

ENERGY

The oil and gas sector is one of the most important for Canada and one of critical importance, as well, for several of the new republics of the former Soviet Union, notably Russia and Kazakhstan. It has been argued that the oilfields of Siberia are the best place to nurture the Russian economy while, for all of the republics, exports of oil and gas are key foreign currency earners. There are currently about six Canadian joint ventures in oil and gas in the new republics (the largest of them Gulf Canada).

Yet despite possessing immense deposits of energy resources, the energy industry is in deep crisis with significant implications for the global economy. The rapid slide in Russian oil output could significantly increase the threat of an uncontrolled explosion in oil prices.³⁴ One of the main reasons for the steep production slide is equipment shortages. Another difficulty is that, in addition to the usual obstacles to Western investment that were described earlier, the split between Moscow and oil-producing regions over control of resources makes this sector a focal point for discontent. President Dudaev of the Chechen Republic, for example, is calling for an alliance of oil-producing republics within the Russian Federation against Russia itself.

There are two potential ways that Canada could help. One possibility would be to revive a type of "lend-lease" programme.³⁵ Canadian oil services companies have been devastated by a collapse of drilling in North America, leaving plenty of scope to make available the pumps and other equipment that Russia and other republics need so badly. Such an arrangement might also provide opportunities to explore other ways of leasing to the new republics the new technologies they need for extractive purposes. At the same time, it should be noted that despite its present relative technological backwardness in this sector, Russia potentially has considerable unrealised technological innovations and know-how which, in turn, could be of great interest to Canadian companies.

The Committee recommends that the Government explore the possibility of creating a form of "lend-lease" programme for provision of pumps and other equipment to the energy sector in the new republics of the former Soviet Union.

CLOSING THOUGHTS

One of the principal adjustments that Canada must make to the new realities in this part of the world is to forge new ties with previously neglected areas and rely less on old ties with the centre in Moscow. As valuable and valued as the relationship with Russia is to Canada, it is no less clear that Canada must rapidly broaden its contacts, in part to aid in the process of decentralization and demonopolization of power and in part in its own national self-interest. These new realities are reflected in the language of the CUBC's recent survey of joint ventures:

New links...must be forged...with the republican and sub-republican jurisdictions. This is now a matter of necessity as much as desirability, as the option of dealing with central government agencies is rapidly being eliminated. Some Canadian firms will have to deal

³⁴ According to the Canadian section of the Institute of USA and Canada of the Russian Academy of Sciences, in 1991 the countries of the Commonwealth of Independent States (CIS) extracted 515 million tons of crude oil (456 million tons from Russia alone) — which is down to 1976 levels. Since 1989 exploration drilling has dropped by 25 percent.

³⁵ Lend-Lease refers to the bill United States President Roosevelt introduced — which the President himself always referred to as the "Aid to Democracies" bill — whereby Great Britain could place orders for American materials with the US government which then purchased what was required from American firms and paid them. The materials were then lent or leased to the British in return for a promise of payment after the war. President Roosevelt told the American people that if a neighbour's house was on fire it was only common sense and self-protection to lend him a hose.