

**Speech by Ambassador Allan Gotlieb,
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Ladies and Gentlemen,

I am very honoured to be here tonight to give the first lecture in the Bissell Program on the 1988 Toronto Economic Summit. It is highly appropriate that this program should be named for Dr. Bissell, a man who has made an enormous contribution to education in Canada, particularly here at the University of Toronto.

My remarks tonight should not be taken as conveying government policy – although I believe they will be, on the whole, consistent with policy – but rather as the reflections of a participant in five summits and a “sherpa” for three.

It is fitting that we in Canada should embark on a serious examination of this comparatively new phenomenon in international diplomacy – economic summits. They are of extraordinary importance to Canada and to Canadian foreign policy.

Every Canadian school child knows that Canada has not always had a seat at the important international tables, or when we did, that we could claim a place above the diplomatic salt.

But every Canadian school child could draw a straight line from Macdonald's earliest steps towards independence, through Laurier's vision for Canada, through Borden's separate signature of the Covenant of the League, through Mackenzie King's aspirations for the U.N., and now to Canada's membership in the economic summit club.

As World War II approached its cataclysmic end, some of the giants of Canadian diplomacy- O.D. Skelton, Norman Robertson, Hume Wrong, Escott Reid, Lester Pearson, worked tirelessly, creatively and, ultimately, successfully to help build the post-war international order.

In international organizations, the debate then – as now – as always – was over the relationship between power and responsibility. The Canadians sought an order that assured Canadian security, preserved Canadian independence and liberated Canadian aspirations.

To achieve these goals, they promoted the concept of functionalism – an idea which acknowledged a special role for the then great powers in matters of security but which otherwise preserved the rights and responsibilities of what was termed “secondary” or “middle” powers. For Canada, this was a route to extend our influence and make our presence felt.

They pursued this idea, in part, because there was no possibility then that Canada, despite its enormous war effort and sparkling economic prospects, would be accepted by the big three, then five, on equal terms.

To quote John Holmes, functionalism “was a matter of making a necessity a virtue”. It was, nonetheless, a triumph of Canadian diplomacy, the hallmark of a golden age.

A generation later, no more, we now find we have joined the big five, full members of the summit seven, and as such, we are accepted by them.

How did this breathtaking change occur? And what does it mean for Canada?

The answer is that the world of the 1980's would be scarcely recognizable to the diplomats of the golden age.

Membership in the international community has undergone a fourfold expansion. Some national economies are far larger. Respective shares of the international pie are substantially altered. Interdependence is a modern cliché. The consequences of world war would have become much more apocalyptic but the prospects of world war, mercifully much more remote.

Economic strength now overshadows military might as the international currency of influence. This is not to say that we have reached, or ever could reach, the millennium where civilization is safe from tyranny or terrorism.

It is to say that the world's vast nuclear arsenals do deter war between east and west. In these circumstances, for most countries, power comes increasingly not from the barrel of a gun but from the strength of a nation's economy. To reinterpret Einstein, "all has changed, including our way of thinking".

And Canada has changed. Although we still cling to the very comfortable and comforting notion of being a middle power, this self-image can no longer be sustained. We have become a major economic power. Largely as a result, we now have acquired the diplomatic entrée that Canadians have so passionately sought throughout our history.

We share with the United States the largest two-way trading relationship in history, in which, by the way, we have enjoyed a significant surplus in recent years.

We remain a natural resource superpower. Though no one does either better than we, we are neither the fabled hewer of wood nor the world's drawer of water. By 1985, manufactured products amounted to about 70% of Canada's exports.

The lion's share of the scales of Canada's leading firms, are abroad.

We have three times as many entries as Italy and nearly as many entries as France, in the Fortune 500 Ranking of the largest non-American industrial companies,

For many of the world's multinational corporations, Canada is home.

Since 1983 Canada's economy has consistently grown faster than the economies of most of those of the G-7 countries. Since 1970, our GDP at nominal prices has quintupled. Since 1975, we have been a net exporter of capital.

So, our economic credentials are solid. We do belong in the big league. Membership, to quote American Express, has its privileges.

It also, as card holders know, has its responsibilities. The economic summit countries cannot be satisfied with merely taking a position on the transcendent issues of the time. It is the hallmark of a major power that it must concern itself not with positions but with outcomes.

By the mid-1970's, the industrialized countries found themselves confronted by powerful new types of challenges to their economic well-being. The Bretton Woods system of fixed exchange rates collapsed in 1973 and two years later there was still no agreement on new rules to govern the functioning of the international monetary system.

At the same time, the first OPEC oil shock led directly to a recession accompanied by a surging inflation in industrialized countries. There was growing fear that the industrialized countries were not coping well with these developments.

It was against this background in 1975 that two strong, highly intelligent western leaders, the French President, Valéry Giscard d'Estaing, and the German Chancellor, Helmut Schmidt, took personal action. The result was the first economic summit at Rambouillet.

The essence of their initiative was the idea that the world's economic problems were sufficiently serious and transnational that heads of government should meet personally to consider them.

There had never before been a meeting of heads of state and government to focus on economic issues. These issues had always been addressed in the functional organizations such as the IMF, the GATT and the OECD.

The proposal for the summit reflected growing recognition that the post-war institutions, while obviously necessary, were not sufficient to cope with the consequences of the accelerating unpredictable international change.

The first summit arose, then, out of new and specific circumstances, with no certainty that there would be future meetings of this kind. Soon after the meeting at Rambouillet, however, President Ford proposed that there be a second summit in Puerto Rico in 1976.

Canada was not invited to Rambouillet. Old instincts die hard. We were indeed uneasy about what might follow such a meeting.

We knew we had major trading and energy resource interests and that we were directly affected by global economic conditions. We knew, also, that we would be expected to play an important part in any international response to economic developments.

These were the same factors that Robertson and Wrong and Pearson faced in the forties.

We did not like exclusion any better in 1975 than they did in 1945. But we were no longer the country we were in the forties. This time we persuaded the other larger industrialized countries, with some help from Japan – a fact **no** commonly known – and the United States, that they needed Canada's participation in these discussions.

Given the continuing role of summits, I am convinced that, looking back, historians will call our accession to this institution a foreign policy turning point for Canada. It was a turning point, because it confirmed, and in this sense, validated Canada's new position in the world. It conveyed rights and responsibilities on a higher level than we had exercised before. It altered our behaviour and, in time, it will alter our self-perception.

A seat at the summit table also gave us enormous opportunities. And we seized them. We participated in decisions which helped shape the international consensus on vital economic policy issues: on fiscal policy, on structural adjustment, on protectionism.

As a general proposition, I would say that our membership in the new body in no way altered the principles that had guided Canadian Foreign Policy for decades. I would not say the same for our domestic policies – as I shall make clear in a minute. But on the foreign policy front, we used the summit to expand our efforts and to press the issues of the world's disadvantaged – third world development and debt, human rights, South Africa. This sometimes created tensions among Canadian policy objectives and between our objectives and those of our partners.

We came to be seen by many LDC's as the spokesman of their interests at the summit. This sounds pretentious but it is, nonetheless, true, and remains so.

In fact, we were comparatively successful in advancing the range of Canadian foreign policy interests from summit to summit.

For example, at Ottawa, Prime Minister Trudeau succeeded in making North-South relations the centerpiece of the international agenda, a process we had begun in Venice.

At Williamsburg, we forced serious re-examination of the direction of relations between East and West.

More recently, at Tokyo, Prime Minister Mulroney persuaded the other leaders that the serious problems of agricultural trade had to be more effectively addressed. We also secured membership for Canada in the group of seven finance ministers. This has produced the potential for better economic policy coordination, an especially vital requirement in view of events in recent weeks.

At Venice this spring, we promoted the World's, and Canada's, case for pressure on South Africa, as we did subsequently at the Francophone Summit and the Commonwealth Summit.

For several years we pressed for an early launch of the new round of trade negotiations. We pushed, as well, at the recent summits for replenishment of the resources of international financial institutions and for mobilization of support for sub-Saharan Africa. These summits also reached agreements strengthening the multilateral strategy on LDC debt problems.

Obviously, summit countries could not solve these problems on their own. But summits set the context for discussions in the international economic arena, at the OECD, the GATT, the IMF and the World Bank. More than that, the summit leader's role is an essential part of a larger consultation and decision-making process. Summits provide impetus – as only heads of government can do – to negotiations in these bodies.

In the earlier and mid-years of summitry, our new role created new tensions for us, as we began to match responsibilities with power. Our seat at the economic summit table has brought us responsibilities that, at times, have entailed a degree of discomfort.

Early summit communiqués were replete with references to the need for greater reliance on market forces and a limited role for the public sector in domestic economies. Regular themes were fiscal restraint, freer capital movements and markets, world prices for energy – among others.

Canada sometimes tended to be the odd man out in the emerging consensus on how the domestic economy functioned best. Discussions at the summits were often difficult. We found that the other summit members saw us clearly as a developed industrialized country. Accordingly they saw some of our more interventionist and restrictive policies as a legacy of our self-perception as a weaker, or in the broadest sense, a developing nation.

But the significant fact is that Canadian thinking could be and was influenced by the discussions among the leaders and by the direction of the consensus.

It was on his return from the Bonn Summit of 1978 that then Prime Minister Trudeau reversed fiscal policy, putting the brakes on government spending.

At the Tokyo Summit in 1979 which was primarily devoted to responding to the second oil price shock. Our position as an oil producer and oil importer, with domestic oil prices below world prices, again put us at odds with other summit countries on how best to reduce oil consumption.

This two-tier policy, which has brought us short-term price advantages, increased our long-term competitiveness problems. It also conflicted with our larger interests and obligations to help make sure the international economy worked. Prime Minister Clark, therefore, joined the consensus at Tokyo on oil consumption and the direction of domestic oil prices.

Summit participants must expect to experience this kind of “peer pressure” at these meetings, to move in one policy direction or another. This, after all, is the name of the game if there is to be greater compatibility of policies or a coordinated response to problems.

The big countries do not always escape it either. Summit pressure helped President Carter move the United States towards world oil prices.

In these circumstances, there can be tensions between the “drothers” of domestic interest and the benefits of international cooperation. The summits are powerful testimony to the principle that national policy must take international developments into account.

That is why, that economic summits have become a fixture on the international calendar. That they have become so would probably have surprised Giscard d'Estaing.

His original idea for Rambouillet was to have the leaders exchange views in an informal setting on common economic problems and explore areas for greater

cooperation in order to get their economies moving again. There was no intention to establish a new institution, which would meet annually far out into the future.

In fact, the participants at Rambouillet wanted to avoid precisely that. They hoped that direct contact among leaders would overcome some of the inertia evident in existing international organizations. Some may also have hoped that such contact would help to overcome differences of views within national bureaucracies and between them.

But the facts of modern economic interdependence required recognition that the western economic summits would be a necessary international institution.

Some of the features of economic summits have remained surprisingly constant. At Puerto Rico, the membership was fixed. No other countries have succeeded in gaining admission, although Australia has tired and the role of the commission of the European communities has grown.

The summits remain quintessentially political occasions, that is to say, gatherings of elected leaders, not appointed officials.

Summits have become an institution but they have not become institutionalized. There is no permanent secretariat. Preparatory work is handed on from one host to the next.

One summit may follow-up on something initiated at a previous summit, but there is nothing automatic about such action.

But while some features of the summits have not changed, others have.

The summits have become more formalized events – a far cry from Rambouillet. There is a more detailed preparatory process under the direction of the leaders' personal representatives. Early on, we were called sherpas, and this title has remained.

Communiqués have become longer and more formal, notwithstanding relentless efforts to prevent this.

Coverage of the summits by the world media has grown phenomenally. There are said to have been five thousand journalists at Venice last spring. And the scale of the media coverage has influenced the character and organization of summits.

The media concentrates on which leader won or lost at any particular summit in terms of his agenda. There is an unseemly haste by delegations to put out their version of the meetings. It would take Lawrence Durrell to piece together an accurate picture of each meeting.

Such coverage may be unavoidable when heads of government gather together. But it has distorted public perceptions of the purposes of these meetings. Without question, it has changed the character of the meetings as well.

Perhaps most significant of all the changes so far, the summits have taken on a political as well as economic agenda.

But it is not surprising that leaders should consider political issues. Security is as indivisible as economies are interdependent. Moreover, Japan's presence at summits brings a vital dimension to political discussions necessarily lacking at NATO and this point cannot be too strongly emphasized.

While it remains fundamental to the Canadian approach that summits should concentrate on economic issues, the acceptance of the political element of summitry has, by and large, been welcome in Ottawa. Indeed we have over the years nurtured the principle that political discourse, i.e. Discussions on political issues, cannot be excluded.

This is not a view shared by all of our partners. For us, it has meant a seat for our Prime Minister at the political table of the heads of the major industrialized states.

It has also meant that there was less prospect of a political equivalent to the economic summit being created. President Giscard d'Estaing had convened another kind of summit meeting, on security issues, at Guadeloupe in **the** 1979, to which we were not invited. Only the Big Four attended, patterned on the protecting powers role for Berlin.

This brought back to us memories of the forties and fears of the creation of a new political directorate to which we would not be invited.

The Guadeloupe experience has not been repeated. Leaders have found that they can discuss political issues satisfactorily at economic summits.

In fact, they have had sometimes to discipline themselves to keep political affairs from crowding economic affairs off the agenda. Some observers consider this to have been the case recently at Venice.

Statements have been issued on various aspects of East-West relations – in particular, arms control, the Soviet invasion of Afghanistan, and East-West economic relations. Summits have stimulated the search for new ways to strengthen cooperation against international terrorism and hijacking. And Canada has been in the middle of the action.

These discussions of political issues have not been intended to take decisions that would commit others. Summits have not become a vehicle for crisis management on political issues, although it is a measure of the flexibility of the institution that, for example, permanent secretaries did meet in 1979 to try to coordinate their countries' response to the invasion of Afghanistan.

Canada will host the next economic summit in Toronto in June, 1988. It is too early to say what leaders will have on their minds at the time. Developments between now and then with respect to the world economy and prospects for policy coordination, the trading environment and the external debt of LDCs will be important.

Recent events suggest that the leaders will have their work cut out for them. The need for economic cooperation is more compelling than ever.

Experience suggests that we must be realistic about what the institution of summits can accomplish. This is not a *directoire* and may never become one. It is a response to complex times, times that continue to change. It cannot be the final answer.

But it is a unique forum that provides the opportunity for leadership on a world scale.

The stock market crash, the volatility of the dollar and other events of recent weeks have shown us once again the requirement for leadership. There is little doubt that the Toronto meeting will require a sharper economic focus.

Canada is directly affected and has every interest, and, now, every right to play a role.

What the giants of Canadian diplomacy dreamt of but dared not demand has, through summitry, now come to pass. We wanted the opportunity to influence the world for the better. We now have it, through a seat at the table of the world's great industrial countries.

The world has, at last, recognized that we have the power to influence events.

All that remains is for us to recognize it ourselves.