the COCOM doctrine of "higher walls around smaller areas." The aim was the tighter control of technologies, as well as goods, regarded as "strategic" because of their potential "dual" (civilian and military) use.[6] At the same time, the administration of the control system was strengthened, including enforcement at the border and prosecution of offenders.

On its own initiative, Canada had already begun to streamline its export license procedures when developments in Eastern Europe sparked a broad reassessment of the entire COCOM system. A pivotal meeting of COCOM in June, 1990, resulted in a decision to ease controls on computers, telecommunications equipment and machine tools as of 1 July (thirty items were eliminated from the control list of strategic industrial goods and technologies). Negotiations began on 1 October to draw up a new, simplified list that will be limited to high technology items only. There is also to be more favourable treatment for East European countries such as Czechoslovakia, Hungary and Poland which have engaged in the most far-reaching political reforms and which have agreed to set up their own export control system and permit verification. Moreover, exports to East Germany have been removed *de facto* from control because of German reunification. A new US Export Administration Act, scheduled for the fall of 1990, will establish the new lines of American policy in this area.

Not only has the scope of the strategic embargo been reduced but there is a shift in focus. The new targets of alliance measures are likely to be states in the Third World regarded as potentially hostile, with concern centred on their capability for chemical and biological warfare, and the production of ballistic missiles.[7] There is even the possibility of cooperation between East and West in the enforcement of a new system of strategic controls.

FUTURE POLICY DIRECTIONS

Since 1988, Canada has succeeded in reorienting its policy towards the Soviet Union and Eastern Europe. It has moved from inertia bred on persisting Cold War attitudes to active support for the processes of East European reform. Concrete action has been largely in the form of participation in multilateral assistance programmes. As yet, Canada has failed to extend the new policy approach very far to meet the challenges specific to its own trade and financial relations with the countries of the area.

The outlook for these relations in their traditional form holds many uncertainties. Grain exports to the USSR may well have had their heyday. They had already fallen off in the late 1980s, and new Soviet policies are directed at reducing them further. Self-sufficiency in grains has been a long-standing but elusive goal of Soviet policy. This goal may remain elusive, but it is being approached with new vigour and imagination. Even at present levels of output, if the Soviet Union could eradicate the excessive losses in harvesting — transport and storage consume an estimated 20-30 percent of the crop — it would virtually eliminate the need for grain imports. Future Soviet imports are likely to be more concentrated in feed than food grains, and Canada is at a competitive disadvantage here with the United States.

In these circumstances, and with the broader uncertainties of the present Soviet situation, renegotiation of the Canada-USSR grain agreement which expires on 31 July 1991, is somewhat problematic. At the very least, the USSR can be expected to demand greater flexibility in any future purchase commitments and softer forms of payment. Meanwhile, in the first four years of the current five-year agreement, the Soviet Union had fulfilled all but a few million tons of its 25 million metric ton minimum purchase commitment.

The traditional relationship faces other challenges. Under *glasnost*, the mega-projects characteristic of past Soviet economic development are coming under mounting criticism in the USSR, on technical, social, environmental and financial grounds. Moreover, the Soviet republics are gaining greater influence over such investments. While not spelling the end of the capital projects in the Soviet Union on which Canadian official export development efforts have long concentrated, this does mean that new approaches are required. Similar considerations apply in the smaller East European markets.

In rethinking the Canadian-Soviet commercial relationship, careful account must be taken of the Soviet Union's emerging new role in international trade and investment in oil. The Soviet Union's position as an international supplier has been greatly strengthened by market developments resulting from the Kuwait crisis and by the scaling down of its long-standing COMECON commitments to Eastern Europe. At the same time, Soviet reforms and East-West détente are opening up to the West unprecedented new possibilities for cooperation with the Soviet Union in the development of its energy production and export capacity.