

35

CANADA AND THE TRANSFORMATION OF THE EAST EUROPEAN ECONOMIES: POLICY CHALLENGES OF THE 1990s

by *Carl H. McMillan*

Dept. of External Affairs
Min. des Affaires extérieures

FEB 8 1991

RETURN TO DEPARTMENTAL LIBRARY
RETOURNER A LA BIBLIOTHEQUE DU MINISTERE

INTRODUCTION

As the new decade begins, the international environment is changing rapidly. The upheavals in Eastern Europe, the unification of Germany, and the collapse of Eastern regional institutions such as the Warsaw Pact and the Council for Mutual Economic Assistance (COMECON) are all having fundamental effects on the international system and on the East-West relationship.¹ The European Community is being strengthened and enlarged (at least to encompass what was formerly East Germany), the concept of NATO is being rethought, and there is a search for a new, broader definition of international security and an appropriate institutional framework for it.

Just as there has been a revolution in the military/security dimension of East-West relations, so too have events pressed for a rethinking of economic relations. The West no longer uses its trading relationships to prosecute the Cold War. Discussion today centres on how, and to what degree, the West might provide aid to prevent economic collapse and to ensure the peaceful transition to market economies and political democracies in the East. As a major trading nation, and a member of the Western alliance, these changes will demand some deft policy decisions on the part of Canada. Canada must anticipate the possibility that its weight and influence will decrease within an enlarged international trade

and financial system where major new actors — a united Germany in particular, but also possibly a revitalized and reintegrated Soviet Union — will play a role. This paper will survey Canada's past principles and priorities in its relations with the Eastern economies, with a view to suggesting what initiatives are needed to meet the challenges of the East European transformation.

POLICY EVOLUTION

Historically, Canada's policies towards Eastern Europe have centred on the Soviet Union. The USSR has been regarded not only as the "bloc" leader, and the dominant economic as well as political force in the area, but also as the most important partner for Canada over a wide range of potential relations. In the 1980s, roughly three-quarters of Canada's trade turnover with Eastern Europe was with the Soviet Union.

Canada's policies towards the area have ebbed and flowed with the tide of East-West relations. In 1956, the Canadian government took early advantage of the 'thaw' that followed Stalin's death to sign a trade agreement with the Soviet Union. As a consequence, in the late 1950s Canada became the first Western exporter to supply grain to the USSR on a regular basis. Contacts with the smaller East European economies developed

43-258-438