

SIGNPOSTS

dependent organization says growth as expressed as Real Domestic Product, is expected to slow to 1.9% this year and to 1.7% in 1991 as inflation increases to 4.9% and then to 5.8%. "Real economic gains begin in 1992 and the economy is expected to be better off from then onward." The Board also expects the merchandise trade deficit to continue through 1991, short-term interest rates to decline slightly this year, and business investment to show no growth after peaking by the end of 1990. The exchange rate against the United States dollar, having averaged \$1.184 through 1989, is projected at \$1.173 this year and \$1.175 next year.

VANCOUVER — Bing Thom Architects have been chosen to design the \$9-million Canadian pavilion at Expo '92 in Seville, Spain. Selected by a panel from among 14 competing firms, the company designed the award-winning Northwest Territories pavilion at Expo '86 in Vancouver. The Department of External Affairs' total budget for participation in the first official "universal exposition" since Expo '70 in Osaka, Japan, is \$33 million. More than 100 countries are expected to participate and the theme of the Canadian pavilion is "Explore Canada: Explore a New World."

OTTAWA — It will be at least June before a new federal-provincial Co-ordinating Office for Health Technology Assessment is ready for business — some six months after it was announced. The delay in setting up the clearing house is due mainly to problems in finding a qualified Executive Director. Among other things, COHTA's terms of reference require it to establish links with Canadian and international agencies involved in research, development and assessment of new technologies, to monitor developments in other countries, to scan world literature, and to synthesize information into "easy-to-read language." Furthermore, it will establish research priorities for technology assessment in collaboration with funding bodies as well as promoting development and use of new technologies for assessment. It has an annual budget of \$500,000 for the first three years, 30 per cent of which is federal with the rest shared by the provinces.

WASHINGTON — Accelerated elimination of tariffs under the Free Trade Agreement with Canada has moved into high gear with President George Bush's formal advisory to Congress. Canadian products on which duties are lifted immediately include diesel engines, chemical plastics, machinery, textiles and some food products. American products that benefit include chemicals, pharmaceuticals, photographic film, telecommunications hardware and scientific instruments.

OTTAWA — A Federal Court of Canada ruling may turn out to be a headache for airport authorities. The Airport Restricted Area Access Clearance Programme, put into effect by Transport Canada in 1987, was challenged by the International Association of Machinists and Aerospace Workers as an abrogation of the unreasonable search and seizure provisions of the Charter of Rights and Freedoms. Judge Barbara Reed rejected this particular point, saying that International Trade Minister John Crosbie, who held the Transport portfolio at the time, did not have the authority to implement the new regime. She said it should have been promulgated by cabinet under the Aeronautics Act. Part of a general security clampdown after the Air India disaster, the ARAACP required fingerprinting of all airport and airline employees, including flight crews, and compulsory signing of a document that gave the Canadian Security Intelligence Service authority to conduct in-depth personal investigations. "It is clear that if an individual does not obtain a security clearance, the consequences for him or her are severe," the judge said. "He or she cannot work in the area concerned. This would in many cases result in a loss of employment." In addition to IAMAW members, the ruling applies to about 65,000 other airport workers such as baggage handlers. Anticipating criticism, an IAMAW official says the union is "prepared to join in a study to establish an appropriate security programme based on principles of fairness and proper avenues of appeal."

GENEVA — Canada is now under the umbrella of the Patent Co-operation Treaty, an agreement administered by the World Intellectual Property Organi-

zation that should simplify inventors' protection of their developments in up to 43 countries. Ratified last year, it puts in place a single international application process whereby Canadian inventors may seek patent protection in countries such as the United States, Japan and most of the European Economic Community. They previously had to file directly in each country and although the eventual granting of patents is under the authority of individual signatories, the PCT should obviate the need for multiple filings.

OTTAWA — *Banking on the Grass Roots* is an analysis, prepared for the North-South Institute by Bruce Thordarson, of the role of co-operatives in the developing world. Providing an overview, it concludes that success "cannot be taken for granted" in the co-op movement and says there are minimum criteria required. "These include the right kind of government support, an economic environment favourable to the kind of business in question, mutual self-interest among the members in the success of the venture, educational activities for both members and staff, and effective vertical support structures." Mr. Thordarson is Director of the International Co-operative Alliance in Geneva, which has members in 76 countries. Copies of his report are available for \$12 each from the NSI, 55 Murray St., Suite 200, Ottawa K1N 5M3.

TORONTO — Noranda Forest Sales, a division of Noranda Forest Products Inc., and Montreal-based Hymac, a designer of pulp-and-paper machinery, are looking at the feasibility of building a pulpmill in the Soviet Union. Noranda and Hymac executives were part of a delegation that toured the USSR last November. The proposed mill could be built near Leningrad and would export about 70% of its output. Noranda-controlled MacMillan Bloedel, recently confirmed that it was considering closing down its pulpmill at Port Alberni, B.C., because it could not comply with tighter environmental regulations and remain competitive. For the record, Canadian mills produced 9,678,000 tonnes of newsprint last year, down 2.9% from 1988 as capacity utilization slid to 91% from 95.

ECONOMY

Budget & Estimates: Trepidation Becomes Relief

The latest federal budget and spending estimates yielded an increase of 11.8% in the External Affairs envelope for the 1990-91 fiscal year as overall programme spending was held to a increase of just over 3%. Funding for the Department of External Affairs and related agencies is put at almost \$3.83 billion in the coming year compared with \$3.42 billion in 1989-90. Although the increase will be drawn down to about 7% in real terms once the government's own inflation forecasts for 1990-91 are factored in, it is still a laudable effort as the administration struggles to control growth in the accumulated public debt. There has been considerable pressure from the International Monetary Fund (IMF) to curb the annual deficit and there were suggestions in the weeks leading up to the budget that programmes such as Official Development Assistance (ODA) would be savaged.

The estimates show the government planning to spend an initial \$147.78 billion in 1990-91. This would represent an increase of 3.43% over the original estimate of \$142.90 billion for 1989-90. Supplementary estimates tabled since the latter were unveiled last year amount to \$3.4 billion and the supplementaries forecast for 1990-91 are projected at \$2.4 billion; if each is fully utilized, overall spending would rise to \$150.7 billion from \$146.3 billion or approximately 3.01%. Once debt-servicing is removed from the package, it means programme expenditures will rise by only 3.02%. Budget documents show total programme spending rising from \$103.5 billion in 1989-90 to \$106.6 billion in 1990-91 and incrementally to \$125 billion in 1994-95. Budgetary revenues, which were \$112.4 billion in 1989-90, are projected to rise to \$119.3 billion in 1990-91 through to \$155 billion in 1994-95. While these point to a continued operating surplus, the cost of carrying the accumulated debt has created the deficit crisis.

Deficit Forecast On Track

Mr. Wilson reaffirmed his determination to reduce the debt, which is \$351.5 billion as the 1989-90 fiscal year

closes. Calling the \$30.5-billion deficit forecast for 1989-90 "on track," he predicted a deficit of \$28.5 billion in 1990-91 and said it would be halved to \$14 billion by the end of 1994-95 and then cut to \$10 billion the following year. "This will mean that within five years the government will begin to buy back its bonds and Treasury Bills. The government will be on a clear path to substantially reducing the burden of debt." But the cumulative debt still will top \$450 billion by the end of 1995-96. "Our public debt has grown from \$200 billion ... in five years," Mr. Wilson said. "More than 80% of this increase consists of the compounding interest on the original \$200 billion. That shows dramatically how important it is to get off the treadmill of borrowing money to pay interest on the past debt.... This year alone, interest payments will cost us close to \$40 billion."

Department Operating Budget Up

External Affairs departmental funding for 1990-91 is put at \$1,106,322,000 (up 2.65% from \$1,077,708,000). This includes \$723,440,000 in routine operating expenditures (up 8% from \$669,263,000) and \$132,116,000 in capital expenditures (down 1.3% from \$133,853,000). As with the overall funds, the real change has to be measured against the backdrop of an inflation forecast of almost 5%. The Canadian International Development Agency (CIDA) budget is to rise 8% to \$2,167,352,000 from \$2,005,201,000. There is a dramatic 111% jump in Export Development Corporation funding, to \$399,000,000 from \$189,000,000, a measured response to the popularity of the programme in the latest year. Funding rises by 5.34% to \$114,300,000 from \$108,500,000 for the International Development Research Centre and by 21.7% to \$12,300,000 from \$10,100,000 for the International Centre for Ocean Development. It remains at \$5,000,000 for the Canadian Institute for International Peace and Security while it is cut by 24.5% to \$1,157,000 from \$20,089,000 for the Canadian Com-

mercial Corporation and by 4% to \$4,641,000 from \$4,835,000 for the International Joint Commission.

Mixed Reviews on ODA

A closer look at CIDA shows that its operating budget is \$94,224,000 (down 7.6% from \$101,950,000) but the appropriation for grants and contributions is \$1,906,700,000 (up 6.5% from 1,789,700). The CIDA total also comprises \$3,800,000 for the Asian Development Bank and \$6,100,000 for the African Development Bank, each of which is unchanged from 1989-90, but the \$4,800,000 for the Inter-American Development Bank is down 37% from \$7,700,000. The ODA budget, which grew by an annual average of 7.4% during a period when overall government spending was rising by 3.5%, is being held to 5% in each of the next two years, which means \$2.57 billion in 1990-91. Expressed as a proportion of Gross National Product, ODA is expected to reach 0.47% by 1994-95, up from the current level of about 0.43% but well below the target of 0.6% that the government had forecast for the end of the 1980s in Mr. Wilson's first budget, in 1985.

Economic Slowdown Illusory?

All of the foregoing is planned against the backdrop of an economy that the government expects will continue to decelerate "over the next few quarters" with growth averaging below 1% in the period from the 4th quarter of 1989 through mid-1990. "The first quarter of 1990 could be particularly weak," according to budget documents. "No increase in economic activity from the 4th quarter of 1989 is projected and a ... decline in output is possible." But Finance Department officials say this particular part of the forecast was predicated on the automotive sector doing more poorly than is currently the case. Gross Domestic Product (GDP) growth is pegged at 1.3% this year after 2.6% in 1989 and before 3.0% in 1991. The Consumer Price Index, after a 5.0% rise last year is projected at 4.7% this year before rebounding to 5.1% in 1991.