

Minister Ryzhkov, opened the inaugural meeting of the new Canada-USSR Business Council.

Ottawa seemed determined to maintain this policy momentum in the months following the Mulroney visit. To the package of aid for Poland, the government added a contribution of \$30 million to a stabilization fund to support convertibility of the Polish zloty. It also established a \$10 million fund to support private sector development projects in Poland and Hungary. Lastly, Canada joined other Western countries in extending General Preferential Tariff treatment to these two East European countries which were perceived as having undertaken the most far-reaching political and economic reforms.

A full-scale review of Canada's East European policy was undertaken in the first half of 1990 and the results were summarized in a speech in Toronto on May 26 by Secretary of State for External Affairs Joe Clark. Most substantive was the announcement of a broadening of the programme of economic support to include other East European countries and the creation of a Task Force on Central and Eastern Europe to elaborate the details of an expanded programme of assistance to the area. To this end, Canada is one of the forty-one participating nations in the new European Bank for Reconstruction and Development. More traditional was Clark's stress on multilateral approaches. Canada has long been a strong supporter of the CSCE. It is now among the advocates of an expanded role for the organization, recognizing its broad mandate in security, political, economic and social matters, "so that it becomes the drawing board for the new European architecture."

The Mulroney government has tried to demonstrate that it is doing more than just keeping up (or catching up) with its allies in policies towards the rapidly changing Eastern economies. It has initiated proposals, at the multilateral level, designed to find a middle ground between Western Europe and the United States on East-West economic issues. In this respect, it has followed the time-honoured Canadian desire to serve as an interpreter and moderator, if not broker, between its European and American allies, building on its special ties with Washington and personal relations with American leaders. Following his Moscow trip, for example, Mulroney proposed that Gorbachev be briefed on Western summit discussions as a step towards bringing the Soviet Union into the mainstream of international economic cooperation. Furthermore, in remarks before the 1990 Houston economic

summit, the Prime Minister seemed anxious to bridge the gap between German and American proposals on financial aid to the Soviet Union. He did not commit Canada to additional assistance, however, and the summit partners remained divided, with Canada joining those calling for caution and more study on the question.

STRATEGIC EXPORT CONTROLS

An area of significant policy evolution in relations with Eastern Europe is strategic export controls. This process has occurred within the secrecy surrounding the activities of the Western alliance's Coordinating Committee for Multilateral Strategic Export Controls (COCOM), so that it is impossible to determine to what extent Canada has played the role of a leader or follower.⁵

The United States has long been the principal force behind the Western strategic embargo, and it has traditionally maintained the most extensive national list of embargoed items. Canada's list has been closer to the lists of the European members of COCOM, who have always been more liberal in their trade relations with Eastern Europe than the US.

The differences between Canada and the United States on the question of strategic export controls and other areas of commercial policy with communist countries has sometimes led to conflict between the American and Canadian governments. The source of this conflict has been the diversion of some trade between the US and Eastern Europe through Canadian subsidiaries and affiliates of US firms (although the bulk of such trade has been routed through West European subsidiaries). Because of its stricter control system, Washington has occasionally sought to block such diversions through actions which have raised the issue of "extraterritoriality" in Canada-US relations. Allied pressure for liberalization, and Soviet-American détente, led to a considerable relaxation of the Western strategic embargo by the mid-1970s, thus easing the extraterritoriality issue.

Under US pressure, however, the embargo was tightened again in the 1980s. Among the sanctions announced by the Clark government in January, 1980, was a general review of Canadian regulation of "strategic" and "high technology" exports to the USSR with a view towards the reimposition of a stronger control system. This set the stage for a revision of the list of embargoed items according to