

IN THE NATIONAL INTEREST

Canadian Foreign Policy and the Department of Foreign Affairs and International Trade, 1909-2009

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ISBN 978-1-55238-561-6

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**EXTERNAL AFFAIRS
AND CANADIAN
EXTERNAL TRADE
POLICY, 1945-1982**

Michael Hart

If the academic literature on Canadian foreign policy is to be believed, trade and economic policy form at best a minor part of Canada's external relations and occupied very little of the time and energy of ministers and officials in the Department of External Affairs during the post-war years.² Some will suggest that this changed in 1982, with the integration of the trade components of the former Department of Industry, Trade and Commerce into External Affairs to form the new Department of External Affairs and International Trade, but with the unvoiced suggestion that this was perhaps a retrograde step. To the academic community, foreign policy as practised by Canada's diplomats is largely focused on political and humanitarian issues and only rarely on economic matters.

Nothing could be further from the truth. From the outset, Canadian foreign policy was more a matter of foreign economic policy than anything else, with the political, security, and other dimensions only emerging over time as Canada's role in the world matured and required a broader focus. The economic dimension, however, always remained a critical dimension

and never more so than during the postwar years. The Economic Division and later Bureau occupied a large place in the department's activities throughout those years and some of its ablest officials built their careers in trade and economic assignments.

The official on whom many modelled their careers was none other than Norman Robertson. Most people remember Robertson as the successor to O.D. Skelton, as the dominant career official of the 1940s and 1950s, twice under-secretary of state for external affairs, twice high commissioner to the United Kingdom, and ambassador to the United States. His career started and ended, however, as a trade negotiator. In the 1930s, he led the Canadian delegations that negotiated the 1935 and 1938 Reciprocal Trade Agreements with the United States, and, in the 1960s, he initially led the Canadian delegation to the Kennedy Round of General Agreement on Tariffs and Trade (GATT) negotiations, before retiring and becoming the first director of the Norman Paterson School of International Affairs at Carleton University.³ Those officials who, in later years, sniffed at the dilution of Canadian foreign policy by the dominance of trade considerations were as ignorant of their history as they were of the government's policy priorities. Robertson was succeeded by such able people as Jake Warren, Gerry Stoner, Ed Ritchie, Don McPhail, Frank Stone, Pamela McDougall, Gerry Shannon, John Weekes, and others, a number of whom served the government later as deputy ministers.

Before I go any further, it is important to note that trade policy and trade promotion are – and largely remain – two different branches of government service with remarkably little overlap. Even before there was a Department of External Affairs, Canada employed trade commissioners to promote Canadian exports and assist Canadian exporters in distant markets. The government established the Department of Trade and Commerce in 1892 and employed the first resident trade commissioners in the Caribbean Islands that year. The first Canada-based trade commissioner was posted to Australia in 1894.⁴ Over the course of the service's first hundred years, most trade commissioners spent much of their careers at posts abroad and occasionally at home serving, for example, in regional bureaus in Trade and Commerce.⁵ Few were deployed in negotiating and implementing trade agreements, although one of the earliest and most distinguished of Canada's trade negotiators, Dana Wilgress, started his career as

a trade commissioner assigned to sell farm equipment in Omsk in Russia. In the 1930s, together with Norman Robertson and Hector McKinnon from Finance, he was part of Canada's premier trade negotiating team. In the 1940s, he was head of the Canadian delegation to the negotiations that led to the GATT, and he served for five years as the first chair of GATT's Contracting Parties. He was also, briefly, high commissioner to the United Kingdom, under-secretary of state for external affairs, and ambassador to NATO.

Over the period under review, 1945–82, the making of Canadian trade policy was the preserve of a relatively small group of officials drawn principally from three departments: Finance, Trade and Commerce (after 1968, Industry, Trade and Commerce), and External Affairs. Additionally, because of the historical importance of agriculture in Canadian export trade, Agriculture officials made a large contribution. Other departments and agencies also participated as individual issues demanded, such as Energy, Mines, and Resources, Fisheries and Oceans, and Customs and Excise, but on virtually all issues, the core group was made up of officials from these three departments. Finance officials concentrated on Canadian import policy; their minister was responsible for the tariff and all aspects of customs and related policies and Finance officials were intimately familiar with the vulnerabilities of the Canadian economy to import competition. Trade and Commerce was responsible for export policy and export promotion; its officials were fully up to date on the export interests and capabilities of Canadian industry. External Affairs played a coordinating role, finding middle ground and providing leadership. Its principal instrument was control over communications between headquarters and posts abroad.

Unlike Finance and Trade and Commerce officials, who came armed with legislation and clear ministerial mandates, External Affairs officials participated largely on their personal merits. While they obviously had a sense of broader foreign policy priorities, they rarely injected these into the discussions. They accepted that trade policy had to reflect domestic economic, political, and commercial priorities and international opportunities. Maintaining productive relations with trading partners was also important. But factoring in geopolitical, development, or human rights concerns was definitely far down the list of priorities, no matter what their colleagues in political divisions preferred. Occasionally, broader foreign

policy considerations might rise to the top, such as in the consideration of the accession of a number of Eastern European countries to the GATT in the late 1960s and early 1970s, but generally more focused trade and economic concerns crowded out foreign policy considerations and woe the External Affairs official who did not understand this.

To maintain credibility at the trade policy table, therefore, officials from External Affairs had to demonstrate that they were immune to “foreign policy” considerations and were prepared to contribute to the development and delivery of Canadian trade policy on the basis of technical expertise and mastery of the files. As such, the department’s trade policy officials were at times treated as aliens in their own ministry and by their colleagues abroad. When I participated in negotiating textile and clothing import restraint agreements in the late 1970s and early 1980s, for example, it was a rare ambassador who was prepared to meet with the Canadian delegation and provide counsel and assistance on local circumstances. More typical were those who got out of town before we arrived, convinced that any association with us would taint their good relations with the locals.⁶ They appeared not to comprehend that we might be pursuing the government’s policy and Canadian interests, suffering instead from the well-known diplomatic disease of localitis – a tendency to forget that it is the sending government that is a diplomat’s employer, rather than the receiving government.

Similarly, when I was responsible for Canadian import policy files at External Affairs in the late 1970s, I was frequently peppered with calls and memoranda from political divisions asking me to do something about those Neanderthals in Finance, Revenue Canada, or elsewhere, who were complicating relations with one of their foreign clients by pursuing, for example, antidumping or countervailing duty investigations. The idea that such investigations were based in Canadian law, were consistent with Canada’s international rights and obligations, and reflected legitimate Canadian interests rarely occurred to them. For many such officers, good bilateral relations were an end in themselves rather than a means to serving Canadian interests.⁷

Finally, when I served at Canada’s permanent mission in Geneva in the mid-1970s, one of my responsibilities was to represent Canada at meetings developing an Integrated Program for Commodities under the auspices of

the United Nations Conference on Trade and Development (UNCTAD). At UNCTAD IV in Nairobi, Kenya, in 1974, governments had adopted a set of resolutions that authorized UNCTAD to explore the parameters of a program that would stabilize world prices, and thus export earnings, for a list of eighteen commodities that were critical to the economic prospects of developing countries. The list included such products as coffee, tea, cocoa, sugar, and jute, all classic developing country exports, but it also included minerals such as copper, iron ore, phosphate, and manganese, and agricultural products such as vegetable oils and tropical timber, products that were of considerable commercial interest to Canadian companies.

It was a fascinating assignment. Officials in Ottawa prepared detailed, helpful briefing material on each of the commodities, allowing me to be well-informed on the issues and participate actively in the discussions. But I also had to wrestle daily with a conundrum: conflicting instructions. Officials in External Affairs responsible for development policy and Canadian participation in UNCTAD wanted me to play a constructive role advancing the conference's goals and objectives, while officials in domestic economic departments were equally firm that I should not support anything that might compromise Canadian commercial interests. In short, my role was to engage in a damage limitation exercise: I had to be seen to be helpful and constructive but make sure nothing serious happened. It was my first introduction to the difference between values-based and interest-based policy-making. In the end, pragmatism and commercial interests trumped ideals.

Juggling conflicting instructions, negotiating textile restraint agreements, and dismissing the immediate concerns of political officers all taught me the truth of what one former under-secretary of state for external affairs, Allan Gotlieb, has characterized as the underlying schizophrenia of much of Canadian foreign policy. Gotlieb traces the tensions in Canadians' desires to satisfy the visionary, romantic, idealistic side of their nature while also attending to the need to deal pragmatically with challenges to their security and prosperity. As he notes, there is no necessary conflict between these two elements, as long as they are kept within a proper balance. But, he adds, if Canada's feet are not planted firmly on the ground of who it is, where it fits, and what it can realistically do, the idealistic side of

its nature threatens to descend into bathos. We have seen a lot of evidence along these lines in recent years.⁸

Over the period 1945–82, trade policy was largely immune from this schizophrenia. Despite the different ministers and departments they served, core trade policy officials in the postwar years were remarkably homogenous in their outlook. Many had had some formal education in economics, but their approach was very much based on practical experience and on-the-job training. Over this period, none would have described himself – and they were all men – as free traders. Free trade was an academic concept. Trade negotiations and trade policy were about access to foreign markets and protecting vulnerable Canadian industrial sectors. They lost little sleep worrying about the mercantilist basis for much of the policy they hammered out in their interdepartmental meetings. Progressive liberalization was desirable, but at a pace that was politically sustainable. Their job was to provide ministers with advice that was politically acceptable, expanded opportunities for export-oriented sectors of the economy, and retained scope for Canadian-based manufacturing.

The basic contours of modern Canadian trade policy were set in the 1930s and remained essentially the same until the conclusion of the Canada–United States free-trade agreement in 1987. They were well summed up by Norman Robertson in a 1937 memorandum to the under-secretary of state for external affairs, O.D. Skelton:

Our stake in world trade and the peculiar degree of dependence of our industries on export markets have identified Canada's real national interest with the revival and liberation of international trade.... It is true that there are a number of important local and sectional interests which in the short run, and perhaps in the longer run, stand to lose rather than to gain from the adjustment in tariffs and preferential margins which our collaboration in new trade agreements with the United Kingdom and the United States would involve. ... this country's general national interest is, for better or worse, bound up with the prospect of freer international trade and that this paramount interest should outweigh special and local interests which may be deriving exceptional advantages from an uneconomic policy.⁹

If he had lived until the 1980s, Robertson might have expressed some regrets about the pace of liberalization, but not about its direction, the central role played by negotiations with the United States, and the declining one of the United Kingdom. These directions were already clear in the 1930s and remained remarkably consistent for the next five decades.

Throughout this period, ministers and their senior officials were generally on the same page, but not always. Indeed, there were a number of celebrated instances in which the prime minister and senior officials were definitely not on the same page. In the spring of 1948, for example, when Prime Minister W.L. Mackenzie King pulled the plug on the secret negotiations between Canada and the United States considering the contours of a possible bilateral free-trade agreement, diplomats Lester Pearson and Norman Robertson both expressed deep disappointment. They accepted King's decision, but regretted it nonetheless.¹⁰ A decade later, when the newly elected Conservative prime minister John Diefenbaker expressed a desire to shift 15 per cent of Canadian trade from the United States to the United Kingdom, officials dutifully prepared their analysis, which indicated the draconian steps required to achieve this objective, and thus buried one of the more quixotic policy impulses in the history of Canadian trade policy.¹¹

Although Diefenbaker's impulse was the most dramatic, it was certainly not isolated. Diefenbaker had wanted to change the fundamental character of Canada's trade dependence on the United States by looking to Britain and the Commonwealth. Six years later, Liberal Finance Minister Walter Gordon was equally determined to make the Canadian economy less reliant on American investment capital and international trade in general. As nationalistic as Diefenbaker, Gordon drew on the ideas of the interventionist left rather than on the nostalgic right. The professionals in the bureaucracy found this brand of nationalism just as difficult to translate into practical policy choices. They had seen Diefenbaker's desire to shift 15 per cent of Canada's trade from the United States to Britain as impractical. They found Gordon's desire to make Canada less reliant on United States capital and markets just as foolish.¹²

It is ironic that Gordon found himself presiding as minister of finance over the most important trade policy achievement of the 1960s, the negotiation of the Canada–United States Autopact. The sectorial free trade

deal further integrated the Canadian economy into the American one and laid the groundwork for the Canada–United States Free Trade Agreement. Gordon accepted that the alternatives in the automotive sector were politically unacceptable, but even he could not have imagined its success and long-term impact on the evolution of the Canadian economy. Simon Reisman led the autopact negotiations, but his team included two giants from External Affairs: Ed Ritchie and Allan Gotlieb.¹³

The trade policy community was also not convinced that Prime Minister Pierre Trudeau's desire to strengthen Canadian trade ties with the European Common Market and Japan and reduce Canadian dependence on the United States made much sense. This was one of the few significant episodes of a major rift among trade policy officials. External Affairs officials, reporting to Mitchell Sharp and the prime minister, took seriously the ideas of a Canada–Europe contractual link and deepening and broadening Canada–Japan commercial ties. Finance did not. Its deputy at the beginning of the discussions, Simon Reisman, went so far as to claim that the idea had never been approved by Cabinet. He was wrong. I looked up the cabinet memorandum and the related record of decision, but the fact that he continued to hold this view for many years was indicative of the disdain of Finance officials for this dimension of Canadian trade policy.¹⁴

Trade and Commerce officials were less vocal in their scepticism. Officials in the Western Europe Bureau, for example, were actively engaged in the discussions. The mainline trade officials in the Office of General Relations, on the other hand, devoted their resources to more important matters, such as the ongoing Tokyo Round of GATT negotiations, and ensured that the Canada–Europe and Canada–Japan discussions focused on consultative rather than contractual arrangements. No serious harm was done to existing contractual commitments under the GATT. Years of semi-annual consultations provided wonderful opportunities to eat in Brussels, but proved totally incapable of making a difference to the commercial judgment of both European and Canadian businesses, a lesson today's officials might well keep in mind. Trade policy is most effective when it works with basic market forces, rather than trying to change them.

As with earlier ill-fated impulses to shift Canadian trade patterns, Trudeau's inclinations similarly failed to appreciate that the size, composition, and direction of trade flows result from the decisions of millions of private

producers and consumers. These decisions may be influenced by government policy, but major shifts in preferences require heroic or draconian policy measures and run counter to the fundamental values embedded in a democratic polity with a market economy. Such policies are likely to reduce the prosperity of most Canadians and are unlikely to be their conscious choice. Nevertheless, if officials cannot dissuade the government from a course of action that they believe to be quixotic or unproductive, it remains their duty to implement the government's decision, and officials at External Affairs dutifully did so in negotiating new agreements with Europe and Japan aimed at diversifying Canadian trade and investment patterns. Little came of these agreements, but they became an important part of the Trudeau legacy, parts of which continued to be invoked by departmental officials long after their lack of impact had become clear.¹⁵

For Canada, trade policy has always been one of the most important components of its foreign policy. Canadian trade negotiator Rodney Grey once observed that "for a small country surrounded by larger countries and heavily dependent on trade with one of them, foreign policy should, in major part, be trade relations policy. Of course, other policy issues are also vital to Canadians, but if a small country dissipates its foreign policy bargaining power on issues that concern it primarily as a member of the international community, it might not have the resources, the credibility, or the leverage to protect its trade policy interests."¹⁶ Grey was right, and for most of its history Canadian governments accepted this reality – but not always. Grey made his observation not long after retiring in 1980, following more than a decade of experience with a prime minister who did not see matters that way.

The legacy of the postwar years was the establishment of a rules-based international trade order as a universally accepted part of both intellectual and intergovernmental discourse. The success of that order proved critical in integrating national economies into a global economy. In terms of orders of magnitude, the value of international trade nearly tripled in real terms from 1950 to 1980.¹⁷ Even in a trade-dependent country like Canada, the value of trade measured as a share of total production nearly doubled. Trade stimulated increasing specialization and competition, and contributed importantly to the rise in prosperity in the countries of the Organization for Economic Co-operation and Development (OECD).

For a relatively small economy dependent on trade with larger economies, it is not difficult to identify what became the hallmarks of “good” trade policy. Nevertheless, as in so many areas, the conjunction between good policy and good politics often proved narrow, difficult to find, and hard to implement.¹⁸

As the postwar generation would have described it, good trade policy involved the careful integration of economic, business, legal, and political ideas and values into a coherent set of laws, agreements, regulations, policies, and practices, attuned to the circumstances of the moment but broad enough to endure. From an economic perspective, it found ways to move towards more open markets. Competitive markets and consumer choice are critical contributors to national and individual welfare and are among the most widely shared values in economics. They are also critical to the goals of the global trade regime.

Governments, of course, pursue more than economic objectives. Policies that distort market efficiencies may serve other important societal goals. Efforts to ensure consumer safety, national security, cultural identity, sustainable environments, or distributive justice may affect the operation of the market and the flow of goods and services across national borders. The challenge, therefore, was to balance competing claims and to design policies that addressed society’s most important values and pressing priorities. The trade policy community learned from experience that sound economic policies promoted broad, national interests over narrow, special interests in order to gain benefits for the many rather than for a privileged few. But they also knew that their political masters had very keen noses for the needs of special, particularly local, interests.

From a business perspective, good trade policy establishes a stable and predictable economic climate at home and abroad. It appreciates that business thrives in an orderly setting and stagnates when there is sudden and unpredictable change, and it recognizes that competition only works if everybody plays by the same rules. Canada’s business leaders may not always have applauded the benefits of international competition and an open economy, but they never wavered in their commitment to stability and predictability and were quick to criticize policies that undermined these objectives, including policies that required them to adjust to changing and growing international competition. The record shows that, while Canadian

officials were sensitive to business interests, they were far from slaves to a corporate agenda.

The legal contribution was to insist on a rules-based order built around the fundamental precepts of non-discrimination, transparency, and due process. Only by establishing rules that treat all traders the same, that are widely known and uniformly applied, and that provide for the orderly and equitable resolution of disputes will entrepreneurs have the confidence to compete, invest in the future, and look beyond their own shores. Transparency, non-discrimination, and due process are the basis not only of domestic law but also of international law. Canadian officials were among the staunchest proponents of a rules-based order, even if at times they had to satisfy ministers by finding ways to avoid politically inconvenient rules. In the 1950s, Australian officials were wont to taunt their Canadian colleagues by referring to them as ‘halo polishers.’

Canada’s active embrace of the GATT and multilateralism during the postwar years, while broadly beneficial to the country, illustrates the enormous role of external factors in shaping Canadian trade policy. The negotiation of the GATT in 1947–48 proved to be a wonderful framework for pursuing gradual liberalization while not abandoning the internally inconsistent policy impulses that ministers had found so congenial ever since the adoption of the National Policy in 1879. GATT brought together the governments of twenty-three countries with similarly contradictory policies and objectives: maximize export opportunities while minimizing import competition. All were fully in thrall to Lord Macauley’s famous dictum that “free trade, one of the greatest blessings which a government can confer on a people, is in almost every country unpopular.”

GATT’s rules and bargaining method turned out to be admirably suited to countries that wanted to have their cake and eat it too. Its policy of gradual liberalization within a framework of general rules was tailor-made for Canada.¹⁹ It relied on export interests to overcome import-competing interests, but only a little at a time. It was not based on academic theories but on pragmatic observation. It relied on the impact of two sets of external factors to gradually refashion the Canadian economy: the impact of broadly agreed rules and procedures and the economic interests of the country’s most promising trading partners. The fact that the country most responsive to Canadian trade and policy priorities was the United States

reinforced the pull of geography and business judgment, resulting in the growing interdependence of the Canadian and United States economies.

Throughout this period, critics worried that a growing taste for international rules and institutions would undermine Canada's ability to pursue independent domestic and foreign policy objectives. All international agreements, of course, whether aimed at economic, environmental, human rights, military, or other objectives, seek to curb the full expression of autonomous national decision-making. States make the reasonable calculation that their interests are better served if other states are required to behave in a predictable and stable manner, subject to commonly agreed rules and procedures to enforce them. Trade agreements are neither an exception to, nor fundamentally different from, the many other agreements, conventions, and declarations to which Canada is party.

Between 1945 and 1982, Canadian trade officials learned well, if slowly, the lesson that without the constraint of jointly agreed external rules it was difficult to resist domestic protectionist interests. Canadians found it hard to accept that a resource-based economy without secure markets for its products, coupled with an inefficient, import-substitution manufacturing sector, provided a poor basis for sustained growth and prosperity. In the face of stubborn protectionism in the United States and in Europe, however, Canadians found it difficult to reduce foreign barriers to their exports or to resist the call for protection from their own manufacturers. It took many years, starting in the 1930s, to create the conditions that made "good" trade policy politically acceptable. By 1982 the results were firmly enconced and paved the way for the negotiation of the Canada–United States Free Trade Agreement.

By 1982, Canada had one of the most open economies in the world, next door to the world's largest and most dynamic market. The deployment of sensible trade policies had gradually provided Canadians with the prosperity, the jobs, and the choices that made the best of Canada's comparative advantage and allowed them to reap the benefits of the best that others could offer. By then, Canadians were prepared to accept that their future prosperity depended critically on developing a more outwardly oriented economy.

The government's decision early in 1982 to merge the trade promotion and trade policy elements of the Department of Industry, Trade and

Commerce with the Department of External Affairs to create the Department of External Affairs and International Trade²⁰ seems an appropriate place to stop this survey, but not without dismissing the notion that Canadian foreign policy became more sensitive to trade considerations as a result, at the expense of political and other considerations. Trade and other economic considerations had always and continued to form an integral part of Canada's external policy. What changed in 1982 was the institutional basis for the development and delivery of that policy. The decision to proceed with the bilateral free-trade negotiations with the United States in 1985 is often cited as proof that trade considerations had trumped broader foreign policy considerations. As a participant in much of the preparatory work and in the delivery of that policy, I saw no evidence of such a change, nor in the subsequent decision to negotiate a broader agreement to include Mexico, nor in subsequent efforts to negotiate other free-trade agreements.²¹ Governments make decisions based on political factors and considerations that are persuasive to the prime minister and his colleagues. The advice tendered by the officials has an important bearing on the shape and detail of that policy, but not on its fundamental direction.

With few exceptions, Canada's approach to trade policy-making over the postwar years was incremental, pragmatic, and cautious. More could certainly have been done, or done more boldly, but radical departures were, in the view of Canada's trade policy practitioners, neither warranted nor likely to succeed. Officials in External Affairs, Finance, and Trade and Commerce all exhibited a deep appreciation of the basic realities within which Canadian government policies operate, including the capability and interest of Canadian firms. In Canada, trade and investment are primarily private sector activities. Governments can facilitate or frustrate these activities, but ultimately they do not trade or invest. Those areas where governments have engaged directly in economic activity – such as crown corporations – have not provided much comfort that government can do better than the private sector.

The relatively small Canadian market imposed a second limitation. Without access to foreign markets, it is unlikely that much Canadian industrial production could have attained the competitive scale required to finance innovation and other desirable features. Additionally, both business leaders and experienced trade officials developed a clear understanding of

the extent to which foreign markets offered real rather than potential opportunities. In the case of Japan, for example, Canadian exporters long faced some formidable barriers involving, not only market access, but also costs, consumer interests and preferences, and institutional barriers. Even large, well-financed firms in the United States and the European Union, backed up by the muscle of their much bigger governments, found the Japanese market tough sledding in areas other than those for which there are no Japanese suppliers. European and developing country markets offer their own difficulties. Over time, Canadian firms found niches in these markets, but only after earning enough from Canadian and United States markets to finance the effort.

Within these realities, Canadian officials used the policy instruments at their disposal to nurture trade and industrial patterns that provided Canada with growing prosperity. The desired pace of adjustment, however, was dependent on both external and domestic factors. Externally, Canada's major trading partners, particularly the United States, had to open up their markets to Canadian suppliers and accept the discipline of international rules to underwrite this market access. Domestically, governments, firms, and workers had to accept increasing levels of foreign competition and to make constant efforts to upgrade and adjust domestic production. The mutually reinforcing impact of these external and domestic dimensions has been key to the incremental nature of this strategy.

The results were impressive. Slowly but steadily, Canada opened its economy to greater competition and became an increasingly adroit practitioner of good trade policy. Although exceptions and challenges remain, the default position for Canada is clearly free trade and open markets. As such, Canada is better placed to tackle the next series of challenges arising from both globalization and deepening bilateral integration. And officials from the Department of External Affairs were important contributors to these policy developments that served to advance the national interest.

NOTES

- 1 I would like to thank Greg Donaghy and the organizers of the centenary conferences for asking me to participate. This paper draws extensively on two sources: my experience as an official in the Department of External Affairs and its successors from 1974 through 1995, and my subsequent research and writing as a professor at the Norman Paterson School of International Affairs at Carleton University, reflected most importantly in *A Trading Nation: Canadian Trade Policy from Colonialism to Globalization* (Vancouver: UBC Press, 2002) and *From Pride to Influence: Towards a New Canadian Foreign Policy* (Vancouver: UBC Press, 2008).
- 2 For example, in their otherwise admirable study of the foreign policy of the Trudeau years, *Pirouette: Pierre Trudeau and Canadian Foreign Policy* (Toronto: University of Toronto Press, 1990), Jack Granatstein and Robert Bothwell never mention the Tokyo Round of multilateral trade negotiations (1973–79) at the General Agreement on Tariffs and Trade (GATT), or any other aspect of mainstream trade policy. In his new, even more admirable, study of the postwar years, *Alliance and Illusion: Canada and the World, 1945–1984* (Vancouver: UBC Press, 2007), Bothwell provides good coverage of Canada's role in the formation of the GATT, participation in the Kennedy Round negotiations (1964–67), and the negotiation of the Canada–U.S. Autopact (1965), but loses interest in commercial policy once he gets to Trudeau. This mindset is even evident in the Department's official two-volume history, John Hilliker, *Canada's Department of External Affairs: The Early Years, 1909–1946* and Hilliker and Donald Barry, *Canada's Department of External Affairs: Coming of Age, 1946–1968* (Montreal and Kingston: McGill-Queen's University Press, 1990 and 1995).
- 3 His career is well chronicled in Jack Granatstein's biography, *A Man of Influence: Norman A. Robertson and Canadian Statecraft, 1929–1968* (Toronto: Deneau, 1981).
- 4 See O. Mary Hill, *Canada's Salesman to the World: The Department of Trade and Commerce, 1892–1939* (Montreal and Kingston: McGill-Queen's University Press, 1977).
- 5 While most trade commissioners were foreign service officers, they were part of a separate service with headquarters in the Department of Trade and Commerce, and a rather loose reporting relationship to the head of post at missions abroad. It was not until the rationalizing impulses of Prime Minister Trudeau and his clerk, Michael Pitfield, in the early 1970s, that efforts were made to integrate the three foreign services (political, trade, and immigration) with the establishment of the Interdepartmental Committee on External Relations and greater financial, administrative, and managerial control over missions abroad by the head of post. See *Bothwell, Alliance and Illusion*, 372–80.
- 6 My colleagues and I were, of course, well aware that our efforts served narrow, protectionist interests rather than broader, longer term economic welfare. As officials, however, it was our role to implement the policy preferences of ministers rather than our own. The urge to improve on the government's policy preferences, while widespread among some officials, often proves career limiting.
- 7 This mindset is not limited to foreign service officers trying to ward off unpleasant or complicating problems. It is also evident in such recent semi-popular laments on the decline of Canadian foreign policy, such as Jennifer Welsh, *At Home in the World: Canada's Global Vision for the 21st Century* (Toronto: Harper Collins, 2004) and Andrew Cohen, *While Canada Slept: How We Lost Our Place in the World* (Toronto: McClelland & Stewart, 2003). In their view, Canadian diplomats should strive harder to ensure that Canada is well-liked and doing

- good works, rather than being focused on pursuing the national interest.
- 8 See Allan E. Gotlieb, "Romanticism and Realism in Canada's Foreign Policy," *C.D. Howe Benefactors Lecture, 2004* (Toronto: C.D. Howe Institute, November 2004). I develop this theme in greater detail in Hart, *From Pride to Influence*, chap. 2.
 - 9 Quoted in Granatstein, *A Man of Influence*, 66–67.
 - 10 See Michael Hart, "Almost But Not Quite: The 1947–48 Bilateral Canada–U.S. Negotiations," *American Review of Canadian Studies* 19, no. 1 (1989): 25–58.
 - 11 For more detail, see Hart, *A Trading Nation*, 206–8.
 - 12 See Stephen Azzi, *Walter Gordon and the Rise of Canadian Nationalism* (Montreal and Kingston: McGill–Queen's University Press, 1999).
 - 13 For more detail, see Hart, *A Trading Nation*, 234–47 and Greg Donaghy, *Tolerant Allies: Canada and the United States 1963–1968* (Montreal and Kingston: McGill–Queen's University Press, 2002).
 - 14 I am relying here on memory. I called up the memorandum and the record of decision when I was part of Reisman's Trade Negotiations Office during the Canada–U.S. Free Trade Agreement talks. Over the course of the negotiations, Simon educated us with many an entertaining lecture on the development of Canadian trade policy, much of it featuring Simon Reisman and some of it prompting me to check whether they were corroborated by the files. Simon's memory proved remarkably accurate, but not on this occasion. See Michael Hart and Bill Dymond, "A Life Well Lived – Simon Reisman," *Policy Options* 29, no. 4 (2008): 23, for a summary of his contribution to Canadian public policy. More generally, on the pursuit of the so-called third option, see Hart, *A Trading Nation*, 288–98.
 - 15 In 1982–83, when I was part of the team reviewing Canadian trade policy, officials in the European Branch and the Policy Planning Bureau complained that the drafts of documents we were preparing for cabinet consideration did not sufficiently reflect the orthodoxy of the third option. Derek Burney, at that time assistant under-secretary for trade and economic policy, had to explain to them that the purpose of the review was, well, to review the past and offer options for the future, and to do so critically. They were not satisfied that this should extend to a critical assessment of the shortcomings of the third option. To their chagrin, ministers did not share their sense of impending doom if the third option were not further enshrined in Canadian policy. Nevertheless, like Banquo, its ghost continues to wander the halls of the Pearson Building. See Michael Hart and Bill Dymond, "A Canada–EU FTA is an awful idea," *Policy Options* 23 (July–August 2002): 27–32.
 - 16 Rodney de C. Grey, *Trade Policy in the 1980s: An Agenda for Canadian–U.S. Relations* (Montreal: C.D. Howe Institute, 1981), 3.
 - 17 The World Trade Organization calculates that the ratio of world trade in goods and services to output increased from 7 to 15 per cent over the period 1950 to 1974, and from 15 to 28 per cent between 1974 and 2004, i.e., it has quadrupled since 1950. It grew most rapidly in the first two decades, slowed perceptibly during the 1970s and 1980s, and again grew rapidly since. This is consistent with, first, the impact of post-war recovery, and second, the impact of regional and global integration. See World Trade Organization, *International Trade Trends and Statistics* (Geneva: World Trade Organization, 1996 and 2006); accessed at www.wto.org.
 - 18 Bill Dymond and I explore the intellectual and political bases of postwar trade policy as embedded in the GATT in "Navigating New Trade Routes: The Rise of Value Chains, and the Challenges for Canadian Trade Policy," *C.D. Howe Institute Commentary*, no. 259 (Toronto: C.D. Howe Institute, 2008).
 - 19 I develop this theme in more detail in *Fifty Years of Canadian Tradecraft: Canada at the GATT, 1947–1997* (Ottawa: Centre for Trade Policy and Law, 1998).

20 Subsequent mythmaking has obscured the prime motive that prompted Prime Minister Trudeau and his clerk of the Privy Council, Michael Pitfield, to make this move. The creation of the Department of Regional Economic Expansion in the 1970s, aimed at promoting economic development in the less advantaged parts of the country, particularly the Maritimes and Quebec, had been at best a qualified success. Trudeau and his advisors were convinced that its impact could be enhanced by integrating its mandate with the broader industrial development programs of the Department of Industry, Trade and Commerce to create a Department of Regional Industrial Expansion. This would have left the trade side of that department as a stand-alone institution. Instead, Trudeau and Pitfield chose what they had long desired: integration of the three elements of the foreign service - political, trade, and immigration. The immigration service proved a poor fit and was soon hived off to the new Department of Citizenship and Immigration, but the trade and political elements found a reasonable bureaucratic accommodation and efforts by Prime Minister Paul Martin to divorce the two partners in 2004 proved ill-fated. Bureaucratic

organizational and institutional issues fascinate some analysts but they are on weak grounds when they suggest that the organization of the bureaucracy makes a material difference to the policy officials recommend and implement. As I make clear above, Trade, Finance, and External Affairs officials had always worked together. What changed in 1982 was the extent to which issues were discussed and resolved inter- or intra-departmentally. The integrated department was renamed the Department of Foreign Affairs and International Trade by Prime Minister Jean Chrétien, probably at the behest of his mentor, Mitchell Sharp, who had never liked the convention that relations with Britain and the rest of the Commonwealth, sharing the Queen as head of state, could never be foreign, and thus the long-standing preference for External Affairs.

21 See Michael Hart, with Bill Dymond and Colin Robertson, *Decision at Midnight: Inside the Canada-U.S. Free Trade Negotiations* (Vancouver: UBC Press, 1994), for a detailed account of the decision to proceed with bilateral free trade and the role of officials in that decision.

