Foreign Policy for Canadians

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Chapter I

WHY REVIEW FOREIGN POLICY

Canada emerged from the Second World War on the leading edge of an internationalism which sought to create a rational world order out of the ruins of "isms" of the thirties. Canada hoped then that its future security and well-being could be safeguarded through strengthening international institutions—especially in the United Nations family of organizations—which were to be the basis for maintaining world peace and achieving human progress.

When it became apparent that many of these co-operative efforts were endangered by the rigidities of the cold war, viable alternatives to the new world order were needed. The threat of Communist armed aggression—first against a weakened Western Europe, later in Korea and Indochina—led to the establishment of the North Atlantic Treaty Organization (NATO), then the North American Air Defence Command (NORAD) and other security arrangements. These and subsequent peacekeeping operations, and a rather important group of organizations specifically assembled for financial, trade, development and social purposes, relied for their effectiveness on varying degrees of international co-operation.

Canada's foreign policy then was largely concerned with objectives and obligations arising out of active membership in multilateral organizations. Canada's international role, its influence, its self-expression were seen in the context of those intergovernmental bodies. It was all part of the most striking phenomenon of the post-war period—the increasing interdependence of events and nations.

Canadians as Internationalists

During the post-war decades, Canada and Canadians acquired a certain taste and talent for international activities of various kinds. Canadians took pride in the skill with which their political leaders, their military and civilian peacekeepers, their trade and other negotiators conducted the nation's business abroad. The international reputation Canada had then was earned at a time when Canada enjoyed a preferred position and a wide range of opportunities, as one of the few developed countries that had emerged from the Second World War materially unscathed and indeed politically, militarily and economically stronger than ever. It was a position that was bound to be affected by changes in the world power structure resulting from the post-war rehabilitation of larger countries, including friends and former enemies. The Canadian people had broken out of the isolationism of the thirties and come to the realization that there was an interesting and important world outside where Canada should have a distinctive contribution to make. Canadians developed and exercised a substantial interest in international organizations. They moved in ever-growing numbers into the less-developed parts of the world as technicians, teachers and administrators; they encouraged and accepted foreign scholars, students and trainees to enter Canadian institutions of education; Canadians travelled far and wide in search of business, service and pleasure. The emergence of former colonies as free nations offered new challenges to religious groups, private aid societies, universities, humanitarian groups generally.

This varied activity by Canadians has stimulated and substantiated a deep-seated desire in this country to make a distinctive contribution to human betterment. It manifests itself in the various pressures which have been exerted on successive Governments to do more in such international fields as peacekeeping, development aid and cultural cross-fertilization. This altruistic aspiration seems to be shared generally across Canada. What Canada can hope to accomplish in the world must be viewed not only in the light of Canadian aspirations, needs and wants but in terms of what is, from time to time, attainable.

The Changing World

From the outset of this policy review it was apparent that some of the safe assumptions of the post-war decades were crumbling away as the world changed:

—International institutions which had been the focus and instrument of much of Canada's policy were troubled by internal divergences and by criticism about their continuing relevance in new world situations.

—The world powers could no longer be grouped in clearly identifiable ideological camps, groupings which had conditioned political and military thinking since the War.

—Long-standing human problems in the Third World—which in the post-war euphoria seemed manageable in due course—had crystallized into irresistible demands and expectations for international action to deal with development needs and to put an end to race discrimination.

—Science and technology had produced in spectacular array powerful weapons, computerized industry, instant communications, space travel; but in sum these marvellous innovations raced far ahead of political, economic and social institutions, magnifying the problems they faced and rendering them inadequate in some cases.

—Social attitudes had changed. Civil disobedience and the use of violence became the commonplace of the new confrontation politics. The basic values of most societies were called into question—perhaps nowhere more harshly than in North America.

Canada's Changing Outlook

By the mid-sixties Canada had its own set of difficulties. An overheated economy, regional differences and disparities, the reverberations of the quiet revolution in Quebec, all added to the stress and strain on Canada's national fibre. They affected the way Canadians saw themselves and the world around them.

Developments in the outside world—the changes already noted—raised questions and doubts in the minds of some Canadians about Canada's foreign policy. Criticism tended to gather in a hard lump of frustration—accentuated by the war in Vietnam—about having to live in the shadow of the United States and its foreign policy, about the heavy dependence of Canada's economy on continuing American prosperity, and about the marked influence of that large and dynamic society on Canadian life in general.

Canada's "traditional" middle-power role in the world seemed doomed to disappear after the United Nations ordeal in the Congo, in the face of

peacekeeping frustrations in Vietnam, following the collapse of the UN Emergency Force (UNEF) in 1967. Western Europe had not only fully recovered from the war but was taking steps toward integration that put strain on transatlantic ties and, combined with changes in the Communist world, called into question the need for continuing Canadian participation in NATO. The renaissance of French Canada, with its direct consequences for relations with French-speaking countries, raised further questions about the fundamentals of Canadian foreign policy.

Policy had not remained static since the war; it had been adjusting to the changing world and to Canada's changing needs. It had served the country well. But an empirical process of adjustment cannot be continued indefinitely. There comes a time for renewal and in 1968 the Government saw that for Canada's foreign policy the time had arrived.

Role and Influence

At times in the past, public disenchantment with Canada's foreign policy was produced in part by an over-emphasis on role and influence obscuring policy objectives and actual interests. It is a risky business to postulate or predict any specific role for Canada in a rapidly evolving world situation. It is even riskier—certainly misleading—to base foreign policy on an assumption that Canada can be cast as the "helpful fixer" in international affairs. That implies, among other things, a reactive rather than active concern with world events, which no longer corresponds with international realities or the Government's approach to foreign policy.

There is no natural, immutable or permanent role for Canada in today's world, no constant weight of influence. Roles and influence may result from pursuing certain policy objectives—and these spin-offs can be of solid value to international relations—but they should not be made the aims of policy. To be liked and to be regarded as good fellows are not ends in themselves; they are a reflection of but not a substitute for policy.

Foreign Policy in Essence

In undertaking this review the Government has been constantly reminded of its need and responsibility to choose carefully aims, objectives and priorities in sufficiently long and broad terms to ensure that essential Canadian interests and values are safeguarded in a world situation where rapid and even radical changes can be anticipated as normal rather than exceptional conditions. Canada, like other states, must act according to

how it perceives its aims and interest. External activities should be directly related to national policies pursued within Canada, and serve the same objectives. Diplomatic relations are maintained and strengthened for a wide variety of reasons—among others, trade expansion, collective security, cultural contact, co-operation in development assistance, exchanges in science and technology. Such relationships have to be kept under review to ensure that they continue to serve Canada's objectives effectively. Those may change as both Canada and the world change. In essence, foreign policy is the product of the Government's progressive definition and pursuit of national aims and interests in the international environment. It is the extension abroad of national policies.

Chapter II

NATIONAL AIMS

The ultimate interest of any Canadian Government must be the progressive development of the political, economic and social well-being of all Canadians now and in future. This proposition assumes that for most Canadians their "political" well-being can only be assured if Canada continues in being as an independent, democratic and sovereign state. Some Canadians might hold that Canada could have a higher standard of living by giving up its sovereign independence and joining the United States. Others might argue that Canadians would be better off with a lower standard of living but with fewer limiting commitments and a greater degree of freedom of action, both political and economic. For the majority, the aim appears to be to attain the highest level of prosperity consistent with Canada's political preservation as an independent state. In the light of today's economic interdependence, this seems to be a highly practical and sensible evaluation of national needs.

Basic National Aims

In developing policies to serve the national interests, the Government has set for itself basic national aims which, however described, embrace three essential ideas:

—that Canada will continue secure as an independent political entity;

—that Canada and all Canadians will enjoy enlarging prosperity in the widest possible sense;

—that all Canadians will see in the life they have and the contribution they make to humanity something worthwhile preserving in identity and purpose.

These ideas encompass the main preoccupations of Canada and Canadians today: national sovereignty, unity and security; federalism, personal freedom and parliamentary democracy; national identity, bilingualism and multicultural expression; economic growth, financial stability, and balanced regional development; technological advance, social progress and environmental improvement; human values and humanitarian aspirations.

Pursuit of Canadian Aims

Much of Canada's effort internationally will be directed to bringing about the kinds of situation, development and relationship which will be most favourable to the furtherance of Canadian interests and values. As long as the international structure has the nation state as its basic unit, the Government will be pursuing its aims, to a substantial degree, in the context of its relationships with foreign governments. While Canada's interests might have to be pursued in competition or even in conflict with the interests of other nations, Canada must aim at the best attainable conditions, those in which Canadian interests and values can thrive and Canadian objectives be achieved.

Canada has less reason than most countries to anticipate conflicts between its national aims and those of the international community as a whole. Many Canadian policies can be directed toward the broad goals of that community without unfavourable reaction from the Canadian public. Peace in all its manifestations, economic and social progress, environmental control, the development of international law and institutions—these are international goals which fall squarely into that category. Other external objectives sought by Canada, very directly related to internal problems (agricultural surpluses, energy management, need for resource conservation), are frequently linked to the attainment of international accommodations (cereals agreements, safeguards for the peaceful uses of atomic energy, fisheries conventions) of general benefit to the world community. Canada's action to advance self-interest often coincides with the kind of worthwhile contribution to international affairs that most Canadians clearly favour.

Canada's foreign policy, like all national policy, derives its content and validity from the degree of relevance it has to national interests and basic aims. Objectives have to be set not in a vacuum but in the context in which they will be pursued, that is, on the basis of reasonable assumption

of what the future holds. The task of the Government is to ensure that these alignments and interrelationships are kept up-to-date and in proper perspective. In no area of policy-making is this whole process more formidable than foreign policy.

Chapter III

SHAPING POLICY

The world does not stand still while Canada shapes and sets in motion its foreign policy. The international scene shifts rapidly and sometimes radically, almost from day to day. Within one week an assassination in Cyprus, a decision about another country's import policy, a coup in Cambodia, an important top-level meeting of two German leaders, a dispute in Niamey—while not all such events affect Canadian interest, some have done so, others will.

It is much the same on the domestic scene. An oil-tanker foundering in Canadian territorial waters endangers marine life and underlines once again the need for international co-operation to deal effectively with pollution of the sea as regards both technical remedies and legal responsibilities. A wheat surplus in Western Canada poses very difficult domestic problems and externally requires action to get effective international co-operation in marketing and production policies. A criminal trial in Montreal is considered in a friendly country to have race undertones and causes concern for Canadians and for Canadian business firms there.

The scene shifts constantly, foreign and domestic factors interact in various ways at the same time; they appear quickly, often unexpectedly, as threats or challenges, opportunities or constraints, affecting the pursuit of Canadian national aims. National policies, whether to be applied internally or externally, are shaped by such factors. The trick is to recognize them for what they are and to act accordingly.

The problem is to produce a clear, complete picture from circumstances which are dynamic and ever-changing. It must be held in focus long enough to judge what is really essential to the issue under consideration, to enable the Government to act on it decisively and effectively. That picture gets its shape from information gathered from a variety of sources—

public or official—and sifted and analyzed systematically. The correct focus can only be achieved if all the elements of a particular policy question can be looked at in a conceptual framework which represents the main lines of national policy at home and abroad.

The Framework

Broadly speaking, the totality of Canada's national policy seeks to:

—foster economic growth
—safeguard sovereignty and independence
—work for peace and security
—promote social justice
—enhance the quality of life
—ensure a harmonious natural environment.

These six main themes of national policy form as well the broad framework of foreign policy. They illustrate the point that foreign policy is the extension abroad of national policy. The shape of foreign policy at any given time will be determined by the pattern of emphasis which the Government gives to the six policy themes. It is shaped as well by the constraints of the prevailing situation, at home and abroad, and inevitably by the resources available to the Government at any given time.

Policy Themes

The principal ingredients of Canadian foreign policy are contained in the following descriptions of the six policy themes:

—*Fostering Economic Growth* is primarily a matter of developing the Canadian economy, seeking to ensure its sustained and balanced growth. This theme embraces a wide range of economic, commercial and financial objectives in the foreign field, such as: promotion of exports; management of resources and energies; trade and tariff agreements; loans and investments; currency stabilization and convertibility; improved transportation, communications and technologies generally; manpower and expertise through immigration; tourism. It involves varying degrees of co-operation in a group of international institutions—e.g., the International Monetary Fund (IMF), the General Agreement on Tariffs and Trade (GATT), the Organization for Economic Co-operation and Development (OECD), the Group of Ten—vital to the maintenance of a stable and prosperous economic community in the world.

—*Safeguarding Sovereignty and Independence* is largely a matter of protecting Canada's territorial integrity, its constitutional authority, its national identity and freedom of action. Sovereignty and independence are challenged when foreign fishermen illegally intrude into Canadian territorial waters, when Canadian constitutional arrangements are not fully respected by other governments. They may be affected by external economic and social influences (mainly from the United States); or qualified by international agreement, when Canada in its own interest co-operates internationally in trade (GATT) or financial institutions (IMF), for example. Sovereignty may have to be reaffirmed from time to time, especially when territorial disputes or misunderstandings arise, and should be reinforced by insistence on compliance with Canadian laws and regulations and by employing adequate means of surveillance and control to deal with infringement. Above all, sovereignty should be used to protect vital Canadian interests and promote Canada's aims and objectives.

—*Working for Peace and Security* means seeking to prevent war or at least to contain it. It includes identifying the kind of contribution which Canada can usefully make to the solution of the complex problems of maintaining peace, whether through defence arrangements, arms control, peacekeeping, the relaxation of tensions, international law, or improvement in bilateral relations. In essence, peace and security policies are designed to prevent, minimize or control violence in international relations, while permitting peaceful change.

—*Promoting Social Justice* includes policies of a political, economic and social nature pursued in a broad area of international endeavour and principally today with international groupings (the United Nations, the Commonwealth, la Francophonie). It means, in the contemporary world, focusing attention on two major international issues—race conflict and development assistance. It is also related to international efforts: to develop international law, standards and codes of conduct; and to keep in effective working order a wide variety of international organizations—e.g., the UN Development Programme (UNDP), the UN Conference on Trade and Development (UNCTAD), the International Development Association (IDA), the Development Assistance Committee (DAC).

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—*Enhancing the Quality of Life* implies policies that add dimension to economic growth and social reform so as to produce richer life and human fulfilment for all Canadians. Many of these policies are internal by nature, but in the external field they involve such activities as cultural, technological and scientific exchanges which, while supporting other foreign objectives, are designed to yield a rewarding life for Canadians and to reflect clearly Canada's bilingual and multicultural character. Part of this reward lies in the satisfaction that Canada in its external activities is making a worthwhile contribution to human betterment.

—*Ensuring a Harmonious Natural Environment* is closely linked with quality of life and includes policies to deal not only with the deterioration in the natural environment but with the risks of wasteful utilization of natural resources. Implicit are policies: to rationalize the management of Canada's resources and energies; to promote international scientific co-operation and research on all the problems of environment and modern society; to assist in the development of international measures to combat pollution in particular; to ensure Canadian access to scientific and technological information in other countries.

Interrelationships

The conceptual framework serves particularly well to emphasize the various interrelationships which enter into the consideration and conduct of Canada's foreign policy. These include, for example:

—the relationship between domestic and foreign elements of policy designed to serve the same national objective (The utilization of energies and resources in Canada is related to international agreements on their export, both elements being pursued to promote economic growth.);

—the relationship between basic national aims and intermediate objectives for furthering their attainment (National unity is related to the external expressions of Canada's bilingualism and multicultural composition.);

—the relationship between activities designed to serve one set of objectives and those serving other national objectives (Cultural and information programmes are related to trade promotion activities.);

—the relationship between and among the six main thrusts of policy (Ensuring the natural environment is related to enhancing the quality of life; both are related to the fostering of economic growth; which in turn relates to the promotion of social justice.)

Hard Choices

Most policy decisions—certainly the major ones—involve hard choices which require that a careful balance be struck in assessing the various interests, advantages and other policy factors in play. As in so many fields of human endeavour, trade-offs are involved. For example:

—In striving to raise national income through economic growth, policies may be pursued which adversely affect the natural environment by increasing the hazards of pollution or by depleting resources too rapidly. Such policies might also cause infringement of social justice (because of inflation, for example) and impair the quality of life for individual Canadians.

—In seeking social justice for developing nations, through trade policies which offer them concessions or preferences, the Government's policy may adversely affect the domestic market opportunities for certain Canadian industries, or it might involve parallel policies to curtail or reorient their production.

—Similarly, if international development assistance programmes require a substantial increase in Canadian resources allocated, the trade-off may be some reduction of resources allocated to other governmental activity, like the extension of Canadian welfare programmes or the attack on domestic pollution.

—Reductions in military expenditure may lead to results difficult to gauge as regards Canada's capacity to ensure its security, to safeguard its sovereignty and independence, and to make a useful contribution to the maintenance of peace; though resources might thereby be freed for other activities.

—The most difficult choices of the future may result from seeking to recapture and maintain a harmonious natural environment. Such policies may be essential to enhance the quality of life (if not ensure human survival) but they may well require some curtailment of economic growth and freedom of enterprise and a heavy allocation of resources from both public and private sources.

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Criteria for Choosing Policy

How then is the choice to be made?

First: The Government could arbitrarily decide that it wants to emphasize specific policy themes like Peace or Independence or the Quality of Life in order to create a certain political image at home and abroad. This choice would be based not on any particular forecast of future events, nor on an assessment of the contribution which specific policy themes would make to the attainment of national aims, but on the pursuit of political philosophy largely in a vacuum. Applied alone, this criterion could easily produce unrealistic results.

Second: The Government could base its policy emphasis solely on what Canada's essential needs might be in various situations forecast. This would be largely a matter of deciding which of the policy themes would best serve to attain national aims in such situations. This approach would produce a foreign policy largely reactive to external events, and more often than not to those which posed foreseeable threats to Canadian interests. If this criterion were allowed to dominate, it could be very restrictive on policy choices because forecasts would be more concerned with constraints than opportunities, hampering the Government's initiative and freedom of manœuvre.

Third: Taking some account of forecasts, and especially the very obvious constraints, the Government could seek to emphasize those foreign policy activities which Canada could do best in the light of all the resources available, and under whichever policy theme such action might most appropriately fall.

In practice, these criteria may have to be applied from time to time in some kind of combination. In specific situations this might produce the best balance of judgment. Nevertheless, the Government regards the three criteria as optional approaches to ranking and has selected the third one as a main determinant of its choice of policy emphasis. The Government's preference stems in part from the conclusion that, since forecasting in the field of external affairs is likely to be more reliable in the shorter term, it will be desirable to assign more weight to forecasts when considering relatively short-term programmes rather than when setting the broad lines of policy. The Government is firmly convinced that Canada's most effective contribution to international affairs in future will derive from the judicious application abroad of talents and skills, knowledge and experience, in

fields where Canadians excel or wish to excel (agriculture, atomic energy, commerce, communications, development assistance, geological survey, hydro-electricity, light-aircraft manufacture, peacekeeping, pollution control, for example). This reflects the Government's determination that Canada's available resources—money, manpower, ideas and expertise—will be deployed and used to the best advantage, so that Canada's impact on international relations and on world affairs generally will be commensurate with the distinctive contribution Canadians wish to make in the world.

Foreign policy can be shaped, and is shaped, mainly by the value judgments of the Government at any given time. But it is also shaped by the possibilities that are open to Canada at any given time—basically by the constraints or opportunities presented by the prevailing international situation. It is shaped too by domestic considerations, by the internal pressures exerted on the Government, by the amount of resources which the Government can afford to deploy.

Chapter IV

PERSPECTIVES FOR THE SEVENTIES

All government decisions on policy questions depend in some degree on the forecasting of events or situations likely to arise in future, whether short- or long-term. Forecasting in a field as vast and varied as foreign affairs is bound to be difficult, complicated and full of uncertainties. The variables of politics are in the broad arena of international affairs exaggerated, multiplied, diversified and often intensified in their impact. The risks of faulty or short-lived predictions run high and are compounded in an era of swiftly evolving events and technologies, even though some technological advances can be used to improve the process of forecasting. Forecasts for foreign policy purposes of necessity must be generalized. They rest on the facts and interpretations of international developments which are both subject to correction and change, and susceptible of widely differing deductions.

All this produces complex difficulties of targeting for any government wishing to set its objectives and assign priorities for policies intended to deal with specific issues arising, preferably before they become critical. The Canadian Government, moreover, must assess its various policy needs in the context of two inescapable realities, both crucial to Canada's continuing existence:

—Internally, there is the multi-faceted problem of maintaining national unity. It is political, economic and social in nature; it is not confined to any one province, region or group of citizens; it has constitutional, financial and cultural implications. While most of its manifestations have a heavy bearing on Canada's external affairs—some have already had sharp repercussions on Canada's international relations—in essence they are questions whose answers are to be sought and found within Canada and by Canadians themselves.

—Externally, there is the complex problem of living distinct from but in harmony with the world's most powerful and dynamic nation, the United States. The political, economic, social and cultural effects of being side by side, for thousands of miles of land, water and airspace, are clearly to be seen in the bilateral context. In addition the tightly mixed, often magnified and wide-ranging interests, both shared and conflicting, bring Canada into contact with the United States in many multilateral contexts. It is probably no exaggeration to suggest that Canada's relations almost anywhere in the world touch in one way or another on those of its large neighbour. This has both advantages and disadvantages for Canada.

The many dilemmas of the Canada-United States relationships, combined with—because they are linked in many ways—the no-less-complicated issues of national unity at home, have created for Canada a multi-dimensional problem of policy orientation and emphasis which few nations have faced in such an acute form. This many-sided problem raises some fundamental questions, for example:

—What are the implications of sharing the North American continent with a super-state?

—What kinds of policy should Canada pursue to safeguard its sovereignty, independence and distinct identity?

—What policies will serve to strengthen Canada's economy without impairing political independence?

—How can foreign policy reflect faithfully the diversities and particularities of the Canadian national character?

It was these questions and others in the same vein which ran like threads through the foreign policy review. They are reflected in a variety of ways in the policy conclusions now being presented to the Canadian people in this set of papers.

Power Relationships and Conflicts

Despite the trends toward a relaxation of East-West tensions, most of the available evidence suggests that Europe in the seventies will continue to be divided, with Germany split as two partly competing entities. This will be a source of strain and potential conflict, even though in Eastern Europe there is likely to be a slow evolution toward more liberal Communism, still under Soviet control however. Accordingly, security will remain one of the fundamental concerns of all European states and

will affect almost every aspect of the continent's affairs. The relative stability of the past 20 years is likely to continue since the United States and the Soviet Union both seem convinced of the need to avoid nuclear war, whether by miscalculation or by escalation. The super-power competition in the development and deployment of offensive and defensive strategic weapons systems and nuclear warheads will continue but, if the bilateral U.S.A.–U.S.S.R. talks on strategic arms limitations were to succeed, the pace of the arms race would slacken, with proportionate reductions in risks and tensions. Some of these potential benefits may be lost or misplaced through the proliferation of nuclear and conventional armaments, or through failure to find the political and economic accommodation needed to allay perceived threats to vital security interests on both sides.

In any event, the Soviet Union will continue to be preoccupied by its relations with China and the Soviet interest in accommodations with other countries may reflect the degree to which the Chinese threat is considered to be credible to the Soviet Union. Any fighting between these two powers will probably be confined to frontier clashes of limited duration and scale, though the strategic nuclear threat posed by China will require a regular assessment of the strategic balance as regards China, the Soviet Union and the United States. Security in Asia may largely depend on the future attitudes and actions of China, whose place in the world power picture is not likely to be fully clarified until China emerges from its isolation, at least partly self-imposed. Its triangular relationship with India and Pakistan, together with their unresolved disputes, provides a source of potential instability. However, United States disengagement from the conflict in Vietnam, plus serious efforts at reconciliation, could bring about better relations between China and the United States. The eventual participation of China in world affairs—in disarmament talks and at the United Nations, for example—will reflect more accurately the world power balance and, at the same time, produce new problems.

There are likely to be significant adjustments in global relationships attributable to the emergence of new great powers, notably Japan and Germany. The success of the European communities—the European Economic Community (EEC), the European Coal and Steel Community (ECSC) and the European Atomic Energy Community (EURATOM)—has given the countries of Western Europe increased stability and prosperity and enhanced their international influence.

Because it is in the vital interests of the super-powers to contain sources of conflict there, Europe is likely to remain for some time an area of relative peace and stability. In other geographical areas the general

situation is very fluid and political instability will continue to be widespread, though to some extent localized and separate as to cause and effect. There could be prolonged difficulty in reaching an early and satisfactory settlement in Vietnam, for example, and the possibility of subversive activities, communal strife and perhaps guerilla warfare in other Southeast Asian countries. The Middle East situation shows no promise of early solution, and could even deteriorate. In Latin America, more political coups, and perhaps limited conflicts between states, are probable. In southern Africa, racial tension is likely to aggravate in the form of terrorism and sabotage since the remaining white regimes seem determined to persist in their racist policies.

Canada cannot expect to exercise alone decisive influence on the kinds of international conflict implicit in these forecasts, especially those involving larger powers. Nevertheless, there is plenty of room for international co-operation and a continuing Canadian contribution to bringing about a relaxation of tensions, encouraging arms control and disarmament, improving East-West relations, maintaining stable deterrence. There could be further international demands for Canadian participation in peacekeeping operations—especially in regional conflicts. The Government is determined that this special brand of Canadian expertise will not be dispersed or wasted on ill-conceived operations but employed judiciously where the peacekeeping operation and the Canadian contribution to it seem likely to improve the chances for lasting settlement.

American Impact on Canada's Economy and other Economic Developments

On the assumption that reasonable civil order is preserved in the United States and that such international involvements as the Vietnam war are scaled down and avoided in future, the economic and technological ascendancy of the United States will undoubtedly continue during the next decade, although it will be tempered by the economic integration of Europe and the industrial growth of Japan. This ascendancy will continue to have heavy impact on Canada, with political, economic and social implications. The dependence of Canadian private industry and some government programmes on United States techniques and equipment (not to mention capital) will continue to be a fact of life. United States markets for Canadian energy resources and more advanced manufacturing goods will be of growing significance to the Canadian economy. Increasingly, the Canada-United States economic relationship will be affected by

agreements between governments and arrangements by multinational corporations and trade unions.

While such developments should be beneficial for Canada's economic growth, the constant danger that sovereignty, independence and cultural identity may be impaired will require a conscious effort on Canada's part to keep the whole situation under control. Active pursuit of trade diversification and technological co-operation with European and other developed countries will be needed to provide countervailing factors. Improvements in United States relations with the Soviet Union and China—which would seem quite possible within the decade—would enhance Canada's peace and security but would also reduce trading advantages which Canada now enjoys with Eastern Europe and China. In general, United States developments and policies are bound to have profound effects on Canada's position during the seventies, even though there is no reason to believe that the United States Government would consider intervening directly in Canadian affairs.

National incomes will continue to increase at a constant and rapid rate in developed countries. However, there could be disturbances in the interrelated fields of finance, trade and economic activity generally. Individually, countries will probably experience balance-of-payments and other crises. There is a continuing temptation to autarkic policies which could be very unsettling to the varying patterns of trade.

Technological advances can be expected to produce rapidly-changing evolution in the world economic situation. The internationalization of industry, largely in the form of multinational corporations, appears to be a firm feature of the future economic scene and one which governments generally may have to grapple with more consciously and more frequently in future. The international machinery and internal arrangements within the major industrial countries should be able to prevent a major economic crisis from occurring, but developments of sufficient magnitude and duration to disturb Canada seriously could take place. The Canadian Government has a clear interest in sustaining the effectiveness of the international agencies concerned, and in maintaining close relations with governments in the key countries with a view to encouraging the right kinds of policy.

Canada must earn its living in a tough and complicated world. Perhaps the hardest choice in this area of policy—one which arises frequently out of today's economic realities—will be to maintain a proper balance of interest and advantage between Canada's essential needs in ensuring health and growth in its economy and Canada's determination to safeguard its

sovereignty and independence. Nor are these necessarily in conflict at all points, for economic growth is essential to sovereignty and independence.

In developing the complex of vital relationships between Canada and the United States, Canadians must choose very carefully if they are to resolve satisfactorily the conflicts which do arise between maintaining their high standard of living and preserving their political independence. They can have both. In an era of heavy demand for energy and other resources, the cards are by no means stacked in one hand.

The Rich-Poor Nation Imbalance

The frustration of developing countries during the next decade will increase as they feel more acutely the limitations on their own technological and material progress, compared with that of industrialized countries. Their sense of impotence to gain quickly and effectively a more equitable distribution of needed resources will become more bitter if the signs of flagging interest and disillusionment on the part of more-developed countries are not reversed. The frustration is likely to manifest itself in various ways. Developing countries will increasingly set aside their political differences to form regional blocs that will urge and put pressure on developed countries to adopt policies that will accommodate the needs of developing countries. If these efforts fail, or do not succeed as quickly as the developing countries hope, recriminations, racial tension and, in some cases, political and economic reprisals against the governments, private investors and nationals of the more-developed countries are likely to increase in magnitude.

The emphasis of development efforts during the coming decade will probably be on human development, including education, social change and control of population. These in turn will lead to a greater awareness of the outside world and a greater appetite for quick change. In addition, a shift of emphasis can be expected from direct development assistance to a range of more sophisticated methods of effecting resource transfers to developing countries and of increasing their export earnings. Industrialized states will be called upon to take meaningful steps to facilitate the access to their markets of products from developing countries, and such other measures as financing unexpected shortfalls in the foreign exchange receipts of developing countries. There is likely to be growing pressure to recognize that a long-term solution to the growing disparity between rich and poor will entail a more rational international division of labour. This

in turn would entail developed countries agreeing to make structural changes in their economies that would allow them to absorb the products that developing countries can produce most competitively.

Canada has been contributing to development assistance programmes as long as they have been in existence and increasingly as new nations emerged, in the United Nations, the Commonwealth and la Francophonie. The Government regards development assistance as the major element in its pursuit of Social Justice policies for the benefit of nations less fortunate than Canada. The alternatives in this field are not whether development assistance should be continued on an increasing scale but how and in what amount. Because of their importance, these and other questions are the subject of a separate policy paper in this series. Development assistance is clearly an integral part of Canada's foreign policy and increasingly is being co-ordinated with trade, financial and political policies. It enhances the quality of life not only in receiving countries but in Canada as well, as Canadians gain knowledge, experience and understanding of other people and find opportunities abroad to apply Canadian knowledge and experience to the solution of development problems which rank foremost in the priorities of the world today.

Technological Progress and Environmental Problems

The impact of science and technology on international affairs is becoming increasingly significant and varied as new advances are made. It will be important for Canada to be assured of access to scientific development abroad and to participate in multinational co-operation in scientific undertakings, co-operation which is expanding in scope and complexity. The direct impact of science and technology will bear significantly on such fields as transportation and mass communications, automation and the industrial process, the increasing internationalization of industry, and life in the developing countries (some of which may not be able to make the necessary adjustments with the speed required, widening the gulf between them and the developed countries). The problem of harnessing science and technology to serve human objectives, rather than allowing autonomous scientific and technological advances to dictate the accommodations to be made by man, may prove to be the major challenge of coming decades.

Already modern technology has produced serious social and environmental problems in developed nations and will continue to do so

unless remedial measures are taken. This is an argument in favour of vigorous co-ordinated research, an institutionalized sharing of experience in various fields, and co-operative action in sectors of international responsibility. The principal changes in the everyday life of Canadians during the next decade are likely to be caused by scientific and technological changes, and by the social and political consequences which flow from them. There will be increasing demands for action to deal with such consequences by mobilizing science and technology to serve social ends. Legal structures, domestic and international, will have to be developed in tune with those demands.

It is already apparent that the existence of pollution presents complex problems which require effective action at all international and national levels. It is equally apparent that some remedial measures will be costly, complicated and perhaps disrupting to development and will affect the competitiveness of growing national economies. But even the existing threats of ecological imbalance may be among the most dangerous and imminent which the world faces. With about 7 per cent of the world population, North America is consuming about 50 per cent of the world's resources. The rising aspirations of expanding populations will demand that progressively more attention be paid to achieving the optimum economy in the consumption of non-renewable resources. Anti-pollution and resource conservation measures will of necessity have to be linked with others of a social nature designed to deal with acute problems of many kinds arising in the whole human environment—problems of urbanization, industrialization, rural rehabilitation, of improving the quality of life for all age-groups in the population. The problems and their remedies will continue to spill across national boundaries.

Governments at all levels in Canada, Canadians generally both as corporate and individual citizens, are clearly required to act vigorously and effectively in order to deal with a whole range of environmental problems, headed by pollution. There is no question about the high priorities which attach to these urgent problems. They lie squarely within the closely-related policy themes Quality of Life and Harmonious Natural Environment. The real alternatives which the Government is considering and will have to face increasingly, relate to finding the most effective methods. The international ramifications are obvious, especially in Canada-United States relations, and just as obvious is the need for solid international co-operation.

Social Unrest

Many ideologies will continue in the seventies to exert an influence, perhaps in new forms, but more likely as variants of the contemporary ones. Some of these may become mixed with Canada's internal differences. The most profound effects for the Canadian people could be caused by the continued and widespread questioning of Western value systems—particularly the revolt against the mass-consumption society of North America with its lack of humanism. Powerful influences will undoubtedly come from the United States, but developments in Europe, Latin America and within the Communist group of nations could also have a bearing on the evolution of Canadian society. The implications for foreign policy are varied and not very precise. There might, for example, be some public sentiment in favour of restricting immigration or imposing other controls to ensure national security. Bitter experience of past decades has demonstrated rather conclusively, however, that ideological threats cannot be contained merely by throwing up barriers, military or otherwise. The alternative—and this the Government favours and is pursuing—is to seek as far as possible to pursue policies at home and abroad which convince all Canadians that the Canada they have is the kind of country they want.

The Conduct of Foreign Policy

"One world" is not likely to be achieved in the next decade or so. As suggested earlier, United States relations with either or both the Soviet Union and China could improve, making possible real progress toward more effective instruments for international co-operation, but generally speaking progress in that direction is likely to be slow.

There will probably be a continuing world-wide trend toward regionalism in one form or another. In Western Europe the growth of a sense of shared European identity has expressed itself in a movement toward greater integration, as exemplified by the EEC, which will undoubtedly be carried forward in spite of formidable obstacles. Elsewhere, loose regionalism, ranging from the Association of South-East Asian Nations (ASEAN) in the Pacific to the Organization of American States (OAS) and the Organization of African Unity (OAU), now seems to be an accepted type of grouping for many states but a number of more tightly-knit functional or sub-regional groupings have been growing (Caribbean Free Trade Area (CARIFTA), the regional development banks, or l'Agence de Coopération culturelle et technique for *francophone* countries) adding to earlier

international bodies composed of countries with common interests (NATO, Warsaw Pact Organization, OECD and many others).

Nevertheless, international organizations, more or less world-wide in composition or representation, will continue particularly under the United Nations ægis. The role of those international organizations should gain more substance as there is a greater multilateralization of the policy-formulating process in such fields as communications, outer space, the seabed, anti-pollution, arms control, aid co-ordination, and rationalization of agricultural production. In some fields this need will require new institutional machinery, whereas in others existing institutions can satisfy the requirements, though they will regularly require strengthening or reorientation.

Membership in international organizations is not an end in itself and Canada's effort at all times will be directed to ensuring that those organizations continue to serve a useful purpose to the full extent of their capacity to do so. The trend toward regionalism, on the other hand, poses problems for Canada because its geographical region is dominated by the United States; and because excessive regionalism in other geographical areas complicates Canada's effort to establish effective counterweights to the United States. Nevertheless, the Government sees no alternative to finding such countervailing influences, and this will be reflected in the new policy emphasis on geographical diversification of Canada's interests—more attention to the Pacific and to Latin America, for example —while taking fully into account new multilateral arrangements in Europe.

Challenges Close to Home

If there are no unpleasant political and military surprises on a grand scale, it may not be unrealistic to assume that for the next decade or so the real external challenges to essential Canadian interests could be:

—trade protectionism in the policies of foreign governments or regional groupings which could impair the multilateral trade and payments system developed since the Second World War;

—other developments abroad, including excessive inflation or deflation seriously affecting Canada's economy;

—a sharpening of ideological conflict with a further upsetting influence on Western value systems (the effect of the Vietnam war has been massive in this regard); and/or deteriorating conditions (poverty, race discrimination, archaic institutions) leading

to violent disturbances (including civil wars, riots, student demonstrations), which are not only important in themselves but can also be detrimental to trade and investment abroad and to unity and security at home;

—the erosive effect on separate identity and independence of international activities and influences, mainly under American inspiration and direction, in the economic field (multinational corporations, international trade unions). Such activities and influences have yielded many practical benefits, but the degree of restriction they impose on national freedom of action must be constantly and carefully gauged if sovereignty, national unity and separate identity are to be safeguarded.

Coupled with these challenges and also involving international co-operation will be the need to consult closely on the utilization of natural resources, the drive to sustain economic growth and the advances in science and technology, so that they serve to improve rather than impair the quality of life for all Canadians.

Chapter V

POLICY PROJECTIONS

From this whole review a pattern of policy for the seventies emerges. None of the six themes—Sovereignty and Independence, Peace and Security, Social Justice, Quality of Life, Harmonious Natural Environment or Economic Growth—can be neglected. In the light of current forecasts, domestic and international, there is every reason to give a higher priority than in the past to the themes of Harmonious Natural Environment and Quality of Life. Canadians have become more and more aware of a pressing need to take positive action to ward off threats to the physical attractions of Canada, and to safeguard the social conditions and human values which signify Canada's distinct identity. They are increasingly concerned about minimizing the abrasions of rapidly-evolving technologies, conserving natural resources, reducing disparities regional and otherwise, dealing with pollution, improving urban and rural living conditions, protecting consumers, cultural enrichment, improving methods of communication and transportation, expanding research and development in many fields. All of these concerns have international ramifications. To enlarge external activities in these fields and to meet ongoing commitments such as development assistance (Social Justice), disarmament negotiations, the promotion of *détente* and peacekeeping (Peace and Security), it will be essential to maintain the strength of Canada's economy (Economic Growth).

Policy Patterns

To achieve the desired results, various mixes of policy are possible. For example, priorities could be set as follows:

—In response to popular sentiment, which is concerned with the threats of poverty and pollution and the challenge to national

unity, the themes could be ranked beginning with (i) Social Justice, (ii) Quality of Life, (iii) Sovereignty and Independence.

OR

—In order to meet growing environmental problems the emphasis could be (i) Harmonious Natural Environment; (ii) Quality of Life; (iii) Social Justice.

OR

—In order to deal with economic crises the policy emphasis could be: (i) Economic Growth; (ii) Social Justice.

After considering these and other alternatives, and having in mind its determination to emphasize what Canada can do best in order to promote its objectives abroad, the Government is of the view that the foreign policy pattern for the seventies should be based on a ranking of the six policy themes which gives highest priorities to Economic Growth, Social Justice and Quality of Life policies. In making this decision, the Government is fully aware that giving this kind of emphasis to those themes of policy does not mean that other policies and activities would, or indeed could, be neglected. Policies related to other themes (Peace and Security, Sovereignty and Independence) would merely be placed in a new pattern of emphasis. Emphasis on sovereignty and independence, in any event, primarily depends on the extent to which they are challenged or have to be used at any given time to safeguard national interests. Peace and Security depend mainly on external developments. On the other hand, the survival of Canada as a nation is being challenged internally by divisive forces. This underlines further the need for new emphasis on policies, domestic and external, that promote economic growth, social justice and an enhanced quality of life for all Canadians.

Inevitably, sudden developments, unanticipated and perhaps irrational, could require the Government to make urgent and radical readjustments of its policy positions and priorities, at least as long as the emergency might last. Flexibility is essential but so too is a sense of direction and purpose, so that Canada's foreign policy is not over-reactive but is oriented positively in the direction of national aims. This is one of the main conclusions of the policy review.

Emerging Policy

While the review was going on, while the conceptual framework was taking shape, the Government has been taking decisions and initiating action which reflect a changing emphasis of policy and Canada's changing outlook on the world:

—The Government's intention to seek diplomatic relations with the People's Republic of China was announced in May 1968. After reviewing the alternatives for achieving that end, the Government decided the details of how and where to proceed, and did so. That action was linked with the Government's desire to give more emphasis to Pacific affairs generally.

—At the same time the Government announced that it would give speedy and favourable consideration to the creation of the International Development Research Centre in Canada. Appropriate legislative action has been taken to establish this institute, which will seek to apply the latest advances in science and technology to the problems of international development. This signifies the Government's growing concern, both nationally and internationally, with policies relating to social justice and environmental problems.

—The decision on Canada's future military contribution to NATO was taken after a very exhaustive examination of factors and trends in Europe (discussed in the sector paper on Europe), attitudes in Canada, and alternatives ranging from non-alignment or neutrality in world power relationships to increased involvement in collective defence arrangements. The decision was based on the Government's belief that in years to come there would be better uses for the Canadian forces and better political means of pursuing foreign policy objectives than through continued military presence in Europe of the then-existing size. It was part of an emerging view that the Government must seek to make the best use of Canada's available resources, which were recognized as being not unlimited.

—Other decisions, some taken more recently, reflected increasingly the shift of policy emphasis toward the policy pattern which has now been established. The increased interest and activity in *francophone* countries is not only reflected in the extension of Canada's development assistance programmes but also demonstrates a desire to give full expression to bilingualism and to the technological and cultural achievements of Canada.

—The decisions to block the proposed sale of Denison Mines stock and to establish the Canadian Radio and Television Commission reflected the Government's awareness of the ever-present need to safeguard Canada's independence and identity, while pursuing policies of economic growth and cultural development. Discus-

sions about a Canada Development Corporation had similar objectives. In the same vein were decisions to proceed with legislation on Arctic waters pollution, on territorial sea and fishing zones. Such steps are taken not to advance jingoistic claims nor to demonstrate independence needlessly, but to promote national objectives and to protect national interests.

The pattern has now been set, the policy is in motion. The broad implications for the future are becoming apparent. If the seventies do present Canada with anything like the challenges and conditions foreshadowed in Chapter IV, prime importance will attach to internal conditions in the country and steps taken by the Government—at home and abroad—to improve those conditions. Sound domestic policies are basic to effective foreign relations. The most appropriate foreign policy for the immediate future will be the one:

—which strengthens and extends sound domestic policies dealing with key national issues, including economic and social well-being for all Canadians, language and cultural distinctions, rational utilization of natural resources, environmental problems of all kinds;

—which gives Canadians satisfaction and self-respect about their distinct identity, about the values their country stands for, about shouldering their share of international responsibility, about the quality of life in Canada; and,

—which helps Canada to compete effectively in earning its living and making its own way with the least possible dependence on any outside power.

The salient features of policy in future can be seen in the summary descriptions that follow under the theme headings.

Economic Growth

The Government's choices, as reflected in this paper and the accompanying sector studies, underscore the priority which attaches to the network of policies, at home and abroad, designed to ensure that the growth of the national economy is balanced and sustained. Obviously, in the foreign field this means keeping up-to-date on such key matters as discoveries in science and technology, management of energies and resources, significant trends in world trade and finance, policies of major trading countries and blocs, activities of multinational corporations. It calls for constant efforts to expand world trade, bilaterally and multi-

aterally, through commercial, tariff and financial agreements; to enlarge and diversify markets for established Canadian exports. It requires intensive research and development studies in depth and on a regular basis, to discover and devise: new patterns of trade and investment, innovations in goods and services offered, new relationships with individual trading partners and with economic groupings. It also requires a sound framework of international co-operation.

Emphasis on economic growth assumes, as well, the continuation of immigration policies and programmes designed to ensure that the manpower requirements of a dynamic economy are fully met. It calls for an intensification and co-ordination of cultural, information and other diplomatic activity to make Canada fully known and respected abroad as a land of high-quality products, whether cultural or commercial, and as an attractive place for investors, traders, tourists and the kind of immigrant Canada needs. Increasingly these policies involve consultations with the provinces about relevant matters and co-operation with them in foreign countries. To resolve constitutional issues is not enough; to provide a better service abroad for all parts of Canada is necessary if Canadians are to be fully convinced of the advantages in Canada's federal system. Of necessity too, if Canada's external economic policies are to be fully successful, there must be closer contact between Canadian citizens—businessmen in particular—operating abroad and all departments and agencies in the foreign field, so that there may be a full awareness by both sides of all the possiblities for promoting—most effectively and economically—essential Canadian interests in countries and areas concerned.

Social Justice

Development assistance—which now implies trade and aid—is fully recognized as an expanding area of the Government's external activity, which has substantial benefit of an international significance transcending the relatively modest national costs incurred. Development assistance provides a special opportunity for a significant and distinctive Canadian contribution in the contemporary world. It is, moreover, a principal manifestation of Canada's continuing willingness to accept its share of international responsibility, a self-imposed duty to help improve the human condition.

At the same time, the Government realizes that development programmes alone will not solve all the problems of stability in the Third World. Tensions exist there because of ancient animosities, stratified societies resting on large depressed classes, wide dissemination of armaments

from Western and Communist sources. To be optimized, therefore, development assistance programmes will have to be correlated with policies relating to a set of very difficult international issues bearing such labels as the peaceful settlement of disputes, promotion of human rights and freedoms, race conflict (which backlashes in a variety of ways in many countries), control of arms export, and military training programmes. Most of these issues arise in one form or another in the United Nations and Commonwealth contexts, where they tend to magnify the divergent interests of members. They can pose policy choices of great complexity if competing national objectives, very closely balanced as to importance, are involved (total rejection of race discrimination and continuing trade with white regimes in southern Africa, for example).

Quality of Life

There is a close link between environmental ills and the quality of life. The current emphasis on policies and measures to give all Canadians the advantages they have a right to expect as citizens ranks high in the Government's domestic priorities. In the international context, exchanges of all kinds—for purposes of education, science, culture, sport—are multiplying with government encouragement and assistance. But Canada and the world community have yet to deal effectively with some urgent problems closely related to quality of life—hijacking and terrorism in the air when the airbus is here and supersonic aircraft are being tested; the alarming dimensions of the drug traffic today; internal security problems, not only based on legitimate domestic grievances but aggravated by outside agitation; organized crime across frontiers and trials with international implications; consumer protection against possible abuses by internationalized business activity. These are a few items on a much longer list. It is not that nothing is being done among countries but that much more must be done to bring such problems under control.

Most of the matters mentioned in this chapter will continue to have importance in international affairs, but they may have to give place, in terms of priority, to other problems which are pressing hard on the international community. These are the problems of the human environment. Anti-pollution programmes can be envisaged which eventually will open opportunities for creative international activity. Even now there is plenty of scope for institutionalized exchanges and for more concrete co-operative action. Canada has begun to take steps at home for dealing with the wide variety of environmental problems which a big industrialized country on

the North American model is bound to face. The expertise resulting from domestic research and experience will be applied internationally to similar problems, just as foreign knowledge and experience can be tapped for the benefit of Canada. Like development aid, such programmes, and especially those involving effective anti-pollution remedies, are likely to prove costly in future, the more so because crash action may be required if measures are to be made effective in time to check the present pace of deterioration. The job to be done assumes a healthy, expanding economy and concentration of resources on key problems.

It may call for a degree of intergovernmental co-operation not yet envisaged or practicable in existing international organizations. Whatever the difficulties and complications, the Government attaches high priority to environmental problems and intends to see that this priority is reflected in its national policies, at home and abroad.

Peace and Security

The policies and activities dealt with so far in this chapter manifest the Government's broad desire to do something effective to advance the cause of international stability and human betterment. They are not the only ways whereby Canada seeks to fulfil that desire. Participating in negotiations on arms control and on *détente*, seeking closer relations with individual countries in Eastern Europe, establishing diplomatic relations with China, joining in programmes for disaster and refugee relief, co-operating to promote trade expansion and to stabilize international finance, promoting progressive development of international law and standards in a variety of fields, seeking to improve peaceful methods (particularly peacekeeping) and to strengthen world order generally—all these are continuing external activities of Canada, and form part of the Government's ongoing foreign policy, not as matters of routine but as sectors of a broad front on which to probe systematically for openings toward solid progress.

Those activities are all important because they are broadly aimed at removing the obstacles to improvement in the international situation; clearly, as well, they serve Canada's self-interest, to the extent that they contribute to its national security and well-being. The Government is very conscious of its duty to ensure that national security is safeguarded in all respects. Defence arrangements must be maintained at a level sufficient to ensure respect for Canada's sovereignty and territorial integrity, and also to sustain the confidence of the United States and other allies. A

compelling consideration in this regard is the Government's determination to help prevent war between the super-powers, by sharing in the responsibility for maintaining stable nuclear deterrence and by participating in NATO policy-making in both political and military fields. The Government has no illusions about the limitations on its capacity to exert decisive or even weighty influence in consultations or negotiations involving the larger powers. But it is determined that Canada's ideas will be advanced, that Canada's voice will be heard, when questions vital to world peace and security are being discussed.

Canada has gained some special knowledge and experience in the broad area of "peace" talks—disarmament and arms control, *détente* and peacekeeping. It has more experience than many other countries when it comes to action in the peacekeeping field. The Government has no intention of relegating that know-how and experience to the national archives while the possibility remains that Canadian participation may be needed—in the sense that it is both essential and feasible in Canada's own judgment—to resolve a crisis or to ensure the successful outcome of a negotiation. In the whole area of peace activity, especially at the present time, it seems wise for Canada to hold something in reserve to meet emergency situations when a Canadian contribution can be solidly helpful. In the meantime, the Government will continue to give priority to its participation in arms-control talks and, as a minimum preparation for responding to other peace demands which may arise, the Government will keep its policy research and development on relevant subjects fully up-to-date. It will try to ensure, in any negotiations under way (arms control in Geneva, peacekeeping in New York), that Canadian interests and ideas are adequately taken into account.

Sovereignty and Independence

Seeing itself as a North American state, Canada has had to take a hard look across the oceans which surround it, and at the western hemisphere as a whole. In spite of the continuing and complex interdependence in today's world, Canada's particular situation requires a certain degree of self-reliance and self-expression if this country is to thrive as an independent state in a world of rapidly-shifting power structures and relationships. This special requirement has a very direct bearing on how the Government should:

—Manage its complex relations with the United States, especially as regards trade and finance, energies and resources, continental

defence. The key to Canada's continuing freedom to develop according to its own perceptions will be the judicious use of Canadian sovereignty whenever Canada's aims and interests are placed in jeopardy—whether in relation to territorial claims, foreign ownership, cultural distinction, or energy and resource management.

—Develop future relations with other countries in the western hemisphere, and with countries in other geographical regions. The predominance of transatlantic ties—with Britain, France and Western Europe generally (and new links with the Common Market)—will be adjusted to reflect a more evenly distributed policy emphasis, which envisages expanding activities in the Pacific basin and Latin America.

—Deploy its limited human resources, the wealth which Canadians can generate, its science and technology, to promote a durable and balanced prosperity in the broadest socio-economic sense. There are limitations on what a nation of little more than 20 million can hope to accomplish in a world in which much larger powers have a dominant role.

—Seek to sustain Canada's distinct identity, including particularities of language, culture, custom and institution. The Canadian contribution, to be most effective and distinctive, will have to be concentrated both as to kind and place.

Organizing for the Seventies

To meet the challenges of coming decades, to be equipped to take advantage of new opportunities, to keep abreast of the rapid évolution of events, the Government needs a strong and flexible organization for carrying out its reshaped foreign policy. The pace of change renders more complex and urgent the problems of planning and implementing a coherent policy aligned with national aims. New staffing structures and modern management techniques are called for.

The Government has decided that there should be maximum integration in its foreign operations that will effectively contribute to the achievement of national objectives. An integrated management system cannot be established immediately or easily. Each theoretical step leading

towards the goal of integration must be evaluated, tested and transformed into practical reality without impairing the quality of service available to the Government and the Canadian people from established foreign operations. The new system must be developed harmoniously and above all keep its capacity for adapting to an evolving international situation.

As an important first step in the development of an integrated system, the Government has established a new Committee on External Relations at Deputy Minister level. This Committee will have the responsibility for guiding the process of integration during its initial phases and for advising the Government on such matters as the formulation of broad policy on foreign operations, the harmonization of departmental planning with the Government's external interests, the conduct of foreign operations, the allocation of resources for those operations.

At the same time the Government has established, as a sub-committee of the Committee on External Relations, a Personnel Management Committee. It will be charged with the responsibility for advising generally on the staffing of posts abroad and in particular for developing, to the greatest degree possible, co-ordinated and common policies on the recruitment of foreign service personnel, career development, classification and evaluation standards. The Personnel Management Committee will also concern itself with the formulation of programmes of rotation and secondment between the foreign service, on the one hand, and government departments, the business world, the academic community, on the other. Such a programme will ensure that foreign service officers will be familiar and sympathetic with the viewpoints, concerns and interests of all government departments and private organizations operating abroad.

A task force will report as soon as possible to the Committee on External Relations on the means necessary to integrate all the support services of the Government's foreign operations. As plans are developed they will be tested and put into effect, thereby enabling the Government to provide administrative support for foreign operations in a modern and realistic way.

Finally, the Government has decided that heads of post abroad must be given clear authority over all operations at the post in accordance with approved operational plans; and that the head of post must represent and be accountable for all departments' interests in his area of jurisdiction. This implies, as regards the selection of heads of post, increasing emphasis in future on managerial capabilities and knowledge of the full range of government activities abroad.

The Government's view is that, if its foreign policy is to be carried out effectively, the organization for doing so must be closely-knit, fully qualified and responsive to the changing demands that inevitably will be made on it. The steps taken towards the goal of integration will be systematically reviewed to ensure that they do continue to fulfil the emerging needs of the future.

* * * * *

The Government has adopted the approach put forward in this general report because of a firm conviction that Canada must in future develop its external policies in a coherent way and in line with closely defined national objectives, as set by the Government. The same approach is reflected in the five sector papers which form an integral part of the presentation of foreign policy which the Government wishes to make to the Canadian people at the present time. They contain the more detailed discussion of policies being pursued and options faced by the Government in those sectors of its external policy.

The sector heads selected for report at this time—Europe, Latin America, the Pacific, International Development, and the United Nations—were chosen because they seemed particularly relevant to new issues being raised in the country. They embrace such questions as Canada's participation in NATO, membership in the Organization of American States, diplomatic relations with the People's Republic of China, the level of development assistance, problems of southern Africa, peacekeeping and arms control. These were neither the only sectors of policy which were considered important by the Government, nor indeed the only ones to be reviewed. They were areas which required examination in some depth, because they involved basic assumptions about Canadian foreign policy since the Second World War. The present report is sufficiently broad in scope to reveal the main contours of Canada's external policy as a whole and to suggest how and where it should be reshaped primarily to bring it into line with new forces and factors at work both at home and abroad.

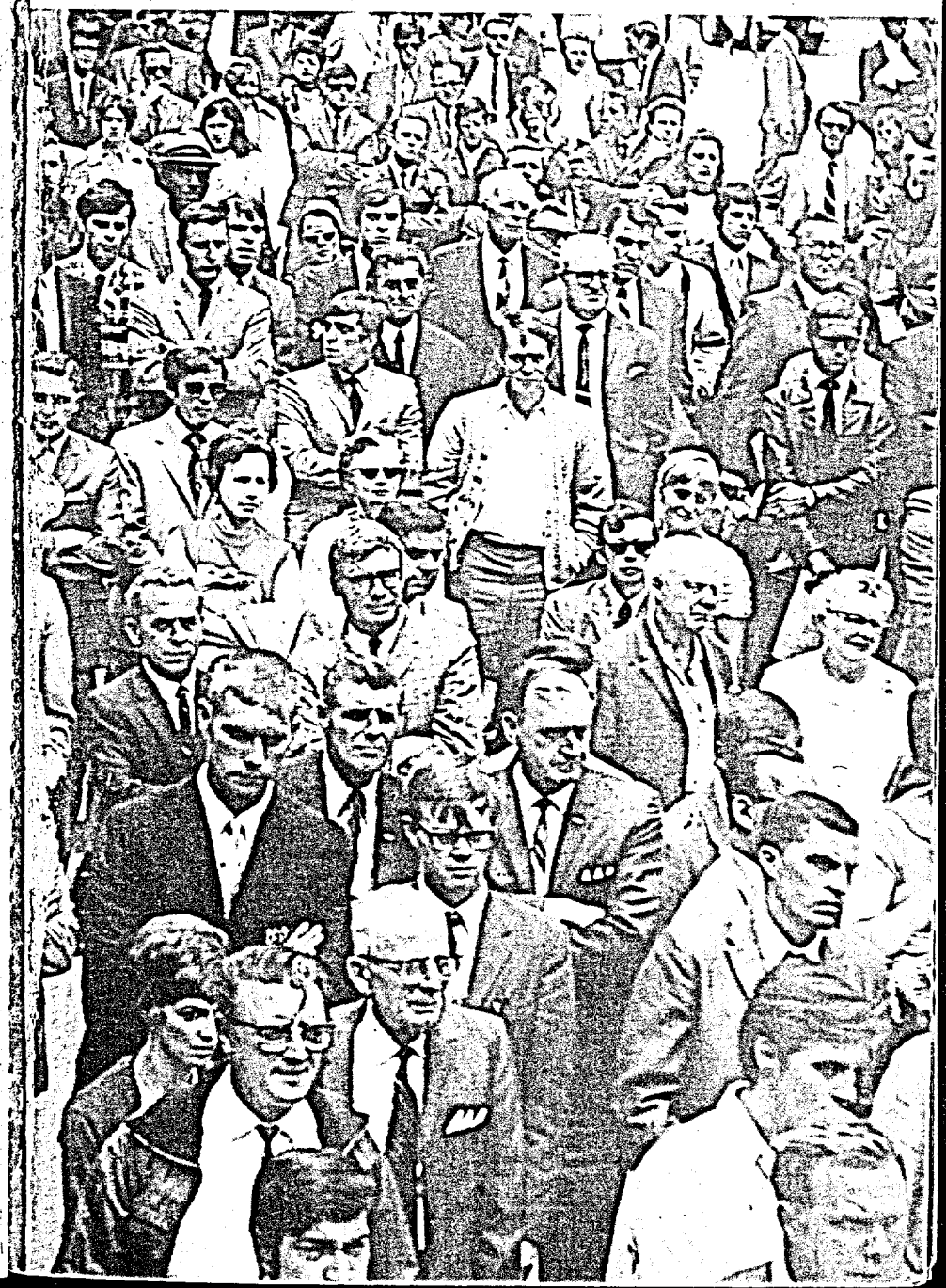
These papers are concerned with substantive policy rather than methods. For the most part they do not deal with the details of bilateral relations, even those of the greatest importance (with the United States, Britain, France, the Soviet Union, for example). Those relations are clearly involved in many of the policy issues raised throughout the papers. The kind and degree of that involvement as regards Canada-United

States relations is attested to by the numerous references to the United States in most of the papers.

This report poses some basic questions which it attempts to answer. Where it does not give the answer, it tries to suggest some of the factors which need to be taken into account in thinking about such unanswered questions. It is a reflection of the Government's concern about the need to deal with questions Canadians have raised about the country's foreign policy. To do so, it seemed very desirable, and even necessary, to look at the whole policy picture and to think about it in comprehensive terms. In considering this policy report, Canadians should be asking themselves: "What kind of Canada do we want?". Canadians should be thinking about that question and in those terms, because in essence what kind of foreign policy Canada has will depend largely on what kind of country Canadians think Canada is, or should be in the coming decade.

Europe

Foreign Policy for Canadians



Europe

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Chapter I

INTRODUCTION

Because of its origins and its traditional ties with the two mother countries, Canada has always looked across the Atlantic to Europe. Until the Second World War, however, Canada's relations with Europe were in practice limited almost entirely to Britain and, to a much lesser extent, France. Before the war, the bulk of Canada's world trade was within the Canada-Britain-United States triangle and the wartime co-operation followed a similar pattern.

Canada emerged from the last war as a leading military and industrial power. It participated actively in the organization of the post-war world and in the programmes of post-war rehabilitation, while the war-ravaged countries of Europe were in relative decline. These developments brought Canada into closer contact with the countries of Western Europe, but the main focus of Canadian foreign policy at that time, apart from relations with the United States, was in the United Nations and the Commonwealth. When hopes for a United Nations system of collective security foundered on the cold war and the accompanying fear of Soviet aggression in Europe, Canada took an active part in the formation of the North Atlantic Treaty Organization (NATO) alliance, both to safeguard the free world's security and also to provide the nucleus of an Atlantic Community.

The possibility of an Atlantic Community is still a distant prospect, however, and the Commonwealth has been profoundly modified. There is a growing trend towards continentalism and regionalism in the Atlantic area and the transatlantic links on which Canada used to rely are no longer the same. Moreover, Canadian interests have been expanding in recent years in other regions, such as the Arctic, the Pacific and the Third World.

Europe nevertheless remains of special importance to Canada. While the United States is by far the most important market for Canadian ex-

ports, Europe is Canada's main area of trade diversification (18 per cent of Canadian exports in 1969, including 9 per cent to Britain). It is in general an area of advanced and dynamic economies with expanding import requirements. The European Economic Community (EEC) alone is the world's largest market for imports and, with the inclusion of Britain and the other countries applying for membership, would account for almost 40 per cent of total international trade. While the United States is the single most important source of investment capital and technology for Canada, Europe is a significant area of investment diversification and a subsidiary source of technology. As valuable sources of capital and know-how, the European countries are also important partners for Canada and other donor countries engaged in international development assistance programmes.

The Canadian population is almost entirely of European origin and Europe has continued to be the most important outside source of manpower (four-fifths of Canada's total immigration of about three million people between 1946 and 1967). Though many more Canadians travel to Europe than *vice versa*, there has been a marked rise in visitors from Europe in recent years and more tourists come here from Europe than from any other overseas region. The impact of European culture and scholarship on Canada remains strong, as do European traditions of political and economic democracy. And, of course, it is to Europe that French-speaking Canadians turn for cultural support. Last, but not least, Canada participated on European soil in two world wars and the peace, prosperity and stability of Europe are still of direct concern to Canada.

The scope of these interests has been reflected in the expansion of Canada's bilateral and multilateral relations with Europe since the last war. In 1938 there were resident missions only in London and Paris; by 1948 the number in Europe had grown to 16 and by 1968 to 22. Canada now has diplomatic relations with all the countries of Europe except Albania (and East Germany, which Canada does not recognize). On the multilateral side, Canada has delegations or accredited representatives in Europe at the following organizations: NATO and the EEC in Brussels; the Conference of the Committee on Disarmament (CCD) and the European office of the United Nations in Geneva; the Organization for Economic Co-operation and Development (OECD) and the United Nations Educational, Scientific and Cultural Organization (UNESCO) in Paris; the Food and Agriculture Organization (FAO) in Rome; the International Atomic Energy Agency (IAEA) and the United Nations Industrial Development Organization (UNIDO) in Vienna.

Chapter II

THE NEW EUROPE

Perhaps the first point to be emphasized about Europe today is that it is still passing through a complex process of transition that began quite soon after the end of the Second World War. This transition has already had rather a profound effect on Canada's relations with European countries and on Canada's position in the world power structure.

Decolonization

Shortly after the War, rather more quickly than the administering powers had anticipated, the movement toward independence in former colonial territories gained sufficient momentum to sweep away in less than 20 years most of the overseas possessions of the European powers. More often than not the break was accompanied by violence and bloodshed (India-Pakistan, Palestine, Indochina, Indonesia, Algeria, the Congo) and by sharp international controversy, especially at the United Nations. Canada's policies on such issues, which aimed at easing the rupture of old colonial ties, tended to diverge more and more from those of its European allies and even close friends, placing some strain for a time on relations both bilaterally and in NATO.

Moving toward Integration

One of the most remarkable changes in Europe has been the post-war recovery of the Western European countries. As a result, they have regained strength and vigour and have acquired a new sense of confidence and purpose. More populous than the United States, they now have a combined GNP close to that of the United States. In terms of education, science and technology, they rank second only to the United States, though

their "gap" in these fields is of increasing concern. Taken together, the members of the two European trading blocs—the EEC and the European Free Trade Association (EFTA)— constitute the largest and most dynamic trading area in the world. With their economic and political ties with other countries in Africa, the Middle East and elsewhere, they exercise an important influence on global stability and security.

The Western European countries have also developed a desire for greater unity. Future events in Western Europe may be largely determined by the continuing interplay between national rivalries there and the move toward greater integration. The basic drive, however, is for greater European self-assertion, whether to prevent possible future conflict within Europe or to meet the existing challenge of United States influence. In the political field, progress has been slow; in the economic field, at least within the EEC, movement is probably irreversible though still incomplete, and there is already acceptance of the idea of a "broadening and deepening" of the Community; in the technological field, the pooling of resources to keep in the running with the United States (and Japan) is seriously contemplated; while, in defence matters, long-standing co-operation continues.

It is in the economic sphere that the move towards European unity has had its greatest direct and indirect impact upon Canada's relations with Western Europe. The formation of regional trading blocs (EEC and EFTA) has been accompanied by internal economic expansion and intra-bloc trade expansion. Thus, the establishment of the EEC has given major stimulus to the growth of member countries, including their import needs, but has placed outside suppliers such as Canada at increasing disadvantage for business in EEC markets. Multilateral tariff negotiations (the Dillon and Kennedy Rounds) have mitigated the trade-diversionary impact, especially as regards manufactures, but these have had little or no impact upon agricultural trade or non-tariff barriers. Hence, while the EEC may now be said to have relatively low tariffs on industrial goods, its trade or internal policies on a considerable number of items of traditional export interest to Canada are considerably less liberal. It will be necessary for Canada to continue to urge its European trading partners to provide improved access to their markets in areas of particular interest to Canadian exporters. Within EFTA, the economic performance and balance-of-payments problems of Britain have created different circumstances but with many of the same effects on Canada's traditional trade there.

In the monetary field, the Europeans have continued to recognize the need for a broader approach than continental arrangements. The maintenance of monetary stability is of major importance to the development

of Canada's trade and economic relations with European countries as well as with other parts of the world. For this reason, Canada has participated actively in the efforts of the International Monetary Fund (IMF) and the Group of Ten to contain and resolve difficulties in this field.

Continuing Division

Both the threat which gave birth to NATO and the response of the alliance have changed radically since 1949. In addition to large conventional forces, the Soviet Union now has a powerful and well-protected nuclear capability, comparable to that of the United States. On the other hand, the Western European members of NATO, which were handicapped in the early years of the alliance by severe internal economic and political problems, have made a remarkable recovery from the effects of the Second World War. The continent as a whole now enjoys a relatively high degree of peace and stability, while wars and lesser conflicts have raged in many other parts of the world. The fundamental reasons for that stability are twofold:

—Over the years there has been developed and maintained a rough balance of military strength between the Communist and Western powers, including the strategic nuclear deterrents of the United States and the Soviet Union, each of which is capable of inflicting unacceptable damage on the other even after absorbing a surprise attack.

—Particularly since the 1962 Cuba crisis, both the United States and the Soviet Union have become increasingly careful about avoiding high-risk situations arising from conflicts in which they are involved on opposing sides (Vietnam, the Middle East), and a tacit understanding between them seems to have evolved that nuclear confrontation should be avoided.

The risk of a deliberate large-scale Soviet attack on Western Europe is therefore much diminished. However, the vital interests of the superpowers remain closely engaged in Europe, and in the face of constant technological and political changes there is no guarantee that the present stability of the balance can be maintained indefinitely. Nor can such a balance be considered a satisfactory long-term solution to Europe's security problems. Essentially it has been the division of Germany and potential instability in countries of Eastern Europe that have held the seeds of crisis capable of developing into a larger conflict. One of NATO's primary military roles is to provide means for containing the escalation of any outbreak

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of hostilities in Europe—part of its general purpose of deterring and preventing war.

While the division of Europe remains (and it is likely to continue in the seventies), the problem of security will be one of the fundamental concerns of the European countries, both East and West. This problem has two main interrelated elements, one being the East-West political and ideological struggle, the other the division of Germany. Neither of these seems likely to be resolved quickly but hopes for the future are to be found in certain encouraging trends today:

—There is general acceptance that satisfactory solutions for East-West issues cannot be produced by force.

—There is continued popular pressure for a better life, even in countries where the people do not have freedom of expression.

—There are signs of a new desire on the part of all the European countries to pursue more actively the search for negotiated settlements of the outstanding problems.

Changes in the Communist World

The continuing division of Europe does not mean that Eastern Europe has been immune to change—on the contrary. In the East European countries the ferment of freedom has been at work and there has been a trend, halting but significant, toward economic and even political reform, and a greater emphasis on national aspirations. This has, in turn, created demands for greater freedom of national action within the Communist bloc and modified both the monolithic nature of the bloc and the predominant position of the Soviet Union. In Czecholsovakia in 1968, the pace of change became so rapid that the Soviet leaders apparently saw no alternative but to intervene militarily in order to maintain their control over events. That intervention naturally dealt a hard blow to *détente*, that is, the reciprocal search to improve relations between the countries of Eastern Europe and Western powers generally. It did not, however, destroy the widely-held conviction that there is no realistic, long-term alternative to *détente*, even though each side may interpret that process in a different way. The important thing is that both sides should share the desire to avoid nuclear war and be interested in pursuing mutually beneficial forms of co-operation.

Finally, there is the fact that the Soviet Union, with increasing concern, is looking over its shoulder at China. Sino-Soviet differences have had a further unsettling effect on relations and conditions within the East

European group of states. These factors, especially when added to the others mentioned earlier, could lead the Soviet leaders to contemplate a compromise settlement in Europe which would take into account the basic interests of all concerned.

Continuing Role of NATO

Pending a long-term solution of East-West problems, the countries of Europe are likely to consider that their security interests are best served and their stability best maintained by continuing their respective alliances—NATO on one side, the Warsaw Pact on the other. The energies of NATO will no doubt be devoted to developing the twin concepts, deterrence and *détente*, in proportions appropriate to changing circumstances. Most of the current indicators point in the direction of increased emphasis on *détente*. There is now general acceptance among members of NATO that perpetuation of the *status quo* is unlikely to produce a satisfactory and durable solution to Europe's security problem. Changes within the Eastern bloc have increased the possibilities for initiatives which might open the way to such a solution. However, experience demonstrates that the confidence necessary if such initiatives are to be taken seriously is possible only if there is an absence of concern about immediate physical security on the part of the European states. This means maintaining appropriate military forces until a sufficient degree of security and stability is otherwise produced to make those forces unnecessary.

Progress toward a long-term solution will be the sum of the various individual and collective activities of all those concerned with European security, including the non-aligned countries as well as the members of both alliances. It is accepted in NATO that much useful work in this regard will be achieved through bilateral relations between individual NATO members and members of the Warsaw Pact.There is scope too for collective alliance initiatives to achieve agreement on specific issues—arms-control measures and balanced force reductions, for example. NATO has become increasingly effective as a forum for consultations on disarmament and arms-control questions, among other political items.

United States and Western Europe

Most of the European members of NATO, conscious of their continuing need for United States nuclear protection and of the contribution which NATO makes to their individual bilateral relations with the United States, continue to emphasize the alliance as a key element in their national

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policies. At the same time, there are clear indications of a growing desire for greater European self-assertion *vis-à-vis* the United States, within NATO and in the general context of transatlantic relations. While still conscious of the benefits of United States economic and military strength, the Western European nations are now more aware of their separate identity and increasingly concerned about the consequences of American leadership for their own freedom of action, whether in political, military or economic fields. This concern has been sharpened in recent years by United States preoccupation with Asia, with its dialogue with the Soviet Union and with its internal problems, developments which have made Atlantic ties seem less secure.

Western Europe will no doubt remain dependent on the United States for its defence for many years to come. In other fields the interdependence between the two continents will not be as complete but it will continue to be important. A more integrated Western Europe will doubtless wish to maintain co-operative ties with the United States because of interests shared in common. Economic, scientific and technological co-operation show no signs of abatement, especially in the private sector. Cultural and political affinities are being maintained across the Atlantic and should not be underestimated. All this does not mean that transatlantic ties will be maintained automatically. A solid effort will no doubt be required on both sides of the ocean to ensure that the changes now in train in Western Europe come about in a spirit of co-operation with North America.

Chapter III

CANADA'S CHANGING OUTLOOK

In earlier eras, when British and United States policies diverged, Canada was always faced with difficult alternatives (the Suez crisis of 1956 was an outstanding example). Today, with Western Europe-United States relationships in a period of evolution, Canada has been facing correspondingly difficult choices in certain fields of policy. This development has taken place, moreover, while Canada's position and influence *vis-à-vis* the West European countries tended to diminish as they themselves regained their strength and economic power.

Canada's links with the new Europe are at least as numerous, complex and vital as with the post-war Europe. The growing awareness in Canada of being first and foremost a North American state has its effects on those links, but to enhance rather than reduce their importance. As Canada accepts its North American character, it also recognizes that the United States is, and will continue to be, the dominant state in the North Atlantic area—politically, economically and militarily. This fact has profound implications for Canada-United States relationships and for Canada's relations with both Eastern and Western Europe.

Growing Concern about American Influence

Canada's most important bilateral relationship is that with the United States. In the broader sense, the economic, military and political dominance of the United States also affects the political and economic well-being of every Western European nation and is a fact to be reckoned with by the nations of Eastern Europe, including the Soviet Union. The problems the European nations face in their relationships with the predominant power are magnified in Canada by geographic location, economic

interdependence, the shared defence of the continent and the growing homogeneity of North American society. The United States is, by a wide margin, Canada's largest trading partner. American investment in Canada is preponderant and growing. Canada contributes to its own defence, but, like the countries of Western Europe, relies ultimately on American military power for its security. The cultural influence of the United States is powerful and pervasive. American periodicals and television blanket English-speaking Canada and penetrate deeply into French-speaking Canada. Cultural attitudes in the United States are imported into Canada, particularly by the younger generation.

All these factors bear upon the nations of Western Europe; Canada faces them in more acute and immediate form. The maintenance of an adequate measure of economic and political independence in the face of American power and influence is a problem Canada shares with the European nations, and in dealing with this problem there is at once an identity of interest and an opportunity for fruitful co-operation. Nevertheless, Canada seeks to strengthen its ties with Europe, not as an anti-American measure but to create a more healthy balance within the North Atlantic community and to reinforce Canadian independence. The United States is Canada's closest friend and ally and will remain so.

Renewal of French Canada

The renaissance of the French fact in Canada, so striking during the past decade, has had profound effects within Canada and upon its foreign relations. Canadians of French expression no longer see themselves as a small disadvantaged minority in an English-speaking continent but rather as an essential element in the great international French culture, the most significant group of *francophones* outside metropolitan France. For Canada this has meant a long period of difficult readjustment, a period that has not ended, a period in which Canada is finally coming to terms with its essential bilingual character. In terms of foreign policy, this involves much closer relationships with France but has also raised some difficulties between Ottawa, Paris and Quebec.

Present indications are that these difficulties may become less formidable as France comes to accept and understand both Canada's interest in promoting the French fact and also Canada's sole jurisdiction in international relations. It is for the benefit of the whole of Canada that links between France and Quebec should be close and productive and that they should develop within the Canadian constitutional framework. The *accord-*

cadre signed by Canada and France in 1965 has made this possible, not only between France and Quebec but also between France and any of the Canadian provinces. Exchanges, between France and Quebec in particular, in the fields of education, culture and technology are of first importance to the enlargement of the French contribution to Canada's culture.

A cultural agreement has also been signed by Canada and Belgium. Moreover, beyond Europe, Canada has begun to play its part as a highly-developed, technologically-advanced French-speaking country in providing development assistance to the French-speaking countries of Africa, Asia and the Caribbean (Haiti). This is a logical evolution of Canada's international assistance programme, which had its origin in the developing countries of the Commonwealth. Canada is a founding member of L'Agence de Coopération culturelle et technique, and a major contributor to it. It seems likely that the main interest of the developing countries of la Francophonie will lie in generating an increased flow of development assistance. This underlines further the desirability of Canada co-operating closely with France, Belgium and French-speaking countries generally.

Canada's relations with French-speaking countries in Europe and elsewhere are particularly significant in the context of strengthening national unity and reflecting in foreign policy the bilingual nature of Canada. The Government has given high priority to cultural relations, public information and immigration programmes, especially in France; it is making solid efforts to develop trade and investment, as well as scientific and technological co-operation. While Canada's relations with France have assumed special priority, the Government believes that they should be developed as part of a broader policy encompassing Britain and West European countries generally, but particularly those from which major elements of the Canadian population derive.

Concentration on the Economy

In the late sixties, there has been growing concern in Canada—shared by government at all levels and by Canadians generally—about the state of the national economy. This concern has been reflected in policies and activities—internal and external—pursued by the Government of Canada. It has a marked influence on how the Government views its international relations generally but especially those with the countries of Europe.

Canada's economic ties with Europe have not developed to the extent justified by Europe's increasing importance in the world whether measured against its economic growth or its expanding share of world trade. In the

last few years, the Canadian share of the European import market has declined, as has the proportion of Canadian exports going to this area. Since a number of European countries have made major advances in their sales to this country, the merchandise surplus Canada has traditionally maintained with Europe has been falling off continuously since 1964. With regard to investment in Canada, while the flow of capital from continental European countries has grown in both absolute and relative terms since the end of the War, it has been more than counterbalanced by a decline in the value of British investments in Canada. During 1968, continental European countries were for the first time a major market for new security issues of Canadian borrowers. Meanwhile, there has been direct participation by some Canadian companies in European industry, but Canada's current financial relationship with the United States requires that further growth in such participation generally be financed for the time being by borrowing in Europe.

Although Canada benefited from the sharp increase in imports needed to rebuild post-war Europe, in more recent years Canada's performance as an exporter to Western Europe has been subject to various adverse factors.

To some extent, a certain lack of appreciation for and interest in the needs and habits of the European consumer on the part of Canadian exporters has contributed to Canada's relatively less satisfactory performance, especially in periods when high levels of demand in the closer and more familiar United States markets have prevailed. However, of possibly greater importance is the fact that Canada has encountered substantial difficulties from changing trade policies in Europe (and in some cases from shifts in demand there). For example, while European tariffs generally have declined, the EEC has not so far been prepared to reduce the basic rates of duty on a number of industrial materials of interest to Canada. In the case of aluminum and newsprint for example, the only concessions forthcoming were the binding of duty-free or low-duty quotas. The Community's common agricultural policy has stimulated production of a considerable number of products, restricted access for outside supplies and resulted in the accumulation of surpluses which have in some cases, notably wheat and other cereals, been sold in third markets with the aid of heavy subsidies in competition with Canadian exports. Finally, the European Community is developing a network of preferential arrangements through a series of arrangements with Mediterranean and African countries which could prejudice Canadian interests and which generally detract from the multilateral trading system developed with difficulties over the past two decades.

In a similar way, Canada's trading relationship with Britain has been under stress. Shifts in that country's trade policies have been accompanied by changes in the overall pattern of Canada's bilateral trade with that country. Britain has introduced various measures (prior deposits, regional industrial development policies, changes in access for grains) which have affected Canada.The entry of Britain and its EFTA associates into the Common Market will affect Canada's traditional access to these markets and probably further alter the patterns of trade. While the question of British accession to the EEC is one for Britain and the Community to decide, important Canadian trade interests stand to be affected. Canada has made clear to the British authorities the possible impact on Canadian exports and has urged the establishment of consultation procedures before, during and after the negotiation. It is of key importance that a framework be maintained for a larger and diversified exchange of goods between Canada and Britain in the future.

British accession to the EEC would represent a change of such basic and far-reaching importance to the whole world trading community that it should become a matter of multilateral concern. In this context, early action to move towards international trade and tariff negotiations, in addition to being desirable in itself, would be an important means of minimizing the trade-diversifying effects of enlargement of the EEC.

Trade relations with countries of Eastern Europe have been carried out in a special context, particularly because of their state-trading practices and of the preferential relations they have effectively maintained with one another. In recent years, trade has increased, notably because of Canadian wheat exports; however, this has fluctuated widely and has dropped substantially in the last two years. Trade has also been hindered because Eastern Europeans have had difficulties in adapting themselves to methods suitable for selling in Western economies. The opening of economic relations between Eastern and Western Europe, frequently on the basis of bilateral arrangements, has also had a retarding effect on Canadian efforts to trade with Eastern Europe.

Looking at Europe Today

Throughout the post-war decades, Canada's involvement in geographical regions other than Europe has been steadily increasing—through the Commonwealth, the United Nations and, more recently, la Francophonie. There has been expanding activity in such fields as peacekeeping, development assistance and, to a lesser extent, cultural exchanges. It remains true, however, that the bulk of Canada's business abroad is

centred in the North Atlantic area, where are to be found most of Canada's major trading partners, its main security problems, its most important source of investment and manpower, the mainsprings of its political and cultural heritage.

There is the indisputable fact, moreover, that, after the United States, Western Europe is the wealthiest, most industrialized and technologically most advanced area of the world. West European countries have a combined power and influence which makes themselves felt in most other regions—in Africa, the Middle East and Latin America. Canada's policy objectives in these other regions for the most part could not be pursued very effectively without some degree of co-operation with either the United States or Western Europe, or both. For example:

—Peacekeeping operations in the past (especially the United Nations Emergency Force (UNEF)) depended for success on maintaining a broad consensus among the countries of the North Atlantic area, needed for both political momentum and financial support.

—Virtually all the multilateral programmes for international development depend on sustained support from the same group of governments, joined by the few developed countries from other regions.

—International efforts to deal with pollution and other environmental problems are likely to depend on the same kind of co-operation.

Especially in the economic field, important international institutions have been established to facilitate such co-operation—the International Bank for Reconstruction and Development (IBRD), the International Development Agency (IDA), the Development Assistance Committee (DAC), the United Nations Development Programme (UNDP) and others. They derive their initiative, drive, effectiveness and strength from the concentration of effort made by the developed countries. They provide the guiding genius and motive power for a massive system of interlocking machinery which operates in most fields of human endeavour in the contemporary world, a system to which it is in Canada's interest to contribute, not only by maintaining the closest possible ties with the United States but also by fostering further links with the countries of Western Europe.

Canada also has a substantial, and growing, interest in developing its relations with the Communist countries of Eastern Europe, not only because of the benefits of increased trade, scientific and technological co-

operation and cultural exchanges with those countries but also because of the contribution it can thus make to *détente*. The prospects for such co-operation are particularly good with the Soviet Union, with which Canada shares the experience of being an Arctic country. There is no doubt that the improved climate of East-West relations and the accompanying growth in East-West contacts and exchanges have enhanced the practical opportunities for Canada to pursue these objectives. It is for Canada to make itself better known in these countries for what it is: a North American country that is not a great power, that poses no threat to anyone and that possesses vast resources, a highly developed economy and advanced technology.

The prospect that regional co-operation in Western Europe might one day produce some form of European political unity has evoked among many Canadians an almost instinctive reaction that it would be bound to work against Canadian interests, by excluding Canada from Europe and from any dialogue Europe might have with the United States; and by producing a parallel trend towards continentalism in North America in which Canada could expect ever-increasing integration with the United States. This was the "two-pillars" theory much discussed several years ago when France was shifting its position on NATO. It seems more realistic today to conclude that Canada faces a far more complex situation than the terms "united Europe" and "two-pillars" suggest. Integration in Western Europe is likely to be slow and uneven in evolving; certain European countries will wish to maintain outside interests, just as Canada will wish to retain interests outside the American "pillar". While there will be disadvantages and problems of adjustment for Canada arising out of the movement toward European integration, there are also likely to be some longer-term benefits, in particular greater stability and prosperity in Europe and a better balance within the Atlantic world.

Both these results could be very beneficial to Canada in its continuing search for countervailing factors to offset the pressure of its complex involvement with the United States. In Europe the key question for Canada may be whether it can establish a rewarding relationship with the expanding and more tightly-knit communities there. This is not to suggest that Canada's bilateral relationships with European countries will be any less important in future. They may be more necessary than they have ever been in the past—for purposes of trade and finance, science and technology, immigration and culture, peace and security. In short, for the successful pursuit of the whole range of its national objectives abroad, Canada will require a continuing network of complex relationships with individual countries in both Western and Eastern Europe.

Chapter IV

FUTURE POLICY ISSUES

The kind of international relationships which Canada can build and maintain with the dynamic new Europe will have an important bearing on the fabric of Canadian life and on Canada's influence in the world at large. The task ahead will require ingenuity and perseverance. It will also call for a high degree of consultation and co-ordination, not only among the various departments and agencies of the Federal Government but also between the different levels of government and with the private sector.

Economic Co-operation with Europe

With integration, Western Europe has already become the world's largest trading unit. It has also become, at least in very recent years, a significant new source of capital for foreign investment. Canada's trade interest lies in strengthening relations with Europe by means of a policy in support of multilateral efforts—through the General Agreement on Tariffs and Trade (GATT) and elsewhere—to liberalize world trade, and by means of increased trade-promotion efforts in Europe. In addition to improved international-payments facilities generally, Canada's interest in closer financial relations with Europe rests in increasing the flow of European investment to Canada as well as Canadian investment to Europe, as increasingly trade appears to be influenced by international corporate relationships. Most of the Western European countries have, over the past decade, achieved rates of economic growth comparable to or exceeding that of the United States (though lower than that of Japan). It is anticipated that they will continue to advance economically at a relatively rapid rate and will provide an increasingly important market for imports of a wide variety of goods including fully manufactured items. However,

the enlargement of the Community, whatever its long-term benefits, will pose particular difficulties for Canada as tariffs and reverse preferences affect exports to Canada's second major market, Britain. Trade policy and promotional efforts in Europe must, therefore, be geared in the short term to overcome new obstacles which may arise.

Enhanced co-operation with Europe could facilitate the promotion of liberal trading policies designed in particular to encourage freer trade in industrial materials and manufactured goods, to come to grips with the problems of agricultural trade, to move towards elimination of non-tariff barriers and to encourage investment in uneconomic import-displacing industries. Closer relations with the EEC could also attenuate ill effects from British entry as well as those from preferential arrangements developing between the Community, the Mediterranean Basin and Northern Europe. It is not inconceivable, that, within a relatively short period, the whole of Western Europe could become a single trading market as a result of expanded membership or association arrangements built around the Community. As a matter of some urgency, therefore, careful consideration should be given to the development of appropriate consultative arrangements which will take account of mutual Canada-EEC interests. These extend well beyond the trade field alone and include questions of industrial development policy, competition policy and scientific and technical co-operation. With respect to trade itself, it is important to note that, in many cases, commitments arising out of earlier bilateral agreements between Canada and members of the EEC are now the responsibility of the Commission in Brussels rather than of member governments directly, and future mechanics for Canada-EEC co-operation should take this into full account.

Intensive co-operation in financial affairs, which have thus far not been so severely affected by the movement towards European integration, would contribute to the resolution of incipient balance-of-payments disequilibria. This would not only help to head off possible restrictive measures in trade but also encourage the growth of stable and substantial capital markets on which Canada increasingly could draw. Likewise, continued broader co-operation within OECD on domestic economic policies for growth will foster stable conditions in Europe to Canada's advantage. Such co-operation can be of growing significance as the industrialized world turns to environmental problems and their real costs, an increasingly important factor in economic growth policies.

Canada's trade and financial policies with respect to Europe could also be served by closer links with a number of European institutions—for

example, by membership in the Customs Co-operative Council—as well as by the encouragement of closer ties between Canadian and European business and financial groups, and the stepping-up generally of trade-development programmes oriented towards the Western European market. Particular attention needs to be paid to the possibilities of closer co-operation in specific fields of industrial technology as an avenue to trade expansion, and specialized missions will be sent to particular countries as the opportunity arises.

In aiding Canadian business and financial institutions interested in expanding in Western Europe, Government services will make special efforts to keep them abreast of developments and changing market circumstances, as the Community broadens and becomes effective in new economic fields such as industrial development policy, competition policy and fiscal and monetary harmonization. Canadian representation abroad should consequently be strengthened to meet such requirements: in Brussels, where more emphasis will be put on consultation with the European Community; and in national capitals, where trade promotion, particularly, remains important. (While the Community's policies are now generally implemented by the Commission in Brussels, contact with national governments continues to be important from the point of view of attaining Canada's foreign trade policy objectives.)

In Western European countries which remain outside the Community or are joined to it only by association arrangements, there will remain significant opportunities, as there have been in recent years, for Canada's export trade. The realization of these will require more specialized promotion efforts and appropriate consultations or negotiations on particular issues affecting the scope for developing Canada's economic ties with these countries.

In contrast to its trade relations with Western Europe, now covered multilaterally by the GATT, Canada's trade relations with Eastern Europe continue in most cases to be dependent upon bilateral agreements. Canada's interests would appear to be best met by continuing to encourage these countries to move to a greater extent into the multilateral trading and payments systems. To provide legitimate protection, however, for Canadian interests, it will be necessary to retain in force in the meantime Canada's bilateral trade agreements, which ensure an adequate *quid pro quo* for the most-favoured-nation treatment Canada grants the exports of the East European countries. More extensive trade promotion will be essential for Canada to obtain a larger share of Eastern European markets; Canadian business contacts with state-trading organizations will require

encouragement and assistance; selective but intensive activities such as trade fairs and trade missions, coupled with competitive financing terms for exports and, possibly, the promotion of joint ventures, will be necessary practical measures; and scientific and technological agreements might also improve liaison between Canadian businesses and Eastern European organizations engaged in the same activity. More attention will also be given to ways in which Canada might benefit from the efforts of the Economic Commission for Europe to promote East-West trade.

Canada and European Security

During the coming decade, it will continue to be in Canada's interest to participate, in a manner consonant with Canadian capabilities and concerns, in efforts to preserve peace in Europe and find satisfactory long-term solutions to the problems of European security. Since the seventies are likely to be a period of political evolution in Europe, it will be important for Canada to retain a flexible approach and to be prepared to adjust the balance of its efforts from time to time as the situation requires. With the immense complexity and intractability of the main problems, speedy or publicly impressive results should not be foreseen.

In order to project its own ideas and policies effectively, Canada must make full use of:

—the available multilateral machinery, notably the CCD (where Canada is a member along with the United States, the leading Eastern and Western European countries and others) and the unique and highly-developed machinery for political consultation and co-ordination in NATO;

—the close bilateral relationships which Canada has developed with the leading Western European countries as well as the United States, arising from participation in NATO;

—Canada's expanding bilateral relations with Eastern European countries.

Canadian efforts in these various channels can and should be mutually complementary. Canada's political conversations with Eastern European governments, for example, can be more productive because participation in NATO consultations makes the Government intimately aware of the views of its Western partners; in turn, Canada can bring the results of its findings in Eastern Europe to bear on the formulation of agreed alliance positions.

Canada's bilateral relations with the Eastern European countries also make a contribution to better East-West relations, and thus to security and stability in Europe, to the extent that they demonstrate that countries with different political and social systems can do business together to their mutual advantage on a basis of reciprocity. While Canada is under no illusions about the importance of the differences that persist, it has every reason to live in peace with the Communist countries and to try to have more normal relations with them.

In its approach to European problems, Canada will place increasing emphasis on action to resolve the underlying causes of tension in Europe, as well as on the promotion of arms control and disarmament. It will seek to encourage serious negotiations on these issues in whatever forums seem most appropriate, including an eventual conference or conferences on European security when the time is ripe. The Government recognizes, however, that progress on these issues will depend on the degree of confidence and trust developed and shared by the European states generally in a climate of continuing peace and security. This means preventing local conflict in Europe from erupting, either by accident or miscalculation, and from escalating into nuclear war.

One of the compelling reasons for Canada to remain a member of NATO is the important political role that NATO is playing and that Canada is playing within NATO in reducing and removing the underlying causes of potential conflict by negotiation, reconciliation and settlement. The Canadian Government has rejected any suggestion that Canada assume a non-aligned or neutral role in the world. Canada will continue to participate in an appropriate way in collective security arrangements with other members of NATO in the interests of Canada's national security, and in furtherance of the values Canada upholds.

These collective arrangements involve co-operation with the United States in the defence of the North American region of the alliance and participation in other defence arrangements in the North Atlantic and in Europe. The precise military role that Canada assumes at any given time will depend in part on the role of Canadian forces in the defence of Canada and North America and in part on the requirements for peacekeeping. It will also take account of the economic recovery of the countries of Western Europe and their enhanced ability to provide for their own conventional defence. In the light of these considerations, some reduction of Canadian forces in Europe is being effected this year after extensive consultations with NATO allies.

In continuing its military participation in the alliance, Canada will work for a further improvement in the procedures for effective political control over the alliance's military activities in times of crisis, in particular with respect to the possible use of nuclear weapons. To this end, Canada recently accepted a period of membership on NATO's Nuclear Planning Group. Canada will also urge that the assessments and plans on which NATO's strategy is based be subjected to thorough review, to ensure that they conform with the changing situation in Europe.

Canada will make efforts, within the NATO forum, and in its own bilateral contacts, to promote European *détente* and progress towards East-West political solutions. Canada will also use the NATO forum and, to the extent appropriate, other international bodies such as the CCD and the United Nations, to promote realistic proposals for mutual and balanced force reductions in Europe, and to give all possible encouragement to other constructive arms-control efforts, including the United States-Soviet Union strategic arms-limitation talks.

As the seventies proceed, the task of promoting East-West political reconciliation and arms control will undoubtedly assume important new dimensions, and Canada must be ready to adapt its approach. It will stimulate new ways of thinking about the problems of peace and security in Europe. At the same time, it will continue to demonstrate to its allies its determination to meet in a responsible manner its collective security obligations under the North Atlantic Treaty, and will co-operate with other members of NATO so as to assist the alliance in realizing its full political potential in the search for lasting European peace and security.

Co-operation in Science and Technology

The complex application of science through technological development is beginning to be perceived by governments and people alike to be a critical factor, perhaps of more importance than ideology, in bringing about desirable as well as unintended transformations in human society. While it is beyond the scope of this paper to deal with the Government's future science policy, certain conclusions can be drawn as regards implications for foreign policy, and particularly with respect to relations with Europe.

Largely because of the close industrial ties with the United States economy, the pattern of research and development in Canada has differed from that of most advanced countries. With certain notable exceptions (atomic energy), the application of technology in Canada has been largely

the product of "branch-plant" relationships between American and Canadian corporations, with the result that, generally speaking, extensive research and development in Canada has been curtailed. The heavy impact of United States technological activity has tended to inhibit any substantial domestic effort within Canada and to drain scientifically-oriented Canadians away from this country. Individuals, companies and educational institutions all seem to draw most of their scientific and technological sustenance from the United States.

The Europeans are becoming increasingly conscious of the disparity between their own somewhat disjointed efforts in this field and those of the United States, and have been giving more emphasis to co-operative endeavours to meet the American challenge. Although some of these efforts are only in their early stages, they do offer opportunities for Canada to diversify its contacts and activities in the whole field. Traditionally, Canada's closest links in this field have been with Britain, but recent years have seen a notable expansion of contacts and exchanges with other countries, mostly in Western Europe but also to some extent in Eastern Europe. Many of these contacts result from individual initiative, either professional or commercial, but the bulk of them result from inter-governmental activity.

The Government will be examining ways of strengthening such relationships, for example:

—There could be, for purposes of Arctic research and development, a circumpolar arrangement including the interested European countries, of which the Nordic countries and the Soviet Union (which has been showing interest in establishing technological relations with Canada) are obvious leading candidates.

—The United States, which has publicly recognized the importance of employing science and technology as major elements in the conduct of foreign policy, has invited a number of advanced countries to participate in the post-*Apollo* space programme. Canada is interested in such participation, along with a number of European countries, and some form of partnership or consortium for this purpose might yield worthwhile benefits for both Canada and Europe.

Other areas of particular Canadian competence, such as atomic energy, communications technology, earth sciences, metallurgy and oceanography, might provide additional possibilities for fruitful co-operation between Canada and Europe.

Given the possibilities, the Government must determine whether deliberate pursuit of such associations with Europe would contribute significantly toward the major Canadian objectives of maintaining independence and a distinct identity. It is clear that in the absence of conscious effort most scientific and technological activities in Canada will remain largely oriented toward the United States, in keeping with the dominant north-south axis of the economic relationships between the two countries. It is also clear that, the more the European countries combine their efforts, the more opportunities there will be for Canada to find rewarding forms of co-operation with them. It is not realistic to imagine that the present trends could be changed 90 degrees in direction, even if it were deemed desirable to make the attempt, but there would be much merit in seeking to develop at least some measure of countervailing influence.

In future, the task may prove somewhat less difficult because of the realization in most advanced countries that rapid economic growth of itself can no longer continue, in today's complex conditions, as the principal preoccupation and priority of governments. The Canadian Government, in pursuing basic national aims, aspires to the attainment of other objectives, no less important to national well-being—an improved human environment, a higher quality of life for all Canadians, a distinctive contribution to world betterment. In the pursuit of such objectives, Canada will not overlook opportunities as they arise for participating in productive relationships with the European countries in those areas where science and technology can be brought to interact with economic planning so as to promote the improvement of the human environment rather than its deterioration. Thus the NATO Committee on the Challenges of Modern Society, the OECD, the Economic Commission for Europe, and the possibilities for new arrangements for co-operating in outer space all present openings now for Canadian foreign policy initiatives which can have advantages for both Europe and Canada.

Culture, Communication and other Exchanges

In the field of cultural relations and the exchange of people and ideas more generally, most contacts take place between individuals or groups, autonomous or semi-autonomous agencies, supported in some cases by government funds. A special case is the matter of parliamentary exchanges with Europe, in which the Senate and the House of Commons are becoming increasingly active, both bilaterally and multilaterally (the Council of Europe is particularly important in this context). For the most part,

however, official involvement is a small proportion of total activity. Policy implementation depends on close co-operation with the private organizations concerned and, because of the federal system in Canada, with provincial authorities who have interests of their own in these fields. It is particularly important to maintain and expand the active interest of Canadian academic institutions in relations with Europe.

Canada has compelling reasons for developing relations in the fields of culture and communication beyond the North American continent, and especially with Europe. There are the needs of its bilingual society and the desirability of diversifying contacts in Europe as a complement to American influences. Canada's culture is North American and influenced from the United States, but it had its origin in two principal European sources, Britain and France, and enrichment through the years by the contributions of other ethnic groups from Europe. The particular needs of French-speaking Canadians, principally in Quebec, have prompted provincial governments to seek contacts in the *francophone* world, especially in France, but the Federal Government has become much more extensively involved in international cultural programmes in order to provide a national framework for the cultural aspirations and interests of all Canadians. The Government recognizes that information and cultural relations have become a very important element in Canada's foreign policy and that Europe is the most important area for the intensification of those relations.

The present emphasis on Western Europe will be maintained in order to serve the basic objectives of national unity and national identity. In view of the isolation of French culture in North America, it will be necessary to give a high priority to programmes in *francophone* countries. At the same time, a fresh approach to cultural relations with Britain is required in order to bring together a wide range of cultural contacts and activities which have tended in the past to be dispersed and unrelated. There are significant areas in these cultural relationships with Britain that are not adequately covered by Commonwealth arrangements and which should be supplemented in bilateral programmes. As for other Western European countries, the kinds of programme now pursued in Belgium, the German Federal Republic, Italy and the Netherlands should be extended gradually.

In the development of deeper reciprocal understanding between the peoples of Canada and Western Europe, a first line of communication is, of course, commercial news services, but the coverage has been uneven and generally unsatisfactory, leaving room for improvement in both directions. This situation places a stronger obligation on government to

present an accurate, sharply-focused picture, particularly to people of influence, of what Canada is and does. One of the most effective means to this end is to bring European opinion-formers—editors, writers, broadcasters and scholars—to Canada. As a result of wide-ranging contacts with Canadians and travel to different parts of the country, these communicators not only provide first-hand reports for European readers and listeners but, perhaps more important, a sustained interest in Canada is developed which can favourably influence their future selection and treatment of news and information about Canada.

Other information programmes include exhibitions and the distribution of films, photos and publications. The latter may be general publications for mass distribution, or specially prepared news-letters. Public speeches, the promotion of travel to Canada and Canadian participation in international sports events also contribute to a greater understanding of the Canadian people and their way of life. In the context of mass media the CBC International Service makes a major contribution through its broadcasts and the provision of Canadian recordings for broadcast by European radio stations. Plans are also under way for the enlargement of existing television exchange programmes. The scope for such activities is large and expanding in Western Europe, but more determined efforts are required in both the governmental and private sectors to meet the challenge.

Canada's cultural and information relations with Eastern Europe are cast in a rather different mould, in the sense that: the number of exchanges is limited compared with Western Europe; Canada must seek to secure and maintain a degree of reciprocity in the various exchange programmes; Communist governments play an exclusive role in establishing, regulating and supporting exchanges.

Despite some of the political motivations of the Soviet Union and other Eastern European governments, cultural relations at the present time represent one of the most promising fields for developing contacts with Communist countries. These relations may have a cumulative effect, combined with other kinds of contact, in bringing about more normal relations with the countries of Eastern Europe. Besides, there is no doubt that the academic and artistic communities in Canada consider such exchanges beneficial from their point of view.

At present, Canada is at a substantial disadvantage in its exchanges with the Soviet Union and other East European countries, both in terms of the opportunities afforded in the respective countries and financial and other conditions which prevail. Many of these adverse conditions could be rectified under the terms of general exchange agreements. One with the

Soviet Union is under consideration and similar agreements are contemplated with other countries. In the meantime, Canada is seeking to extend to Eastern Europe exchanges, tours and exhibits of Canadian origin which are taking place in Western Europe.

* * * * *

Canada has a large stake in Europe, the only area outside North America where the major themes of Canadian policy converge. Trade and financial relations with Europe are of substantial importance to Canada's own economic growth and to a maintenance of a stable and prosperous international community. Co-operation with like-minded countries in Europe will continue to be an essential factor in the success of international ventures aimed at world order, social justice and environmental improvements. Scientific, technological and cultural relations with the highly-developed countries of Western Europe influence the quality of life in Canada and help to strengthen its independence, unity and identity. The security of Europe is vital to the maintenance of global peace and security.

Canada can best pursue these objectives in association with friends and allies. For historical reasons Canadians look to the countries of Europe for cultural inspiration and support. The predominant influence of the American economy on Canada's trade underlines the importance of economic relations with trading partners in Europe. Aware of fundamental changes both in Europe and Canada, the Government is determining its objectives and priorities in the terms of these realities.

Close association with Europe will continue to offer scope for diversifying Canada's external relations and will place Canada in a stronger position to influence European and United States policies. The trends in the Atlantic area are away from the counterbalancing interdependence which benefited Canada in the past and the prospects of attaining an Atlantic Community have diminished accordingly. Canada still requires the diversification of relationships it has historically needed to safeguard its national interests. The dynamic changes in the new Europe present challenges but also opportunities which Canada will seek to enlarge, in developing its bilateral and multilateral relations with the countries of Europe.

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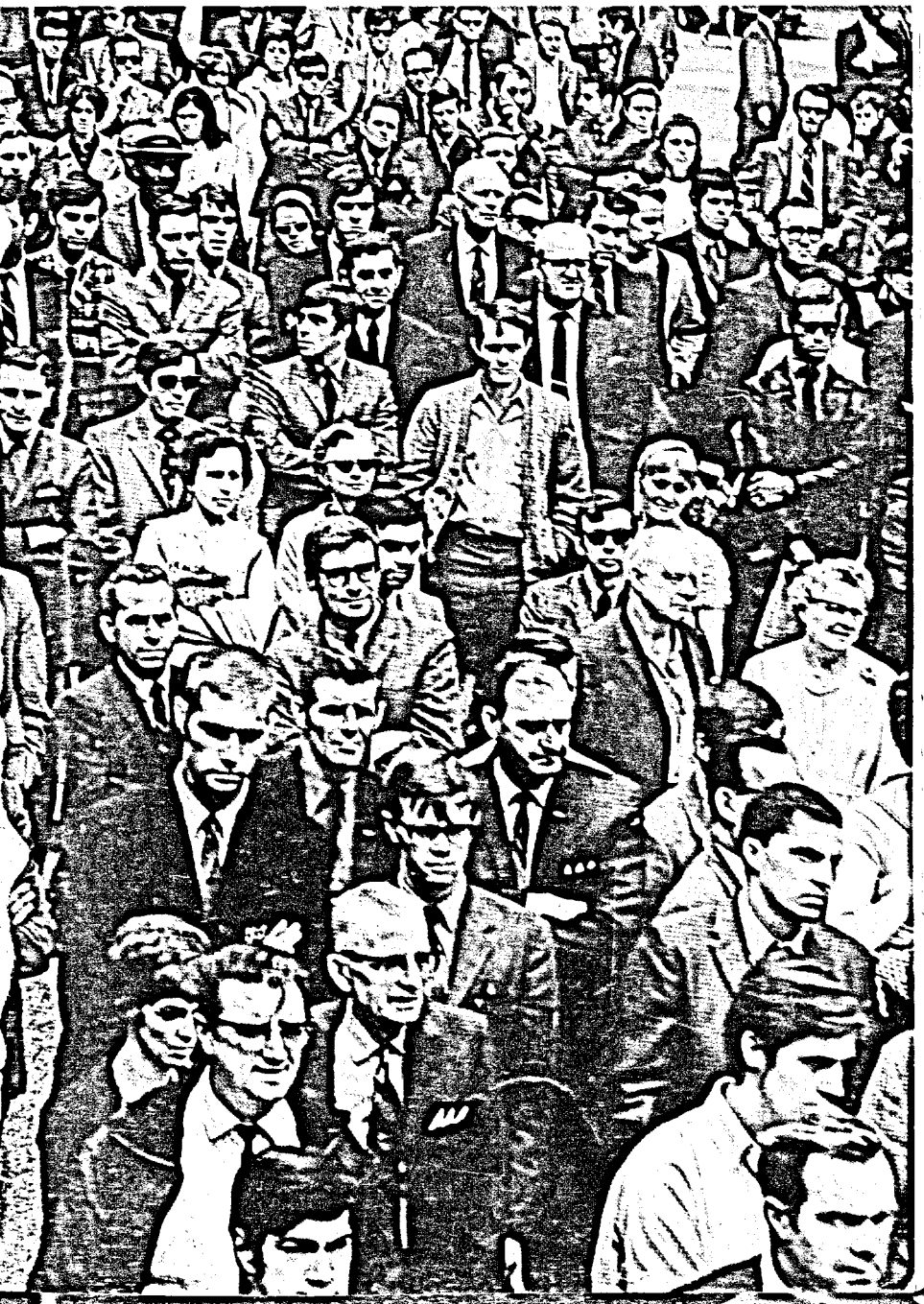

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Chapter I

THE CHALLENGE OF DEVELOPMENT

In late 1968, as part of its overall review of foreign policy, the Government initiated a comprehensive review of Canadian policies in international development assistance. The review examined a wide range of issues, including the motivation and purposes of Canadian support for development assistance, its volume and terms, Canada's strategy in this field, the relationship between multilateral and bilateral programmes, allocations among recipient countries, the role of the private sector, and the relationship of development assistance to other international economic policies. The review has now been completed and the special studies which were commissioned for it have been made available to the Standing Committee on External Affairs and Defence. The purpose of this paper is to present to Parliament and to the Canadian people the policies which the Government intends to adopt in the field of development assistance.

The review of Canadian development assistance policy was timely. Concurrently with the Canadian review, the Commission on International Development headed by the Right Honourable L. B. Pearson was undertaking a comprehensive analysis of development assistance within a global context. A special United Nations preparatory group was developing a strategy for the Second Development Decade and a study was being undertaken by Sir Robert Jackson of the development capacity of the UN system. These reviews inevitably considered many of the same questions. The Canadian review and proposed policies naturally reflect Canada's particular position in the world and its special interests and competence. The other studies complement the Canadian review by outlining the global framework within which the Canadian programme must operate.

The development process and the provision of external assistance for development are complex. All aspects of policy are completely interdepen-

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dent and one element cannot be changed without materially affecting all others. Further, a development assistance programme affects the central social and political aspirations of the developing nations, and must be sensitive to those aspirations. And, finally, the ultimate rationale for the provision of development assistance raises fundamental questions about the nature of the obligations of men and states to each other, questions that have occupied the attention of philosophers and political scientists for centuries and to which there are not yet universally accepted answers.

To reach conclusions on which a coherent development assistance policy can be based, it is necessary to examine these complex issues and to identify the main considerations that pertain to each. The first question is: Why does an international development problem exist and why is it important that Canada do something about it?

The search for the answer to this question can be aided by trying to identify what is unique about the development problem in the twentieth century. Poverty is not unique to this century. It has always been prevalent in the world, perhaps in even more severe degree than today. What is unique today is the fact that the existence of large-scale poverty and the attempts to relieve it have become an important issue within nations and in relationships amongst nations. This arises from several factors. One is that while there has always been a gap between rich and poor within virtually all nations there has never before been the wide disparity as between nations which today separates the highly-developed industrialized nations from the less-developed, low-income nations of the world.

A second factor is that never before has there been such universal awareness of these disparities. There are a number of technological, social and political factors that suggest that poverty in the developing countries will become an increasingly important issue in the remaining decades of this century. The very rapid development of the means of communication has brought the affluent and the poor into much more direct contact with each other. No longer can the wealthy live in exclusive neighbourhoods or country estates, isolated from both contact with and knowledge of the extent and intensity of poverty around them. Nor do the poor now live only in isolated countries or rural regions, or in well-defined urban slums, with little knowledge or contact with the rest of society. The automobile, train, radio, cinema, television, and airplane have changed those conditions. The advent of cheap mass air travel will accentuate the rate of change even more: for air travel permits a direct two-way person-to-person contact which may have a greater impact than the relatively passive acquisition of information from television and cinema. The affluent are now very aware

of the extent and degree of poverty; equally important, the poor are aware of the extent and degree of wealth. This awareness is a recent development in our history, and provides the main basis for the uniqueness of today's development problem. As communications become even more efficient, the awareness will generate even more acute and imperative pressures.

A third and related factor is the increasing public concern about poverty, among both the affluent and the poor, and the growing reluctance to accept this condition as inevitable. Not until the twentieth century has there been a demand for comprehensive public policies, both national and international, to eliminate general poverty. There has been a long history of private and religious philanthropies devoted to the alleviation of misery. Examples can also be found in the history of most countries of public welfare directed to the relief of some of the worst cases of hardship. But until this century, and particularly since 1945, there has been no assumption by society in general, acting through governments, of a responsibility for the elimination of the widespread *conditions* of poverty.

A fourth factor is that, for the first time in the history of the world, the accumulated wealth and technology of the affluent societies is sufficient to make possible the eradication of widespread endemic poverty in the world. The Report of the Commission on International Development reveals quite clearly that, on any historical comparison, the progress of the last two decades has been remarkable. The Report asks:"... can the majority of the developing countries achieve self-sustaining growth by the end of the century? For us, the answer is clearly yes." The affluent can no longer say that it is futile or even self-defeating to try to eliminate poverty. It will still be difficult; it may take several decades; and there is no guarantee of success or of the consequences of success; but the eradication of poverty now seems clearly attainable.

Development assistance can provide only a relatively small proportion of the total resources required by the developing countries. The people of these countries have accepted the primary responsibility for their own development and provide most of the resources required. They must set their own economic and social objectives, chart the main direction and dynamics of their growth, and accept the economic sacrifices, changes in their society, and self-discipline that will be required. Development assistance can provide the extra margin of support that will enable their sacrifices to be tolerable, and that will supplement their own resources with the particular skills, experience, equipment and materials that are limited within their own economies but that are essential to the continuation of their development progress.

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External assistance, although marginal in size, can thus have an important and even decisive impact on the development process at particular stages and points of time in each country. For this reason, it is important that development assistance be carefully integrated into the development strategy of each developing country so that it will support the objectives of the society to which it is directed.

The massive transfer of resources from the wealthy nations to the war-torn and less-developed countries in the post-war years represented a historical breakthrough in the behaviour of nations. It is true, of course, that part of the motivation for the transfer of resources at that time was the desire to strengthen the Western alliance. But it was also true that much of the support for the programme was based on a genuine feeling of obligation both to those countries that had suffered war damage and to the new nations emerging from colonialism. The translation of this sense of obligation into a massive nation-to-nation flow of financial assistance represented a genuinely new phase in the relationship between nations.

Today there are signs that the will behind this transfer of resources is weakening in some of the major donor countries. Part of the change undoubtedly represents a decline in the strength of some of the original political motivations for the transfer of resources. But the problem of widespread poverty remains as one of the principal challenges to the equilibrium of the world. International co-operation in the post-war period has created a considerable momentum in the drive to reduce world poverty, and if this momentum is lost there could be a significant impairment in the relationships between the more-industrialized and the less-developed nations of the world with serious, perhaps tragic, consequences for world peace and order.

There is still the question of why the eradication of poverty in developing countries should be given priority by Canada.

One basic value of Canadian society is the importance of the individual person, and of his rights and welfare. This value has a long heritage in our culture; it can be traced from one of the central tenets of the Greco-Judeo-Christian ethic. During medieval and early modern times, this ethic was adopted and translated into the legal and political systems which Canada has inherited. Those systems, imperfect though they may be in practice, are based on the tenet that all individuals in a society have both rights and obligations toward other citizens in that society, because the potential of that society cannot be realized unless the potential of each of its members is also realized. It is the basic assumption on which a democratic system rests.

In recent decades, these values have operated through the legal and political system of Canada to support legislation under which substantial amounts of resources have been transferred from wealthy to poor regions and classes of Canadian society. It is the sense of obligation to the less-affluent that underlies a progressive tax system, a system of free general public education, widespread pension plans, regional development plans, and general health-care programmes; all of these programmes are designed to provide a distribution of opportunities and rewards for the individual members of Canadian society that is consistent with the sense of justice and obligation of Canadians. It was in large measure an extension of this sense of social obligation and justice to the people in the less-fortunate countries that helped provide public support for the transfer of large amounts of Canadian resources to those countries in the post-war period.

The increasing awareness of poverty in the developing countries will thus be imposed upon a Canadian society in which concern for the welfare of others is one of the central values. To ignore that awareness would therefore be tantamount to a regression to a form of society in which the values of that society are inverted at its boundary. On the other hand, to recognize and act on the awareness would, in a real sense, reflect, extend and reinforce those values which are central to the creation of the kind of society which Canadians wish for themselves. A society able to ignore poverty abroad will find it much easier to ignore it at home; a society concerned about poverty and development abroad will be concerned about poverty and development at home. We could not create a truly just society within Canada if we were not prepared to play our part in the creation of a more just world society. Thus our foreign policy in this field becomes a continuation of our domestic policy.

In many respects, Canada is one of the most international of nations. We are both an Atlantic and a Pacific nation. We occupy the land that lies between the world's two great powers, the United States and the Soviet Union. The people of Canada derive from many lands and cultures. We depend for our prosperity to a greater extent than most countries on international trade and a healthy world economy. The values of Canadian society, as well as the future prosperity and security of Canadians, are closely and inextricably linked to the future of the wider world community of which we are a part. It is thus important for Canada that we accept our fair share of the responsibilities of membership in the world community.

It is also in our own interest to do so. We could not expect to find the same sympathy for Canadian interest or support for Canadian policies

amongst the other nations with which we are associated in the world community if we were unwilling to bear our share of our collective responsibilities. Development assistance is one of the ways in which we can meet these responsibilities.

It is also becoming increasingly apparent that many of the problems mankind is facing cannot be dealt with on a purely national basis and require the establishment of a variety of international mechanisms and institutions. This international "system" has made substantial progress since the end of the Second World War with the creation of the United Nations and its Specialized Agencies and the establishment of the International Monetary Fund (IMF), the International Bank for Reconstruction and Development (IBRD) and the International Development Association (IDA). The transfer of resources to the less-developed nations is one of the most important functions of this international system and one of the most effective means of improving and strengthening it. The growing pressures of population growth, environmental problems, technological change and the demands of an increasingly interdependent international economy all point to the need for the continued evolution of this international system. Support for development assistance can make an important contribution to this process.

Assistance to the less-developed nations serves Canada's interest in some other and more immediate respects. It is an important and integral part of the general conduct of Canada's external relations, particularly with the developing countries. It provides an initial source of financing for export of Canadian goods and services to the less-developed nations and provides Canadians with the kind of knowledge and experience which help support the expansion of Canadian commercial interest overseas. Successful economic development in the less-advanced countries will assist in the expansion of world trade as a whole and provide a growing market for Canadian goods and services.

By providing an outward-looking expression of the bilingual character of Canada, our development assistance role also helps contribute to our sense of internal unity and purpose.

The Government believes that a firm commitment to the support of international development is one of the most constructive ways in which Canada can participate in the international community in the coming decades. Such a commitment is directly relevant to the major problems and potentialities of our time. It reflects and reinforces the values, concerns and objectives of Canadian society. It is consistent with the international character of Canadian interests and will comprise an important part of

Canada's external political and commercial policies. And in this aspect of our international relations Canada's example can at this time make a significant difference in the precarious balance in which the future of the entire development enterprise is now poised.

In order to implement this commitment, the Government, therefore, intends to increase the amount of funds allocated to international development assistance over the coming years to move towards the internationally-accepted targets; to confirm as the primary objective of the programme the economic and social development of the developing countries; to maintain the concessional financial terms of Canadian development assistance and to make a significant move towards untying it as to procurement; to increase the proportion of Canadian assistance allocated to multilateral programmes to about 25 per cent of total official assistance; to continue to allocate most bilateral assistance to countries of concentration, but to provide some 20 per cent of bilateral assistance to other developing countries; and to increase support of the private sector's participation in the development programme. These measures to improve the quantity and the quality of the Canadian development assistance programme are the subject of the remainder of this paper.

Chapter II

THE GOVERNMENT'S DEVELOPMENT ASSISTANCE PROGRAMME

Objectives

If the elimination of widespread endemic poverty is to be the ultimate result, then the objective of a development assistance programme must be to support and foster the growth and evolution of the social, educational, industrial, commercial and administrative systems of the developing countries in such a way that their people can improve their own organization and capacity to produce, distribute and consume goods and services, and thereby improve the quality of life in their countries. For brevity, this process may be called economic and social development.

The Government regards the economic and social development of the developing countries as the primary objective of the Canadian development assistance programme. Development assistance thus will be an important and integral programme toward achieving the basic Canadian aims to improve the quality of life and social justice within the total domestic and foreign environment in which Canadians will have to live and work in the remaining decades of this century. Toward this objective, all allocations and commitments of development assistance funds should be measured chiefly against criteria relating to the improvement of economic and social conditions in the recipient countries.

This objective does not lessen the necessity of relating the development assistance programme to other Canadian national objectives. It must be not only relevant but sensitive to them. It will be clear, for instance, that development assistance will tend to be concentrated in countries whose governments pursue external and internal policies that are broadly consistent with Canadian values and attitudes. The Government believes that the development objectives can complement and reinforce other Canadian objectives in the developing countries. A well-designed and

well-implemented development programme will support and form part of the general conduct of external relations. It will link us more closely with other developed countries in pursuit of common ends. Canada's know-how and experience will be given greater opportunity for expression. Canadian goods and services will become more widely known and used. Within international organizations, Canadian policy positions and views on development questions will be related to the size and effectiveness of the Canadian assistance programme. Broadly speaking, the opportunity for gaining international understanding of Canada's national interests and objectives will be enhanced by an increasing development aid programme.

The Canadian Role in Development

The development problem is immense and the collaboration of all the more-developed countries will be required if success is to be possible. One or two countries cannot succeed alone. Against the scope of the total requirements Canada's assistance will not be dominant in a quantitative sense; but the programme will permit Canada to make an important contribution to the effectiveness of assistance and in the evolution of policies that will improve the overall conditions for growth and development.

The Amount of Development Assistance

The amount of assistance which can be provided to the developing countries depends upon the resolution of two questions: How much assistance can the developing countries utilize effectively? How much assistance can the more-developed countries make available?

The review of Canadian development assistance policy indicated, as did the Report of the Commission on International Development, that on the whole the developing countries can utilize as much assistance as the donor countries can conceivably make available if it is provided under terms and conditions which are not unduly restrictive or burdensome. There may be a limited ability to utilize funds on well-articulated projects or programmes at particular times in particular countries. But a well-designed and balanced development assistance programme should include sufficient technical assistance, education and training components to increase the "absorptive" capacity of the developing countries. Thus, over

a relatively short period of time, a higher level of assistance can have built into it the capacity for effective utilization.

The ability of developing countries to absorb a larger volume of aid depends also in part on the quality of that aid. In particular, the terms of the aid must be such as not to cause future serious debt-servicing problems. This aid must also be provided in a sufficiently flexible way, so that it can be directed to the most urgent and pressing problems. A somewhat lower volume of development assistance on concessional terms may be better than a larger volume on harder terms. Thus the quantity and quality of aid are within certain limits interchangeable.

The review also indicated that it is within the ability of the Canadian economy to make available the resources for any level of development assistance that is within the range of practical consideration. Most of these resources will, of course, have to be directed away from other purposes to which the Canadian people would otherwise apply them. But the review indicates that this sacrifice can be made without lowering Canadian standards of living, and even without affecting significantly the rate of improvement in the standards of living. There is therefore no basic Canadian inability to transfer resources. The main constraints arise because the largest portion of the transfer of resources takes the form of official development assistance, and must be directed through the public sector accounts. The question of what can be "afforded" is thus a budgetary one, and not a question of the basic availability of resources in Canada.

Development is a long-term commitment that will require a steady and increasing flow of resources. Progress will depend upon a mutual obligation by the recipient countries to make the maximum effort to commit their own resources to development, and by the more-developed countries to provide a dependable flow of external resources. The development process must therefore be insulated against fluctuations in the allocation of development assistance that might arise from budgetary or financial considerations. To provide this stability, and to recognize the priority of the development assistance programme, the Government will endeavour to increase each year the percentage of the national income allocated to official development assistance. In the fiscal year 1971–72 the level of official development assistance allocation will be increased by $60 million from the level of $364 million in the fiscal year 1970–71.

The Government's commitment will enable the Canadian development assistance programme to grow on a regular and dependable basis that will provide a substantial increase in the proportion of Canadian resources allocated to development assistance by the middle of the decade.

The Content of the Programme

The provision of development assistance involves the transfer of resources from Canada to developing countries. In the case of the bilateral programmes, the transfer for the most part takes the form of the direct provision of Canadian goods and services. In the case of the multilateral programmes, part of the cash contributions is not tied to procurement in Canada but a significant portion flows back for the purchase of Canadian goods and services. Thus the total programme draws upon a wide range of Canadian expertise, services and products.

The Canadian development assistance programme has historically placed considerable emphasis on the provision of technical assistance to the developing countries as a means of transferring knowledge and expertise. Under the technical assistance programme, advisers are sent to developing countries and students are brought to Canada for enrolment in Canadian universities, technical schools or special industrial courses. Canadian teachers have also been provided to the developing countries, primarily at secondary levels, both academic and technical, and at universities. In recent years, an increasing amount of technical assistance has been extended through contracts with consulting firms, universities, government departments and agencies, and other private and public organizations. In this way, the total resources and experience of Canadian organizations can be used to establish and support similar institutions in the developing countries.

A wide range of capital equipment and related services is also financed under the development assistance programme. These include telecommunications, railway, aircraft and other transportation and communications equipment, electrical-generation and transmission equipment, engineering services for surveys, feasibility studies and design engineering, food-processing equipment, breeding cattle and many other types of capital goods and related services.

As the basic industrial systems of some of the developing countries have become better established, an increasing proportion of the Canadian programme has been provided in the form of industrial raw materials such as pulp, newsprint, asbestos, copper, aluminum and other non-ferrous metals, fertilizers and semi-manufactured components. Although the composition of this form of aid may change as requirements in developing countries evolve, it is expected that it will continue to account for an important part of the Canadian bilateral programme.

Food aid has also been a very important element of Canadian assistance. It has been used essentially to relieve famine or the threat of famine and to relieve the recipient countries from the need to spend a large portion of their scarce foreign exchange resources on imports of food. The ultimate objective must be to help the less-developed countries to develop and improve their own food-production capabilities. Food aid must be provided with discretion since large amounts of food, when not directly required to meet shortages, can depress agricultural prices in the developing countries and discourage investment and expansion in the agricultural sectors of their economies. The requirement for food aid thus tends to fluctuate depending on crop conditions and stocks in the developing countries and Canada will continue to provide substantial quantities of food aid as these conditions require. The composition of the programme will also vary to include such foodstuffs as wheat, wheat flour, powdered skim milk, cheese, fish products, pulses, corn and other products available in Canada.

The Terms of Aid

The terms under which official development assistance is made available to the developing countries are the characteristic which distinguishes it from ordinary international commercial transfers of capital. There are three classes of terms and conditions for development assistance. The first category concerns the financial terms which cover interest rates and the terms of repayment. The second category concerns how much of the assistance must be used to pay for Canadian goods and services and how much can be used for purchases in the recipient country or third countries. Finally, there are conditions attached to the use of the counterpart funds, or local currency, that have been obtained by the government of the recipient country through the sale to its own people of commodities and food supplied on a grant basis from Canada.

The official component of Canada's development assistance programme has historically been provided on very soft financial terms. The Government recognizes the importance of the effect of these terms on the real value of Canadian assistance and undertakes to continue to provide the major portion of Canadian bilateral assistance on the basis of either grants or 50-year interest-free loans with ten years' grace on repayment.

In order to improve the flexibility of the Canadian programme to meet specific requirements of high development priority, the Government

further intends to liberalize the procurement conditions to cover shipping costs on all goods provided under the official development assistance programme, and to make available up to 20 per cent of total bilateral allocations on a completely untied basis for projects and programmes of particularly high development priority. In addition, the Government will be prepared to work with other donor countries towards agreement on general measures which might be taken to untie development assistance on a multilateral basis.

The Government will continue to require counterpart funds to be established by recipients of food aid and commodity aid. These funds may be utilized to provide, where feasible, local currency components and support for projects or programmes agreed to between Canada and recipient countries. Under appropriate conditions, counterpart funds not allocated to specific projects or programmes within a reasonable time may be released to the recipient to provide support for its general development programme.

Contribution to Multilateral Agencies

The multilateral agencies play a singularly important role in the international development process. These agencies include principally the United Nations organizations, the World Bank group, and a growing number of regional development banks. The strength and value of the agencies arise primarily from the nature of their relationship to the recipient countries. Virtually all of them include membership of the developing countries. This often gives them a status and degree of acceptability which enables them to enter into a more effective development partnership with recipients than would be possible for a bilateral donor. It also helps insulate the development relationship from the political difficulties and sensitivities sometimes associated with direct bilateral programmes. A number of difficult problems, however, continue to impede the ability of many of the international agencies to make the most effective use of these inherent advantages.

Another factor concerning multilateral aid which must be taken into account is that it often reduces the sense of direct participation of the people of the donor country, which may result in reduced interest and support for the development assistance programme. Nevertheless, a substantial multilateral programme can directly contribute to development in a very effective manner and improve the conditions under which bilateral funds are utilized.

Canadian contributions to multilateral institutions have ranged between 15 per cent and 20 per cent of the total official programme during the last several years. The Government intends to increase the proportion within the next five years to about 25 per cent of the total programme. The International Development Association has proven to be a particularly effective organization through which to channel development assistance. Additional contributions to the IDA deserve a special priority. The Government also proposes to increase its support of the United Nations Development Programme on evidence that its effectiveness is being improved, and to support regional and other specialized development institutions. New types of multilateral institutions are now emerging. They serve special purposes such as those of the agricultural research institutions established by large private foundations. They were supported initially almost exclusively by private foundations, but their expanding role now depends on increasing support from governments.

In addition to their growing support of multilateral institutions, increased emphasis will be placed on the co-ordination of the bilateral programmes with the programmes of other bilateral and multilateral donors.

The Allocation of Bilateral Assistance

There are a number of principles by which bilateral assistance can be allocated to countries. It can be allocated according to the degree of poverty; according to whether they are close to self-sustaining growth; according to the availability of good projects and programmes; according to the degree of determination they are bringing to the mobilization of their own resources; or according to sectors in which Canada has particular expertise. Finally, there are historical factors which support a special sense of concern and responsibility in Canada for particular countries or areas of the developing world such as the Caribbean, the *francophone* countries of Africa, or the Commonwealth countries of both Africa and Asia. In addition, a reasonable concentration of funds within a few developing countries will improve the effectiveness and impact of those funds, as well as reduce the administration problems associated with the total programme. Each of these principles has a substantial justification, but each leads to difficult anomalies if used as a sole criterion.

The Government therefore intends to allocate the major portion of Canadian bilateral funds to selected "countries of concentration", and to specialize in assisting particular sectors within those countries

in which Canada has special competence. It is intended that a portion of the total bilateral funds available, in the order of 20 per cent over the next three to five years, will be allocated to countries other than countries of concentration; this will be primarily for education and technical assistance and for occasional capital projects of high development priority.

The International Development Research Centre

The development process involves profound changes in the sociological and technological characteristics of a developing country. The processes by which these changes take place and the fundamental causes of underdevelopment are still not well understood. There is, however, an apparent relationship between the resources committed to scientific and technological research and development in a country and the state of that country's economic development. Today some 98 per cent of expenditures on research and development continue to be made in the more-industrialized countries and only 2 per cent in less-developed nations. Unless this fundamental imbalance is improved, the disparities between wealthy and less-developed nations will continue to widen. It is to enable Canada to play a special role in meeting this need that Parliament has established the International Development Research Centre. The Centre will be funded from development assistance allocations and will involve active co-operation with Canadian universities and other Canadian and international institutions.

Related Policies

The progress of the developing countries can be affected through every aspect of their relationship with the more-developed countries. Tariffs and other trade restrictions have a direct effect on their ability to improve export earnings and become less dependent on aid. Immigration can deplete their supply of skilled manpower. Fluctuations in world commodity prices can destabilize their foreign-exchange earnings and disrupt the momentum of their development programmes. All these subjects touch upon issues whose primary considerations lie outside the Canadian development assistance programme. Therefore the review did not examine these issues in depth, but it did indicate the direct relevance of Canadian policies in these fields to the progress of the developing countries. The Government, therefore, is concerned to ensure that its policies in these matters take into account its development assistance objectives.

Chapter III

THE PRIVATE SECTOR

The private sector has traditionally played a very important part in the development process. Charitable organizations have made significant contributions to education, health and welfare. Private business has helped to expand the commercial and industrial capacities of the developing countries. The major advantage of private sector assistance is that it enables organizations and companies in the developing countries to establish direct working relationships with their counterparts in Canada. This direct contact facilitates the flow of knowledge and expertise between the two parties and ensures that it is pertinent to the enterprise. The Government therefore intends to place greater emphasis on support for the activities of the private sector which contribute to international development.

Non-Profit Organizations

These organizations include churches, voluntary agencies, professional and trade associations and universities. Many have well-established programmes in the less-developed countries; it is estimated that the Canadian non-profit sector now provides assistance worth an estimated $35 million a year, primarily in the fields of education, health and welfare. In 1968 the Government initiated a special programme to support and encourage these organizations; in the fiscal year 1969-70, $6.5 million was allocated to this programme to provide grants on a "matching fund" basis for specific projects and programmes. The Government intends to increase support for these non-profit organizations over the next five years.

Business and Industry

The review of Canadian development assistance policy indicated that Canadian business and industry may have a growing role of particular importance in the development programme. A number of recipient countries now wish to increase and diversify their sources of capital, and many are at a stage in their development which require small-scale and medium-scale industrial enterprises. Canadian experience with this scale of operation and in such sectors as food processing, wood products and raw-material processing is often particularly relevant to their requirements. The Government will therefore initiate further measures to encourage Canadian business and industry to establish or expand operations in the developing countries by helping to overcome the special factors that lie in their way, while at the same time bearing in mind the problems that can arise from an indiscriminate application of such resources. The Canadian International Development Agency will also be prepared to finance projects for which Canadian suppliers have been successful international bidders, when the criteria concerning the eligibility of countries and projects are met. These measures should result in the extension of Canadian commercial and economic interests in Africa, Asia and Latin America, which in turn have important implications for the effectiveness of our international relations.

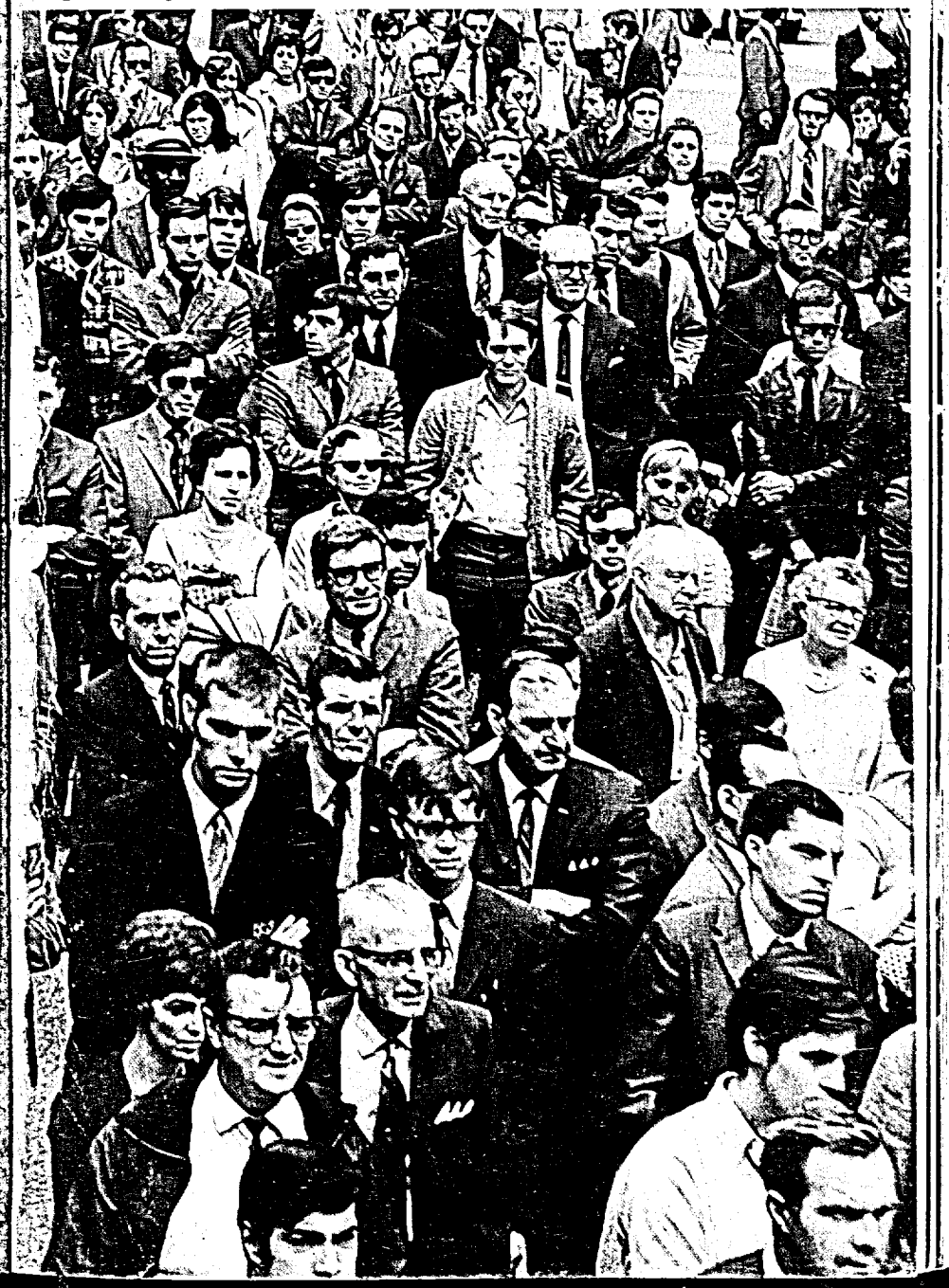
* * * * *

The Government believes that the policies which have been outlined will enable the Canadian international development assistance programme to make an important and effective contribution to the progress of the developing nations. An increasing contribution of Canadian resources will be directed through both bilateral and multilateral programmes and committed according to the best development criteria available. A continuation of the concessionary financial terms of Canadian assistance and increased flexibility to provide some local costs, shipping services and additional support to the programmes of the private sector of the Canadian economy will enable the Canadian programme to undertake a variety of projects and to call upon a wider scope of Canadian resources.

Only through the application of the total range of Canadian resources, will and enterprise can Canada's development assistance programme make its full contribution to the achievement of a more just and equitable world community.

Latin America

Foreign Policy for Canadians



Latin America

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NOTE

Latin America comprises Mexico, three Caribbean countries (Cuba, the Dominican Republic and Haiti) and the countries of Central and South America.

Chapter I

THE BROAD PERSPECTIVE

Canada and the Latin American countries have for many years maintained relationships bilaterally, in inter-American organizations and in other international bodies. There have been valuable exchanges and associations but neither has been of capital importance to the other. This is changing. In Latin America, Canada is more and more regarded as an influential country with a role of its own to play in the western hemisphere and in the world. Canadians, as they look abroad, are increasingly conscious that Canada is a distinctive North American country firmly rooted in the western hemisphere. Canadians are also beginning to realize that Latin America is not only an important part of the western hemisphere but is also destined before long to become a considerable force in the world.

Though heirs of a common culture and imbued with a strong sense of solidarity *vis-à-vis* the rest of the world, the Latin American countries differ greatly in size, stage of development, ethnic composition and, to a degree, political organization and general outlook. In Latin America—as elsewhere—there will be strains in the years ahead, some of them perhaps severe, but if social and economic development keeps pace with population growth the Latin American countries will make very significant advances in the seventies. On a relatively modest scale at first, the present range of mutually profitable interchanges between Canada and Latin America should broaden and deepen during that period.

The United States and the Latin American countries have a closely-knit history of their own with which Canada has hitherto had very little to do. Geographically, the United States screens Canada from Latin America. This is a constant factor which will always condition Canada's relations with the area south of the Rio Grande. In the seventies, as today, it will cast Canada in the role of a middle power in the hemisphere and it will

pose a challenge to Canadians to maintain their own cultural and entrepreneurial identity when dealing with Latin Americans.

At the same time, while United States interests in Latin America are much more complex and pervasive than Canada's, both countries share a common interest in economic growth and general progress in that area. In recent years Canada has been playing a significant part in Latin American economic development and could now do more. Yet, as the Canadian attitude toward hemispheric crises in the sixties has shown, Canadian and United States views on hemispheric security issues do not always coincide.

Current economic demands of the Latin American countries are addressed primarily to the United States but are also directed to some extent toward Canada and all other developed countries. Canada's attitude toward such demands is likely to be similar to that of the United States to the extent that Canada has similar economic interests to protect. On the other hand, since Canadian producers export to the United States market and the United States investment in Canada is substantial, there is a certain correspondence between the Canadian and Latin American situations *vis-à-vis* the United States, and the Latin Americans tend to look to Canada for understanding of their attitude toward the United States on economic questions.

All things considered, the dominant position which the United States has hitherto occupied among outside countries interested in Latin America should be no impediment to closer Canadian involvement in that area. Latin America has long had ties with European countries and these ties, as well as links with some Asian countries such as Japan, are now growing stronger. As the western hemisphere moves into the seventies, both the Latin American countries and the United States would particularly welcome Canada in a more active role.

Latin America includes some Caribbean countries. Canada's relations with Latin America and with the Commonwealth Caribbean countries, with which Canada already has close ties, thus meet and overlap in this area. The Caribbean countries may develop a somewhat closer sense of identity in the seventies. This in turn should facilitate Canadian co-operation with the Caribbean region as a whole.

Closer relations with Latin American countries on a basis of mutual respect and reciprocal advantage would enhance Canadian sovereignty and independence. Greater exposure to Latin American culture would enrich Canadian life. Increased trade with Latin America and judicious Canadian investment there would augment Canada's capacity to "pay its way" in the world. Similarly, a closer dialogue with some of these countries

about world problems could enhance Canada's capacity to play an independent role in international affairs.

In a recent typical year, more than 60,000 Canadians visited Latin America and some 25,000 Latin Americans came to Canada. Those travelling in both directions included tourists, businessmen, engineers, scientists, other academics, artists, musicians, students, athletes, delegates to meetings of professional associations and government representatives. In addition, increasing numbers of Canadians move to Latin America to stay permanently or for extended periods; they include members of private organizations, both religious and lay, of whom more than 2,000 are now active in several Latin American countries. In the reverse direction, there is a modest flow of emigrants from Latin America to Canada each year.

There are now some two dozen organizations in Canada which pay attention to Latin American affairs, a few of them exclusively, and there are centres of Latin American studies in several Canadian universities. In many parts of Latin America there is increasing interest in Canada in the private sector; this interest is organized to some extent—for example, a Mexico-Canada businessmen's committee was recently formed for the purpose of promoting trade and investment. In general, the prospects for a closer people-to-people relationship seem good.

Chapter II

OPPORTUNITIES IN LATIN AMERICA

The Quality of Life

The development of relations with Latin America can significantly enhance the quality of life both in Canada and in Latin America if due account is taken of the socio-cultural climate. Imbued with the values of Western civilization and of their own indigenous cultures, the Latin Americans recognize in Canada a country which is similarly endowed and which, culturally, is oriented more toward the future than toward the past. They also see that Canada, though industrialized, is a country of middle size, still developing economically and still evolving socially and politically. They sense that Canadians, though their standard of living is relatively high, value life essentially for its variety and particularity, and they believe that Canadians can be counted on to think for themselves and to seek commonsense, pragmatic solutions to public problems.

In matters touching on the quality of life, the Latin Americans believe that in some fields such as cybernetics or technology generally Canada can help them to find effective ways of moving satisfactorily into their own future. In other fields—painting, architecture, films, sociology, for example—the Latin Americans can do this for Canada. At the same time, in such fields as archaeology and ethnology Canadians and Latin Americans can help each other to rediscover and appreciate their own past.

Programmes already inaugurated in the field of science and technology include the recently concluded scientific agreement with Brazil under which each year a dozen or so scientists from each country do research in the other, and a programme under which the National Research Council regularly makes data available to selected Latin American institutions.

More could be done, for Canadians have somewhat easier access to the more advanced technologies than do the Latin Americans. At the same time, both increasingly have the problem of determining which of the new

technologies they really need. Within the limits of the practicable, this is an area in which each could learn from the other. Arbitrary application of scientific techniques, whether for profit or as a measure of development policy, can have harmful long-term effects in developing areas such as those found in many parts of Latin America; research into real needs and selective introduction of methods suitable to the social and physical environment is essential if excessive exploitation, on the one hand, or undue regimentation, on the other, are to be avoided. Canada has similar problems; therefore, we might find a closer relationship with Latin American in this field to be helpful. At the same time, if the International Development Research Centre gives attention to Latin America, it may be of assistance to Latin American governments.

There are already a great many Latin American students in Canadian schools and perhaps 500 in Canadian universities; almost all of them are privately financed, although occasionally the host university pays all or part of the costs and the National Research Council sometimes arranges post-doctoral fellowships for Latin American scientists. At the same time, the Canada Council and, sometimes, the NRC disburse funds to send Canadian students and research workers to continue their studies in Latin America in such fields as biology, geology and archaeology; approximately 25 such students go forward in a typical year. From time to time there are also *ad hoc* exchange arrangements between Canadian and Latin American universities or *ad hoc* appointments at the post-doctoral level. These various exchanges cover both the humanities and the sciences, with the emphasis increasingly on the latter. In this field it is most often the social sciences which interest Canadian researchers, while the Latin Americans show an increasing desire to pursue studies in the physical or practical disciplines. In future, maximum results could be obtained from minimum expenditures by using resources to assist certain Canadian universities in developing closer relations with Latin American universities of their choice.

There are already artistic exchanges between Canada and some Latin American countries. These are the result either of private ventures or of official sponsorship. The works of Latin American artists are sometimes shown in Canadian galleries, while Canadian paintings and sculptures are regularly exhibited at the Saõ Paulo Biennial in Brazil. Canadians occasionally hear Latin American concert artists or see Latin American revues, while Latin Americans have opportunities to see travelling exhibits of Canadiana. In 1967 Mexico and some other Latin American countries made a major contribution to the cultural side of Expo, and in 1968 Canada participated fully in cultural activities organized in connection with the

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Olympic Games. While Canada has for many years had a cultural agreement with Brazil, generally speaking such activities are still on a relatively small scale and essentially *ad hoc.*

Several Latin American countries are well advanced in the arts of the cinema and of television and offer possibilities in the fields of exchanges and co-production which could be of real interest to Canadian agencies such as the National Film Board and the Canadian Broadcasting Corporation (CBC), which have already made many films in Latin American countries. Also, in most Latin American countries there is a lively interest in educational television.

Scientific and cultural relations can be developed bilaterally but the Organization of American States (OAS) provides multilateral channels which could be used. The most important is the Inter-American Council for Education, Science and Culture. The principal function of this body, one of the three governing councils of the Inter-American System, is to supervise the OAS's activities in the fields of education, science and technology. Artistic activities, which also receive attention, are financed mainly from the general OAS budget, whereas educational and scientific activities, which have greatly expanded in the last two years, are financed from the recently established Special Fund for Education, Science and Culture (FEECC). This is an effective programme, which Canada might ultimately wish to support.

It is desirable that there be more public information about Canada and Canadian purposes in Latin America and *vice versa.* The latter problem is largely one for the Latin American countries to solve. However, a good deal can be done by interested Canadians, particularly journalists and those working in the field of radio and television. During the past year there has in fact been a modest increase in the amount of coverage given to Latin America in the Canadian press and media.

The Canadian Government's present information programme in Latin America is conducted mainly through the embassies there and has the usual components: relations with the press and media, sponsored visits to Canada by Latin American journalists, publications, exhibitions and displays, film distribution, and response to questions from the public. The broadcast and transcription service of the CBC-IS and the film service of the National Film Board, which maintains an office in South America, are particularly important and effective elements in the programme. The CBC-IS has outlets for its Spanish-language transcription service in 700 radio stations in Latin America, and every day it broadcasts to the area for 45 minutes in Spanish and for 30 minutes in Portuguese. Its transmissions

are heard clearly in Mexico, Central America, the Caribbean area and on the east coast of South America, but reception on the west coast of the southern continent is unsatisfactory because of inadequate transmitter power for broadcasts at this range. In 1969, in addition to commercial distribution by the Film Board itself, more than 50,000 screenings of NFB films were arranged by Canadian embassies in Latin America; the total number of viewers at these showings was more than seven million.

Harmonious Natural Environment

There is an increasing correspondence between Canadian and Latin American interests in this important field. The Latin American Nuclear-Free Zone affords some assurance that the western hemisphere will continue to be free of nuclear explosions in the atmosphere. The present oceanographic researches of the Canadian S.S. *Hudson*, in which scientists of several South American countries have been invited to participate, are increasing man's knowledge of the sea, the seabed and the nutrients and biological life to be found in the oceans. The expedition is also conducting investigations on both the east and west coasts of South America as well as along the west, north and east coasts of Canada, thus making possible comparisons of sea life in the two hemispheres—e.g., in the Chilean fjords as compared with fjords of British Columbia. Most countries of South and Central America maintain a lively interest in the ecology of coastal waters, which corresponds to Canada's interest in conservation of the resources off its coasts. There is also a certain correspondence with Canadian interest in effective measures to control pollution in the waters of the Arctic archipelago. In regard to the Arctic and the Antarctic generally, there is already some communication between Canadian scientists and scientists in Chile and Argentina.

Social Justice

While the form of government and the kind of social organization existing within a national state is the prerogative of that state, reciprocal influences between states are nowadays increasingly strong. This is as true in the western hemisphere as elsewhere in the world. Canadians are increasingly conscious of political and social trends in the southern part of the hemisphere, and as they confront their own social issues and at the same time become more aware of what is actually happening in the Latin American countries, Canadians will also become increasingly interested in

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learning more about the early history, the indigenous peoples, the independence movements and the origins of political and social systems in Latin America.

This question also has an economic dimension. In developing and developed countries alike, the pursuit of social justice must proceed hand-in-hand with economic development. At the same time economic disparities between have and have-not nations must be reduced. In Latin America, while most countries possess relatively advanced growth centres, the pressure of population in those countries is on the whole heavy[1], there is increasing concentration in urban complexes, and the *per capita* GNP in most of them is less than $500 *per annum* compared to a Canadian average of almost $3,500 (Canadian) in 1968.

The natural resources of Latin America are probably vast; at any rate, they are to a large extent untapped. In due course judicious application of technology may well bring all the countries of that region to the point of economic "take-off" which a few of them have already reached. In the meantime, however, they face a difficult period in which economic co-operation from outside agencies and governments is very important to them. This co-operation can take such forms as research, transfers of technology, scientific exchanges, and, as will be suggested below, it can take the form of trade. It can also take the form of straightforward development assistance. As part of its accepted role in international development, Canada is already extending development assistance to Latin America on a relatively modest scale. The question now arises as to whether the amount and kind of this assistance, and the channels through which it is provided, should be altered as we move into the seventies.

Although Canada has from the start been a major contributor to UN programmes operating in Latin America, it was only in 1964 that a distinct Canadian programme was directed to Latin America. This took the form of an allocation of a $10 million development loan fund to be administered by the Inter-American Development Bank (IDB). This sum was for use by the Bank in extending long-term, low-interest development assistance loans to member countries. Since that time, the Canadian Government has annually allocated the same amount for the same purpose, and the total made available now amounts to $60 million. All loans must be approved by Canada as well as by the Bank, and there are provisions for Canadian equipment content and, where appropriate, for employment of Canadian

(1) The total population of Latin America is now about 265 million. At the present rate of growth it will reach 380 million by the end of the present decade and more than 600 million by the year 2000.

companies. In addition, the Canadian Government has made a total of $30 million available to the IDB in the form of long-term credits.

This arrangement is one in which the Bank, a multilateral institution, is administering bilateral funds on Canada's behalf. It was entered into because the Canadian Government wished to help with implementation of Latin American development projects but had neither the experience in Latin American development problems nor the administrative machinery with which to accomplish this on its own. The Bank has been co-operative and much has been accomplished in the intervening years. However, the special nature of the arrangement has created some problems—notably a slow rate of disbursement of funds, arising principally from the difficulty of marrying different procedures and regulations.

Countries for which Canadian loans through the IDB have so far been approved include Argentina, Bolivia, Brazil, Chile, Colombia, Ecuador, El Salvador, Mexico, Paraguay and Peru. A loan has also gone to the Central American Bank for Economic Integration. Projects being financed by Canada include feasibility and pre-investment studies, telecommunications facilities, port facilities, airport facilities, a technical university, a steam-power plant, hydro-electric projects and other infrastructure projects.

This programme has been oriented principally toward development projects with a high material content requiring substantial amounts of capital for their implementation. However, there has been some technical assistance content and the Canadian Government has also made a modest beginning in support of technical assistance to some Latin American countries through financial subventions to Canadian religious and other non-governmental organizations working in Bolivia, Brazil, Chile, the Dominican Republic, Guatemala, Haiti and Peru; to Canadian University Services Overseas (CUSO), which operates in Bolivia, Chile, Colombia and Peru; and to Canadian Executive Services Overseas (CESO), which operates in Brazil and which has plans to operate elsewhere in Latin America as well. CUSO, which has about 65 representatives in Latin America, works in such fields as education, agriculture, community development, engineering and para-medical services; CESO, which has a target of 60 advisers for Latin America, specializes in management techniques.

If the Canadian Government allocated to Latin America a somewhat higher proportion of its total development assistance budget, it could continue, and perhaps expand, its capital assistance programme for Latin America and it could launch a more systematic technical assistance programme in that area focused mainly on agricultural, education and com-

munity development. Economic planners in most Latin American countries are now placing increasing emphasis on activities in these fields. Canada has proven expertise in these fields and the ultimate return on a relatively small investment in technical assistance is often disproportionately high. Canadian technical assistance could also be channelled into other fields in which Canada has experience—e.g., fisheries, forestry, the whole area of renewable-resource development, mining and earth sciences generally, management techniques, and legal arrangements associated with these types of economic activity.

At the same time, there is still a shortage of capital in most Latin American countries and a requirement for foreign funds to supplement local resources employed for development purposes. On the average, domestic savings account for about 90 per cent of investment in Latin American countries. Clearly, capital assistance devoted to projects that have high priority in the development process can serve a useful purpose. Capital projects, of course, frequently contain a significant element of technical training and technological transfer within them; while technical assistance programmes can be correlated with programmes of capital investment. Broadly speaking, both technical and capital assistance can be used to good effect in support of those institutions which contribute fundamentally to economic development, particularly those institutions capable of a broad regional impact.

Canadian assistance programmes for Latin America, whether of a capital or technical assistance nature, could be conducted through bilateral or multilateral channels or a combination of both. Multilateral channels are already available in the form of OAS arrangements, the IDB and other regional institutions. As mentioned above, Canada already provides capital assistance through the IDB, and these arrangements could be furthered and probably improved in a mutually satisfactory way. Other possibilities in the capital assistance field would be to join the IDB, if this could be arranged on mutually acceptable terms to mount a bilateral capital assistance programme. Technical assistance could be carried out either through OAS channels or on a government-to-government basis. In choosing among these methods, one of the chief considerations to be taken into account is the need to foster important indigenous institutions both by using them as channels for Canadian aid and by extending capital or technical assistance directly to them.

The Canadian interest in Latin America economic and social development is also expressed through participation in the work of some inter-American organizations and in the activities of certain United Nations

bodies concerned with Latin America. Canadian observers attend meetings of the Inter-American Economic and Social Council (IA-ECOSOC), one of the governing councils of the OAS; some meetings of the Inter-American Committee of the Alliance for Progress (CIAP), which examines the progress of OAS countries in implementing development programmes; and the annual meeting of the Inter-American Development Bank. Canada is a member of the Pan-American Institute of Geography and History (PAIGH), which assists OAS countries with regional economic planning and with their studies of problems of urbanization; the Inter-American Statistical Institute (IASI); the Inter-American Centre of Tax Administrators (CIAT) and the Centre for Latin American Monetary Studies (CEMLA). Canada is also a member of the United Nations Economic Commission for Latin America (ECLA) and, through membership in the World Health Organization (WHO) and the International Labour Organization (ILO) participates to a certain extent in the work of the Pan-American Health Organization (PAHO) and of the ILO's regional committee for the Americas. Canada also assists Latin American countries toward development through annual contributions to the United Nations Development Programme (UNDP), the International Bank for Reconstruction and Development (IBRD), the UN Educational, Scientific and Cultural Organization (UNESCO), the Food and Agriculture Organization (FAO) and the World Food Programme.

There is, as well, a considerable number of unofficial inter-American bodies with which Canadian private and professional groups are associated and which work in such fields as industrial development, civil and chemical engineering, fisheries, agriculture, public health, pharmacology, social welfare, labour, the planning of roads and highways and architectural design.

Economic Growth

Canadian trade with Latin America has grown steadily over the years. Since the end of the Second World War, for example, both exports and imports have more than quadrupled, reaching values in 1969 of $427 million and $544 million respectively. Impressive as these figures may be in absolute terms, there are some grounds for dissatisfaction when they are compared to those for other parts of the world. In the first place, Canadian sales to some other areas have not only increased far more rapidly during the same period but account for a far greater share of total Canadian exports than the 3.5 per cent sold to Latin America. Even this percentage,

moreover, tends to be accounted for by a rather limited number of commodities such as automobile parts, newsprint, wheat and flour, aluminum and steel shapes, asbestos and synthetic rubber. There is clearly a need not only to increase exports to Latin America quantitatively but to broaden their range as well.

There will undoubtedly be a continued demand in the seventies for Canadian foodstuffs and industrial raw materials. Other prospects should perhaps be examined in the light of the fact that, as one of the most developed parts of the developing world, Latin America occupies an economic position midway between that of the advanced nations and those whose resources have scarcely begun to be explored. On the one hand, to the extent that the standard of living of the mass of the people rises, there will inevitably be opportunities for the sale of a wider variety of Canadian consumer goods. On the other hand, the general drive toward a more industrialized society and toward economic development on both a national and a regional scale opens the way to the sale of Canadian capital equipment and technical services. Many fields exist in which Canada, because of its own rather recent development experiences and similar geographical conditions, is particularly well qualified to provide the necessary plant or expertise. Such fields include telecommunications, grain-storage facilities, hydro-electric equipment, port handling equipment, forest-fire-fighting equipment, pulp and paper machinery, specialized aircraft, subway, road and rail equipment, nuclear reactors, airport construction, aerial surveys, consulting engineering services and educational equipment.

However, other factors need to be taken into account. The first is the importance of finding a suitable organizational framework in which trade may be promoted. In Latin America, governments tend to play a major role in economic matters, not only because of their direct involvement in the development and industrialization process and in moves towards regional economic integration but also because of the importance of intergovernmental negotiations on such important matters as commodity agreements and trade preferences. Closer economic relations with Latin America will consequently require more direct and continuing contacts, not only with governments but with the regional and international organizations through which they seek to attain their joint objectives. The most important of the regional organizations are the Latin American Free Trade Area (LAFTA), comprising the South American countries and Mexico, and the Central American Common Market (CACOM), to which all the Central American countries except Panama belong. There are also two

important sub-groupings in South America—the Andean Pact and the River Plate Group.

The second factor is a severe shortage of foreign exchange, which may affect Latin America somewhat less than it does other parts of the developing world but which nevertheless imposes certain limitations on the process of industrialization. This shortage lends great importance to the availability of export credits and insurance facilities to facilitate the sale of capital equipment and certain bulk commodities. In the past, nearly one-third of the total sum committed by the Export Credits Insurance Corporation for financing Canadian exports was applied to sales to Latin America. The recently-incorporated Export Development Corporation has been given still broader powers as well as increased financial support. It is therefore expected to be able to offer significantly greater assistance to Canadian firms interested in exporting to Latin America.

The third factor is the desirability of increasing the sale of Latin American products in Canada. The Latin American countries need stable markets for their basic commodities. They also face an increasing need to diversify secondary industry in order to provide employment for their rapidly expanding urban populations and in order to conserve or earn more foreign exchange through import substitution or expanded exports. Measures to promote this diversification, such as high external tariffs on certain classes of imports, or other protective steps which could be taken by such regional trade groupings as the Latin American Free Trade Association, are bound to restrict Canadian exports to some extent. However, any developed country hoping to broaden or intensify its commercial relations with Latin America must be prepared to take this need for diversification into account and, while doing everything it can to maintain access for its own goods, to reduce the need for such protective measures by taking all possible steps to facilitate the entry of Latin American goods into its own market.

Canadian imports from Latin America have so far increased at about the same rate as Canadian exports to that area. As with exports, however, the rate of increase has not been nearly as high as that of Canadian imports from the world as a whole. Again, as in the case of Canadian exports to Latin America, the range of Canadian imports tends to be limited, being restricted mainly to tropical foodstuffs and raw and semi-processed materials. By far the greater part of these imports is represented by petroleum and petroleum products from Venezuela, which accounted in 1969 for some $332 million of a total import figure of $544 million and provided

Latin America as a whole with a deceptively favourable balance of trade with Canada. Other major import commodities—save for coffee, which Canada imports from 15 Latin American countries—also tend to be limited to certain areas, for example, raw cotton coming almost exclusively from Mexico and Colombia, and bananas from Ecuador and Central America.

Generally speaking, the Canadian market is a free market, with few restrictions on imports and relatively low or non-existent tariffs on many of the products of interest to Latin American countries. In the last analysis, the level of sales of Latin American goods in Canada will depend on the promotional efforts of the Latin Americans themselves. It is nevertheless in the Canadian interest to facilitate such sales, both for their favourable effect on the economic development of the region and for their effect on Latin America's ability to buy Canadian goods in turn. So long as the legitimate interests of Canadian producers are safeguarded, therefore, the Canadian Government may have a useful role to play in assisting these efforts.

Official statistics do not provide comprehensive data on Latin American investment in Canada or on Canadian investment in Latin America. However, the latter clearly runs to several hundred million dollars and is increasing. Like all foreign investors, Canadians must be prepared to accept the host countries' terms with regard to such matters as corporate control and taxation, training of local personnel and their employment in responsible positions, and local processing of raw materials. By and large, Canadian investment is welcomed in Latin American countries and there is considerable evidence that business can be done satisfactorily on the terms now available.

Some Canadian banks are established in Latin America and a few Canadian insurance companies do business there. In recent years the number of Canadian engineering and consultant firms doing business in Latin America has increased very noticeably; these firms are now closely associated with the development process in several Latin American countries. Tourism, which is a relatively more important foreign-exchange earner for some Latin American countries than for Canada, is dealt with separately towards the end of this paper because of its importance in fostering people-to-people relationships.

Peace and Security

In the United Nations and, in particular, in some of its agencies such as the Security Council, the Disarmament Committee at Geneva and the International Law Commission, Canada has had significant dealings with

Latin American countries on many issues including the Middle East situation, nuclear-arms control, peacekeeping, the control of weapons on the seabed, the law of the sea generally and the codification of international law. Canada has an interest in more intensive consultations on such issues with Latin American countries, both bilaterally and in international forums. This is already being done, and with one Latin American country which is also a North American country—Mexico—Canada has recently established a new forum for consultation, the Mexico-Canada Joint Committee.

Apart from any external threat, the security of the hemisphere can be disturbed by quarrels or conflicts between states within it. Canadian interests could be affected by such conflicts, particularly in the Caribbean area, and Canada would be concerned if hostilities were to break out there. There is also the less clear-cut sort of problem which could be posed by any revolutionary situations which might develop in Latin America. Canada's basic role in this regard would appear to be to do what it can to assist those who are striving to remove the potential causes of violent revolution in the hemisphere.

Chapter III

A CHOICE FOR CANADA

The Government has already made known its intention to strengthen relations with Latin America. This could be done in one of three ways. A possibility would be to continue on much the same basis as the present, expanding trade and investment and modestly increasing development assistance activities but letting political, cultural and scientific relations evolve largely on an *ad hoc* basis. The Government has rejected this alternative as an inadequate response to the potentialities of the Latin American relationship in the years ahead.

The other way of proceeding is deliberately to broaden and deepen relations with Latin America not only economically but also politically and in the fields of cultural, educational, technological and scientific exchanges. This course, in turn, could be pursued in one of two ways.

One way would be to take the fully multilateral road. While maintaining bilateral relations with individual countries, Canada could apply to join the OAS as a full member.

The other way of pursuing a more sophisticated and broadly-based policy would be systematically to strengthen links of all kinds with the countries of Latin America, embarking upon nation-to-nation programmes in the economic, cultural and political spheres, while at the same time drawing closer to the Inter-American System and some of its organizations without actually becoming a member of the OAS.

The Question of Canada Joining the OAS

The Evolution of the OAS

The Organization of American States is the paramount regional association to which most independent countries of the hemisphere belong. It is the central organization of the Inter-American System, which is made up

of a number of bodies which are either integral parts of the OAS or associated with it. The OAS functions through a General Assembly, which meets once a year, and a Permanent Council and a Secretariat centred in Washington. Other important organizations are the other governing councils of the OAS—the Inter-American Economic and Social Council and the Inter-American Council for Education, Science and Culture—the Inter-American Development Bank and other organizations such as those mentioned on Pages 15, 29 and 31.

In recent years there has been an injection of considerable dynamism and farsightedness into the planning and administration of the OAS. Also, it is now entering a fresh phase with the coming into force of its new charter. At the same time, the composition of the OAS has been changing. Until recently it was essentially an association of the United States and the Latin American countries. Recent accessions give it a somewhat more truly hemispheric character. Three of the Commonwealth Caribbean countries—Barbados, Jamaica and Trinidad and Tobago—have joined; the fourth, Guyana, is in effect barred because the OAS will not admit a new member which has a territorial dispute with an existing member. (Venezuela claims that a large part of Guyana rightfully belongs to it.)

As the Inter-American System becomes more comprehensive it is changing in character. The Latin American and Commonwealth Caribbean members have formed their own caucus within the OAS on economic issues and social problems. At the same time, the inter-American bodies which occupy the most time of member governments are those dealing with economic and social questions. In the coming decade, the Inter-American System will provide a framework for efforts to reach agreement both on questions of this kind and on such political and security problems as may arise. In the economic sphere, agreement will be sought through a negotiating process which will frequently find the United States on one side of the table and the rest of the OAS countries on the other. On political and security matters there will doubtless be a consensus but there could also be strains. More generally, in inter-American affairs the United States will find itself associated with a group of countries which are increasingly self-confident and increasingly insistent upon their own national and cultural values.

Implications for Canada of Joining the OAS

A decision to apply for membership in the OAS would at one stroke draw Canada closer to the Latin American countries both collectively

and individually. It would be unmistakable proof of Canada's desire to throw in its lot with the other countries of the hemisphere. However, there are other implications.

If, as seems likely, the OAS succeeds under its new charter in orienting itself increasingly toward economic, social and cultural goals, it may become the sort of instrument with which Canada could co-operate very effectively. In addition, there might be economic advantage from the Canadian point of view. The OAS and its principal economic bodies such as IA-ECOSOC would provide a framework in which a coherent Canadian economic policy toward Latin American could be articulated and in which Canada and Canadian industrial capacities could be made better known, thus facilitating the expansion of Canadian trade with Latin America and of Canadian investment there. At the same time, as a member of the IA-ECOSOC Special Committee for consultation and negotiation on trade policies, Canada would increasingly be expected to determine its policies and practice with regard to economic relations with other countries of the hemisphere through consultations in this forum.

In future there may be a trend in the OAS toward collective decisions regarding the use of development assistance. In any case, OAS membership might tend, at least initially, to restrict Canadian freedom of action in development assistance matters, since, when becoming a member of the OAS, Canada would join the Inter-American Development Bank and this and other OAS development assistance programmes could absorb most available resources for a period of many years.

If Canada joined the OAS, the Canadian Government's principal effort in the field of science, technology and cultural affairs generally would presumably be made in and through OAS programmes, in particular those proposed by the Inter-American Council for Education, Science and Culture. The financial obligation, though much less than in the field of development assistance, would be substantial. As indicated above, the OAS university exchange programme is highly rated, and a special effort in the field of science and technology is now being made and there would be real scope for Canadian co-operation in these programmes. One result, however, would be the assignment, for financial reasons, of a lower priority to the development of any bilateral cultural programmes with Latin American countries.

Any Canadian move to join the OAS must reflect a serious interest in the political affairs of the hemisphere and in hemispheric defence and security. Canada's direct interest in the political affairs of the hemisphere is real but still somewhat limited. Nevertheless, a decision to seek member-

ship in the OAS could flow from a straightforward belief that it is Canada's duty to participate in collective hemispheric deliberations on defence and security and to accept the corresponding collective obligations.

In joining the OAS, Canada would enter into an association for the defence of the western hemisphere as a whole but would assume no actual commitment with regard to provision of forces for peacekeeping or combat purposes in an emergency. This would be at the discretion of the Government in the light of actual circumstances.

On the other hand, the potential obligation to apply political and economic sanctions against another country by virtue of an affirmative vote of two-thirds of the members is a difficult feature of the OAS from the Canadian point of view. (2) If Canada had been a member of the OAS in 1964, it would have been called upon to sever diplomatic, commercial and transportation links with Cuba. The same steps could be proposed and taken against another country in future. This could limit the Canadian Government's freedom of action with regard to a future security crisis in the hemisphere.

If Canada joined the OAS, there would be room for further evolution of relationships with Latin American countries along certain bilateral lines. At least in the early years, this would probably be concentrated mainly in the commercial fields and in interchanges of people for various reasons. At the same time, Canada's relationship with Latin America as a whole would assume new and larger dimensions in all main fields and would become increasingly multilateral in character.

The Balance Sheet

A decision to seek membership in the OAS could be based upon the recognition that there is a certain trend toward regionalism in the world as a whole and on a conviction that the most effective manner for Canada to make its weight felt in all matters of importance in the hemisphere is to participate fully in the work of the OAS and the organizations related to it. On the other hand, soundings indicate that, while the OAS countries would welcome Canada as a member of the organization, they are not so much interested in Canadian membership as such as in closer relations with Canada inside or outside the OAS. The Goverment's purpose is to develop closer relations with Latin America to the mutual advantage of

(2) This obligation arises essentially from the Inter-American Treaty of Reciprocal Assistance (the Rio Treaty), which the OAS expects all new members, on joining, to sign or to undertake to sign. If Canada should join the OAS, it would seem desirable that the treaty be signed at the time of joining.

Canada and the Latin American countries. It may be that, at a certain point in time, a Canadian Government will conclude that Canada could best foster this purpose by joining the OAS. In the meantime, Canada should draw closer to individual Latin American countries and to selected inter-American institutions, thus preparing for whatever role it may in future be called upon to play in the western hemisphere and gaining the experience which is indispensable in a complex *milieu* which few Canadians yet know very intimately.

Chapter IV

FUTURE POLICY: SYSTEMATIC STRENGTHENING OF LINKS

The mainspring of the Government's policy is the proposition that, between Canada and Latin American countries as neighbours is one hemisphere, between Canada and regional groupings of such countries and between Canadians and Latin Americans on a people-to-people basis, there are expanding possibilities for mutual benefits, especially in terms of economic growth, enhancement of the quality of life and promotion of social justice between different parts of the hemisphere. The various facets of Canada's relations with Latin America will tend to be mutually reinforcing. Best results can be obtained in any one field by a comprehensive approach in all main fields. While Canada's involvement in the Inter-American System will visibly broaden and deepen under this policy, its central aim will be to enable Canada to play a distinctively Canadian role in those aspects of hemispheric affairs which are of importance to Canada and at the same time to reinforce Canadian independence by more incisively defining a hitherto somewhat blurred dimension of Canada's external relations. There will be maximum scope for Canada to learn more about the workings of the Inter-American System in its various aspects and to appraise the possibilities for future collaboration. Canada will be able to work with and through UN organizations in Latin America.

Objectives of the Policy

The objectives of the Government's policy are:

a) to develop and strengthen, in a coherent and clear-cut way, Canada's distinctive position in hemispheric affairs, in terms both of Canadian national interests and of Canada's relationships with Latin American countries individually and collectively;

b) to enhance the quality of life both in Canada and in Latin America by encouraging and supporting cultural and scientific exchanges;
c) to make Canada and the quality of Canadian life better known in Latin America, and to give Canadians a greater awareness of the life, the values, and the aspirations of Latin Americans;
d) wherever possible, to co-operate with Latin American countries in enterprises designed to preserve the harmonious natural environment in the hemisphere;
e) by means of development assistance, research and otherwise, to contribute to economic development in Latin America and thus to foster social justice between regions of the hemisphere;
f) to foster Canadian economic growth by promoting Canadian business interests, permanent or transient, in Latin America;
g) to promote world peace and security by working with Latin American governments on those international issues to the solution of which both they and Canada can contribute compatibly;
h) to encourage people-to-people relationships of all kinds and, in particular, to look after the well-being of individual Canadians resident or travelling in Latin America.

Programmes

Enhancing the Quality of Life

The Government will take the following steps to foster greater co-operation between Canada and Latin America in the scientific and cultural spheres:

a) In the field of science and technology the Government will (i) encourage and assist private Canadian companies to take technology and technical training into Latin America along with investment; (ii) under conditions to be approved by the Government, allow Departments or agencies which dispose of "know-how" or which engage in scientific or industrial research to receive Latin American personnel or to transfer information either to individual countries or to an appropriate inter-American body; and (iii) continue to support efforts in UN bodies to make technology more universally available.
b) In the field of academic exchanges, the Government will (i) facilitate exchanges at the university level; (ii) sponsor a modest programme to facilitate relatively short periods of training for Latin American specialists at less-advanced academic levels, in

such fields as management techniques, forestry and audio-visual aids; and (iii) apply to Latin America the recently inaugurated programme of research associateships for scientists from developing countries under which the Canadian International Development Agency (CIDA) provides financing and NRC selects the foreign associates on the basis of nomination from Canadian institutions.

c) Given the cultural riches of Latin America—whether derived from the pre-Columbian period, the European connection or the modern creative impulse—and the corresponding cultures of Canada, there are almost endless possibilities for more extensive artistic exchanges. It is felt that some attention should be paid not only to artistic quality but also to the potential effect on Latin American development. For example, exhibitions of pre-Columbian art or presentations of Latin American folk dances would not only please Canadian audiences but would also do much to encourage Canadian tourism in Latin America. At the same time there is room for more frequent exhibitions in Canada of Latin American culture of all kinds and *vice versa*, for co-operation between Canadian and Latin American artists and craftsmen, and for exchanges of artists and craftsmen who would work for a period in each other's territory.

d) In the special field of film, television and audio-visual aids, steps will be taken to encourage exchanges or co-production arrangements with Latin American countries having a particular interest or competence in this field.

In administering the above programmes, it will be necessary to exercise selectivity as to the sectors which may be most effectively exploited, and to establish priorities among countries.

Public Communication

Future information programmes in Latin America will strike a careful balance between general information about Canada and information designed specifically to support particular Canadian programmes. The capacity of Canadian information offices to serve Latin America effectively will be progressively increased, first by the appointment of one or more regional officers and thereafter by the opening of two or three regional information centres which will also serve as centres for Canadian cultural activities.

As resources allow, concrete steps such as the following will be taken in addition to those described on Pages 10 and 11:

a) An expanded effort in the field of film distribution, with greater emphasis on Spanish- and Portuguese-language versions.
b) Production of more publications in the Spanish and Portuguese languages specifically designed to interest Latin American readers.
c) An increase in the number and variety of exhibitions and displays sent to Latin America.
d) High priority under the External Affairs visits programme for invitations to Latin American opinion-formers to visit Canada.

To help make Latin America better known in Canada every possible assistance will be afforded to Canadian press or media representatives wishing to visit Latin America. Any disposition on the part of the press or media to establish a bureau in Latin America will be welcomed.

Development Assistance

In the capital assistance field, the Government wishes to continue to work through the Inter-American Development Bank. Canada is a member of other regional banks that accept non-regional members—the Asian and Caribbean Development Banks—and is prepared to enter into an active association with the African Development Bank. The Government believes that it is feasible to work out with the Inter-American Bank a basis for a future association which would overcome problems of the kind mentioned on Page 13. However, because membership in the Bank would absorb a relatively high proportion of Canada's total development assistance budget, the Government does not contemplate joining the Bank at the present time but will keep this possibility under review either as an aspect of the larger question of joining the OAS or as a proposition which in itself merits consideration.

In the technical assistance field, the Government wishes to proceed more on a bilateral basis. At the same time, it is recognized that a Canadian technical assistance programme in Latin America should be operated so as effectively to supplement existing programmes, whether multilateral or bilateral, in that area. To this end, a bilateral Canadian programme will be carried out in consultation with multilateral institutions already operating in Latin America and also with those private organizations which have special knowledge of the region. The Canadian programme will also need to be selective in area and scope. Initiation of a bilateral technical assistance programme in Latin America will bring Canada's

development assistance programme for that area broadly into line with its programmes for other areas in which Canada is working through both multilateral and bilateral channels.

On the above basis, Canadian development assistance to Latin America will increase and expand in the following ways, which, taken together, will in absolute terms more than double the present allocation of development assistance to Latin America and in relative terms somewhat increase the proportion of Canada's development assistance directed to that area:

a) The present annual contribution to the Inter-American Development Bank will be continued, and may be increased if mutually agreeable arrangements can be negotiated with the Bank—for example, with respect to procurement and simplification of the administration of the Canadian credit.
b) A bilateral technical assistance programme will be initiated.
c) Support for Canadian private agencies providing development assistance to Latin America will be increased.
d) Other ways of encouraging the private sector to participate in Latin American development will be sought.
e) Careful consideration will be given to ways in which Canada could directly assist development assistance or development research through multilateral bodies such as the ECLA.

If the International Development Research Centre devotes attention to Latin American problems, this will add an important new dimension to Canada's relationship with Latin America in the development assistance field.

Multilateral Institutions

Canada will continue and intensify its participation in the work of the multilateral bodies mentioned on Page 15 and will also seek full membership in the following additional organizations:

Pan-American Health Organization (PAHO)
Inter-American Institute of Agricultural Sciences (IAIAS)
Inter-American Indian Institute (IAII)
Inter-American Conference on Social Security (CISS)

Canada will also contribute to the Inter-American Emergency Assistance Fund (FIASE).

Trade

While the private sector is central in the conduct of Canada's trade, carefully-considered measures on the part of the Government may also be

needed if trade with Latin America is to reach its full potential in the decade ahead. On the export side, what is required is not so much a change in particular aspects of policy—which remains based on a general exchange of most-favoured-nation treatment—as a more systematic approach to trade with Latin America and integration of this approach into Canada's general policy toward Latin America. With regard to imports, the central question is how to find ways of enabling the Latin American countries to sell more in Canada and other developed nations.

Among the measures to be taken to expand Canadian exports are the following:

a) Development of a carefully-conceived programme of selected priorities in the promotion of trade, including identification of, and concentration on, particular industrial sectors and types of technical expertise in which Canada has special competence and to which Latin American development programmes attach importance.

b) Maintenance of closer and more comprehensive contacts with Latin American governmental and intergovernmental bodies dealing with trade and development, with regional development agencies, and with those international economic organizations of which both Canada and the Latin American countries are members and in which they may collaborate to ensure the achievement of common objectives.

c) Broader use of the credit and insurance facilities afforded by the Export Development Corporation.

d) Maintenance and improvement of access to Latin American markets for Canadian goods, both bilaterally and through international moves toward further liberalization of world trade.

The Canadian Government will facilitate imports from Latin America in the following ways:

a) by continuing, in international bodies, to adopt a positive attitude toward the adoption of a system of general, non-reciprocal, non-discriminatory tariff preferences which would facilitate the export of manufactured and semi-manufactured goods by the developing countries;

b) by continuing, in international bodies and elsewhere, to adopt a positive attitude toward the removal of tariffs on tropical foodstuffs;

c) by continuing, in international bodies and elsewhere, to seek the most equitable solutions possible to the problem of low-cost imports;
d) by taking specific measures to increase Latin American knowledge of Canadian markets and marketing methods, channels of distribution, marketing laws and regulations and other information necessary to effective promotion of trade in this country; and
e) by joining the Inter-American Export Promotion Centre (CIPE).

Among the general problems affecting trade between Canada and Latin America is that of encouraging a more direct flow of trade in both directions. In the case of both Canadian exports to Latin America and Latin American exports to Canada, a high proportion is transshipped through the United States. There would appear to be good grounds for examining the possibility of more direct air and sea transportation, particularly with regard to air-shipments of seasonable perishables, in view of the seasonal complementarity that exists between this country and much of Latin America.

A trade which is important to both Canada and Latin America is that in basic commodities. Canada has actively participated in negotiating international agreements on coffee, sugar, tin and wheat, all of which have been of interest to Latin American countries. The Canadian Government is willing to examine proposals in regard to other commodities not yet covered by such agreements.

Investment

Future Canadian investment in Latin America will be assisted by the Government in the following ways:

a) Dissemination in Canada of information about investment opportunities in Latin America and about the general conditions under which the investments would likely be made.
b) Investigation of investment opportunities in Latin America which could lead to joint ventures with an export potential for Canadian industry.
c) By making EDC investment insurance available to potential investors who might desire this.
d) By negotiating double taxation agreements where feasible and appropriate.
e) By encouraging Canadian investors to respect the policies and interests of host countries.

Movement of People

The Office of Tourism of the Department of Industry, Trade and Commerce stands ready to co-operate with the authorities responsible for tourism in Latin American countries with regard to ways and means of increasing the number of Canadian visitors to these countries. In the reverse direction, the Canadian Government Travel Bureau has plans for increasing the number of Latin Americans coming to Canada as tourists.

* * * * *

Faced with a choice between letting Canada's relations with Latin America grow at their present rate, undertaking a systematic strengthening of those relations bilaterally and through the agencies of the Inter-American System and the UN, and joining the OAS as a full member now, the Government has decided to follow the middle course. This will permit Canada's relations with the countries of Latin America to develop rapidly and, by improving Canadian knowledge and understanding of those countries and their regional institutions, prepare for a better-informed and more useful Canadian participation as a full member of the OAS should Canada, at some future date, opt for full participation.

To facilitate this process and to enable the Canadian Government to follow developments of interest to it on a systematic basis, it is intended that, if the OAS member countries agree, a formal link between Canada and the OAS countries will be established at a suitable level. The establishment of such a link would also seem justified by the degree of Canadian participation in the work of the OAS bodies which is now contemplated. An appointed representative of the Canadian Government would arrange for Canadian attendance at meetings of inter-American bodies in which Canada has an interest and at which Canadian attendance would be appropriate, and he would generally concern himself with all aspects of inter-American affairs which are of interest to the Canadian Government.

Pacific

Foreign Policy for Canadians

Pacific

Foreign Policy for Canadians

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The Shifting Power Balance

The paramount problem in the Pacific has been the search for a more stable and mutually acceptable balance of power and influence among the big four of the area—the United States, China, the Soviet Union, and Japan. This balance must take into account the evolving roles and often conflicting aspirations of the smaller nations of the region.

Two world wars have brought about the virtual withdrawal of the European colonial powers from the Pacific, culminating in the announced British withdrawal from the Malaysia-Singapore area by 1971. By the end of the Second World War, the fate of European colonialism was sealed and the United States was left the only major Western power in the Pacific area. The next quarter-century witnessed an important evolution in the pattern of power factors—military, political and economic—working through the region from within and without. The thrust of Communism from the Asian mainland, and its confrontation by the United States, produced the basic pressures in relation to which the course of major events has moved.

Today, a very large part of the Asian mainland is controlled by Communist governments of one kind or another. China and the Soviet Union are seriously, even dangerously, at odds with each other over a wide range of disputed questions which are unlikely to be resolved quickly and easily. Always a major influence because of its population and geographical position, China is approaching a technological level at which it may be perceived as a serious international threat to both the Soviet Union and the United States.

North Korea and North Vietnam control their own halves of two divided countries, a situation which in itself both reflects and contributes to structural instability. Added to this is the fact that both have their own ambitions, and attempt to maintain good relations with two big mentors who have fallen out between themselves.

Countering growing Communist power and influence is the sizeable deployment of the military and economic power of the United States. While the United States role as the dominant military power in the Pacific has been dictated to a large extent by strategic considerations, it has also been influenced by the conviction that the doctrines of revolution emanating from China do not represent the only or indeed the best guidelines for the necessary social and economic reconstitution of Asian societies. To provide a shield behind which necessary changes can take place, to buy time, has

been a basic element in shaping the United States view of its role in the Pacific.

This American influence, like the other regional power factors, is in the process of changing. It seems inevitable that, even after the hostilities in Indochina have been brought to an end, the United States will remain a major military presence in the Pacific, although the nature of this involvement will probably not take the same form. The tangible manifestations of this presence may be less pervasive and considerably modified by the evolution within the area of other power sources, both economic and political, and the emergence of new configurations of strength and influence.

The activities of the Soviet Union are likely to grow, largely for economic and strategic reasons in the North Pacific, more for political reasons in Southeast Asia as a corollary of the Sino-Soviet dispute. The growth in Soviet activity and influence should be seen, at least in part, as the almost inevitable global interest of a super-power. China's chief external preoccupation, if its suspicion of American intentions gradually diminishes, will be the security of its long frontier with the Soviet Union. Within the limits of this preoccupation and its massive internal problems, China will seek to promote its interests to the extent of exerting preponderant influence over the states along its borders.

As it surges ahead economically, Japan will undoubtedly play a more active role in all fields—trade, aid, political influence and possibly even security—particularly in Southeast Asia. By and large, this is a natural and inevitable development. To the extent that it contributes to regional stability, it is to be encouraged.

With the British withdrawal, the military influence of Australia has become more significant in Southeast Asia. Indonesia must also be regarded as a nascent power among the non-Communist nations because of its position and population, and the development potential of its natural resources.

The nations of Southeast Asia are the inheritors of great cultural traditions which they want to preserve as part of maintaining their national independence. Other problems they face in stimulating economic and social improvements are aggravated by the direct and indirect pressures to which they are subjected by the major powers attempting to extend their own influence. The smaller Southeast Asian nations, caught between these contending forces, must seek to derive maximum advantage from them while ensuring that the contest itself submerges neither their cultural inheritance nor their political freedom.

The total pattern, therefore, has been and will doubtless continue to be one of fluidity marked by the relatively rapid change in earlier roles and relationships. Although there has been a growing trend towards regional co-operation, concrete achievements have been slow in coming and limited in scope. Asia and the Western Pacific have not yet acquired anything like the comparative equilibrium and sense of cohesion of the European continent and are not likely to do so in the foreseeable future.

The Forces of Change

There are other long-term problems for which solutions must be sought in the Pacific and Asia—population pressures, the growth of great urban agglomerations of poor people, the rising expectations of Asian youth aroused by basic education and mass communications, effective economic development, race relations, the interrelationship of six of the world's great languages, the interplay of cultures and religions.

There is an inevitable tension between the forces of change and the forces of tradition. Who will control the process of change; how fast will it go and at what cost will its objectives be achieved? Post-war Asia has come up with different answers to these questions, for reasons as varied as the traditions of the countries concerned and the positions in which they have found themselves in the interplay of power. China has chosen the course of revolutionary change, and has become a centre of activity and inspiration for movements which seek the same solution elsewhere. Japan, by contrast, has accomplished another kind of revolution—the technological miracle of Asia.

Both of these solutions have played into an Asian consciousness which has been highly sensitized to Western influence yet which has, at the same time, become more and more aware of the rich cultural legacy of the ancient empires of Asia. One of the dimensions of political nationalism has been the reawakening of a sense of pride in a cultural personality rooted in antiquity, and in many cases obscured by more recent colonial domination. It is possible to discern the beginnings of a tendency to seek local solutions based on indigenous traditions and patterns of thought. The search for expanded opportunity. social justice and a sense of national pride remain fundamental to the search for stability in the region.

The shifting power balance is thus only one aspect of the pattern of unresolved tensions in the Pacific region. The forces of tradition are strong, but they are bending and accommodating to the onslaught of ideological challenges and technological change. The fabric of Asian

societies is being profoundly modified. How are political institutions capable of meeting these challenges to be established or altered? How can traditionalist societies import and incorporate vast measures of advanced technologies without destroying themselves, without "losing their souls" completely? Can the vast economic potential of Asia—people, natural resources and underpopulated areas—be developed to meet the rising demand for a better life without resorting to ruthless totalitarian direction? Racial animosities and territorial ambitions are, in Asia as elsewhere, an aspect of the interaction of peoples and nations—and in these problems too are to be found further seeds of instability and conflict.

Chapter II

CANADA AS A PACIFIC POWER

Expanding Awareness

Canada's awareness of the Pacific world has been determined by facts of geography and economics, the links of history and political realities. In Canada's Pacific outlook, distance and remoteness are no longer synonymous.

For Western Canada, this is even more compellingly true than for other parts of the country. Vancouver, the fastest growing port in Canada, is the closest major North American gateway to Asia. From its international airport, the shortest non-stop flights depart for Tokyo. The business houses and educational institutions of the Pacific coast have not unnaturally had a long-standing orientation towards the Pacific world. Of the 54 principal Canadian commodities selling in Japan, no fewer than 48 are primarily of Western Canadian origin. China as a market for the wheat of Western Canada is another, and indeed uniquely important, case in point.

With a vast and varied potential, the Pacific area offers great challenges and opportunities for the growth of economic and commercial exchanges. The extent to which this potential can be developed will depend not only on deliberate and concerted efforts to understand and cater for the needs of Pacific region markets but on the establishment of a climate which minimizes conflict and instability.

The resources of the Western sea have been a vital asset in their own right, and their exploitation and conservation have necessitated special international efforts. Canada has entered into international agreements to regulate and conserve the high-seas fisheries of the North Pacific. Further measures to protect the inshore fisheries may be required to conserve important fisheries assets of Canada's Pacific coast.

Immigration from the Pacific countries to Canada is growing rapidly, especially since the introduction of the new Immigration Regulations in

October 1967. Since 1946, more than 120,000 immigrants have entered from the Pacific, with 19,500 arriving in 1969 alone.

Canadian missionaries—today there are over 1,600 in Pacific countries—have established schools and hospitals, taught in universities and written scholarly books. They were the first Canadians to study the cultures of Asia and in large measure it was the returning missionary who gave Canadians their first glimpse into the culture and social problems of Asia.

The Universities of British Columbia, Toronto and McGill have established Asian studies programmes, while half a dozen others are beginning to take an interest. The Royal Ontario Museum has Chinese archaeology and art collections which are among the ten best in the world, giving Canada a valuable centre for the study of China's cultural contributions. A Canadian Society for Asian Studies (Association Canadienne des Études Asiatiques) was established in 1969 to promote Asian studies and to further public knowledge and understanding of Asia in Canada.

By virtue of geography, history and present interest, Canada is a Pacific power. In the Pacific, as elsewhere, Canada is not a great power, not a prime mover. At the present time it does not appear to be in the Canadian interest to seek to participate in the various multilateral or bilateral security agreements in the Pacific. However much Canada has in common with the United States, the Canadian outlook is often fundamentally different, reflecting a different historical evolution, different capacities in the international power spectrum, and different interests. For Canada, as for many of the smaller nations of the Pacific, the problem for the future will be to define constructive policies and interrelationships realistically tied to individual national capacities, yet effectively aimed at common Pacific objectives. The real challenges and opportunities of the seventies are to be found in the search for imaginative solutions.

Constraints and Special Opportunities

The search for security, for a new and stable balance of power, and the manifold challenges of economic growth and cultural expression seem to be emerging as the dominant and interdependent themes in the Pacific world for the coming decade. The force of circumstances has demanded a Canadian reaction to both emerging themes.

Although Canada's influence in the Pacific is not that of a great power, its interest in developments there is considerable. Canada is bound to be affected by the consequences of major disturbances in the area such as

sustained military operations between China and the Soviet Union, with one or the other seeking the benevolent neutrality of the West. Similarly, major upsets in India, Burma, Thailand or Indonesia, or another outbreak of hostilities in Korea, would have important repercussions for Canada. Finally, any major overhaul of the security arrangements covering the region following the termination of the hostilities in Indochina could make Canada a candidate for a role as supervisor, observer or guarantor.

These possibilities are of such moment as to point up Canada's need for adequate strategic, political and economic information to permit the Government to keep its assessment of Canadian interests in the region fresh and up-to-date, and to make adjustments to the changing realities of the situation in the light of Canada's interests and capacities.

American influence in the Pacific, in virtually every sphere of activity, is so very great and all-pervasive that it must be regarded as one of the most significant "givens" in any consideration of alternatives; Canadian interests and policies are almost everywhere affected by it. At the same time, there are other important conditioning factors which impart special qualities and opportunities to Canadian activities in the area.

Canada has the advantage of sharing common governmental and other traditions with the Commonwealth countries in the Pacific. There have been fraternal links with Australia, New Zealand, Malaysia and Singapore for some time. Recently there has been a rapid movement toward self-government and independence among the Commonwealth island territories of the South Pacific: Western Samoa, Nauru, Tonga and, later this year, Fiji; with others to follow in the coming decade.

There are a number of Commonwealth organizations which maintain the links between members: the meetings of Commonwealth prime ministers (the next to be held in Singapore in January 1971), the Commonwealth Parliamentary Association, the Commonwealth Foundation and others. Canada has used these organizations to keep alive its traditional connections with Commonwealth countries, and that is reflected in the Pacific.

Canadian *francophone* capacity is a unique and positive factor in facilitating an approach to relations with the approximately 45 million in Southeast Asia, for whose countries—the states of Indochina—the French language is an important means of international communication. French is also the official language of New Caledonia and French Polynesia, and is used with English in the New Hebrides. The possible future relevance of the concepts and objectives of la Francophonie for parts of Southeast

Asia was evident in the attendance of South Vietnam, Laos and Cambodia at both Niamey Conferences leading to the establishment of L'Agence de Coopération Culturelle et Technique.

Also of advantage to Canada is the opportunity to reflect the bilingual aspect of the country with consequent contributions to the cause of national unity through providing the *francophone* elements of Canada a greater sense of participating in and contributing to the life of the country in an area where Canada as a whole is only now consciously developing its potential.

Finally, Canada can benefit from cultural exchanges with countries of the Pacific, drawing intellectual enrichment and inspiration from the ancient civilizations of Asia.

Chapter III

THE POLICY EMPHASIS ENVISAGED

The pattern of policy emphasis established in the general paper, giving priority to the policy themes of Economic Growth, Social Justice and the Quality of Life, can be applied to relations with the countries of the Pacific in a very specific way. Both the developing and developed nations of the area look to increasing trade and investment to maintain and improve the standard of living of their peoples. The developing nations will, for many years to come, need the co-operation of the developed nations by way of assistance programmes if the requirements of social justice are to be met. Cultural, scientific and technological exchanges can enrich the quality of life of all the countries of the Pacific, developed and developing alike.

Economic Relations

Canadian exports to the countries of the Pacific in 1969 amounted to almost $1,100 million and imports to some $650 million. The Pacific is both Canada's third-largest market (after the United States and Western Europe) and Canada's third-largest supplier. It is an area in which Canada has been an important net direct investor—in book-value terms, Canada has probably invested some $500 million more than Pacific investors have placed in Canada. The Pacific provides Canada with a surplus of foreign earnings with which to meet trade and payment deficits with the rest of the world. From one Pacific country to another, the composition of Canadian exports and imports, the opportunities for their growth, and the problems of access tend to vary widely.

Japan

Japan is by far Canada's largest market and largest supplier in the Pacific; exports and imports amounted to $625 million and $496 million respectively in 1969. However, Canadian sales are limited to industrial raw materials and foodstuffs, while finished goods make up the bulk of Japanese sales to Canada. A large proportion of these raw material exports is derived from direct Japanese investment, particularly in Western Canada, as Japanese commercial policy seeks sources of supply for its rapidly growing industry. This investment is advantageous to the development of Canadian resources. Nevertheless, it involves the export of these materials to Japan in their rawest transportable and least profitable form.

Canada's access to the Japanese market for manufactured goods is limited by a broad range of direct and indirect import restrictions. These restrictions, originally imposed for balance-of-payments reasons, remain, although they are no longer relevant in view of Japan's domestic prosperity and strong external payments position. Despite Canadian and other efforts, the pace of trade liberalization remains slow. Similar problems limit foreign investment in Japan. Certain Japanese exports of manufactured goods to Canada have, from time to time, been affected by temporary measures required to deal with disruptions in the Canadian market.

Australia and New Zealand

Exports to Australia in 1969 amounted to around $163 million, and imports to some $96 million. Nearly 85 per cent of these exports represent manufactured and semi-manufactured goods. Australia is one of Canada's principal markets for manufactures. Canadian firms have invested over $350 million in Australian mining and manufacturing operations. To Canada, Australia poses both the advantages of a growing and prosperous market and the disadvantages of a country bent on industrialization policies which may limit this market. Canada's trade with New Zealand is equally profitable in *per capita* terms (although naturally lower in absolute value). Exports amounted to $37 million and imports to $41 million in 1969. Here, too, Canada has a substantial investment interest.

China

In recent years, the People's Republic of China has been a major market for Canadian wheat, which accounted for $120 million of Canada's total exports to that country of $122 million in 1969. Canada's imports,

while consisting of an extremely wide range of products, amounted in all to a value of only $27 million.

Other Countries

Trade with each of the remaining countries in the Pacific area has its own special characteristics. Canadian markets in Korea for agricultural products and industrial capital goods are growing rapidly, with increasing Korean foreign exchange earnings and the progressive dismantling of import restrictions. Imports into Canada are also increasing, although heavy sales of textile items have created problems for Canadian industry. Trade with Taiwan in foodstuffs and raw materials is buoyant, as are sales of certain manufactures and capital equipment. The pattern of trade with Hong Kong is somewhat similar, providing both growing opportunities for Canadian exports and problems with respect to imports of textiles. Trade with Indonesia is still limited, although Canadian direct investment is significant. Canadian investment is to be found in the Philippines as well. Trade with Thailand, a rapidly developing market, has expanded in recent years but would not by any means appear to have reached its potential. Commercial links with Burma are extremely tenuous, largely as a result of that country's present trading policy. In Malaysia, the outlook is far more promising, both in the commodity and in the direct investment fields, and in Singapore investment is also substantial.

Economic Outlook

The Pacific area appears likely to continue to experience more rapid economic growth than the world at large. Japan will remain by far the most important Pacific trading partner for Canada; exports to that country are likely to pass the annual $1 billion mark within a very few years, and Japan may well become Canada's second most important one-country market. Successful exploitation of Canadian trade opportunities in Japan will depend upon the degree to which the Japanese are prepared to modify their trade policies. Japan now has a firmly established role in international trade and financial organizations. In its own self-interest, this important economic power may be expected to play a liberalizing role in international economic forums in the years ahead.

Future exports to the Australian and New Zealand markets, to which Canada is an important supplier, could be affected not only by the industrialization policies of these countries but also by the possible entry of

Britain to the European Community. Such a development could bring about adjustments in the Commonwealth preference system as a whole, leading these countries to give greater emphasis to their trade relations with Japan and the United States.

Canada's relations with other Pacific countries, where growth prospects are also substantial and where foreign trade is of growing importance, present rather different situations. For example, trade between Canada and Indonesia can be expected to increase as a direct result of large-scale Canadian investment in mineral exploitation. Investment, together with such other trade-conducive measures as export credits and investment guarantee arrangements, may stimulate exchanges with these other areas as well.

Imports from the Pacific should rise substantially. Although competition in the Canadian market with imports from other regions may be difficult for many of the developing countries of the Pacific, there are fewer impediments than in many other developed markets and a general preference system could reduce some of the difficulties. Imports of certain products such as textiles may continue to cause problems, particularly so long as a number of developed-country markets remain closed to them.

Investment will also be an increasingly important two-way flow between Canada and the Pacific. Japanese investment in Canada seems likely to expand; Canadian investment in other Pacific countries can be expected to increase. Full account of this potential will therefore need to be taken in establishing Canadian policies on such questions as the processing of resource exports and the foreign investment climate in order to achieve maximum benefits from foreign investment here and from Canadian investment abroad.

Policy Projections

Given the existing trade and investment patterns and the potential for growth of the area, the Government will endeavour to move ahead in all of the following fields:

Expansion of Trade Relations

Canada will act, in multilateral agencies and by bilateral negotiations, to bring about further liberalization of trade. New and up-dated bilateral trade arrangements for individual Pacific countries will be essential. In the case of Japan, efforts will be made to lower or remove the existing non-tariff barriers to Canadian manufactures and to open up opportunities

for Canadian investment, in keeping with the important and growing part each country plays in the economy of the other. Should Britain enter the European Economic Community (EEC) and Commonwealth preferences disappear, new agreements would have to be reached with Australia and New Zealand to maintain the favourable access for Canadian exports there.

Promotion of Transportation and Tourism

The phenomenal growth of air travel offers exceptional opportunities to Canada, and improved access for Canadian carriers will be negotiated. Canada will push hard to get its fair share of airport construction, provision of air-transportation infrastructure of all kinds, building of tourist plant and the setting-up of specialized tourist services.

Encouragement of Investment

Canadian business, including a number of Canada-based multinational companies, is taking a great interest in the opportunities for investment and the promotion of engineering services in the development of the Pacific, especially in Australia and Southeast Asia. The Government has initiated a Foreign Investment Insurance Programme for developing countries and will examine possibilities for the extension of these guarantee arrangements to such countries in the Pacific. It will initiate double-taxation agreements with individual countries of the Pacific region as appropriate. It will continue to make available to Canadian firms information about national development plans and their prospects, and ensure that they are informed about the export financing assistance available.

Intergovernmental Co-operation

A Canada-Japan Ministerial Consultative Committee has for some time provided a forum for high-level discussion on economic policy and other subjects of shared interest. The Government is establishing similar consultative arrangements with Australia and New Zealand. Canada will pursue closer economic consultation with its Pacific partners in the international organizations in which they share membership. This consultation will include such varied issues as development assistance, investment criteria and credit facilities.

Business-Government Liaison

The economic opportunities arising from growing markets in Pacific countries and the possibilities offered by closer contacts with these countries

in commodity trade and investment have been particularly evident in Western Canada. Consultation among the Federal Government, various provincial governments and private industry would serve to assist in the exploration of such opportunities. By such means, Eastern Canada might also be involved more directly in Pacific trade.

The Government welcomes the active co-operation of private interests involved in the Pacific. The existing Pacific Basin Economic Co-operative Council provides a means for the expression of views to governments individually and jointly. The Government is prepared to consider, with other interested parties, the establishment of a Pacific Economic Advisory Committee which would bring private interests and the investment community together with government, in order to take best advantage of trading opportunities and investment possibilities in the Pacific area.

Trade promotion programmes in the Pacific will be conducted on a selective basis. Assistance to Canadian exporters to participate in particular trade fairs in the region will be assured; trade missions will be sent to the area; and Pacific businessmen will be brought to Canada to visit industries here. Canadian government representatives in the area will continue to provide background information and direct assistance to Canadian businessmen.

Expansion of the Canadian Presence

The expectation of rapidly increasing commercial and other relations with Pacific countries over the next few years suggests that Canada consider extending its presence by the opening of additional offices in the area. If mutually advantageous trade exchanges are to be developed, it will be essential to have fuller resources of information from a Canadian viewpoint about the countries, markets and peoples concerned. In this area, Government activities can provide a necessary infrastructure for expanded operations by the Canadian business community. Such an extended presence will also entail spin-off benefits in policy fields other than the purely economic. The Government has announced its intention to establish an Embassy in Peking, if and when diplomatic relations are entered into with the People's Republic of China. The Government will also consider, as soon as financial resources are available, the extension of diplomatic links by means of dual accreditation and perhaps additional resident offices in those countries offering adequate scope for increased trade, investment, development assistance and useful political and cultural contacts.

Development Co-operation

Dating from the establishment of the Colombo Plan 20 years ago, Canada has been active in development assistance in Asia, although to date Canada's contribution in the Pacific area has been relatively modest.

Recently there has been increasing attention paid to Southeast Asia. Malaysia is now a country of aid concentration. The Government considers that by co-operating with the countries of Southeast Asia in their plans for national development it can make a worthwhile contribution to the well-being of the peoples and the economic prosperity of the area.

Developmental and humanitarian considerations will continue to dominate the Canadian Government's approach to aid policy.

Participation in the national development programmes of the Pacific countries may also enable Canadian engineering firms and equipment manufacturers to become acquainted with the markets and to demonstrate their capabilities so that, in due course, additional commercial opportunities may be found.

In directing increased attention to the Pacific area, the Government will give priority to the following opportunities for development co-operation:

Increased Aid to Indonesia

Indonesia, with a population of over 110 million, extensive natural resources and a strategic location, is potentially a country of prime importance in Southeast Asia. In the last five years, the Indonesian Government has provided evidence of its capacity to absorb and use increasing amounts of development aid, and the Canadian Government intends to concentrate more funds for development programmes in this country.

Rehabilitation Aid to Indochina

When peace comes to Indochina, Canada, without diminishing its existing aid programme in the area, will wish to play its full part in special programmes of rehabilitation aid necessitated by the prolonged hostilities. The Government will be ready to move to meet immediate relief requirements and to make a contribution to longer-term reconstruction efforts.

Development Assistance to the South Pacific

The three-and-a-half million people in the 16 island territories of the South Pacific are emerging as a significant new factor in Pacific affairs. Four will be fully independent this year and have chosen to retain ties

with the Commonwealth. In other territories the pace of economic and political development is quickening. Because of the Commonwealth connection and known requirements in these islands for external assistance and the opportunity to make a useful Canadian contribution, the Government intends to initiate a modest programme of technical and economic co-operation in the South Pacific. In line with this intention Canada has already offered assistance to the University of the South Pacific in Fiji. This comprises scholarships, and the provision of instructors and a limited amount of equipment. Opportunities to exercise Canada's *francophone* facility in the area will not be overlooked.

Economic Commission for Asia and the Far East

Canada is the sole Pacific member of the Colombo Plan which does not belong to the Economic Commission for Asia and the Far East (ECAFE), although Canada has activitely participated in many of the major regional development schemes which have been initiated by ECAFE, including Mekong River projects and the Asian Development Bank. The Government intends to establish closer relations with this regional United Nations Commission.

Support for Regional Institutions

The Government will support, as part of the aid programme, educational and training centres of proven competence in the Pacific area. The Asian Institute of Technology (AIT), a graduate school of engineering founded ten years ago in Bangkok, has an excellent academic reputation and serves a clear regional need. Canada's advanced technology and bilingual capability can make a useful dual contribution through the provision of increased support for the AIT specifically geared to increasing participation from the three *francophone* countries. Such support might take the form of a number of scholarships for engineering candidates, the provision of research equipment and the services of bilingual Canadian teaching staff.

Canadian International Development Research Centre

The Canadian International Development Research Centre (CIDRC) will provide an additional potential channel through which Canada can be associated in research on the problems of economic development in the Pacific area. The Government is confident that the Centre will give appropriate attention to opportunities offering in the area.

Toward a Better Understanding

Canada's broad economic and development assistance relations with Pacific countries will be paralleled by other contacts. There are three aspects: (a) the projection of Canada abroad; (b) assistance to Canadians to understand and benefit from and contribute constructively to the rapid social changes taking place in developing Pacific countries; and (c) cultural and scientific exchanges.

Projection of Canada

The dissemination of information about Canada and its culture, about its economic growth and about the policies of the Canadian Government is necessary if maximum benefit is to be derived from more active policies in the Pacific. Publicizing Canadian technological and industrial achievements, for example, is a part of trade promotion.

Priority targets for Canadian information and cultural relations programmes are Japan, Australia and New Zealand, and China. Formal agreements may be required with the People's Republic of China to ensure reciprocity in the exchange of cultural exhibitions and scientific personnel. In the post-hostilities period in Indochina, Canada might take a special interest in developing French-language educational, cultural, film, television and radio exchanges.

The Government will increase the distribution of National Film Board films and send more informational and artistic exhibitions to the Pacific area. Increased support will be provided for artistic exchanges of Canadian personalities or groups in the musical, dance and theatrical fields, as well as for sending Canadian authorities abroad on lecture tours.

Learning about the Pacific

The Government is considering a number of measures to assist Canadians to be better informed about the Pacific countries and their potentialities. Information Canada, in co-operation with the agencies of government most concerned, such as the Canadian Broadcasting Corporation and the National Film Board, could dramatically expand capacity for reciprocal information exchange with the Pacific countries.

Facilities for Asian and Pacific studies should be strengthened at Canadian universities. To this end, the Government will appoint a small committee to examine, in consultation with the provinces and university authorities, ways by which it might make some contribution to strengthen-

ing teaching, library, research and publication facilities, with emphasis on contemporary Japan and China.

To round out the opportunities for post-graduate training in Canada for students from Pacific countries, the Government is considering the possibility of establishing a Pacific Scholarship and Fellowship Programme. This programme would be available to countries in the Pacific and would enable students in the social sciences and humanities to take post-graduate work in Canada.

Cultural and Scientific Exchanges

The Government will explore the possibility of negotiating educational exchange agreements with Japan, Australia and New Zealand. Scientific consultation and co-operation, both governmental and private, will expand considerably. Environmental problems, the exploitation and management of resources, medical problems—to name only a few—will continue to transcend national boundaries. Canada as an advanced member of the world community and as a Pacific power wishes to forge closer scientific and technological ties with the Pacific countries. Exchanges of researchers and academics or the joint use of expensive research facilities might be considered as a means of promoting closer co-operation. In particular, the Government will explore the possibility of Canada-Japan and Canada-Australia co-operation in communications satellite research.

Peace and Stability

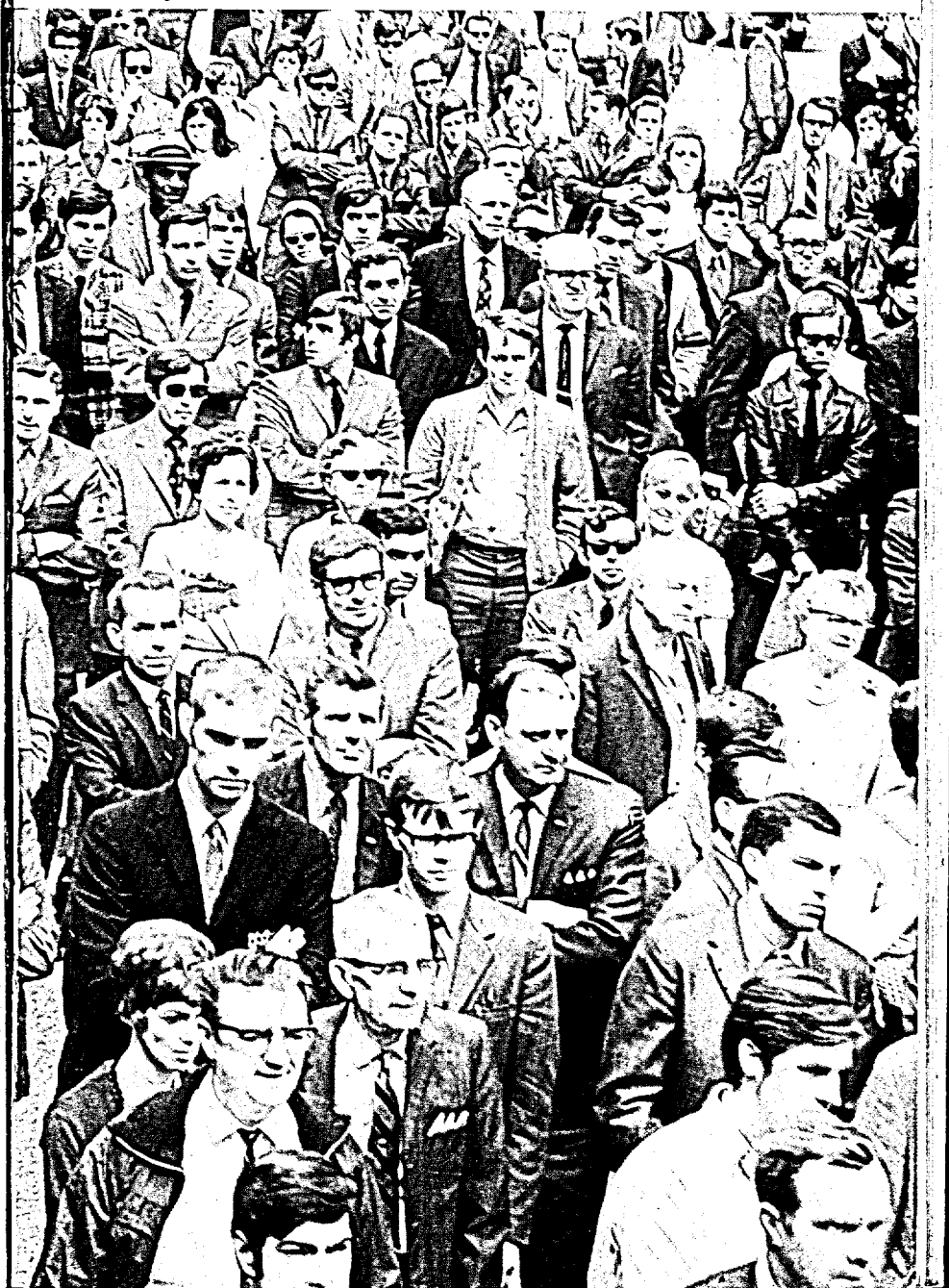
The Canadian Government's policy towards the Pacific area—to share in and contribute to its economic growth, to help bring about the conditions where the requirements of social justice can be met, and to play its part in improving the quality of life in developed and developing nations alike—can only be put into effect if there is a reasonable measure of peace and security in the area.

China

The People's Republic of China is a dominating presence throughout Asia and is watched closely by every nation on earth. China is potentially the third super-power; but little is known of Chinese intentions and how China's foreign policies will develop. It is evident that there can be no lasting peace or stability in the Pacific or in the world without the co-operation and participation of China.

United Nations

Foreign Policy for Canadians



United Nations

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ASSUMPTIONS AND CHANGING CIRCUMSTANCES

In an age when the technology of communication—by air, land and sea, or by electronic means—is daily making the world smaller, and the capacity to obliterate our civilization in an instant is in man's grasp, it is unrealistic to think that the nations of this world can exist in isolation from each other. This interdependence makes essential a centre for harmonizing the actions of nations. In the context of recorded history, the United Nations is the most ambitious effort ever made to reconcile the political, economic, social and cultural differences in the world. At the same time, it is an increasingly accurate reflection of a highly imperfect world in which the concept of the sovereign state results in so many conflicting views about what is desirable and makes "harmonizing the actions" of nations so difficult. But, though the goals of the Charter—peace and security, economic and social justice, and individual human rights—have not yet been fully realized, they remain a valid rule of conduct for the signatory states.

It follows that, although priorities may change from time to time and emphases shift, it would not be realistic to postulate as a policy alternative that Canada withdraw from the organization, try to form a different organization or play in it merely a passive and disengaged role. It is, therefore, also a basic premise that Canada wishes to continue its policy of working actively to achieve the goal of making the United Nations an effective instrument for international co-operation and to improve its capacity to discharge its Charter responsibilities.

Any review of Canadian foreign policy, as it relates to the United Nations and its Specialized Agencies, has to begin by taking into account the relevant changes affecting the United Nations, its composition, its structure and its functions. Two developments—decolonization and the

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scientific and technological revolution of the last two decades—have had a major impact on the world and on the United Nations, which is so much, if not entirely, a reflection of it.

Decolonization is responsible for a radical change in the composition of the United Nations since Canada signed the Charter as a founding member. While originally there were 51 members, mostly Western European, Latin American and Asian, there are now 126. The African, Asian and Latin American representatives, if they join forces, have a commanding majority. Canada, as one of the 22 Western nations, thus finds itself coping with the problem of being one of a permanent minority.

The affairs of the General Assembly and its subordinate bodies, as well as the Specialized Agencies, are now dominated by a coalition of African-Asian and Latin American nations which varies somewhat in composition depending on the issue in question but is united in a preeminent aim to overcome the problems of underdevelopment, in opposition to the residue of colonialism, and in the desire to avoid involvement in East-West differences.

The impact of science and technology on relations between nations is one of the most important factors to be taken into account in the development of Canadian policy toward the UN. The problem of maintaining international peace and security has acquired new dimensions since the invention of thermonuclear weapons, intercontinental missiles and spy satellites. The super-powers now find it virtually impossible to contemplate general or total war, since in this event neither could, with present or foreseeable means, prevent the destruction of their own society. For Canada and others whose location makes them automatically the concern of a great power, the danger of direct attack is correspondingly reduced. But the dangers of miscalculation arising from conflict of interest in strategic areas such as the border between East and West in Europe or the Middle East, or the harmful possible effects of unilateral disarmament or of a sudden shift in the strategic balance of power, remain as threats to the vital interests of all nations, including Canada, whose prosperity and progress flourish in direct relation to freedom of commerce and the level of peace and stability throughout the world.

Both the super-powers and the other permanent members of the Security Council are aware of the danger of conflict in peripheral areas. When direct confrontation is involved they have almost invariably elected to deal directly with each other. On the other hand, the great powers have on many occasions turned to the Security Council as a means of preventing an escalation of what is essentially a local conflict into a major crisis.

But those types of conflict situation which in the future seem likely to occur with increasing frequency (e.g. civil strife, indirect aggression, guerilla warfare supported by liberation movements) do not readily lend themselves to UN intervention. The peacekeeping demands on the UN will most probably take the form mainly of requests for the establishment of military observer missions. In any event, in the light of Canada's special record and experience of participation in peacekeeping operations, the United Nations will expect Canada to continue to provide advice and assistance in the peacekeeping of the future.

Technological progress since the Second World War has introduced a new situation in many ways, not only in terms of defence and the balance of power but also in terms of the widespread effects of increasingly sophisticated communications systems. On the positive side, modern communications have brought home to all of us the interdependence of states. The intensive use of the mass media, and particularly the development of satellite communications, also open up, however, possibilities (of a kind not foreseen by the authors of the Charter) of new forms of intervention in the affairs of states. The question arises as to whether such forms of intervention are too subtle to be even identified in terms of, let alone deterred by, the Charter and other international agreements.

Some of the changes which have taken place as a result of technological progress in the last 25 years have been beneficial. Economic and social change throughout the world has occurred as a by-product of scientific and technological change. Unfortunately, however, the benefits of technology which have become so rapidly apparent in countries like Canada, which are already highly developed, have had little impact in the developing countries of the world. Consequently, the gap between the rich and the poor tends to widen cruelly, just at the time when the potential benefits of a highly-developed society are greater than ever before.

The impetus for change has also been reflected in the progressive development and codification of international law within the United Nations. The various organizations within the UN system have increasingly turned to the drafting of multilateral conventions as the best method of achieving this end. Much of the new law has been created to meet the demands of new technology. On certain questions, such as colonialism, on which it is not possible to produce a consensus, the practice has arisen of adopting a resolution in the form of a declaration, which does not create international law but which is often cited by states in terms which suggest it does. Little has been achieved thus far in persuading states to accept compulsory procedures for the settlement of disputes, and even less

in establishing effective means for preventing violations of international law amounting to breaches of the peace. Nevertheless, states tend to take their treaty obligations seriously and the United Nations and its Specialized Agencies have been more successful than is generally realized in laying the foundation for a world order based on the rule of law.

Changing circumstances in the 25 years which have elapsed since the foundation of the United Nations have also had their effects in Canada. Its economy, its technology and its participation in world trade have developed enormously. Social and cultural changes of a most significant nature have also taken place. These changes are reflected in Canada's relations with the rest of the world, which now encompass not only the nations which existed in 1945 but a host of new members of the international community, many of whom achieved independence only in the last ten years and most of whom need help from the international community in their efforts to attain economic and social advancement. This study is concerned primarily with Canada's relationships with other nations in the context of common membership in the United Nations and its agencies; it should be remembered that these associations complement but cannot replace the direct relationship Canada maintains through the traditional method of diplomatic recognition and the exchange of missions.

CANADA'S OBJECTIVES AT THE UNITED NATIONS

It is a basic premise that Canada should continue its policy of working actively to achieve the goal of making the United Nations an effective instrument for international co-operation and improving its capacity to discharge its Charter responsibilities. Within that general context, it must be expected that at one time or another the activities of the organization will touch on almost every aspect of Canada's foreign policy objectives and that Canadian representatives will have the opportunity and responsibility to pursue these objectives in many different ways.

But, over and above this basic challenge, the UN offers its members the opportunity of self-realization and of co-operation in the pursuit of common causes or goals on a universal scale. Therefore, while seeking through its policies, foreign as well as domestic, to unite Canada, the Canadian Government has the opportunity in the United Nations and the Specialized Agencies to draw on Canada's abundant resources, its bilingualism in two universal languages, its excellence in modern science and technology and its experience of a complex system of democratic government (federalism), to communicate with other countries, particularly the developing countries, and to contribute to international co-operation in selective fields of endeavour, thus attaining a richer measure of national self-realization for Canada as well as helping others to realize their potential.

In order to give a new sense of purpose to Canadian participation in the United Nations, it is necessary to focus on a few selected goals which are of intrinsic importance. These objectives must take account of the changing circumstances both in the world situation and in the world organization and the possibilities for constructive action by governments at the time, it being realized that Canada's foreign policy is essentially the pro-

jection abroad of Canadian interests. They have been selected as worthy of special consideration because of their importance intrinsically, as well as because they give maximum opportunity to Canada for self-realization in terms of Canadian resources and capabilities. They are discussed in the subsequent paragraphs of this study under the following headings:

1. Contributing to social and economic development
2. Working to stop the arms race
3. Promoting peacekeeping and peace-making through the United Nations
4. Reconciling Canadian objectives in southern Africa
5. Taking measures to prevent further deterioration in the human environment
6. Promoting international co-operation in the peaceful uses of satellite systems
7. Promoting international co-operation in the use of the seabed beyond the limits of national jurisdiction
8. Promoting observance of human rights, including adherence to and respect for various United Nations conventions
9. Contributing to the progressive development and codification of international law
10. Projecting Canada as a bilingual country within the United Nations context
11. Contributing to the institutional development of the United Nations as a centre for harmonizing the actions of nations.

1. Contributing to Social and Economic Development

With the large increase in UN membership from the Third World, social and economic development has become a dominant theme of UN activities and debate. The developing countries are increasingly expressing their concern about the widening gap between the standards of living of developed and developing countries, their weak position in international trade, the rising level of repayments for aid received in the past and rapidly increasing populations sharing limited resources. Thus they look to the UN system, which devotes nearly 80 per cent of its resources (some $600 million annually) to economic and social activities, as a means to focus the attention of governments and peoples on the critical problems of development,

and on the efforts of developing countries to solve their problems, as well as providing a forum for expressing, and, to the extent possible, resolving, the conflicting views and interests of developing and developed countries. This effort is now concentrated on the development of a strategy for the Second Development Decade, which begins in January 1971.

Through the work of the Preparatory Committee for the Second Development Decade, the report of the "Pearson Commission" and the study of Sir Robert Jackson (on the capacity of the United Nations Development Programme, the Specialized Agencies, and other UN funds and organizations—excluding the World Bank Institutions—to carry out an expanded programme of economic assistance), there is an opportunity for Canada and other member governments, and the UN family itself, to seek improvements in the effectiveness and conduct of UN development programmes.

A review of the administration of Canada's multilateral and bilateral foreign aid programmes forms part of the foreign policy review. This paper is intended to complement that review and to take account of the studies now under way within the United Nations.

The United Nations, its Specialized Agencies, the Conference on Trade and Development (UNCTAD), the United Nations Industrial Development Organization (UNIDO), the World Bank Institutions, as well as the General Agreement on Tariffs and Trade (GATT), provide centres for the creation of standards of economic and social development, and for the establishment of internationally acceptable economic planning goals, international action programmes and international commodity agreements and arrangements. They also provide an important pool of resources for technical assistance and pre-investment analysis and, through the World Bank, regional development banks and the United Nations Development Programme (UNDP), capital and technical resources free from the ideological and political influence which is associated with bilateral programmes. In addition, the UN system provides basic economic and social data and statistics which are internationally acceptable.

A decision to work actively, in particular during the Second Development Decade, in support of the economic and social development activities of the UN system would seem to have both political and administrative advantages. Canada is at present the fifth-largest contributor to the voluntary economic and technical assistance funds in the UN family of organizations and the sixth largest in the World Bank Institutions. An increased contribution to such multilateral programmes, as recommended in the policy review on Canada's development assistance, would be a positive political response, based on humanitarian principles and Canada's own

interests, to the appeals of the developing countries at a time when they are looking for signs of commitment to their needs from the developed countries. On the administrative side, the United Nations system has access to experienced personnel and technical data and has an administrative organization capable of planning and implementing in most developing countries comprehensive aid programmes based on sound priorities. There would be little additional administrative burden on Canadian facilities.

The provision of foreign aid is only one aspect of the projection of Canada's concern with the problems of economic and social development throughout the world. Also, Canada's position in the continuing debate in UN bodies on economic and social issues is an important dimension of its membership in the United Nations family. In view of the importance and magnitude of the programmes now being administered by the UN family and the needs of the developing countries, it is essential that Canada play a stronger role than hitherto in the work of the United Nations and the Specialized Agencies in order to ensure that present and future programmes are carefully planned and properly managed and that the resources which Canada and other countries contribute are being well used.

Specific means of further contributing to economic and social development through the UN system would include:

a) Increased contributions to the United Nations system, and particularly to those organizations which have demonstrated competence in administering their expanding and complex programmes efficiently and effectively.

b) New initiatives in the field of international trade in UN forums (e.g. UNCTAD) in addition to other forums such as the GATT, so as to improve the foreign-exchange earnings of developing countries.

c) Greater efforts to ensure that national and international machinery are adequate to meet the challenges of economic and social development.

d) Co-operative efforts to make the UNDP and the World Bank Institutions the central agencies for the allocation of multilateral development assistance resources and focal points for improving the co-ordination of UN development programmes.

e) Joining with other countries in devoting more attention to the population crisis.

f) Greater efforts to place Canadians in the secretariats and field programmes of the UN system and to increase the number of federal civil servants with experience in UN activities.

The Canadian International Development Research Centre will be of great value in the mobilization of Canadian support for the economic and social programmes of the UN system. It can also be of major importance to the entire United Nations assistance effort and should give high priority to problems of UN development activities in developing countries.

2. Working to Stop the Arms Race

Canada, a country with an advanced nuclear technological and supply capability, has participated in the United Nations arms-control and disarmament discussions since their beginning in 1945. These discussions during the late 1940s and early 1950s attempted to achieve progress toward disarmament but were frustrated by the "cold war" and by disagreements concerning verification and control of disarmament. During the 1960s, however, encouraging progress was made on measures for control of nuclear weapons short of complete disarmament; these arms-control measures include the following: the treaty banning nuclear weapons testing in the atmosphere, in outer space and under water; the treaty banning weapons of mass destruction in outer space; the treaty prohibiting nuclear weapons in Latin America; and the treaty on the non-proliferation of nuclear weapons.

A number of basic factors have been, and are likely to continue to be, during the 1970s, the most influential in the determination of Canadian arms control and disarmament policies. These include:

a) Canada's realistic appreciation of the value of peace for the prosperity and development of this country and of other nations;

b) Canada's past contribution to the international community's search for collective security through arms control and disarmament and for the peaceful settlement of disputes;

c) Canada's importance in the context of North American defence arrangements, as well as its particular vulnerability stemming from its geographical situation between the super-powers; and

d) Canada's success in the development of nuclear science and technology and its prospects for the commercial exploitation of atomic energy for peaceful purposes.

At the present time and in the foreseeable future, the ultimate preventative of war between the super-powers is the mutual balance of nuclear deterrence—that is, the existence in both the United States and the Soviet Union of a credible capability to inflict unacceptable retaliatory damage in a nuclear exchange. However, a sharply-accelerated pace in the competitive evolution of strategic nuclear weapons could upset the existing balance, which constitutes a credible deterrent, and make it less stable. Potentially destabilizing developments in the strategic arms race are capable of presenting grave risks for international security in the 1970s. This adds urgency to the search for successful nuclear arms control measures.

Canadian policy should, therefore, seek to contribute, commensurate with the nation's resources and capabilities, to the maintenance of a stable balance of mutual deterrence, on which Canadian and international security currently rests, and, more specifically, to the reduction through negotiated arms-control measures of the risks of nuclear conflict. In pursuing these objectives, competing but parallel exigencies of Canadian political, commercial and defence interests which are associated with the fundamentals of peace and security must be carefully calculated in the process of decision.

The outlook for arms control and disarmament during the next ten years of the Disarmament Decade proclaimed by the twenty-fourth session of the United Nations General Assembly will be influenced primarily by the following potential developments:

a) substantial progress in the Strategic Arms Limitation Talks (SALT) between the United States and the Soviet Union;

b) the effective operation of the Non-Proliferation Treaty and the accession to it of "near-nuclear" nations;

c) a reduction of international tensions and progress toward East-West *détente*, particularly in Europe; and

d) eventual participation of China and France in arms-control and disarmament negotiations.

Because of the interaction of these factors and their pertinence to the success of most arms-control and disarmament proposals, it is difficult to conceive of significant achievements in this field during the 1970s unless some of these prospects are realized. For example, unless there is substantial progress in SALT, the possibility of a comprehensive nuclear test ban will be remote because of the continuation of the technological strategic arms race and the testing of new warheads for more "advanced" nuclear weapons systems.

During the 1970s, hopes for progress toward disarmament and for stopping the arms race are most likely to be realized through arms control and limitation agreements. Nevertheless, general and complete disarmament remains as an ultimate objective of Canadian policy as well as of the United Nations.

In the 1970s, Canada should assign a high priority to working to stop the arms race in nuclear and other weapons as a means of contributing to Canadian security and to a less dangerous world environment. In particular, Canada should not rest content to see the major nuclear powers determine exclusively the pace of progress or lack of it in the field of arms control. Rather, Canada should pursue these arms-control objectives persistently and imaginatively in the contexts of the United States consultations with Canada and its other NATO allies concerning the crucial Strategic Arms Limitation Talks, the Conference of the Committee on Disarmament in Geneva and the United Nations in New York.

3. Promoting Peacekeeping and Peace-making through the United Nations

Under the Charter, member states have an obligation to work for the achievement of the first purpose of the United Nations, namely:

> "To maintain international peace and security, and to that end: to take effective collective measures for the prevention and removal of threats to peace, . . ."

Canada has sought over the years to encourage the development of the capability of the United Nations to fulfill this purpose effectively. Initially Canada tried to promote the practical realization of the collective security arrangements provided for in Articles 43 to 47 of Chapter VII of the Charter, the effect of which would have been to enable the Security Council to take collective action to deal with any threat to the peace, breach of the peace, or act of aggression.

Within a few years after the founding of the United Nations, two things became apparent:

a) that international political circumstances, especially the cold war and consequent disputes among the great powers, would lead to an indefinite delay in the implementation of Articles 43 to 47; in other words, the security system envisaged in the UN Charter, which had been regarded as the major advance over the League of Nations, could not be implemented;

b) that there were crises in the world which, while not serious enough to justify enforcement action under Chapter VII, were sufficiently serious to require UN intervention with the consent of the parties concerned.

It was against this background that the whole concept of peacekeeping in which Canada has played such an active role, particularly since the Suez crisis in 1956, evolved. The Korean operation was a special, and perhaps unique, case of UN action to resist aggression.

The breakdown of the system of collective security through enforcement action led at first to a political vacuum, and then to a change in thinking and emphasis. The concept of "peacekeeping"—the use of military observers, truce supervisory missions, or major military forces for non-forcible purposes, with the consent of the parties directly concerned—was a pragmatic and *ad hoc* development. The enforcement provisions of the Charter were tacitly abandoned in favour of recommendatory measures, steps were taken to permit the Assembly to initiate peacekeeping action in certain circumstances, and use was made of the military resources of the small and middle powers. Recently, for a number of reasons, the pendulum has swung back to the Security Council.

It has been a continuing objective of Canadian foreign policy to work towards strengthening the authority of the United Nations, particularly the capacity of the UN to act as a peacekeeping agency for the control of conflict and the mediation of disputes. This objective has been pursued as part of Canada's general determination to work for peace and security, and remains a valid one for the future.

The forseeable prospects are not great that the UN will be asked to undertake major operations involving peacekeeping forces on a scale comparable to the UN Emergency Force in the Middle East or the UN operations in the Congo, and most certainly not without great power agreement in the Security Council. Unlike the situations related to the period of rapid decolonization, when UN intervention was invited either by the colonial power or successor states, the types of strife which seem likely to occur with increasing frequency are related to internal conflict: e.g. civil war, racial or other forms of dissention within an independent state, indirect aggression and guerilla warfare fomented by liberation movements, which do not readily lend themselves to UN intervention. The demands which are made on the UN are more likely to take the form of requests for the establishment of military observer missions for specific and limited purposes. It follows that the types of request which are likely

to be made of Canada over the next five to ten years will most probably take the form of helping to man UN observer missions.

Canada's exceptional knowledge and experience will be of value irrespective of the form of future peacekeeping operations and, consistent with our basic interest in maintaining peace and security, Canada should continue to take an active part, based on that experience, in negotiations at the United Nations on the peacekeeping role of the organization.

In the light of the foregoing it is considered that:

a) Canada's response to requests for participation in future UN peacekeeping operations should be decided upon in each instance in the light of its assessment of whether the UN can play a useful role;

b) Canada should continue its standby arrangements and training of Canadian forces for possible service with the UN;

c) Canada should continue to play an active part in the preparation of guidelines or "models" for UN operations;

d) Canada should encourage the present trend of making more effective use of the Security Council even though it is not likely to be represented on it before the mid-seventies;

e) Canada should seek the improvement of ways and means for the peaceful settlement of disputes, recognizing that the first responsibility for settling a dispute rests on the parties, but that a wide range of intermediary action under the UN is envisaged in Chapter VI of the Charter.

4. Reconciling Canadian Objectives in Southern Africa

In the postwar period, governments with colonial possessions have generally supported and given effect to the principles of self-determination enunciated in the United Nations Charter. As former colonies gained their independence and joined the United Nations, they increased the pressure for independence for remaining colonies. By 1960, their voice was powerful enough to persuade the General Assembly to adopt a declaration condemning colonialism. Since then the outcry against the "hard-core" and seemingly intractable problems of southern Africa has become a major preoccupation of the United Nations.

In Angola, Mozambique, Rhodesia, South West Africa and South Africa itself, the white population has, over generations, put down deep

roots and developed distinctive local institutions. The actual situation in each of these areas, of course, is different—the Portuguese territories are essentially a manifestation of an outdated colonialism, South Africa is possessed by the cancer of *apartheid*, South West Africa and Rhodesia have elements of both. But there is one common underlying characteristic: each is governed by a white minority whose prosperity and power is based on command of the resources of the country and on the subordination of a black majority, and each recognizes that the application of the concepts of political and racial equality would be ruinous to the existing way of life and is therefore to be resisted to the bitter end.

At the United Nations, it has been the overriding aim of the Africans and Asians to ensure that these territories be governed in accordance with the principle of majority rule. Lacking the power to take effective independent action themselves, they have attempted, by asserting the responsibility of the organization to take punitive action, to involve those nations which do have the power. Their success has been limited. The developed nations of the West have not been prepared to meet all of the African demands and, in particular, have made it clear that they are not prepared to agree to the use of force against South Africa. The resulting confrontation has adversely affected relations between the West and the Afro-Asians in a number of areas, some of which are in no sense related to issues of race or colonialism, thus complicating and distorting the work of the organization.

The prospect in southern Africa is for a heightening of tension and increased risks of conflict. There is a likelihood of the liberation movements (which so far have only limited support from Africans themselves) increasing their activities within the territory, coupled with countermeasures by white regimes against insurgents and against the neighbouring states (already a cause for concern to Zambia). The conflicting and essentially irreconcilable aims of the white and black populations in southern Africa are even now producing situations which inevitably will lead to a more direct confrontation in the area and at the United Nations.

At the United Nations, Canada's position on southern African issues has changed markedly during the past 20 years. During the immediate postwar period, its posture was one of relative detachment. As the intransigence of the white southern Africans became more evident, Canadian delegations became increasingly sympathetic to the arguments of the anti-colonialists. Canada's voting record at the United Nations is such that Canada has come to be regarded by the African nations as one of the more sympathetic among the developed Western countries towards their aspirations. In the case of Rhodesia, extensive sanctions have been applied by

Canada in accordance with the decisions of the Security Council and Canada supported, alone among developed Western countries, the Assembly's interim resolution in 1968 that independence should not be granted to Rhodesia before it had attained majority rule. Canada has applied arms embargoes to sales of military equipment to the Portuguese territories as called for by the Security Council and long since ceased providing military assistance to Portugal under NATO mutual aid, and has supported resolutions calling upon Portugal to grant self-determination to these territories. It has joined in condemnations of *apartheid* and has complied with Security Council resolutions calling for a voluntary embargo on the supply of arms to South Africa. Canada supported the termination of South Africa's mandate over South West Africa.

The reaction of Canadians has two main characteristics. One is a broad revulsion against the racial discrimination practised in southern Africa, and a general agreement that self-determination for Africans is a principle that cannot be denied. This reaction has been articulated by Canadian churches and other organizations, and by individuals. The other is the reaction of businessmen who see better-than-normal opportunities for trade and investment in the growing economy of the Republic of South Africa, or of those who are conscious of the practical limitations of effective outside influence on the pace of developments in South Africa. These latter views do not necessarily reflect approval of the system in that country but recognize current realities. In these two main reactions, Canadians parallel the response of other Western peoples, and, accordingly, the Canadian Government's response to the situation tends to parallel that of other Western governments. The weight other governments give to the two threads of reaction varies, however, and it must be noted that both Britain and the United States have large investments and conduct important trade with the area. Even the Scandinavian countries, whose stance tends to emphasize moral condemnation, continue to trade on a substantial scale in southern Africa. The possibilities for Canada to exercise significant influence on the situation must be recognized as limited.

The Canadian Government's attitude can be seen as reflecting two policy themes which are divergent in this context: (1) Social Justice and (2) Economic Growth. The first theme has been pursued in Canadian policy statements and in its actions against the illegal regime in Rhodesia, as well as the embargo on the shipment of significant military equipment to South Africa and Portugal. The second reflects Canada's basic approach, which is to trade in peaceful goods with all countries and territories regardless of political considerations. This principle has motivated Canadian trade with

China and Cuba, as well as with authoritarian regimes of the right and left with whose policies Canada does not agree.

In its approach to this area, the Canadian Government has considered a wide range of options. These included, for example, the maintenance of its current posture, which has evolved steadily in recent years as the situation on the ground has itself evolved. Within this stance there are measures which can be adopted which would further demonstrate Canada's support for human rights and its abhorrence of *apartheid* in South Africa and of Portuguese colonialism, and its willingness to assist economically the independent African states in the area.

Alternative policy lines considered took two directions—toward an enhancement of economic relations with white southern Africa or toward an intensification of Canadian support of the principle of freedom. Taken to the extreme, these would have involved either (a) pursuit of economic benefit without regard for the consequences for Canada's reputation with the black African states and its position in the United Nations or (b) furthering its support of the aspirations of Africans and of the fundamental human rights involved, without regard to the bleak prospect of early practical results and without regard to the substantial economic cost of the severance of Canadian economic and political relations with the white regimes of southern Africa. It must always be borne in mind that economic and political sanctions are not ends in themselves, but are for the purpose of bringing about improvements in the racial policies of the regimes against which they are directed.

The Government has concluded that Canadian interests would be best served by maintaining its current policy framework on the problems of southern Africa, which balances two policy themes of importance to Canadians. The Government intends, however, to give more positive expression to the Social Justice policy theme. To this end, the Canadian Government will make available further economic assistance to black African states of the area to assist them to develop their own institutions and resources. It is also the Government's intention to increase its contribution to the UN Educational and Training Programme for southern Africa.

To demonstrate its continuing support of the cause of freedom and equality in southern Africa, the Government will, as a matter of priority, open a new diplomatic mission in the area. This will increase Canadian understanding of the special problems of this part of the world and Canada's capacity to speak and act effectively upon southern African questions.

5. Taking Measures to Prevent Further Deterioration in the Human Environment

At its twenty-third session, the General Assembly decided to convene in 1972 a Conference on the Human Environment. By this decision the United Nations turned its attention to a new area of concern to mankind—the problems of human environment which affect man's physical, mental and social well-being as well as the development of the world in which he lives. A Preparatory Committee for the Conference has been established and Canada is a member.

International co-operation is essential in seeking solutions to these problems, and Canada intends actively to assist in exploring the possibilities for co-operative action in tackling the problems of human environment, especially of those aspects held in common. By making full use of the experience which we have gained in the domestic and bilateral field, we can make a substantial contribution towards an international pooling of knowledge on the most practical methods of dealing with pollution problems. We also stand to benefit from the experience of others.

Both in preparation for and participation in the 1972 Conference, it is essential for Canada to engage the efforts and interests of all levels of government, federal, provincial and municipal, as well as industry, agriculture, the universities and all other elements of the community concerned with the problems of our environment.

Canada should seek to have the Conference concentrate on components of the basic problems, as identified and elaborated by the Preparatory Committee, which are suited to action and management by public authorities, national and international. There must be an improved understanding of the need for sharing of responsibility by the international community and the Conference might elaborate guidelines which would set out the rights of states to a sound environment and the obligations which states have to ensure that they do not contribute to the destruction of that environment.

The Conference could make a significant contribution if it were to give a clear and concise statement on the need for and action required by public authorities at the local, national, regional and international levels to deal with the problems of defining, planning, managing and controlling the human environment. At some stage, appropriate international machinery could be established designed to develop common co-operative plans of action which could ultimately involve regulatory and adjudicatory

procedures being established as an integral part of long-term plans for improvement of the environment. Programmes of action for planners and managers should be based on the latest scientific information.

6. Promoting International Co-operation in the Peaceful Uses of Satellite Systems

In recognition of rapid developments in outer space technology, the UN General Assembly established in 1957 the United Nations Committee on the Peaceful Uses of Outer Space, of which Canada is a member. The Committee provides a specialized forum for the consideration of political, legal, social, technical and other issues connected with international co-operation in the peaceful exploration and use of outer space. In 1967 the Treaty of Principles Governing the Activities of States in the Exploration and Use of Outer Space came into force, and in 1968 the Agreement on the Rescue of Astronauts, the Return of Astronauts and the Return of Objects Launched into Outer Space came into force. The Committee is now concerned with the preparation of a draft agreement on Liability for Damage Caused by the Launching of Objects into Outer Space.

In 1967 the General Assembly requested the Committee on the Peaceful Uses of Outer Space "to study the technical feasibility of communications by direct broadcast from satellites and the current and foreseeable developments in this field, as well as the implications of such developments". In response to this resolution, Canada and Sweden proposed that a working group be established to study direct broadcasting from satellites, and they have submitted several joint papers for study by the working group. These papers will offer observations on the technical, political, legal, social, cultural and economic implications of direct broadcasting from satellites.

The need for Canada to establish a domestic satellite communications system was analysed in the Government White Paper of March 28, 1968. A lower-cost telecommunications and television service, available to any point in Canada, particularly the North, should have a profound effect on the development of the country. This system should be in operation early in the 1970s.

The international aspects of these considerations led Canada to become in 1964 one of the founding members of the International Telecommunications Satellite Consortium (INTELSAT), now comprising some 75 states intent on the creation and operation of a world-wide commercial

satellite communications system. Canada has also participated actively in the international use of satellites for space research.

The exploration and use of space requires international co-operation on a broad scale in order, *inter alia*, to bridge the rapidly widening gap in space technology and benefit between the developed and less-developed states. The possibility, for example, of instantaneous world-wide communications requires new and imaginative planning and implementation, particularly in the legal field, if the danger of chaos or lack of law, hindering orderly and equitable development, is to be avoided.

Canada's task in the seventies is to work with other states, taking into account Canadian domestic requirements, towards making available to all mankind the benefits from international satellite systems. In particular, it should:

(1) continue support of the United Nations studies on the technical, political, economic, legal, social and cultural implications of direct broadcasting from satellites;

(2) press for the availability of the benefits to be derived from the use of satellite systems on a global and non-discriminatory basis;

(3) seek the development of organizational and administrative arrangements which will have special regard to smaller non-space states and to developing areas; and

(4) obtain an equitable use of the radio-frequency spectrum for all space communications and an adequately-planned means of ensuring the fair sharing of synchronous orbit positions.

To this end, Canada should, itself:

a) encourage the International Telecommunication Union to participate actively in the orderly development of international co-ordination and of standards and associated regulatory needs, including allocation of frequencies for present and future satellite communications systems and the establishment of conditions to safeguard "in orbit" positions, particularly over the equator;

b) encourage the Specialized Agencies such as the United Nations Educational, Scientific and Cultural Organization (UNESCO), the World Meteorological Organization (WMO) and the International Civil Aviation Organization (ICAO) to take account of the need for the best use of satellite systems in their own fields of jurisdiction and at the same time encourage greater co-ordination within the United Nations;

c) join in the study of supplementary arrangements to foster international co-operation and regulation of aspects of space comunications not adequately covered by existing organizations; and

d) actively develop legal principles which might govern the activities of states in the exploration and use of outer space and, in particular, to promote the conclusion of an appropriate agreement on liability for damage caused by the launching of objects into outer space.

7. Promoting International Co-operation in the Use of the Seabed Beyond the Limits of National Jurisdiction

The exploration and exploitation of the deep seas and the ocean-floor have accelerated to a point where it is generally accepted that the old rules and the old ways no longer wholly suffice. As a result, Malta proposed to the Geneva Assembly in 1967 that the United Nations should examine "the question of the reservation exclusively for peaceful purposes of the seabed and the ocean-floor, and the sub-soil thereof, underlying the high seas beyond the limits of present national jurisdiction, and the use of their resources in the interests of mankind".

In 1968 the General Assembly approved the creation of a 42-member Permanent Committee (including Canada) on the seabed with the following terms of reference:

a) to study the elaboration of some form of international regime for the exploration and use of the seabed, beyond the limits of national jurisdiction, in the interests of humanity as a whole;

b) to study the reservation of the seabed exclusively for peaceful purposes, taking into account international disarmament negotiations.

The most fundamental problem connected with the seabed item is the definition of the area said to be "beyond the limits of national jurisdiction". Some developed countries favour a relatively extensive jurisdiction for the coastal states on the basis of the "exploitability test" laid down in the Convention on the Continental Shelf, while others favour a more limited national jurisdiction. Some developing countries challenge the Convention and wish to place the widest area possible under an international regime so elaborated as to reserve the greatest possible benefit for their development

needs; others already claim very wide jurisdiction and deny the need to define the limits of national jurisdiction. Canada has supported the concept that national jurisdiction extends, on the basis of the exploitability test, to the whole of the "submerged continental margin", and thus, that only the area beyond should be considered as appropriate for the establishment of an international regime.

On the nature of the proposed international regime, opinion has been divided between those who favour a system with strong supranational elements, those who prefer merely the elaboration of a code to which states ought to adhere in their exploitation of the area in question, and those who do not rule out some form of international control but are not yet prepared to reach definitive decisions. Canada has taken the position that the question of the need for "international machinery" should not be prejudged one way or the other but should await progress in the technical and legal studies as to the nature of the regime to be established.

On the disarmament or non-armament of the seabed, differences of views have related to the interpretation of the phrase "peaceful purposes", and to the extent of the area to be reserved exclusively for such purposes and to the nature and efficacy of verification procedures (on which Canada has tabled a proposal). Some states have insisted that the peaceful use of the seabed precludes all military uses, while other states, including Canada, have argued that it does not bar purely defensive military installations.

Proposals for the establishment of international machinery range from those which would give the UN itself, or a UN agency, some form of jurisdiction and control amounting almost to sovereignty in relation to the seabed and the exploitation of its resources, to those suggesting merely a form of registration of exploration and exploitation. Here the basic division is, in general, between the developed and developing countries. The creation of international machinery with quasi-proprietary or sovereign rights might conceivably lead to confrontations, as between the UN and its member states, that could have grave consequences for international order.

In seeking to protect its national interests, Canada should strive to ensure that the ultimate definition of the limits of national jurisdiction respects existing international law (including the exploitability test), and takes into sufficient account a definition of the shelf based on the concept of the continental margin. Canada should also support the general concept of an international regime for the area of the seabed beyond national

jurisdiction, the exploitation of which should provide some revenue for the general benefit, while also leaving room for the legitimate expectations of the entrepreneurs undertaking the work of exploitation. Finally, Canada should continue to work for the reservation, for peaceful uses only, of the widest possible area of the seabed.

8. Promoting Observance of Human Rights, Including Adherence to and Respect for Various United Nations Conventions

The Universal Declaration of Human Rights adopted in 1948 established the broad principles which the members of the United Nations believed would be the framework within which future declarations and conventions would be shaped. During the last two decades, in the wake of the Universal Declaration, a wealth of international legislation has come into existence.

The Covenant on Economic, Social and Cultural Rights, the Covenant on Civil and Political Rights, with the Optional Protocol thereto, and the Convention on the Elimination of All Forms of Racial Discrimination represent the culminating point in the efforts of the organization to transform the exhortatory provisions of the Universal Declaration into legally-binding obligations.

Although much has been accomplished on the legislative side of the United Nations work in the field of human rights, progress in implementation has been very limited and will require increasing attention during the period which lies ahead. The most widely used method by which the United Nations tries to follow the evolution of the respect for human rights in various parts of the world has been that of periodic reporting. Other methods of implementation, not yet in operation, are provided for in the Covenant on Civil and Political Rights and in the Convention on Racial Discrimination. Attention is also being given to the possibility of studying individual situations which reveal a consistent pattern of violations of human rights, and to a proposal to establish the office of the United Nations High Commissioner for Human Rights.

Also important, in the long term, is the proposal for increased resort to regional machinery for the safeguarding of human rights. Positive experience has been gained from the human rights procedures formulated

within the framework of the Council of Europe. In Canada, some provinces have set up human rights commissions and others have appointed ombudsmen.

Canada's general approach to human rights issues in the UN has tended to be cautious, in particular with respect to ratification of human rights instruments, mainly because of problems arising as a consequence of divided federal and provincial jurisdiction. A number of the instruments adopted by the United Nations fall, at least partially, within provincial jurisdiction, e.g. the Convention on Racial Discrimination and the Convention on Civil and Political Rights. Deficiencies in the machinery for federal-provincial consultations on these questions have not encouraged wide understanding of the importance of these international undertakings and have hindered attainment of the support required from the provincial governments before Canada could adhere to them.

Canada's future approach to human rights at the United Nations should be both positive and vigorous. Now that it is committed to protect and safeguard the rights of Canadians, both individually and as disadvantaged minorities, it should accept the obligation to participate actively in this important area of the UN's work. The enthusiasm and interest displayed by Canadians in the programme that was carried out in this country as part of the International Year for Human Rights demonstrated that there is an expectation that Canada will participate in international efforts in the human rights field on a more extensive and meaningful scale than in the past. Specifically, urgent attention should be given to the development of effective procedures for consulting with the provinces and securing their support for Canadian signature and ratification of UN instruments in the field of human rights. In situations where, following consultations with the provinces, Canada has either ratified or wishes to adhere to an international instrument dealing with human rights, we should encourage early and concerted action by federal and provincial legislatures to bring Canadian domestic legislation into conformity with the legal obligations of the text.

As the emphasis in the UN in the years ahead will undoubtedly concentrate on the very difficult task of ensuring the implementation and general acceptance of human rights already enunciated in such instruments as the Covenants, Canada should give particular attention to ways in which it can further this process; the Canadian record of implementation will have obvious relevance in this respect.

9. Contributing to the Progressive Development and Codification of International Law

United Nations law-making activities are now very wide-ranging. They include, for example, the following fields: human rights; definition of aggression; seven basic "friendly relations" principles of the Charter; Outer Space Liability Convention; direct satellite broadcasting; the peaceful uses and reservation for mankind of seabed resources beyond national jurisdiction; private international trade law; special diplomatic missions; the relations between states and international organizations; state succession; and state responsibility. States of all political shadings are co-operating in developing and strengthening a UN-oriented legal basis of a world order. Canada is playing a vigorous and dynamic role in these activities, particularly on issues touching on Canada's national interests.

In the next decade, there will probably be bolder demands by developing countries for trade concessions and aid from developed countries as a legal right. The developing countries will also continue to press for the establishment of international machinery to foster trade and financial measures in order to accelerate economic development and raise living standards in the poorer parts of the world through the United Nations Conference on Trade and Development. The United Nations Commission on International Trade Law, established in 1966, is endeavouring to promote the progressive harmonization of trade law with a view to reducing or removing the legal obstacles to the flow of international trade. Canada should continue to follow closely developments in these and other bodies within the UN system which are concerned with the elaboration of general rights and duties between developed and developing countries on trade and aid questions and should ensure that its legal position and trade and aid policies are closely co-ordinated.

Another major question in the future will be the impact on the development of international law within the UN should the People's Republic of China gain admission. The Communist Chinese would probably tend to identify with the non-aligned states, while at the same time postulating a Marxist-Leninist (Maoist) approach to the development of international law. Canada should, therefore, continue its current programme of serious scientific studies of the legal doctrines held by the People's Republic of China.

Another continuing trend may be the assertion of a legal doctrine which would preclude a state subject to infiltration by armed bands, sub-

version or terrorism by another state from calling on third states to assist it in defending itself. Canada should ensure that any definition of aggression adopted by the UN for possible application by the Security Council will safeguard the Council's authority and cover such indirect aggression as well as direct armed aggression.

The elaboration in declaratory form of the basic principles of international law reflected in the UN Charter will be continued by the Special Committee on Principles of International Law Concerning Friendly Relations and Co-operation among States. Both the potential benefits and dangers which this exercise presents necessitate continued Canadian involvement to ensure that the results contribute to the orderly development of international law.

Another trend will be the further development of the concept of the legitimacy of intervention by the UN on humanitarian grounds in matters which might otherwise be excluded by Article 2 (7) of the Charter. Recent developments have illustrated the need to develop some agreed basis in international law for assistance to civilians in the case of internal or guerilla-type conflict which would not infringe on the sovereignty of member states. Canada should encourage efforts to amend the Geneva Red Cross Conventions and to develop in the UN principles intended to provide a legal basis for humanitarian assistance. It should at the same time participate in efforts to institutionalize the provision of aid through the UN system to civilian populations involved in internal as well as international conflicts.

Canada will continue to participate actively in efforts to develop principles of international law intended to safeguard the physical environment, basing its approach on the principles enunciated (and applied by Canada) in the Trail Smelter case, in the Test Ban Treaty, and developed by the International Joint Commission, and on the fundamental right of self-defence. In particular, Canada should contribute to the development of rules of international law to protect coastal states against pollution.

Canada will continue to encourage the awareness of the importance of international law on the part of developing countries through contributions to bilateral and multilateral programmes of training, scholarship and seminars in international law which emphasize the need for peaceful settlement procedures and the requirement for one set of principles to govern the practice of all states.

Canada will continue to ensure that its political and legal positions are correlated in its approach to such essentially political problems as peacekeeping, disarmament, universality in the UN and the shift from regional

security arrangements back to the original Charter concept of UN collective security. Progress on these issues will have concomitant effects on the development of a rational legal basis for a world order.

In sum, while basing its foreign policy on recognized principles of international law, Canada will continue to introduce constructive innovations (as Canada has done on the law of the sea and on the Arctic environment) where international law is not sufficiently responsive to present or future needs.

10. Projecting Canada as a Bilingual Country Within the United Nations Context

There are two aspects to the achievement of this goal; the first relates to the position of the two national languages as official and working languages of the UN; the second arises from the nature of Canadian representation and projection of the Canadian image at UN bodies.

The United Nations and the Specialized Agencies were all founded on a multilingual basis. There are five official languages at the United Nations: English, French, Chinese, Spanish and Russian. Two working languages for the General Assembly and the Security Council were adopted at the founding of the United Nations—English and French. In 1948, on the initiative of Latin American members, Spanish was added as a working language of the General Assembly.

For a variety of reasons English has been the predominant language of common usage in UN organs. As a consequence, the *francophone* countries, including Canada, have found it necessary to press hard for improvement in the position of French as a working language. Experience at the United Nations has shown, however, that effective promotion of the use of French within the organization itself can be achieved only by elevating the status of other official languages as well.

At the twenty-third session, therefore, Canada co-sponsored a resolution, which was adopted with widespread support, specifying measures for the promotion of multilingualism in the professional and higher categories of United Nations personnel. Similarly, Canada supported a resolution calling for the addition of Spanish as a working language in the Security Council and adding Russian as a working language in the General Assembly as well as in the Security Council. The Security Council subsequently accepted these recommendations, so far as they related to its activities, in January 1969.

As regards the nature and activities of Canadian delegations at the United Nations and the Specialized Agencies, it has long been recognized that both major linguistic groups should be adequately represented. Recently, vigorous efforts have been made to improve the nature of Canada's participation on a bilingual basis. In accordance with the guidelines laid down in the 1968 White Paper entitled *Federalism and International Relations* and its supplement, *Federalism and International Conferences on Education*, provincial representatives have been included as part of the Canadian delegation or representation to UN conferences such as those of UNESCO, and of certain of the other Specialized Agencies and other major United Nations gatherings.

There are several states, members of the United Nations or the Specialized Agencies, which are bilingual or multilingual. It is for consideration whether the United Nations or one of its Agencies, perhaps UNESCO, could make a contribution to the solution of problems which all such nations are faced with as a consequence of their plurilingual character.

It is important that continuing efforts be made to ensure that a balance is maintained in the use of English and French in making statements of Canadian policy within the United Nations. The principles outlined in the 1968 White Paper and its supplement should be pursued vigorously and, where these considerations conflict with those of economy, they should take precedence. The possibility of holding an international conference to identify and study the problems of plurilingualism, with invitations being extended to all the officially bilingual or multilingual member states as well as those countries, particularly in Africa and Asia, which might be interested in these matters, should be investigated.

11. Contributing to the Institutional Development of the United Nations as a Centre for Harmonizing the Actions of Nations

The structure of the United Nations family of organizations, the way it operates, and the resources at its disposal are clearly central to its success or failure in fulfilling the Charter purposes, and are also central to the attainment of the Canadian goals which have been put forward in this review.

The United Nations family is big and rapidly growing bigger. In addition to the UN itself, with all its component organs, it includes a dozen Specialized Agencies and a complex structure of commissions, boards and

other autonomous or semi-autonomous bodies, each with an internationally-recruited supporting staff. The total of the expenditures for the United Nations family met by assessments of the membership in 1948 was $63.5 million. By 1965 it stood at nearly $246 million. At present rates of increase, it will exceed $500 million a year by 1972. In addition, these organizations are responsible for the direction and conduct of voluntary programmes, which in 1969 exceeded $250 million and which are growing at about the same rate as the regular budgets. This means that it must be assumed that by 1972 the UN will be a billion-dollar-a-year business, with Canada contributing about $40 million of this amount.

Both the budgetary levels and rates of growth of the UN organizations are highly controversial. The 26 so-called "developed" members, which collectively are called upon to provide between 85 and 90 per cent of the UN's resources, see the cost-spiral as symptomatic of unwelcome developments. These include resolutions drafted and approved by the majority without regard for the views of the small minority of members upon whom falls the main burden of the implementation; technical conferences and operational activities turned into political confrontations; an enormous increase in the number and length of conferences, all too many of which are concerned with repetitive and largely unproductive debates and uncritical approval or active encouragement of expanded activities by international secretariats without due regard to planning priorities or operational efficiency. Perhaps the most resented feature of rapid budget growth is that it includes an increasingly large "aid-component". Most developed countries support the thesis that the assessed budgets of the UN and its agencies should be limited to administrative costs and that aid programmes should be voluntarily financed. The erosion of this convention presents one of the most immediate and dangerous threats of destructive confrontation facing the UN today, because of the possibility that the great powers, which collectively are responsible for two-thirds of the assessed budgets, will arbitrarily impose limits on the size of their contributions or the purposes for which they may be used.

Canadians, as citizens of a developed country, instinctively share the desire to see a UN which can effectively conciliate disputes and bring peace by equitable compromise, which will have the capacity to set economic and social targets that impose tolerable burdens on contributors, which generates programmes that expand at a "reasonable" rate of growth, and which carries out its mandate by means of an efficient and impartial secretariat.

It is important, however, not to lose sight of the fact that there is another side to the controversy. As the 100 developing nations see it, the

UN's main purpose is to further the process of rectification of the system of political, economic and social subjugation to which they have been held in bondage because of the self-centred policies of the developed nations. Faced by the unwillingness of developed countries to increase the admittedly inadequate level of development assistance, they have had no compunction in using their voting power to push through substantial increases in the assessed budgets of UN agencies to finance activities intended to help them. It has seemed right and proper to them that their nations should be represented at all levels of the international secretariats and that the requirement to achieve equitable geographical distribution in the employment of staff, until such time as a reasonable balance is achieved, should in fact be the paramount consideration.

So far as the developing countries are concerned, their successes at the UN and in the Councils of the Specialized Agencies are heavily outweighed by their failures. Their main goals are still beyond their reach. Above all, they have not been able to obtain significant increases in development assistance or improvement in the terms of trade. The developed countries, and in particular the permanent members of the Security Council, still hold the real reins of power. This catalogue of frustration presents, on the one hand, what is perhaps the greatest threat to the UN as an institution, as well as offering at the same time an opportunity for reform. There is an opportunity for those developed countries which have demonstrated their willingness to go some way to meet the aspirations of the developing nations to point out that militancy has not produced many dividends and that, at least in some areas, other and more constructive alternatives would be worth trying. This thesis forms the basis of the political and economic recommendations advanced elsewhere in this study, but it is also applicable to the question of how effectively the UN functions as a centre for harmonizing the actions of nations.

It should be recognized, however, that, at least in the short run, any actual accomplishments will probably be few and limited. They will depend on Canada's success and that of like-minded governments in maintaining the confidence of the developing countries that Canada and others are sincere in their efforts through their support for political initiatives intended to eliminate at least some of the causes of the present dissatisfaction of the developing countries.

The first objective should be to seek public understanding and support for the goals we are pursuing in the United Nations, as well as the broadest possible participation in carrying them out. Canada must also improve its record with respect to continuity of representation in UN bodies. To be an

effective representative it is essential to have a good grasp of the subject matter and of UN procedures and to know and be known by one's colleagues from other delegations; the requisite level of experience cannot be acquired within the compass of a single series of meetings.

It has been a long-standing Canadian practice to select some delegates to UN bodies from outside the public service. This is a valuable way of strengthening public support and understanding of the United Nations. In such cases, however, delegates should be in a position to give undivided attention to their assignments and should be asked to take on such commitments over a period of years.

The Canadian delegation has always maintained active consultation throughout the UN membership, and particularly with Canada's traditional friends. However, in an effort to break out of the majority-minority pattern, special attention should be given to carrying on more extensive consultations with selected developing countries, particularly the Latin Americans.

It should be a basic aim of Canadian policy to strengthen machinery for co-ordinating and rationalizing the activities of the United Nations family of organizations in order to eliminate wasteful duplication and to facilitate effective programme planning so that the resources of the United Nations system as a whole will be spent to greatest advantage. Canada should maintain its policy of striving to ensure high standards of effectiveness and efficiency while taking care not to become identified with forces of resistance to well-planned activities which call for a reasonable rate of growth.

Employment of Canadians in the secretariats of UN organizations is both an obligation and a right. In particular, the secondment of officers at the executive level from the Canadian Public Service to the UN for term appointments will help to maintain a high level of competence in international organizations and give valuable experience to the individual.

* * * * *

With its Specialized Agencies, its subsidiary organs, its special committees and other international bodies, the United Nations continues—despite recognized shortcomings and handicaps—to serve the cause of world order in many different ways on a shrinking planet. Within the United Nations framework there exists the capacity for developing progressively a world-wide system of institutions and laws, standards and reforms, rights and obligations, and codes of international conduct. The system also pro-

vides the means of international co-operation among nations in the pursuit of objectives such as those described above.

The Government will continue its firm support for international organizations within the United Nations family. It will be prepared to join new ones established to serve international purposes consistent with the broad objectives Canada is seeking abroad through other external activities. The Government will be particularly concerned to ensure that all United Nations bodies are maintained in a state of maximum effectiveness for dealing with real problems emerging in a rapidly changing world.

This attitude underlies the Government's approach to the United Nations and the issues it seems likely to face in the coming decade. The objectives that Canada will be pursuing are in line with the basic policy emphasis described in the general paper in this series—Economic Growth, Social Justice, Quality of Life, Peace and Security. The United Nations and its related international organizations provide the instrumentalities and an ambiance for giving international expression and meaning to most of those policies. The Government will be looking for opportunities to do so, and in a way which will strengthen the capacity of the United Nations to contribute to similar ends.

In its contribution to the General Debate that opened the twenty-fourth General Assembly of the United Nations, Canada called for a strengthening and renewal of the organization, a refinement of objectives, a surer sense of priorities, a simplification of procedures. Canada urged upon the member nations a broader view than that confined to narrow concepts of sovereignty and national interest, the need for effective action rather than empty debate, for negotiated settlements rather than sterile confrontations.

The two great functions of the United Nations—to keep the peace and to improve the conditions of life on earth—call for a newly-effective and rejuvenated United Nations structure. Together with other nations, Canada will continue to work toward this end.

International Development

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Chapter I

THE CHALLENGE OF DEVELOPMENT

In late 1968, as part of its overall review of foreign policy, the Government initiated a comprehensive review of Canadian policies in international development assistance. The review examined a wide range of issues, including the motivation and purposes of Canadian support for development assistance, its volume and terms, Canada's strategy in this field, the relationship between multilateral and bilateral programmes, allocations among recipient countries, the role of the private sector, and the relationship of development assistance to other international economic policies. The review has now been completed and the special studies which were commissioned for it have been made available to the Standing Committee on External Affairs and Defence. The purpose of this paper is to present to Parliament and to the Canadian people the policies which the Government intends to adopt in the field of development assistance.

The review of Canadian development assistance policy was timely. Concurrently with the Canadian review, the Commission on International Development headed by the Right Honourable L. B. Pearson was undertaking a comprehensive analysis of development assistance within a global context. A special United Nations preparatory group was developing a strategy for the Second Development Decade and a study was being undertaken by Sir Robert Jackson of the development capacity of the UN system. These reviews inevitably considered many of the same questions. The Canadian review and proposed policies naturally reflect Canada's particular position in the world and its special interests and competence. The other studies complement the Canadian review by outlining the global framework within which the Canadian programme must operate.

The development process and the provision of external assistance for development are complex. All aspects of policy are completely interdepen-

dent and one element cannot be changed without materially affecting all others. Further, a development assistance programme affects the central social and political aspirations of the developing nations, and must be sensitive to those aspirations. And, finally, the ultimate rationale for the provision of development assistance raises fundamental questions about the nature of the obligations of men and states to each other, questions that have occupied the attention of philosophers and political scientists for centuries and to which there are not yet universally accepted answers.

To reach conclusions on which a coherent development assistance policy can be based, it is necessary to examine these complex issues and to identify the main considerations that pertain to each. The first question is: Why does an international development problem exist and why is it important that Canada do something about it?

The search for the answer to this question can be aided by trying to identify what is unique about the development problem in the twentieth century. Poverty is not unique to this century. It has always been prevalent in the world, perhaps in even more severe degree than today. What is unique today is the fact that the existence of large-scale poverty and the attempts to relieve it have become an important issue within nations and in relationships amongst nations. This arises from several factors. One is that while there has always been a gap between rich and poor within virtually all nations there has never before been the wide disparity as between nations which today separates the highly-developed industrialized nations from the less-developed, low-income nations of the world.

A second factor is that never before has there been such universal awareness of these disparities. There are a number of technological, social and political factors that suggest that poverty in the developing countries will become an increasingly important issue in the remaining decades of this century. The very rapid development of the means of communication has brought the affluent and the poor into much more direct contact with each other. No longer can the wealthy live in exclusive neighbourhoods or country estates, isolated from both contact with and knowledge of the extent and intensity of poverty around them. Nor do the poor now live only in isolated countries or rural regions, or in well-defined urban slums, with little knowledge or contact with the rest of society. The automobile, train, radio, cinema, television, and airplane have changed those conditions. The advent of cheap mass air travel will accentuate the rate of change even more: for air travel permits a direct two-way person-to-person contact which may have a greater impact than the relatively passive acquisition of information from television and cinema. The affluent are now very aware

of the extent and degree of poverty; equally important, the poor are aware of the extent and degree of wealth. This awareness is a recent development in our history, and provides the main basis for the uniqueness of today's development problem. As communications become even more efficient, the awareness will generate even more acute and imperative pressures.

A third and related factor is the increasing public concern about poverty, among both the affluent and the poor, and the growing reluctance to accept this condition as inevitable. Not until the twentieth century has there been a demand for comprehensive public policies, both national and international, to eliminate general poverty. There has been a long history of private and religious philanthropies devoted to the alleviation of misery. Examples can also be found in the history of most countries of public welfare directed to the relief of some of the worst cases of hardship. But until this century, and particularly since 1945, there has been no assumption by society in general, acting through governments, of a responsibility for the elimination of the widespread *conditions* of poverty.

A fourth factor is that, for the first time in the history of the world, the accumulated wealth and technology of the affluent societies is sufficient to make possible the eradication of widespread endemic poverty in the world. The Report of the Commission on International Development reveals quite clearly that, on any historical comparison, the progress of the last two decades has been remarkable. The Report asks: "... can the majority of the developing countries achieve self-sustaining growth by the end of the century? For us, the answer is clearly yes." The affluent can no longer say that it is futile or even self-defeating to try to eliminate poverty. It will still be difficult; it may take several decades; and there is no guarantee of success or of the consequences of success; but the eradication of poverty now seems clearly attainable.

Development assistance can provide only a relatively small proportion of the total resources required by the developing countries. The people of these countries have accepted the primary responsibility for their own development and provide most of the resources required. They must set their own economic and social objectives, chart the main direction and dynamics of their growth, and accept the economic sacrifices, changes in their society, and self-discipline that will be required. Development assistance can provide the extra margin of support that will enable their sacrifices to be tolerable, and that will supplement their own resources with the particular skills, experience, equipment and materials that are limited within their own economies but that are essential to the continuation of their development progress.

External assistance, although marginal in size, can thus have an important and even decisive impact on the development process at particular stages and points of time in each country. For this reason, it is important that development assistance be carefully integrated into the development strategy of each developing country so that it will support the objectives of the society to which it is directed.

The massive transfer of resources from the wealthy nations to the war-torn and less-developed countries in the post-war years represented a historical breakthrough in the behaviour of nations. It is true, of course, that part of the motivation for the transfer of resources at that time was the desire to strengthen the Western alliance. But it was also true that much of the support for the programme was based on a genuine feeling of obligation both to those countries that had suffered war damage and to the new nations emerging from colonialism. The translation of this sense of obligation into a massive nation-to-nation flow of financial assistance represented a genuinely new phase in the relationship between nations.

Today there are signs that the will behind this transfer of resources is weakening in some of the major donor countries. Part of the change undoubtedly represents a decline in the strength of some of the original political motivations for the transfer of resources. But the problem of widespread poverty remains as one of the principal challenges to the equilibrium of the world. International co-operation in the post-war period has created a considerable momentum in the drive to reduce world poverty, and if this momentum is lost there could be a significant impairment in the relationships between the more-industrialized and the less-developed nations of the world with serious, perhaps tragic, consequences for world peace and order.

There is still the question of why the eradication of poverty in developing countries should be given priority by Canada.

One basic value of Canadian society is the importance of the individual person, and of his rights and welfare. This value has a long heritage in our culture; it can be traced from one of the central tenets of the Greco-Judeo-Christian ethic. During medieval and early modern times, this ethic was adopted and translated into the legal and political systems which Canada has inherited. Those systems, imperfect though they may be in practice, are based on the tenet that all individuals in a society have both rights and obligations toward other citizens in that society, because the potential of that society cannot be realized unless the potential of each of its members is also realized. It is the basic assumption on which a democratic system rests.

In recent decades, these values have operated through the legal and political system of Canada to support legislation under which substantial amounts of resources have been transferred from wealthy to poor regions and classes of Canadian society. It is the sense of obligation to the less-affluent that underlies a progressive tax system, a system of free general public education, widespread pension plans, regional development plans, and general health-care programmes; all of these programmes are designed to provide a distribution of opportunities and rewards for the individual members of Canadian society that is consistent with the sense of justice and obligation of Canadians. It was in large measure an extension of this sense of social obligation and justice to the people in the less-fortunate countries that helped provide public support for the transfer of large amounts of Canadian resources to those countries in the post-war period.

The increasing awareness of poverty in the developing countries will thus be imposed upon a Canadian society in which concern for the welfare of others is one of the central values. To ignore that awareness would therefore be tantamount to a regression to a form of society in which the values of that society are inverted at its boundary. On the other hand, to recognize and act on the awareness would, in a real sense, reflect, extend and reinforce those values which are central to the creation of the kind of society which Canadians wish for themselves. A society able to ignore poverty abroad will find it much easier to ignore it at home; a society concerned about poverty and development abroad will be concerned about poverty and development at home. We could not create a truly just society within Canada if we were not prepared to play our part in the creation of a more just world society. Thus our foreign policy in this field becomes a continuation of our domestic policy.

In many respects, Canada is one of the most international of nations. We are both an Atlantic and a Pacific nation. We occupy the land that lies between the world's two great powers, the United States and the Soviet Union. The people of Canada derive from many lands and cultures. We depend for our prosperity to a greater extent than most countries on international trade and a healthy world economy. The values of Canadian society, as well as the future prosperity and security of Canadians, are closely and inextricably linked to the future of the wider world community of which we are a part. It is thus important for Canada that we accept our fair share of the responsibilities of membership in the world community.

It is also in our own interest to do so. We could not expect to find the same sympathy for Canadian interest or support for Canadian policies

amongst the other nations with which we are associated in the world community if we were unwilling to bear our share of our collective responsibilities. Development assistance is one of the ways in which we can meet these responsibilities.

It is also becoming increasingly apparent that many of the problems mankind is facing cannot be dealt with on a purely national basis and require the establishment of a variety of international mechanisms and institutions. This international "system" has made substantial progress since the end of the Second World War with the creation of the United Nations and its Specialized Agencies and the establishment of the International Monetary Fund (IMF), the International Bank for Reconstruction and Development (IBRD) and the International Development Association (IDA). The transfer of resources to the less-developed nations is one of the most important functions of this international system and one of the most effective means of improving and strengthening it. The growing pressures of population growth, environmental problems, technological change and the demands of an increasingly interdependent international economy all point to the need for the continued evolution of this international system. Support for development assistance can make an important contribution to this process.

Assistance to the less-developed nations serves Canada's interest in some other and more immediate respects. It is an important and integral part of the general conduct of Canada's external relations, particularly with the developing countries. It provides an initial source of financing for export of Canadian goods and services to the less-developed nations and provides Canadians with the kind of knowledge and experience which help support the expansion of Canadian commercial interest overseas. Successful economic development in the less-advanced countries will assist in the expansion of world trade as a whole and provide a growing market for Canadian goods and services.

By providing an outward-looking expression of the bilingual character of Canada, our development assistance role also helps contribute to our sense of internal unity and purpose.

The Government believes that a firm commitment to the support of international development is one of the most constructive ways in which Canada can participate in the international community in the coming decades. Such a commitment is directly relevant to the major problems and potentialities of our time. It reflects and reinforces the values, concerns and objectives of Canadian society. It is consistent with the international character of Canadian interests and will comprise an important part of

Canada's external political and commercial policies. And in this aspect of our international relations Canada's example can at this time make a significant difference in the precarious balance in which the future of the entire development enterprise is now poised.

In order to implement this commitment, the Government, therefore, intends to increase the amount of funds allocated to international development assistance over the coming years to move towards the internationally-accepted targets; to confirm as the primary objective of the programme the economic and social development of the developing countries; to maintain the concessional financial terms of Canadian development assistance and to make a significant move towards untying it as to procurement; to increase the proportion of Canadian assistance allocated to multilateral programmes to about 25 per cent of total official assistance; to continue to allocate most bilateral assistance to countries of concentration, but to provide some 20 per cent of bilateral assistance to other developing countries; and to increase support of the private sector's participation in the development programme. These measures to improve the quantity and the quality of the Canadian development assistance programme are the subject of the remainder of this paper.

Chapter II

THE GOVERNMENT'S DEVELOPMENT ASSISTANCE PROGRAMME

Objectives

If the elimination of widespread endemic poverty is to be the ultimate result, then the objective of a development assistance programme must be to support and foster the growth and evolution of the social, educational, industrial, commercial and administrative systems of the developing countries in such a way that their people can improve their own organization and capacity to produce, distribute and consume goods and services, and thereby improve the quality of life in their countries. For brevity, this process may be called economic and social development.

The Government regards the economic and social development of the developing countries as the primary objective of the Canadian development assistance programme. Development assistance thus will be an important and integral programme toward achieving the basic Canadian aims to improve the quality of life and social justice within the total domestic and foreign environment in which Canadians will have to live and work in the remaining decades of this century. Toward this objective, all allocations and commitments of development assistance funds should be measured chiefly against criteria relating to the improvement of economic and social conditions in the recipient countries.

This objective does not lessen the necessity of relating the development assistance programme to other Canadian national objectives. It must be not only relevant but sensitive to them. It will be clear, for instance, that development assistance will tend to be concentrated in countries whose governments pursue external and internal policies that are broadly consistent with Canadian values and attitudes. The Government believes that the development objectives can complement and reinforce other Canadian objectives in the developing countries. A well-designed and

well-implemented development programme will support and form part of the general conduct of external relations. It will link us more closely with other developed countries in pursuit of common ends. Canada's know-how and experience will be given greater opportunity for expression. Canadian goods and services will become more widely known and used. Within international organizations, Canadian policy positions and views on development questions will be related to the size and effectiveness of the Canadian assistance programme. Broadly speaking, the opportunity for gaining international understanding of Canada's national interests and objectives will be enhanced by an increasing development aid programme.

The Canadian Role in Development

The development problem is immense and the collaboration of all the more-developed countries will be required if success is to be possible. One or two countries cannot succeed alone. Against the scope of the total requirements Canada's assistance will not be dominant in a quantitative sense; but the programme will permit Canada to make an important contribution to the effectiveness of assistance and in the evolution of policies that will improve the overall conditions for growth and development.

The Amount of Development Assistance

The amount of assistance which can be provided to the developing countries depends upon the resolution of two questions: How much assistance can the developing countries utilize effectively? How much assistance can the more-developed countries make available?

The review of Canadian development assistance policy indicated, as did the Report of the Commission on International Development, that on the whole the developing countries can utilize as much assistance as the donor countries can conceivably make available if it is provided under terms and conditions which are not unduly restrictive or burdensome. There may be a limited ability to utilize funds on well-articulated projects or programmes at particular times in particular countries. But a well-designed and balanced development assistance programme should include sufficient technical assistance, education and training components to increase the "absorptive" capacity of the developing countries. Thus, over

a relatively short period of time, a higher level of assistance can have built into it the capacity for effective utilization.

The ability of developing countries to absorb a larger volume of aid depends also in part on the quality of that aid. In particular, the terms of the aid must be such as not to cause future serious debt-servicing problems. This aid must also be provided in a sufficiently flexible way, so that it can be directed to the most urgent and pressing problems. A somewhat lower volume of development assistance on concessional terms may be better than a larger volume on harder terms. Thus the quantity and quality of aid are within certain limits interchangeable.

The review also indicated that it is within the ability of the Canadian economy to make available the resources for any level of development assistance that is within the range of practical consideration. Most of these resources will, of course, have to be directed away from other purposes to which the Canadian people would otherwise apply them. But the review indicates that this sacrifice can be made without lowering Canadian standards of living, and even without affecting significantly the rate of improvement in the standards of living. There is therefore no basic Canadian inability to transfer resources. The main constraints arise because the largest portion of the transfer of resources takes the form of official development assistance, and must be directed through the public sector accounts. The question of what can be "afforded" is thus a budgetary one, and not a question of the basic availability of resources in Canada.

Development is a long-term commitment that will require a steady and increasing flow of resources. Progress will depend upon a mutual obligation by the recipient countries to make the maximum effort to commit their own resources to development, and by the more-developed countries to provide a dependable flow of external resources. The development process must therefore be insulated against fluctuations in the allocation of development assistance that might arise from budgetary or financial considerations. To provide this stability, and to recognize the priority of the development assistance programme, the Government will endeavour to increase each year the percentage of the national income allocated to official development assistance. In the fiscal year 1971–72 the level of official development assistance allocation will be increased by $60 million from the level of $364 million in the fiscal year 1970–71.

The Government's commitment will enable the Canadian development assistance programme to grow on a regular and dependable basis that will provide a substantial increase in the proportion of Canadian resources allocated to development assistance by the middle of the decade.

The Content of the Programme

The provision of development assistance involves the transfer of resources from Canada to developing countries. In the case of the bilateral programmes, the transfer for the most part takes the form of the direct provision of Canadian goods and services. In the case of the multilateral programmes, part of the cash contributions is not tied to procurement in Canada but a significant portion flows back for the purchase of Canadian goods and services. Thus the total programme draws upon a wide range of Canadian expertise, services and products.

The Canadian development assistance programme has historically placed considerable emphasis on the provision of technical assistance to the developing countries as a means of transferring knowledge and expertise. Under the technical assistance programme, advisers are sent to developing countries and students are brought to Canada for enrolment in Canadian universities, technical schools or special industrial courses. Canadian teachers have also been provided to the developing countries, primarily at secondary levels, both academic and technical, and at universities. In recent years, an increasing amount of technical assistance has been extended through contracts with consulting firms, universities, government departments and agencies, and other private and public organizations. In this way, the total resources and experience of Canadian organizations can be used to establish and support similar institutions in the developing countries.

A wide range of capital equipment and related services is also financed under the development assistance programme. These include telecommunications, railway, aircraft and other transportation and communications equipment, electrical-generation and transmission equipment, engineering services for surveys, feasibility studies and design engineering, food-processing equipment, breeding cattle and many other types of capital goods and related services.

As the basic industrial systems of some of the developing countries have become better established, an increasing proportion of the Canadian programme has been provided in the form of industrial raw materials such as pulp, newsprint, asbestos, copper, aluminum and other non-ferrous metals, fertilizers and semi-manufactured components. Although the composition of this form of aid may change as requirements in developing countries evolve, it is expected that it will continue to account for an important part of the Canadian bilateral programme.

Food aid has also been a very important element of Canadian assistance. It has been used essentially to relieve famine or the threat of famine and to relieve the recipient countries from the need to spend a large portion of their scarce foreign exchange resources on imports of food. The ultimate objective must be to help the less-developed countries to develop and improve their own food-production capabilities. Food aid must be provided with discretion since large amounts of food, when not directly required to meet shortages, can depress agricultural prices in the developing countries and discourage investment and expansion in the agricultural sectors of their economies. The requirement for food aid thus tends to fluctuate depending on crop conditions and stocks in the developing countries and Canada will continue to provide substantial quantities of food aid as these conditions require. The composition of the programme will also vary to include such foodstuffs as wheat, wheat flour, powdered skim milk, cheese, fish products, pulses, corn and other products available in Canada.

The Terms of Aid

The terms under which official development assistance is made available to the developing countries are the characteristic which distinguishes it from ordinary international commercial transfers of capital. There are three classes of terms and conditions for development assistance. The first category concerns the financial terms which cover interest rates and the terms of repayment. The second category concerns how much of the assistance must be used to pay for Canadian goods and services and how much can be used for purchases in the recipient country or third countries. Finally, there are conditions attached to the use of the counterpart funds, or local currency, that have been obtained by the government of the recipient country through the sale to its own people of commodities and food supplied on a grant basis from Canada.

The official component of Canada's development assistance programme has historically been provided on very soft financial terms. The Government recognizes the importance of the effect of these terms on the real value of Canadian assistance and undertakes to continue to provide the major portion of Canadian bilateral assistance on the basis of either grants or 50-year interest-free loans with ten years' grace on repayment.

In order to improve the flexibility of the Canadian programme to meet specific requirements of high development priority, the Government

further intends to liberalize the procurement conditions to cover shipping costs on all goods provided under the official development assistance programme, and to make available up to 20 per cent of total bilateral allocations on a completely untied basis for projects and programmes of particularly high development priority. In addition, the Government will be prepared to work with other donor countries towards agreement on general measures which might be taken to untie development assistance on a multilateral basis.

The Government will continue to require counterpart funds to be established by recipients of food aid and commodity aid. These funds may be utilized to provide, where feasible, local currency components and support for projects or programmes agreed to between Canada and recipient countries. Under appropriate conditions, counterpart funds not allocated to specific projects or programmes within a reasonable time may be released to the recipient to provide support for its general development programme.

Contribution to Multilateral Agencies

The multilateral agencies play a singularly important role in the international development process. These agencies include principally the United Nations organizations, the World Bank group, and a growing number of regional development banks. The strength and value of the agencies arise primarily from the nature of their relationship to the recipient countries. Virtually all of them include membership of the developing countries. This often gives them a status and degree of acceptability which enables them to enter into a more effective development partnership with recipients than would be possible for a bilateral donor. It also helps insulate the development relationship from the political difficulties and sensitivities sometimes associated with direct bilateral programmes. A number of difficult problems, however, continue to impede the ability of many of the international agencies to make the most effective use of these inherent advantages.

Another factor concerning multilateral aid which must be taken into account is that it often reduces the sense of direct participation of the people of the donor country, which may result in reduced interest and support for the development assistance programme. Nevertheless, a substantial multilateral programme can directly contribute to development in a very effective manner and improve the conditions under which bilateral funds are utilized.

Canadian contributions to multilateral institutions have ranged between 15 per cent and 20 per cent of the total official programme during the last several years. The Government intends to increase the proportion within the next five years to about 25 per cent of the total programme. The International Development Association has proven to be a particularly effective organization through which to channel development assistance. Additional contributions to the IDA deserve a special priority. The Government also proposes to increase its support of the United Nations Development Programme on evidence that its effectiveness is being improved, and to support regional and other specialized development institutions. New types of multilateral institutions are now emerging. They serve special purposes such as those of the agricultural research institutions established by large private foundations. They were supported initially almost exclusively by private foundations, but their expanding role now depends on increasing support from governments.

In addition to their growing support of multilateral institutions, increased emphasis will be placed on the co-ordination of the bilateral programmes with the programmes of other bilateral and multilateral donors.

The Allocation of Bilateral Assistance

There are a number of principles by which bilateral assistance can be allocated to countries. It can be allocated according to the degree of poverty; according to whether they are close to self-sustaining growth; according to the availability of good projects and programmes; according to the degree of determination they are bringing to the mobilization of their own resources; or according to sectors in which Canada has particular expertise. Finally, there are historical factors which support a special sense of concern and responsibility in Canada for particular countries or areas of the developing world such as the Caribbean, the *francophone* countries of Africa, or the Commonwealth countries of both Africa and Asia. In addition, a reasonable concentration of funds within a few developing countries will improve the effectiveness and impact of those funds, as well as reduce the administration problems associated with the total programme. Each of these principles has a substantial justification, but each leads to difficult anomalies if used as a sole criterion.

The Government therefore intends to allocate the major portion of Canadian bilateral funds to selected "countries of concentration", and to specialize in assisting particular sectors within those countries

in which Canada has special competence. It is intended that a portion of the total bilateral funds available, in the order of 20 per cent over the next three to five years, will be allocated to countries other than countries of concentration; this will be primarily for education and technical assistance and for occasional capital projects of high development priority.

The International Development Research Centre

The development process involves profound changes in the sociological and technological characteristics of a developing country. The processes by which these changes take place and the fundamental causes of underdevelopment are still not well understood. There is, however, an apparent relationship between the resources committed to scientific and technological research and development in a country and the state of that country's economic development. Today some 98 per cent of expenditures on research and development continue to be made in the more-industrialized countries and only 2 per cent in less-developed nations. Unless this fundamental imbalance is improved, the disparities between wealthy and less-developed nations will continue to widen. It is to enable Canada to play a special role in meeting this need that Parliament has established the International Development Research Centre. The Centre will be funded from development assistance allocations and will involve active co-operation with Canadian universities and other Canadian and international institutions.

Related Policies

The progress of the developing countries can be affected through every aspect of their relationship with the more-developed countries. Tariffs and other trade restrictions have a direct effect on their ability to improve export earnings and become less dependent on aid. Immigration can deplete their supply of skilled manpower. Fluctuations in world commodity prices can destabilize their foreign-exchange earnings and disrupt the momentum of their development programmes. All these subjects touch upon issues whose primary considerations lie outside the Canadian development assistance programme. Therefore the review did not examine these issues in depth, but it did indicate the direct relevance of Canadian policies in these fields to the progress of the developing countries. The Government, therefore, is concerned to ensure that its policies in these matters take into account its development assistance objectives.

Chapter III

THE PRIVATE SECTOR

The private sector has traditionally played a very important part in the development process. Charitable organizations have made significant contributions to education, health and welfare. Private business has helped to expand the commercial and industrial capacities of the developing countries. The major advantage of private sector assistance is that it enables organizations and companies in the developing countries to establish direct working relationships with their counterparts in Canada. This direct contact facilitates the flow of knowledge and expertise between the two parties and ensures that it is pertinent to the enterprise. The Government therefore intends to place greater emphasis on support for the activities of the private sector which contribute to international development.

Non-Profit Organizations

These organizations include churches, voluntary agencies, professional and trade associations and universities. Many have well-established programmes in the less-developed countries; it is estimated that the Canadian non-profit sector now provides assistance worth an estimated $35 million a year, primarily in the fields of education, health and welfare. In 1968 the Government initiated a special programme to support and encourage these organizations; in the fiscal year 1969-70, $6.5 million was allocated to this programme to provide grants on a "matching fund" basis for specific projects and programmes. The Government intends to increase support for these non-profit organizations over the next five years.

Business and Industry

The review of Canadian development assistance policy indicated that Canadian business and industry may have a growing role of particular importance in the development programme. A number of recipient countries now wish to increase and diversify their sources of capital, and many are at a stage in their development which require small-scale and medium-scale industrial enterprises. Canadian experience with this scale of operation and in such sectors as food processing, wood products and raw-material processing is often particularly relevant to their requirements. The Government will therefore initiate further measures to encourage Canadian business and industry to establish or expand operations in the developing countries by helping to overcome the special factors that lie in their way, while at the same time bearing in mind the problems that can arise from an indiscriminate application of such resources. The Canadian International Development Agency will also be prepared to finance projects for which Canadian suppliers have been successful international bidders, when the criteria concerning the eligibility of countries and projects are met. These measures should result in the extension of Canadian commercial and economic interests in Africa, Asia and Latin America, which in turn have important implications for the effectiveness of our international relations.

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The Government believes that the policies which have been outlined will enable the Canadian international development assistance programme to make an important and effective contribution to the progress of the developing nations. An increasing contribution of Canadian resources will be directed through both bilateral and multilateral programmes and committed according to the best development criteria available. A continuation of the concessionary financial terms of Canadian assistance and increased flexibility to provide some local costs, shipping services and additional support to the programmes of the private sector of the Canadian economy will enable the Canadian programme to undertake a variety of projects and to call upon a wider scope of Canadian resources.

Only through the application of the total range of Canadian resources, will and enterprise can Canada's development assistance programme make its full contribution to the achievement of a more just and equitable world community.