



# STATEMENT DISCOURS

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NOTES FOR AN ADDRESS  
BY THE SECRETARY OF STATE  
FOR EXTERNAL AFFAIRS,  
THE HONOURABLE MARK MACGUIGAN,  
TO THE LOS ANGELES WORLD  
AFFAIRS COUNCIL  
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"THE CHALLENGE TO CANADA  
AND THE UNITED STATES"

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It has already become a cliché to speak of the turbulent or troubled eighties, of a decade of crisis, of a time when the only constant will be change, but like most clichés it does contain a large measure of truth. The world has seemed to careen from crisis to crisis-- Afghanistan, Iran, and now Poland. If The Wall Street Journal is to be believed, even relations, between Canada and the United States have seriously deteriorated. No one wants to repeat history. If we are all to arrive at the next decade safe and sound, we shall have to understand the issues which underlie this turbulence. Understanding the causes of change is the first step in meeting the challenges ahead.

We, Canadians and Americans, living at the frontiers of the modern technological age accept change, even rapid change, as the normal state of affairs. Steeped in the idealism of our own dynamic, successful societies we embrace change with optimism and impatience. But events in Eastern Europe have forcefully reminded us, again, that change does not necessarily come quickly in the world, nor does it always mean progress. Just as the Prague Spring gave way to a winter of repression, so have the Poles now tested the limits of reform only to see them contract.

Canada, in concert with the United States and our other NATO allies, has condemned the repression in Poland. We have called for the lifting of martial law, the freeing of detainees and the restoration of the dialogue between the Government, Solidarity and the Church. On December 30, the Prime Minister of Canada called for the beginning of a process of national reconciliation in Poland. We have seen since, however, that the Polish authorities seem determined to maintain the essentials of the martial law regime. General Jaruzelski's speech on January 25 left us with no illusions on that score. For the present, therefore, we are obliged to treat the situation in Poland as one more likely to deteriorate than to improve. While we should not take the view that there is no hope for a return to a more civilized regime in Poland, I must admit that there is little present evidence on which to base such hope. The Western countries will have to draw the necessary conclusions from this state of affairs-- and indeed, they are doing so.

With the eventual accession to power of a new generation of Soviet leaders, change will come to the Soviet Union too. Will they see the world in terms of defending the gains already made, or might they prosecute the expansionist dreams of Lenin? How will the Russians, the Armenians, the Uzbeks share power inside the USSR? Are relations between the Soviets and their satellites immutable? What is certain is that the challenge to the West is probably as great as it has

been since the creation of NATO. The Soviet Union has steadily strengthened its military forces. It has achieved nuclear parity. It has the ability to project its power world-wide and is meddling directly or through surrogate forces in the Third World.

The NATO Alliance must continue to be a credible deterrent to Soviet expansionism. We must reckon with Soviet power and not negotiate with the Soviet Union from a position of weakness. Yet nothing appears to threaten a rift among the peoples of the Alliance as much as our recent collective decision to position American intermediate-range cruise and ballistic missiles in Europe, a decision taken, it should be remembered, in response to a European demand and designed to counter an existing Soviet threat. Yet Western Europe has seldom before seen such large demonstrations against nuclear arms.

The Europeans' fear of war runs very deep. They are determined to learn the lesson of their own bloody history and not to repeat it. But the lesson is not so clear as it once seemed. Some Western Europeans are uncomfortable with United States leadership but at the same time they do not have the capability of ensuring their own defence. They, in particular, also have a great deal at stake in their economic relationship with Eastern Europe. In these circumstances, it can be tempting to try to opt out of the East-West contest altogether. But that contest is for the preservation of Western values of liberty and democracy. Opting out would neither protect those values nor guarantee safety nor even ensure prosperity over the longer term. The discovery of a nuclear-armed Soviet submarine in neutral Sweden's waters has given thoughtful Europeans, at least, reason to pause and reflect.

There are stresses today within the Alliance. There are also pressures from outside it. There continue to be challenges and Poland is only the latest -- to our collective commitment to the defence of our fundamental human values.

These difficulties are not new. We shall surmount them today, as we have in the past, through the recognition that there is an overriding commonality of values and interests which binds us together. Solidarity within the Alliance is of vital importance today. But it does not require unanimity in perception or in action. Our national interests are not identical. National governments will not respond in precisely the same manner to events which affect them differently. The essential issue is whether, in the end, the necessary resolve remains to defend our freedom. That resolve is the cement of our Alliance and I am fully confident that it does, and will, endure.

The challenge in West/West relations, if I may call them that, is to restore confidence in the soundness of our

Alliance. This means doing a better job of addressing ourselves to the fears of our publics. It means persuading them that unilateral disarmament would increase rather than reduce the risk of war. It also means convincing them of the basic common sense of their own governments. That is why NATO's readiness to negotiate real and meaningful arms reductions, including deep cuts in tactical and strategic nuclear weapons, is so important.

Where will China fit in the geopolitical equation of the eighties? In the fifties we used to think of the communist world as monolithic and East-West relations as almost Manichaeian. China forced us to revise that calculation. During the last decade its leaders have greatly increased and diversified their experience in world affairs. They will be taking a cautious but critical look at the balance of advantages and disadvantages in their foreign links. But China cannot be taken for granted. The challenge for us will be to devise policies which do not reverse its growing contacts with the West.

And what can Iran, for example, tell us about the challenges ahead? Here was a country that gave every appearance of making giant strides into the twentieth century, and which, as a large oil producer, was more than capable of paying its own way, unlike so many other countries in the Third World. We know today how deceptive much of that picture was. Development, particularly rapid development which does not respect centuries of tradition, no matter how benighted and unprogressive we Westerners may think elements of that tradition are, is likely to lead to social upheaval.

Another lesson we ought to draw from Iran is that we ignore or tolerate gross violations of human rights in other countries at our own peril. While the current government's record is abysmal, the Shah's regime's performance was also poor. I know full well that foreign policy is ultimately based on hard-headed calculations of national interest and that we must make our way in the real world. Relations with a country are not cut off immediately if it falls short of observing, to the letter, the Universal Declaration on Human Rights. But at some point the violation of human rights abroad has to become part of our calculations. It is after all the West which stands for human rights and freedom.

Central America graphically illustrates one of the most difficult challenges of all facing the Western democracies-- how to accommodate ourselves to social and economic change in the Third World. We simply cannot afford to see every Third World conflict through an East-West prism and, as a consequence, to align ourselves with the forces of reaction, privilege, and inhumanity. This would be inconsistent with our own values and ultimately certain to fail. But we equally cannot ignore communist intervention.

How do we deal with Soviet behaviour in the Third World? I don't see any easy answer to this dilemma. I am sure, however, that the solution lies in the direction of immunizing the poor countries of the world from East-West rivalries. That was the original aim of the non-aligned movement of Nehru and Tito. At the Ottawa Summit the seven major industrial countries reaffirmed their support for genuine non-alignment.

The Soviet Union has probably never appealed less to the countries of the Third World as a model for development. Their perception of this situation has only been reinforced by Afghanistan and now, Poland. It is to the West that the South is looking for help. The problems are monumental and threaten our own peace and prosperity in this interdependent world. For reasons of decency alone -- our Western values -- we must facilitate the economic development of the South. But even if we were not moved by a sense of morality, then common sense and our own economic and political self-interest should tell us that we must act. The growing linkages between North and South mean that no industrialized country can hope to isolate itself from the turbulence of economic and social change. It is because of considerations such as these that Canada continues to lend strong support to the concept of Global Negotiations.

If, in addition, change is to be progressive, not regressive, then international institutions, for example, will have to take greater account of developing countries' specific difficulties: access to international capital markets, greater security in commodity prices, access to technological skills and to markets for manufactured products. The primary need of those countries with growing export potential is, as the slogan says, "trade, not aid". The role of private enterprise will have to be acknowledged and encouraged by recipient and donor countries alike.

Official aid is also going to be essential, especially for the poorest countries, for a long time to come. These countries will benefit least from the new technologies and from the evolution of international institutions and of the trade and payments system. Quite simply, their economies are so rudimentary that progress for them can only come very slowly.

I see my own country's aid programmes continuing to focus on the poorest countries. We shall increasingly concentrate on what we do best -- agriculture, energy and the development of human resources. In these three sectors Canadian capacity and the poor countries' needs best coincide.

We must all strive to increase the amount of the aid we give. Canada is committed to donating .5% of its GNP as aid by 1985 and will endeavour to go even beyond to .7% by the end of the decade. We have recently joined with the United States,

Venezuela and Mexico in an initiative in the Caribbean Basin which combines many of the elements of reform to which I have referred and whose goal is to get at the social and economic conditions which cause instability and revolution in the first place.

Finally, of all the challenges facing Canada and the United States in the 1980's, the preservation of the international economic system is perhaps the most basic. Unless the Western economies can be put well and truly on the road to recovery, the other challenges could go by default. How will we come to grips with the problems caused by subsidized agricultural exports? At a time when our automobile industry is in trouble, how will we deal with massive imports of automobiles and still preserve the liberal international trading system? More fundamentally still, what will happen to our traditional industries in the face of low-wage cost competition from the Third World? These are difficult enough questions in the best of times. They are much more intractable when governments are facing record levels of unemployment.

In the present recessionary cycle, we must resist protectionist pressures. Protectionism in one guise or another-- from technical standards to notions of reciprocity-- may be good short-term politics. But we all know that prosperity is far better politics. It is trade liberalization not protectionism which has led to the unprecedented prosperity of the post-war era. The tariff cuts agreed to in the Multilateral Trade Negotiations will be phased in by 1987. We must ensure that they are not replaced by non-tariff barriers. The GATT dispute settlement machinery must also be made to work effectively. The GATT Ministerial Meeting later this year will be a major test of our commitment to preserving the open international trading system.

The picture is not one of unremitting gloom. The market economies continue to sustain high standards of living. If we think we have troubles, we have only to look at the Eastern Bloc economies, at Poland and the last five-year plan in the Soviet Union. Without major reform, those economies, which have never provided much freedom, seem destined not to produce much bread either.

I would like to turn here to the challenges ahead for Canada-U.S. bilateral relations, for it is in the economic area that our two countries appear to be experiencing difficulties at the moment.

Canada is one of the world's greatest trading nations. We export over a quarter of our GNP, compared to the United States which exports about 8%. Canada and the United States have the largest bilateral trading relationship in the world. Your

trade with us is almost as large as your trade with the entire European Community, almost twice your trade with Japan, and about three times your trade with Mexico. You have approximately \$70 billion invested in Canada and we have about \$13 billion invested in your country. I recite all this arithmetic simply to underline the importance of Canada-U.S. economic relations. Clearly we both have a great deal at stake.

Our relations are currently undergoing some stresses and strains. This is perhaps inevitable in so extensive and dynamic a bilateral relationship. Nonetheless, from the perspective of some Americans, including The Wall Street Journal, the Canadian Government seems embarked upon a course of radical economic nationalism. We hear Canadian economic policies described as "unfair", "interventionist", and even "anti-American". Naturally we are concerned. We are anxious that those policies be understood for what they really are. They are not anti-American. They are pro-Canadian. They are also judicious and reasonable responses to real Canadian needs.

U.S. criticisms of Canadian trade and investment policies centre on the Canadianization aspects of the National Energy Programme, the NEP for short, and on the Foreign Investment Review Agency, which is known by the acronym "FIRA". Neither of these policies can be fairly described as radical economic nationalism. I think if you look behind the more extreme characterizations of Canadian policies, you will find a certain unconsciousness of the differences between the Canadian and American economies.

I am convinced that on reflection and with all the facts, most Americans would concede that Canadian policies are at least within the bounds of reasonableness. We, for our part, have been willing to listen to American concerns. We have, for example, modified some provisions of the NEP and we are reviewing FIRA's procedures to ensure that they are timely and efficient. We have also said that the NEP is not a blueprint for action in other sectors. Neither side, I should add, has a monopoly on grievances in trade and investment, or other areas of the bilateral relationship.

What are some of the challenges ahead in these other areas? In defence and in defence trade, we have long enjoyed the closest of relations. Last March, during President Reagan's first visit to Ottawa, the U.S. and Canada renewed the NORAD\* Agreement and reaffirmed the Defence Production Sharing Arrangements. Two of the largest military procurements in Canadian history have been made under that programme-- for the Aurora long-range patrol aircraft and for the F-18 fighters, both of which are bringing substantial economic benefits to California and to Los Angeles. In this decade one of the major tasks before us is the upgrading of North American aerospace defences.

\* North American Aerospace Defence Command

Sharing a continent also means sharing an environment. There are a great many issues between us in this area, not the least of which is acid rain. The challenge here will be to deal with transboundary airborne pollution as we are doing with water pollution in the Great Lakes. We know enough about this phenomenon that we must both act now.

We must continue our efforts to conclude a salmon interception treaty for the West Coast, a goal which has eluded us for decades to the detriment of the resource. On the East Coast, we have referred our maritime boundary dispute to the World Court. Canada, however, remains concerned at U.S. lack of restraint in fishing in the disputed area, the resources of which are, after all, sub judice. The need for co-operation is even more urgent now than it was when the fisheries treaty was withdrawn from the U.S. Senate.

Looking ahead, the major challenge between Canada and the U.S. will, I think, be managing the relationship. Here I refer more to principles than to mechanisms. In recent months various groups and individuals on both sides of the border, anxious to improve Canada-U.S. relations, have made a number of proposals, ranging from private sector consultations through to joint Cabinet meetings. I certainly agree that there is always room for improvement in the channels of communication and dialogue. But I think we have to recognize that Canadian and American interests are not identical, and that new mechanisms are not going to alter that fact. If the public perception in the United States is that Canada has veered towards a kind of radical economic nationalism, the perception in Canada is that it is the United States which has shifted along the political spectrum.

The point I am trying to make is that differences do not arise always out of inadvertence or happenstance. There has been no shortage of dialogue, including at the highest of levels, and the lines of communication are reliable. The challenge, in managing this massive bilateral relationship of ours, is to respect our differences as we build on the areas of agreement.

These then are some of the challenges I see ahead for Canada and the United States. The turbulent eighties will test us both, whether the political winds are blowing East-West or North-South. To meet them it is vital that we fashion foreign policies which respond to the underlying causes of change in the world and which are faithful to our common values. It is also vital to remember that the enormous goodwill we Canadians and Americans feel for each other does not change. It remains a constant upon which we both can count and both can build for a prosperous future.