The government has sought to encourage Canadian firms to conduct their commercial activities in risky states so as to avoid complicity in three main ways. First, the government has played a leadership role in setting the tone of public discourse on matters of corporate social responsibility. A high point in this process of public exhortation occurred when in1997 the Government endorsed the Code of International Ethics for Canadian Companies. But as the Talisman Energy case clearly illustrates, moral suasion has not proved adequate in itself to alter the behaviour of Canadian firms.[10]

The second avenue of influence lies through the Department of Foreign Affairs and International Trade (DFAIT), which provides investor briefings to Canadian firms on an ongoing basis. These briefings cover a wide range of information on the climate for doing business in particular states, and include human rights-related information where it is deemed relevant. In interviews conducted for this discussion paper, business opinion appeared mixed on the utility of these information-brokering activities. Some viewed DFAIT with suspicion, whereas others have found it a valuable source of information. One thing is clear: firms have to be independently motivated to take human rights-related considerations seriously for this avenue of influence to operate with effect. There is little if any formal linkage between human-rights record of specific firms and government-provided services to companies investing overseas such as export promotion, participation in Team Canada trade missions, and political risk insurance.

Third, there are a number of Canadian statutes relating to economic sanctions. Sanctions legislation is a much-needed element in any coherent strategy for managing private commercial activities in risky states. The most promising piece of sanctions legislation is the *Special Economic Measures Act*.

The *Special Economic Measures Act (SEMA)* is a relatively new piece of legislation, introduced to fill holes left by older legislation. It is flexible, powerful, and comprehensive (see Appendix B). Its wording allows the Government a great deal of discretion in the kinds of measures envisioned. In particular, the Act could be used to target a specific *firm's* activities (in contrast to, for instance, the *Import and Export Permits Act* which only permits the targeting of states) and provides a legal basis for curtailing overseas *investments* as well as international *trade*.

However, there are also disadvantages to this act, which have largely vitiated its utility as an instrument of government policy. The *Act* can be triggered under two circumstances:

1. in response to calls of an international organization or association of states of which Canada is a member;

[10] The Harker Commission noted approvingly the ongoing dialogue between Talisman Energy and four non-governmental on the issues of how to promote human security in Sudan. Very soon after the Harker Commission reported its findings (and it became clear that no sanctions would be imposed on Talisman) these talks broke down. See Ernie Regehr, 'Drilling for a Corporate Conscience,' *The Global and Mail,* March 20th, 2000.