevailed since the end of the Second World War, to an analysis of things as they really are in this decade and at least through to the end of this century. As you know, for Canada those patterns of economic relationships have had a number of rather clear characteristics -- our outward-directed perspective in developing trade relationships throughout the world, our diligence in developing export markets for the riches of our resource base, and our use of multilateral instruments to try to ensure the stability and growth of the world.

Our efforts have met with considerable success if our affluence and growth over the years are reliable criteria. But the degree to which we can continue down that path in a quite different and less stable world -- as really the events of the last year have well illustrated -- is open to question. Our efforts exerted in cooperation with other nations and the international institutions generally have borne some fruit in shoring up the stability so necessary for an international trader like Canada, even if we can't claim 100 per cent success.

But I believe that our national self-interest now calls for a new look at the conditions in which we have to do business and at the relationship between business and government in Canada in the years ahead. Put more bluntly, I believe there's a very different world out there than the one in which we've traditionally worked to advance our

economic development in Canada -- a world that is far less predictable, and one that calls for more stable and steady relationships if we are to survive.

It's no secret that the course of events in the seventies radically changed the rules of the game. The power shifts resulting from the realignment of energy prices, the impact of technology on traditional cultures and the generally more volatile nature of international relations have broken the traditional roles of economic and political power.

A decade ago, at the time the Third Option was first initiated, our objective was diversification of our international economic relationship. We saw diversification as a means of strengthening our relationship with the European Community and Japan. This is still a valid goal but the decade of the seventies taught us that the world is much wider than just obvious and traditional partners from the industrialized countries.

Likewise, a decade ago we could not have foreseen or even imagined the transfer of wealth to oil producing countries that has taken place. This gave new and strong economic power to not only the Middle East, but also to countries like Mexico, Venezuela -- whose lovely representative is at the head table today -- Nigeria, Algeria and Indonesia. States like these have emerged as new centres of strength and influence. They are now where a lot of the action is in matters of commerce and economic development.

And so, for Canada -- for both the private and public sectors -- new perspectives, opportunities and problems have come over the horizon. In a number of fields, the eighties are likely to provide increased competition for us. Our manufacturing sector will be under pressure from this competition -- particularly our traditional manufacturing industries. Lower labour costs in Third World countries and increasing automation in the manufacturing sector of our industrialized competitors will both offer severe challenges to Canadian manufacturing. The outlook is somewhat brighter for those areas where a Canadian specialty technology has been developed, or where manufacturing activity can be tied directly to the Canadian resource base.

You may ask why a Canadian foreign minister is attempting to peer into the future of Canadian industry. My answer is that I believe that Canada's foreign policy must

vigorously address itself to establishing the stable and steady relationships to which I referred earlier.

Economic development in Canada is clearly a matter of priority attention for the federal government -- as it is for the provincial governments. And there must be a viable consensus about what direction that development is to take, but I contend that this consensus must include our foreign relationships simply because the foreign trade and development dimension of the Canadian economy is becoming more fundamental than ever.

Important as they are, I believe we cannot continue to view this dimension solely in terms of the marketing of Canadian exports. Our economic development calculations must also take account of the various ways in which our foreign relationships can contribute to Canada's economic growth. We have to begin thinking of foreign countries as sources of investment, skilled labour, technology, energy and strategic natural resources. Foreign countries also provide opportunities for Canadian investors and entrepreneurs, and they thus become potential partners. Our relationships with them can take the form of project development, industrial expansion, licensing arrangements, etc. All of these things in varying degrees can be key inputs into Canada's economic development. It's logical, therefore, to begin seeking out those potential partnerships which can serve our interests best.

Where do governments fit in this picture? I think an important feature of the eighties is the growing pre-eminence of government-to-government relationships in international economic decision-making. For an increasing number of countries in the world, significant economic exchanges and cooperation are the bond for solid political relationships between the countries concerned. And the world of the eighties will undoubtedly see an increase in these state-to-state relationships. Canada is compelled to examine very carefully how we will respond to this phenomenon and to direct a good deal more attention to systematically developing the kind of political partnerships which our development requires.

All of these factors -- the uncertain world of the eighties, the nature of decision-making in economic development, tougher competition for Canada abroad, the need for viable and strong political relationships -- all of these factors convince me that we must pursue more concentrated bilateralism.

Canada has probably been more noted over the years for its multilateralism than for its bilateralism. We're among the most internationalist nations in the world, and universally recognized as such. We accept the rule of law. We're founding members of the United Nations and of NATO, of the Commonwealth and of La Francophonie, of the OECD and of the GATT. We participate even now in peacekeeping operations. We help to formulate peace plans. We're leaders in development assistance and in disarmament negotiations. This is the great internationalist tradition of Louis St-Laurent, Mike Pearson, Paul Martin and, yes, Roland Mitchener. It is an imperishable part of our heritage, and I'm confident that it will always be zealously maintained by Canadians.

At the present time the Prime Minister and I are engaged in two great initiatives in this tradition: crisis management within the East/West framework, and the North/South dialogue.

Our attempts at crisis management through united action by the West have been manifested with respect to the Afghanistan, Iranian and Polish crises in the past year, and we feel with growing success.

The least successful of these attempts at crisis management, despite our best efforts, was the first, the Afghanistan crisis -- at least, the first for our government; the Iranian was there before but we had more immediately to confront the Afghanistan crisis when we assumed office. There, as you will recall, the West was not really able to agree on united action. We did, of course, do many things in common and that's because we have a lot in common. We could hardly help to do many things in common, because we look at many things the same way. But we didn't really succeed in correlating our policies as we would have wished, especially with respect to the Olympic boycott.

We in Canada, and certainly we in the Canadian Government, take great satisfaction from the fact that whereas other governments -- notably those in Britain and Australia -- were not able to persuade their Olympic committees to follow their advice, in Canada, because of the patriotism of our Olympic committee, we were able to succeed in having them follow our national policy objectives and in boycotting the Olympic Games. In that and in our influence on a number of the other of the 80 countries which eventually boycotted the games, we succeeded partially, but we

didn't succeed as well as we should have or as well as we would have wished to.

But I noted at the NATO meetings in December that I attended in Brussels that there was, after a year of our urgings and after a year of crises, a kind of consensus emerging that we simply had to join in crisis management in the West and that this could not be left to happenstance. That meeting to me was an indication of the fact that our foreign policy is beginning to bear fruit.

Of course, with respect to our other great initiative in that area, the North/South dialogue, the Prime Minister's contribution to that has been certainly manifested in recent days in his attempt to persuade some countries of the South, some countries of the North and some which, while belonging to the South -- like the oil producing countries -- are in a sense in a special category, belonging neither to the North nor the South.

We're pursuing this, with a view to the Economic Summit in Ottawa in July, with a view to the expected conference of nations on North/South questions in Mexico, and with a view to the Commonwealth Conference in Melbourne in September.

I might add that the greatest delight that I've had, as Secretary of State for External Affairs, has been in being able to announce at the United Nations in September that Canada would increase its foreign aid, that we would meet a target of .5% of GNP by the middle of the decade and .7% by the end of the decade. We are indeed providing leadership within the tradition with respect to internationalism.

But the world is multi-dimensional, not one-dimensional and our foreign policy must be too. It's not enough for us to be the world's leading internationalists, though we must not lose that distinction. Side by side with our internationalism, we must also emphasize a policy of bilateralism which will directly serve our national interests.

If I may be personal for a moment, I came to office and in fact I remain a convinced world federalist, one who believes in internationalism and world institutions. But I wasn't in office very long before it became apparent that we also had to organize ourselves to deal with a highly competitive world in the area, especially, of commercial relations. And, as a result of studies which

have been commissioned and carried out and now, as the result of a Cabinet decision, I'm able to announce today a new policy of bilateralism on the part of Canada.

Few objectives in the foreign policy field can be achieved without lengthy and persistent efforts. Canada must be prepared to concentrate its resources to achieve the necessary political relationships with key countries, deploying in a selective manner all political instruments of the state including visits at the highest level. Such instruments can include trade policy, access to Canadian resources, contractual links between governments, bilateral defence understandings, cultural and information programmes, and, in some circumstances, even development assistance.

The government must be prepared at times to let longer-term general considerations affecting the relationship to take precedence over shorter-term interests of a narrower character. The relationships must be subject to central policy management, bringing to bear on them the key considerations of credibility, coherence and planning. The facts that we have limited human and financial resources and that we are proceeding against a background of limitations to government spending, argue that our global approach to other countries must also be selected in line with our basic goals. We have to concentrate our energies and our resources to attain these goals. Priorities among relationships are therefore necessary, and the definition of these priorities must be systematized.

As a basic instrument of its global, differentiated foreign policy, the government has therefore decided to give concentrated attention to a select number of countries of concentration. The purpose is generally to strengthen long-term relationships with these countries because of their relevance to our long-term domestic development objectives. But the importance of the countries in question would also devolve from their relevance to our overall objectives and interests. Such a list would include both long-established countries of concentration and relative newcomers.

The most obvious bilateral relationship of benefit to Canada is that with the United States. In many basic aspects, that relationship is central to our foreign policy considerations and vital to our development. But it is a relationship which we in Canada -- both government and business -- must manage coherently and productively, with a clear sense of our economic and other priorities. It's

true, no doubt, that some Canadian economic imperatives differ from those of the United States. But this need not deter us in assisting each other in achieving our national objectives.

Other relationships are, of course, vital to us. Our fastest growing markets for capital goods are in Latin America, in the Middle East and with partners not presently among our traditional relationships. If you've watched the itineraries of my colleague, the Honourable Ed. Lumley, and myself, you will have noticed that we have been concentrating on certain areas of the world where we believe Canada's long-term interests will best be served. I recently returned from a series of meetings between a number of Canadian ministers -- Mr. Lumley, Mr. Lalonde, Mr. Whelan and myself -- and the corresponding Mexican ministers, and there is general agreement that the potential for a durable political and economic relationship between Canada and Mexico is very bright.

I believe, however, that we must be very clear about the nature of these bilateral relationships and the qualities they should have. I think that if they are to be consistent and enduring we must be prepared to pursue them on a long-term basis. Our approaches have to be planned. And the execution of our foreign bilateral policy must be coherent. In this, all the relevant instruments of governments, as I've said, should be called on to serve the relationship. To the extent possible, we shall have to avoid contradictions in our relationships. To achieve this our criteria for selecting key economic partners for Canada cannot be solely economic. We shall have to take account of a variety of political factors, such as compatibility of values, cultural links and mutuality of interest in other spheres.

I think that in Canada both the public and private sectors of our economy should recognize our potential for influence. Occasionally, we should not be afraid of establishing linkages in our relations, so that we can bring one issue into play vis-à-vis another in a positive and productive way. We must also be more focused in Canada in developing common purposes and in resorting more readily to foreign policy as an instrument of real national benefit.

The federal government intends to discuss this bilateral approach to foreign policy with the provincial governments, and to develop it further in consultation with business and other leaders in Canada. But the main lines of

the policy are clear: Canada is looking outward towards more significant partnerships in the world.

I believe that pursuing these relationships is consistent with our broader purposes in foreign policy. We will continue to look for multilateral conciliation and solutions of the world's problems. We must not permit the instability to the eighties to which I referred earlier to compel us to retreat from this approach. But there is a huge potential in our developing strong bilateral relationships. We should be visible and active in places like Mexico City, Seoul, Singapore, Jakarta, Lagos, and Brasilia, to name just a few. There should be ministerial visits, and we should encourage and facilitate the efforts of the private sector to find opportunities in these new centres of wealth and influence.

Such a policy would also support our overall commitment to improving cooperation between the North and the South by intensifying concrete ties with some of the newly industrializing countries which are among our best potential partners. It would also support our efforts to increase our aid levels to the poorest countries.

In summary, new times call for new departures. Events which we could not have foreseen a decade ago are now upon us and our continued development requires a recognition that while interdependence among countries may be essential, our best course is to select the kinds of bilateral relationships that can prosper and endure and serve Canada's economic interests. This will call for a new and closer relationship in the aims and policies of both government and business. Government-to-government relationships must be developed and nurtured in the interests of a wide variety of economic ventures which, ultimately, will ensure significant national benefits to Canada.

It's a challenging prospect, and one which calls for clear-sightedness and flexibility in its implementation. But the benefits -- political and economic -- will pay dividends. It is, in the end, our best recipe for success in an otherwise difficult world.

Thank you. It has been a pleasure being with you.