

Leader's Son Visits Canada

Deng Pufang, the son of Chinese leader Deng Xiaoping, visited Canada for two weeks during September. The younger Mr. Deng was director-general of the China Welfare Fund for the Handicapped, and came to Canada to study Canadian facilities for the crippled. Mr. Deng, himself confined to a wheelchair as a result of injuries sustained during the Cultural Revolution, visited Ottawa Civic Hospital, where he had been treated for his injuries and which hosted his visit. Canadian officials said privately that the main reason for the visit was to raise funds for the handicapped in China (*Ottawa Citizen*, September 11).

France

Tax Assessment

A consortium of two private Canadian companies, a French government agency and a private French company which was building the world's first commercial nuclear mini-submarine, known as SAGA I, did not qualify as a Canadian scientific research tax credit project, according to Revenue Canada, which began legal action in August to recover \$44.2 million in unpaid taxes on unqualified capital expenditures.

The Revenue Canada decision was made despite a major diplomatic campaign by the French government to try to get the tax assessments dropped. "It is a serious problem," said Christopher Juillet, a scientific attaché at the French embassy in Ottawa. A prime concern of the French government was that Revenue Canada would seize the submarine, on which more than \$100 million had been spent, to satisfy the tax debt. A French official in Paris called Revenue Canada's actions narrow-minded, stupid and crazy, and said they were harmful to Canada-France relations. Revenue Minister Elmer MacKay said that he could not say whether the department would seize the submarine, since confidentiality of the Income Tax Act prevented him from discussing the case.

The consortium used seed money obtained from the Canadian scientific research tax credit program in 1984 to build the submarine — from a hull originally constructed by Jacques Cousteau — and a nuclear power plant to propel the submarine.

Part of the French campaign against the tax assessment had been a promise to help the Canadian government win a sought after membership in a European research and development program known as Eureka — a program which involved eighteen countries helping high-technology industries meet the challenge of competing with US and Japanese companies. Prime Minister Brian Mulroney, during a 1986 visit to Paris, had raised with the French the possibility of Canada's joining Eureka. The French response had been discouraging, but Canadian officials remained optimistic about future membership.

Some Canadian sources expressed concern that the submarine project had provided a chance for Canada to benefit from French oceanic expertise, and if the venture

failed because of the Revenue Canada decision, the incident could set back scientific cooperation between the two countries for years (*Globe and Mail*, August 1).

Fishing Dispute

In late August French Premier Jacques Chirac said in Paris before an official visit to Canada that he would take a tough stand in the dispute over fishing rights around the French islands of St. Pierre and Miquelon (See "International Canada" for June and July 1987). "This contentious issue, a little bit sensationalist, is worrying," the premier said (*Ottawa Citizen*, August 28). He also referred to France's "affectionate" relations with Canada. "Our economic relations with Canada are not what they should be. They have been marred by a number of disappointments. We have a long way to go. It's a question of putting our economic relations on the same plane as our political relations," M. Chirac said (*Globe and Mail*, August 28).

M. Chirac met with Prime Minister Brian Mulroney on August 30 at Meech Lake, Quebec. After the meeting M. Chirac announced that the impasse in the negotiations over St. Pierre-Miquelon had been broken by Mr. Mulroney's agreement to change Canada's negotiating team. Montreal lawyer Yves Fortier was named to represent Canada in the talks. M. Chirac said he hoped a settlement could be reached in a few weeks' time. Mr. Mulroney said he thought Mr. Fortier could bring a fresh approach to the talks, since he came to them from outside the public service and "has nothing to do with the quarrels and the difficulties [of the past] . . . I think there will be a new approach on both parts." The negotiations had ceased in March, when Canada closed its east coast ports to French fishing vessels (*Globe and Mail*, August 31).

Transport Minister John Crosbie told the Commons on August 31 that there would be no changes in Canada's proposals when the negotiations resumed. Mr. Crosbie also refused opposition demands to decrease the amount of fish available to the French fleet. Bill Rompkey (Lib., Grand Falls-White Bay-Labrador) had told the Minister that the Newfoundland small-boat fishery was in a crisis because there were shortages of cod caused by French overfishing.

It was announced in early September that France's chief negotiator in the fishing dispute, Gilbert Guillaume, would be nominated to the World Court in The Hague, the body that was likely to decide on the boundary aspect of the France-Canada dispute. Canada did not object to the UN nomination, and Prime Minister Brian Mulroney said that "Canada recognizes Mr. Guillaume's talents as an international jurist." M. Guillaume, who was director of legal affairs in the French foreign ministry, had argued repeatedly that France's request for higher quotas was not excessive, and that Canada had reacted emotionally to the issue (*Globe and Mail*, September 11).

Chief Canadian negotiator Yves Fortier said on September 13, after the first day of the new round of talks, that he felt optimistic about a settlement's being reached regarding French cod quotas in the Gulf (*Globe and Mail*, September 14). However, the two sides reached no agreement on quotas after the next day's 9-hour meeting in Paris; they agreed only to a news blackout on the issue until the next