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INTERNATIONAL REPORT

LATIN AMERICA

The search for outlets to economic independence

BY LIONEL MARTIN

HAVANA

DURING HIS coming visit to Latin America, Prime Minister Pierre Trudeau will find that Mexico and Venezuela are as concerned as Canada is with the thorny problems that gave rise to Canada's own Third Option policy. The Third Option is Canada's answer to the powerful centripetal attraction of the United States which tends to pull countries with which it has predominant trade and investment relationships, into its all-embracing orbit. Mr. Trudeau will also find sympathy for the Third Option idea in Cuba whose Government has taken a much more radical approach than Canada, Mexico or Venezuela to solving its pre-revolutionary economic dependence on its giant neighbor to the north.

The three options for Canadian foreign policy were spelled out in August 1972, by Secretary of State for External Affairs Mitchell Sharp, in a special issue of the magazine International Perspectives.

Option No. 1 allows foreign policy to drift on a strategy-less sea and lets the Fates determine the future. Option No. 2 suggests that Canada "deliberately move toward closer integration with the United States." The Third Option, which has since become Canada's official policy line, is a long-term strategy to reduce Canadian vulnerability to U.S. economic power, advance strictly Canadian goals and develop a greater sense of national identity.

The Third Option posits a diversification of Canada's relations with the world. Mr. Trudeau's trip to Europe last year and his efforts to establish closer ties with the European Common Market was a major Third Option thrust. Most Common Market members are industrially and agriculturally advanced nations. This gives rise to a competitive factor which delimits Canada's attempts to reap maximum benefits from its relations with the EEC.

Unlike European Common Market members, Mexico and Venezuela are developing nations who are interested in diversifying their trading partners and tapping into advanced technology. Closer ties with Canada may be a means of lessening their own dependence on the United States.

Cuba is no longer concerned with dependence on U.S. economic ties but it too is interested in Canada's industrial goods, technology and its agricultural products. In the Cuban view, also, closer relations between Cuba and Canada tend to demonstrate dramatically the bankruptcy of Washington's continuing policy of diplomatic and trade embargo against Cuba. Cuba might be said to have chosen an Option No. 4, that of liquidating its economic ties with the United States, which it considered "neo-colonialist" and, in fact, confronting U.S. policy on every international front.

The countries that Mr. Trudeau has chosen to visit at this time already constitute three of the four most important trading partners Canada has in Latin America (the fourth is Brazil). Of Canadian imports from Central and South America which amounted to $2-billion in 1974, Venezuela was on top with almost $1.3-billion, a good part of it derived from its daily 330,000 barrel shipment of oil to Canada. Far behind came Mexico ($112-million), Brazil ($111-million) and Cuba ($72-million). Canadian purchases of Cuban sugar, it is interesting to note, jumped from nothing in 1972 to 150,000 tons in 1973.

Canadian exports to these four countries are also substantial. In 1974 Brazil bought $300-million worth of Canadian products; Mexico, $177-million; Venezuela, $175-million and Cuba, $65-million. In 1975, Cuba jumped to number three spot with about $200-million worth of purchases from Canada.

Venezuela, Mexico and, of course, Cuba, go further than Canada in their philosophy of economic independence. This philosophy was expressed in Mexican President Luis Echeverria's Charter of Economic Rights and Duties of States which was approved by 120 UN members in December, 1974, including all the countries of Latin America and the English-speaking Caribbean. The United States was one of the six nations that voted against the Charter and Canada was one of the 10 that abstained.

The Charter specifies that every nation has a right to:

- control its natural resources as it sees fit;
- choose the economic system of its choice;
- control foreign investments;
- nationalize or expropriate foreign property with adequate compensation as determined by its own laws.

Mexico, Venezuela and Cuba have all enacted legislation which dovetails with the Charter. Cuba took the ultimate step by nationalizing all industry and natural resources and establishing a full-fledged socialist system. Mexico and Venezuela, like Canada capitalist countries, have also taken dramatic steps to bolster national control of their economies.

In 1938, Mexico nationalized its petroleum industry and now has legislation requiring that all foreign firms that operate on its territory be underwritten by 51 per cent Mexican capital.

Venezuela has nationalized its iron and petroleum industry.

During his sojourn, Mr. Trudeau will also be made aware of the growing sense of regional unity in Latin America and the Caribbean area. This regional unity, like Canada's Third Option, is based primarily on attempts to break with the "profoundly unequal dependence" (the words are Mr. Sharp's) which United States economic power inevitably gave rise to in Latin America over the last century.