

beginning with the 1955 visit to Moscow of Lester Pearson. In the sphere of the important grain trade, for example, negotiations have been conducted by state trading monopolies on both sides.

Canada has sought to 'normalize' economic relations with the COMECON countries by treating them in the same regulatory manner as trading partners in the rest of the world. These relations with the area have been largely free therefore from the myriad of restrictions and regulations that Washington has imposed on its economic relations with the East.

A certain paradox in Canadian policy may be noted here. Because trade with Eastern Europe is negligible, the economic cost of resorting to it as an instrument of foreign policy has been slight. However, since commerce provides most of the substance of bilateral relations with Eastern Europe, there has been a tendency to emphasize a business-without-politics approach.

Finally, a certain ambivalence has long existed in Canada's export promotion policies towards the East. This ambivalence has hinged, on the one hand, on the continued importance of the grain trade to farmers and to the balance of payments. On the other hand, the government has sought to diversify the composition of exports through a variety of official programmes. These include export credit supports to promote sales of manufactured goods, especially machinery and equipment. (The areas of greatest success in this regard have been equipment and technology for the energy — oil, gas, nuclear power — and forestry sectors.) Sensitive to the difficulty of expanding exports of manufactures while also maintaining grain exports — in view of the large trade surpluses that have resulted — the government has sought to treat grain as separate from other areas in state-to-state negotiations.

The principle of insulating economic relations from politics was abandoned at the beginning of the 1980s. In response to the Soviet invasion of Afghanistan, the Canadian government, along with other Western nations, invoked a wide ranging set of sanctions against the USSR. The measures announced by Prime Minister Joe Clark in January, 1980, included a partial grain embargo, tighter export controls, suspension of all official visits and programmes, and the decision not to renew the official line of credit to the USSR. The sanctions were slowly removed and official relations gradually restored after the death of Soviet leader Leonid Brezhnev in November, 1982. Ottawa showed little interest, however, in returning to the pro-active East-West trade policies of the 1970s

except with regard to the grain trade. After the grain embargo was lifted, a new, long-term agreement was signed and grain exports boomed. By that time, however, Canada's trade policy attentions were directed elsewhere. Canada was now focussed on the application of sanctions to South Africa and to the development of new economic relationships — especially with the United States — but also with the dynamic Pacific Rim area and with the rapidly expanding European Common Market.

With its 1980 sanctions, the government set the tone for Canada's East-West trade policy in the first half of the decade. The return of the Conservatives to power in September, 1984, was followed six months later by the accession of Mikhail Gorbachev to the Communist Party leadership in Moscow. Ironically, it thus fell upon a Conservative government to set Canadian policy in response to the growing 'revolution' in the East that dominated international affairs in the second half of the 1980s.

CANADIAN POLICY IN THE NEW EAST-WEST CONTEXT

In the new era of East-West relations ushered in by the Gorbachev reforms, Canadian policy has been more reactive than innovative. Although the process of restoring relations was virtually complete by the end of 1988, no new policy initiatives with the Soviet Union and Eastern Europe had been undertaken. The few, cautious statements on developments in the Eastern countries that emerged from Ottawa advocated a wait-and-see posture and emphasized the need for a concerted NATO policy position. The government's White Paper on Defence and Canada's expulsion of Soviet embassy officials in 1988 — to considerable public fanfare — further demonstrated that Cold War proclivities were still strong in official Ottawa. As the Eastern reforms gathered momentum, however, the Mulroney government came under mounting public pressure to take more positive action. The growing contrast between the government's do-nothing stance and the activism by this time of the Canadian business community was particularly awkward for a government which looked to business as a major source of political support.

The 1980s witnessed the rise of a new phenomenon in Canadian economic relations with Eastern Europe which had a growing effect on policy. This was the creation of business and trade councils that serve as both channels through which