

It is very difficult for a multinational society like the USSR to divide losses in an acceptable way.”

In these circumstances, what can Canada do to encourage and benefit from Soviet economic development? We note the cautionary remark of Vladimir Popoff that outsiders cannot provide help until the Soviet Union asks for it, which—by and large—they have not yet done. We would also acknowledge that foreign business faces major difficulties in the short term, although, as McDonalds in Moscow demonstrates, there is a huge untapped market waiting for those with the resources to be patient and to take the long view. We were told by an official of the West German Federation of Industries that their companies have many joint ventures in the Soviet Union that are running well. Our own conclusion is that it is the smaller Canadian businesses that need a lot of advice and assistance from government in going into a market very different from their own. Moreover, we believe Canada has a national interest in getting in on the ground floor of Soviet economic development, and we would recommend the following as a few practical ways of doing so.

Opportunities for Success. Referring back to the comment by Igor Abakumov that the best hope for reform in the agricultural sector is to establish beachheads that can serve as models for others, we were told that Dutch and Italian companies have taken up the challenge of leasing large tracts of Soviet land and managing their development with Russian farmers. Under this arrangement, any production above an agreed target will be paid for in hard currency and in time the projects will be converted into joint ventures.

We were disturbed to find that Canada had been offered similar deals but failed to take them up, in part for want of seed money or government guarantees. It is our impression that what is needed is something like the Business Cooperation Program of CIDA which supports the efforts of Canadian business to penetrate new markets in developing countries and assists them in seeking opportunities for investment, joint ventures and transfers of technology. Rather than creating a new instrument for these same purposes in the Soviet Union or Eastern Europe, **the Committee recommends that the Government consider extending the mandate of CIDA's Business Cooperation Program to include the Soviet Union and Eastern Europe, on condition that funding for these activities be separate from and in addition to Official Development Assistance.**

Training. Georgy Arbatov, Director of the Institute for the USA and Canada, remarked that one of the main difficulties facing privatization in the Soviet Union is that “for generations we waged wars on entrepreneurs. They were driven out or underground. Now they are emerging.” Arbatov and others stressed that one of the most useful ways for the west to assist change in the Soviet Union is by helping to train people in all areas of economic activity.

Canada should facilitate the expansion of programs available to Soviet business managers, such as the “East-West Enterprise Exchange Program” established at York