

SIGNPOSTS

they have outstripped the growth of productivity in the manufacturing sector. The data indicate that Canadian companies were at a 3.6% disadvantage compared to their American counterparts by the end of 1989.

OTTAWA - Five years after the federal government established a study group to look into the state of polar science in this country, it finally has introduced draft legislation to create a Canadian Polar Commission. Once passed by Parliament, Bill C-72 would give the new body the authority to foster development and awareness of polar knowledge and, according to Indian Affairs and Northern Development Minister Tom Siddon, would enhance Canada's international profile in this area of study. "There is a desire to develop a new co-operative ethic with our northern allies and neighbours," his department explains in background notes. "Canada is a major Arctic nation and should be a world leader in polar research and knowledge. Consideration must be given to providing a better focus and institutional support to enable Canada to maintain and improve polar knowledge and properly manage its northern and polar interests."

WINNIPEG - The rapidly-evolving and increasingly competitive nature of the international airline industry has promoted a special review by the Department of External Affairs and Transport Canada. A committee chaired by Winnipeg lawyer Marshall Rothstein, who specializes in transportation issues, has until next summer to review current policy and recommend changes that will enable Canada to capitalize on the new environment. "The trends of alliances of airlines, consolidation of the European Community in 1992 and the impact of new international trade agreements will have profound impacts," Transport Minister Doug Lewis says. External Affairs Minister Joe Clark says Canada can take full advantage of the 'emerging new patterns' only through "appropriate international aviation policies to meet our needs well into the 21st century."

OTTAWA - A National Energy Board move away from routine public hearings on applications for licences to export

electricity to the U.S. has drawn criticism from native groups and environmental activists. "Exports and international power lines will normally be authorized by issuance of a permit without a public hearing," the NEB says in a memo to interested parties. "However, the Board may recommend that the (cabinet) designate certain electricity exports or international power lines for licensing or certifying." In determining whether to recommend cabinet intervention, the NEB would consider whether a proposal by one province would affect another, the environmental impact, and whether domestic customers for the electricity have been given "fair market access" to the proposed export. Critics argue that it amounts to removal of a valuable public constraint on unbridled development such as the second phase of the huge James Bay hydroelectric project in Northern Quebec.

WARSAW — The Canadian Wheat Board is paying at least \$300 million annually in interest on money it borrowed to pay Canadian farmers for grain shipped to Poland. It was purchased in a series of deals in the mid-1970s and accounts for most of the approximately \$2.7 billion that Poland owes Canada. The situation is not expected to improve, because the Polish government has confirmed that it is trying to have the outstanding debt rescheduled for a fifth time. "Many people in the West are demanding repayment," one senior planner admits. "We just can't meet all these demands." Canadian officials concede the unlikelihood of the situation improving in the near future.

TORONTO — Even though the Canadian dollar is at a 10-year high in relation to American benchmark, there are constant demands for a fixed exchange rate. Some proponents contend pegging the rate will help to insulate the Canadian economy from sector-specific shocks while others argue it would alleviate or even render unnecessary the economic pain of the Bank of Canada's tight monetary policy. The C.D. Howe Institute both theories, saying that if economic shifts are not allowed to move the nominal value of the dollar, they will produce price/cost changes with longer-run consequences. "Announcing a

pegged value for the Canadian dollar is in no sense a substitute for discipline in the conduct of monetary policy." It says foreign exchange market instability reflects deeper economic uncertainties and policy failures. "More generally, monetary policy, lax fiscal policy and doubts about future responses to economic and constitutional challenges are among the root causes of fluctuations in the Canadian dollar. The attention of Canadians would more appropriately be given to dealing with these underlying problems."

OTTAWA — Three Canadian companies have been awarded a contract for a detailed environmental survey of the 21 active Distant Early Warning Line radar sites in Northern Canada. The United States Air Force awarded the work, through the Canadian Commercial Corp., to UMA Engineering Ltd. of Edmonton, Hardy BBT Ltd. of Calgary and Jacques Whitford Ltd. of Halifax. The results of the US\$2 million survey, due by the end of the 1990-91 fiscal year, will facilitate decommissioning or downsizing of the sites, which stretch from the Alaska-Yukon border to the east coast of Baffin Island and which were designed in the mid-1950s to detect incoming Soviet missiles. Canada and the U.S. agreed in 1985 to upgrade the network with a new North Warning System; the first phase has upgraded eight DEW Line sites and the second provides for 36 unmanned short-range radar stations.

OTTAWA — As the federal government contemplates the privatization of Petro-Canada, created as a window on the oil and gas industry to satisfy nationalist sentiment, restructuring of the industry through takeovers and mergers continues to shift the ownership pattern. As a proportion of revenues that peaked at 47.9% in 1985, Canadian ownership rose to 44.9% last year from 44.3% in 1988, according to the Petroleum Monitoring Agency. Control on the same basis, having peaked in 1986 at 49.0% before slipping back, rose again last year to 36.1% from 1988's 35.0%. Total revenues last year were \$50.2 billion, a rise of some 7% from the previous year's \$47.0 billion, but net income plunged 39% over the same period, to \$1.3 billion from \$2.2 billion.

ECONOMY

Time to Stop "Muddling Through" on Global Debt

It should be clear to anyone who takes the trouble to look that the international debt crisis poses a grave threat to everyone on this planet. It's a crisis that transcends mere geopolitical boundaries in an increasingly intertwined global economy. That said, substantial numbers of Canadians evidently still feel that it's mainly up to the debtor nations to solve their own problems. The latter is underscored by the results of a Decima Research Associates public opinion poll commissioned by the North-South Institute. They showed that 40% of Canadians has this rather insular perspective even though fully 80% of the same group of respondents felt that Canada should maintain its current levels of Official Development Assistance. "This suggests that there is little public understanding about the inter-relationship between the debt crisis and development," the sub-committee says.

The conflict is as real as it is apparent and possibly will become more so as the federal government increases taxes and skeptical Canadians look for ways to shift the burden. Where better than the debt-ridden Third World? Thankfully, a sub-committee of the House of Commons' standing committee on External Affairs and International Trade is trying to counter that viewpoint. While it says immediate action on Third World debt is "imperative", it says such action must be part of an overall agenda for action on North-South issues. This would be in contrast to the "muddling through" that has characterized the 1980s.

"Countries crushed by debt cannot trade more with us or contribute to a healthy global environment," the all-party sub-committee says in its report. The MPs avoided the mistake of recommending a single prescription for this global ill, recognizing that many individual debtor countries have equally individual problems. Nevertheless, they insist that there should be "strong common principles" behind Canadian policies on this issue. Policies should reflect, fundamentally, this country's "values of social justice, respect for human rights, and democratic participation."

The MPs go on to say that the primary goal of action on Third World debt must be sustainable human development

and that where adjustment programmes are needed, they should be supported by reliable and adequate resources from donor countries and international financial institutions such as the World Bank. "But first, every means should be explored to reduce the debt service burden of old debt, including allowing debt repayments to be made in local currencies for investment in human development projects in the debtor country."

World Bank estimates put the accumulated debt of developing nations at more than \$1.3 trillion. Massive lending and borrowing through the 1970s resulted in unmanageable burdens that persist for many countries. Many countries have watched helplessly as their creditworthiness has evaporated and their indebtedness threatens trade, political stability and the environment.

Scarce Resources Diverted

Debt-impaired governments worldwide are faced with using scarce resources to pay the immense carrying costs on their debts — let alone being able to draw down the principal — resources that were once used for health, education and social programmes. The United Nations Children's Emergency Fund reports that every passing week brings the death of more than 250,000 young children from normally preventable disease and malnutrition. And while the global population of children continues to grow despite this horrific toll, the proportion of the survivors who are being enrolled in primary schools in the Third World began to slide in the 1980s. Illiteracy is growing and those who are least able to protect themselves are affected most.

This serves to perpetuate, even aggravate, the vicious circle in which developing countries become ever more dependent on foreign handouts. As this pressure grows, the donor countries are forced to look more and more at their regular ODA to cope with emergencies. "Resolution of the debt crisis will let embattled governments begin again to operate their own social programmes," the sub-committee says. North-South co-operation would facilitate long-term policies.

In recommending, among other things, retention of the current 45% ceiling on commercial banks' reserves against problem sovereign debt exposure for tax purposes, the sub-committee says that banks should be able to claim additional tax losses when Third World loan assets are written down or sold in ways that reduce the debtors' load. "This should encourage faster, larger and more beneficial discounts on remaining commercial bank exposure." It adds that Canada should take the lead in advocating creditor governments' adoption of substantial export debt concessions, especially for the most seriously-affected countries. It further recommends that a new approach to determining eligibility for official debt relief is necessary, so there should be independent Canadian assessment of the debtor country's commitment to serious economic reform and to development that needs to be both equitable and environmentally sustainable.

There is tragic irony in that as history reshapes East-West relations, bringing these two "hemispheres" closer together and turning Eastern Europe into a magnet for western investment, the gulf between North and South widens. World Bank head Barber Conable has warned of the consequences of this, a warning the Canadian government would do well to heed. Developing countries trying to get out from under a mountain of debt that threatens to crush them obviously have little hope of competing with Eastern Europe. "The urgency of the debt crisis demands strong 'political will' on the part of Canadians and their government if we are to avoid an either/or situation," the sub-committee says.

In requesting a formal government response by the end of the year, the Members of Parliament on the sub-committee are "confident that Canadians will support strong actions by their government when they are able to understand those actions, and the mutual interests served by them." That, however, remains to be seen. The prognosis is not good and turning our almost xenophobic ethnocentrism around will be no easy task for a government that is already so low in the polls about its performance at home, never mind abroad.