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SOMMET HALIFAX SUMMIT

1995®

CANADA AND THE G-7

CANADA AND THE G-7

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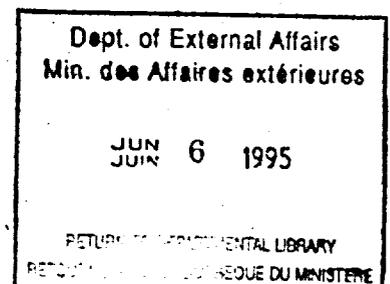
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CANADA AND THE G-7

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Message from the Prime Minister

For three days in June, the eyes of the world will focus on Halifax, Nova Scotia as Canada proudly hosts the 21st G-7 Economic Summit. From June 15 to 17, I will welcome the leaders of France, the Federal Republic of Germany, Italy, Japan, the United Kingdom, and the United States. We will be joined by the President of the European Commission, and the Russian President, Boris Yeltsin, will attend part of the discussions.

Meetings such as these are of special importance to young Canadians. They present a golden opportunity for setting forces in motion that will have a positive effect on the future — a future in which the youth of today will live. In a global economy, it's important to pinpoint the problems that face the world. Identifying them and how Canada fits in is the work of this summit.

The Halifax Summit will give us the chance to put a Canadian perspective on the G-7 discussions. The meetings, which I will chair, will be underscored by events that have taken place in Canada and throughout the world over the past year. The main theme of the Summit will be on strengthening the international system so that it can deal with the challenges that lie ahead. Understanding those challenges is the first step toward meeting them — the ground-work for young Canadians who will be making future decisions.

As well, I look forward to making progress on the full range of summit issues. Some of the topics we will discuss are: economic growth and job creation, international trade, the global information highway, nuclear safety, controlling the spread of nuclear weapons, protecting the environment, reducing poverty, transnational crime and migration.

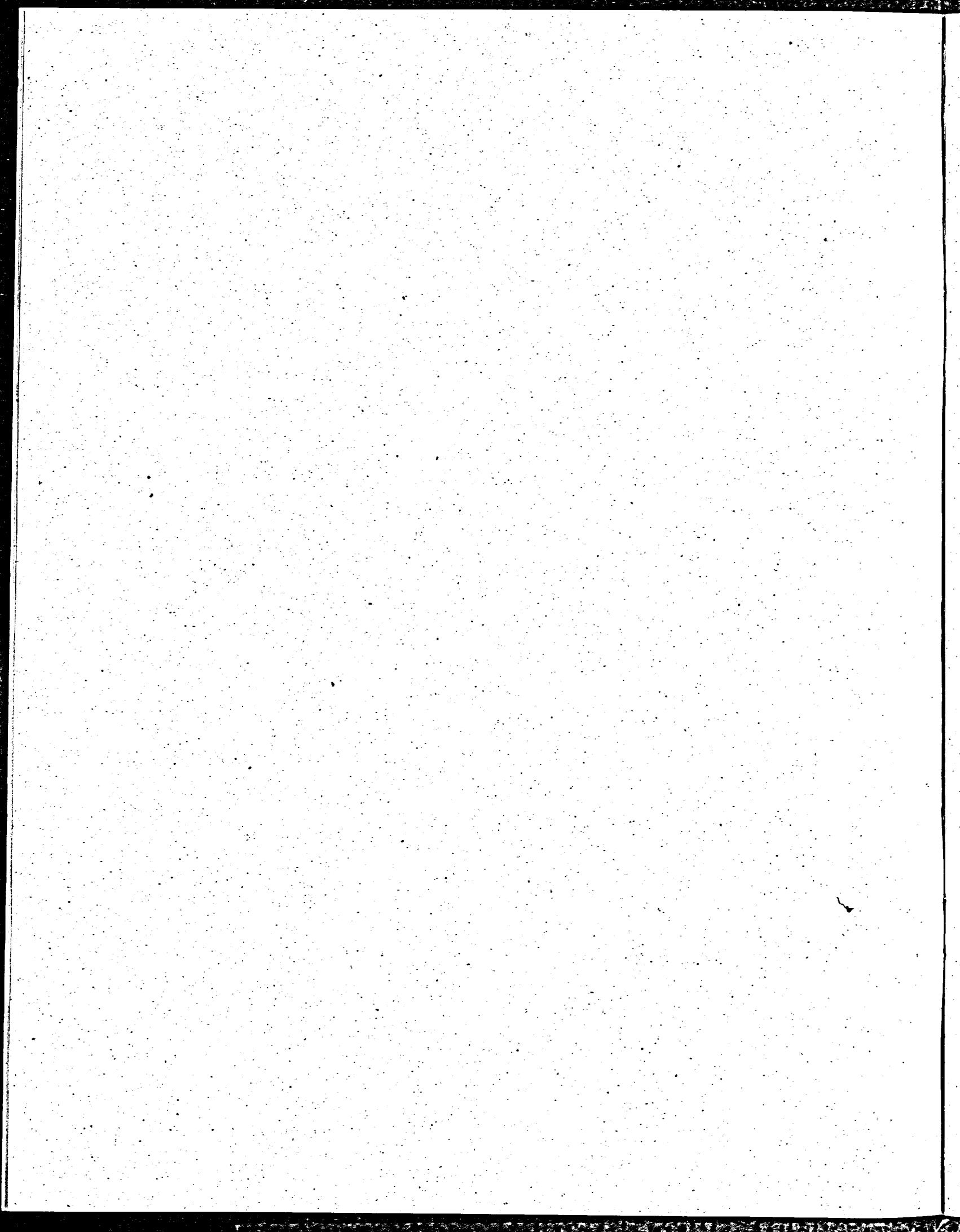
These issues have been the subject of ongoing discussions since the last G-7 in Naples, Italy in 1994. The annual G-7 Summit is only the most visible part of a wide-ranging process of consultation among the world's seven leading industrialized democracies. Between summits, Canadian officials meet with their counterparts at the World Trade Organization, the International Monetary Fund, the World Bank, and many other international organizations.

The Halifax Summit will be the culmination of a year-long process. The issues the leaders deal with will have been discussed at length already by senior officials from each participating country. Following the Summit, a Declaration will be issued that will reflect the views of the leaders on the issues of global concern. But, most importantly, the Halifax Summit Declaration will reflect a Canadian perspective on world problems and a Canadian approach to their solution.

So, discussions that a previous generation started in the 1970s continue to help build a secure and stable future; a process to pass on to today's youth — tomorrow's leaders.

I am excited that the world will be coming to Halifax this summer. This beautiful, historic city will open its doors to show what an attractive destination it is for both business and pleasure. I am sure that our visitors will leave agreeing with the people of Halifax who have coined the slogan that you'll "Love the way we live."


Jean Chrétien



FORUM FOR DISCUSSION

Summit History

Once a year, the leaders of Canada, France, Germany, Italy, Japan, the United Kingdom, and the United States — called the G-7 — plus the European Union get together to review the most pressing economic and political issues of the day.

G-7 summit meetings are relatively recent arrivals on the international scene. The first summit — an initiative of French President Valéry Giscard d'Estaing — was held in Rambouillet in 1975. Originally conceived as a one-time event, the leaders of the United States, the United Kingdom, France, the Federal Republic of Germany, Japan, and Italy met to find a way of coping with the quadrupling of the price of oil in 1973. The success of this gathering, however, inspired U.S. President Gerald Ford to repeat the experience in Puerto Rico the following year. Canadian Prime Minister Pierre Trudeau joined the summit table at this time. The European Community, now the European Union, was granted observer status at the 1977 London Summit, and is represented at summits by the President of the European Commission.

Until the 1970s, most countries, including the United States and Japan, traded little outside their own territory. For Japan and the United States, 90 per cent of their economic output was domestic; a fact that overwhelmingly captured the attention of leaders and lawmakers. It wasn't until quite

recently that national leaders concerned themselves with economic matters. Prior to the 1950s, economic matters were handled almost entirely by finance ministers.

The rapid increase in the cost of oil in 1973 made it clear that the days of operating in isolation were over. The oil price shock showed everyone how interrelated national economies had become. Interrelated economies were also interdependent economies. Decisions made in Tokyo could have an impact on exports from France. If the European Union increased subsidies paid to farmers, the effect could be felt right across the Canadian Prairies.

It was important, therefore, for the biggest players in the game to discuss common problems and strategies. So, following the 1975 meeting in Rambouillet, the leaders of the world's most powerful economic democracies have met each year.

DEFINITION:

Sherpas - Personal representatives of Summit leaders who review issues at advance meetings.

CANADA AT THE G-7

G-7 LOOKS EAST

Since 1989, a major issue under discussion at G-7 summits has been the collapse of the Soviet Union. In 1989, Soviet President Mikhail Gorbachev wrote to summit leaders outlining his plan to bring the Soviet Union into the world economic system. At the 1990 Houston Summit, leaders asked a number of international financial institutions to study the Soviet economy and recommend reforms. Following the 1991 London Summit, leaders met with Mr. Gorbachev to review his reform plans. By 1992, the Soviet Union existed no more, and it was Boris Yeltsin, President of Russia, who briefed the G-7 leaders at Munich. Prior to the 1993 summit in Tokyo, a US\$43-billion support package for Russia was announced. The assistance includes debt rescheduling, stabilization support through the IMF, loans through the World Bank, as well as funding for a privatization program.

For Canada, G-7 membership is especially important. Canada has always been a major player in all leading multilateral organizations, and it is a cornerstone of our foreign policy that world issues should be dealt with through such groups. As a major force in peacekeeping operations, Canada has a clear interest in peace and security issues, many of which are dealt with at G-7 meetings.

Ours is a trading nation, with 32.5 per cent of our gross domestic product (GDP) coming from exports. In contrast, only 18.4 per cent of Japan's GDP comes from exports. So, it is very important to Canada to be involved in any international forum that deals with trade and economic issues. Canada is firmly committed to an international trading sys-

tem that is based on rules; the sort of free-for-all that would prevail in a system without rules would be extremely damaging to all but the economic giants.

Canada also uses the summits to raise issues that are important domestically. In 1991, for example, Canada was concerned about the depletion of its fisheries, and was able to obtain a strong declaration from G-7 members on protecting living marine resources.

Few decisions are made at the G-7 summits; their purpose is more to set the international agenda. The leaders learn about how their economies are linked. They are able to sit down and talk candidly to one another. They get a chance to assess each other's priorities. They are able to put in place a more co-ordinated response to political and economic problems. By taking joint action, the G-7 sends a message of confidence to businesses, governments and consumers around the world. For Canada, the stability promoted by the summits is critical to every major sector of the economy.

SUMMIT HISTORY

At the previous 20 summits a variety of topics have come to the fore. The early meetings all concentrated on dealing with the aftershocks of the oil price increases. The 1980 meeting saw the first political event making it onto the agenda as the leaders discussed the Soviet Union's invasion of Afghanistan.

"In the past, world leaders have met to deal with crises, but today's complex problems require that leaders meet to avoid them."

**U.S. President Gerald Ford
at the 1976 Puerto Rico Summit.**

In 1981, Canada hosted its first G-7 summit—the Ottawa Summit, held in nearby Montebello, Quebec. North/South issues were an important item on the agenda, as the leaders discussed the relationship between developed and developing countries. However, the minds of most were focussed on the world's economic woes. There was inflation, low growth, rising unemployment, balance of payments deficits and high interest rates. The leaders discussed the linked problems of unemployment and inflation at length.

In Tokyo in 1986, the leaders agreed that

The summits fit into a pattern of other meetings. Finance ministers and their deputies from the seven nations meet regularly; so do central bank governors and other senior officials. There are consultations through such bodies as the International Monetary Fund (IMF), the World Bank, the Organization for Economic Co-operation and Development (OECD), and the World Trade Organization (WTO). Political issues are dealt with in the United Nations and other international fora. While the leaders paint the broad brush strokes of political and economic policy, it is the officials a little further down the chain of command who fill in the details.

world trade needed to be freed from some of the barriers that nations had put up to protect domestic industries. In that vein, Canada raised the issue of agriculture. A fierce price war between the United States and the European Union was causing havoc in the world's grain market.

Canada's second summit was held in Toronto in 1988, and agreement was reached on a new debt-relief package for the world's poorest nations. Canada joined with Italy and Germany to push hard for more concerted action on such global problems as acid rain and the ozone layer.

By 1990, providing aid to the collapsing Soviet Union was at the top of the agenda (see sidebar). The leaders also tried to break the deadlock in the Uruguay Round of trade talks under the General Agreement on Tariffs and Trade (GATT). During the early '90s, the G-7 summits focussed on encouraging a global recovery and on dealing with unemployment.

Job creation, economic growth, peace and security, the environment, aid to developing countries and other topics will be prominent when leaders of the world's most powerful industrial democracies gather again in Halifax in June.

SUMMIT VENUES

- 1975 — Rambouillet, France
- 1976 — Puerto Rico
- 1977 — London, England
- 1978 — Bonn, West Germany
- 1979 — Tokyo, Japan
- 1980 — Venice, Italy
- 1981 — Ottawa, Canada
- 1982 — Versailles, France
- 1983 — Williamsburg, U.S.
- 1984 — London, England
- 1985 — Bonn, West Germany
- 1986 — Tokyo, Japan
- 1987 — Venice, Italy
- 1988 — Toronto, Canada
- 1989 — Paris, France
- 1990 — Houston, U.S.
- 1991 — London, England
- 1992 — Munich, West Germany
- 1993 — Tokyo, Japan
- 1994 — Naples, Italy
- 1995 — Halifax, Canada

LEADERSHIP INITIATIVES

Political Issues

*The G-7 Summits have become far more
than a discussion of economic issues.*

Macroeconomic and trade issues have traditionally been uppermost on summit agendas. But other global issues have gained prominence over the years too. Since the 1980s, G-7 leaders have focussed much of their attention on political issues. They've discussed such problems as terrorism, drug trafficking, money laundering, human rights abuses, international migration, the environment, and nuclear safety and proliferation. Their efforts have led to specific actions—leaders have set forces into motion in their own countries as well as in international organizations best suited to deal with the issue at hand.

At their annual meetings, G-7 leaders also discuss the most pressing political concerns of the day. These talks largely deal with regional crises. In recent years, political discussions have focussed on the situations in the former Soviet Union, South Africa, the Middle East, Bosnia-Herzegovina, Haiti, Rwanda, and North Korea.

DEFINITION:

Macroeconomics-
Economic behaviour
in whole systems,
such as countries or
groups of countries
— the main focus
of G-7 meetings.

NUCLEAR SAFETY

The 1986 Chernobyl disaster raised serious concerns about the safety of Soviet-designed RBMK and older VVER nuclear reactors. Those concerns have increased as more information about these reactors has become available. Power plants using these reactors continue to operate throughout the former Soviet Union and Central and Eastern Europe to meet urgent energy requirements. As the Chernobyl accident illustrated, however, the risks posed by these plants affect many nations in Europe and beyond.

Leaders at the Munich Summit in 1992 agreed to co-ordinate G-7 actions to improve nuclear safety levels at the higher risk plants in these countries. They created a Nuclear Safety Working Group of G-7 experts to advise them. Since that time, total donor commitments amount to about \$1 billion. Canada currently chairs the Nuclear Safety Working Group. The Group of 24 (G-24), comprising member countries of the

OECD and the former Warsaw Pact, was created to co-ordinate international efforts and has proved to be effective—especially in bringing experts from East and West together to resolve technical issues and to establish priorities for safety improvement programs.

As a further result of the G-7 nuclear safety initiative, a multilateral nuclear safety account has been established at the European Bank for Reconstruction and Development (EBRD). The account provides funds for urgent safety projects that are not covered by other assistance programs. Donors already have committed ECU 58 million to two major projects — the Kozloduy nuclear plant in Bulgaria and the Ignalina nuclear plant in Lithuania. The funds are being used for short-term safety upgrades at these plants until other sources of energy can be brought on stream. Nuclear safety projects for Russia are now ready for approval as well.

Last year in Naples, G-7 leaders accepted an

Action Plan for Energy Sector Reform in Ukraine and identified a further US\$200 million to assist nuclear safety initiatives. A joint Ukraine/G-7 Task

Force is currently under way to discuss its implementation. Its report should be available for the Halifax Summit.

NUCLEAR PROLIFERATION

The spread of nuclear weapons remains one of the most critical problems facing the world. Canada believes it is imperative that G-7 countries continue to support the efforts to contain nuclear proliferation that began at the 1992 Munich Summit. A number of issues figure on the non-proliferation agenda:

- extension of the Nuclear Non-Proliferation Treaty (NPT);
- North Korea's challenge to the non-proliferation system;
- ongoing negotiations for a comprehensive test ban treaty (CTBT);
- preventing the theft and smuggling of nuclear materials such as plutonium;
- negotiations for a "cut-off" convention, which would end the production of materials for nuclear weapons purposes.

First and foremost, Canada believes that the international community must work toward getting all countries to sign the Nuclear Non-Proliferation Treaty. Canada will work for the indefinite extension of the NPT at the 1995 NPT Extension Conference. Ratified by 171 countries, this treaty is the main international instrument for curbing the spread of nuclear weapons.

There have been significant reductions in the nuclear weapons stockpiles of the United States and former Soviet Union during the last year. This should help pave the way for a successful end to the 1995 NPT Extension Conference.

The conclusion of a comprehensive test ban treaty would further help to contain the problem of nuclear proliferation. An extended halt to testing by all nuclear weapons states would serve to keep the ongoing CTBT negotiations in the Geneva-based Conference on Disarmament (CD) on track. Progress toward "cut-off" convention negotiations in the CD also would help to improve the climate for indefinite extension of the Nuclear Non-Proliferation Treaty.

Nuclear theft and smuggling, which pose a serious danger to public health and safety, is a global nuclear proliferation risk. Canada supports international efforts to respond to this danger, including the safe and secure storage of nuclear materials.

A GLOBAL CONCERN

It was an energy crisis that provided the catalyst for the first G-7 meeting in 1975, and an energy-related issue is still high on the group's agenda.

Nuclear power plants generate 17% of the world's electricity. When operated under strict safety codes, these plants help meet power demands in Canada and elsewhere. However, it's a spectacular example of unsafe operation that has the world's leaders concerned.

At 1:22 a.m. on 26 April, 1986, a chain of events began that made a small town in Ukraine a household word around the globe. A group of technicians carelessly turned off the safety systems in the Chernobyl Unit 4 nuclear reactor. Within 36 seconds, the reactor surged out of control. A steam explosion blew the roof off the unit, releasing a cloud of radioactive gases more than a kilometre into the sky. This deadly plume spread radiation across Europe as far away as Italy and Scandinavia. It was a major disaster. Britain's Atomic Energy Authority has estimated that 40 000 people worldwide may die of cancer over the next 70 years because of exposure to radiation from the Chernobyl explosion.

Part of the reason the Chernobyl accident turned into a disaster is the basic design and operating flaws in the older Soviet-designed reactors. Several of these old RBMK and VVER reactors are still at work. They generate much-needed electricity in the former Soviet Union and Central and Eastern Europe. However, they pose dangers not just to the people who live near them, nor even to the continent of Europe, but to the entire world.

An indefinite, unconditional extension of the NPT is the surest way to preserve a climate of stability within which future nuclear disarmament negotiations can go forward. Undermining the NPT would create greater risks and instability. The best guarantee against nuclear adventurism is an indefinite extension of the treaty. Canada works continuously with its G-7 partners and other like-minded countries to conclude successfully the NPT Extension Conference and to stem the illicit trade of nuclear materials.

ENVIRONMENT

In just 20 years, environmental issues have become top priorities on the international agenda. Once seen as mostly local, environmental problems now are recognized as having a global impact. Climate change, ozone depletion, transboundary air pollution (acid rain), deforestation, desertification, mismanagement of marine resources, and other global environmental issues have forced the international community to respond.

The 1972 Stockholm Conference on the Human Environment placed environmental concerns firmly on the international agenda for the first time. The United Nations Environment Program (UNEP) was set up as a result of this conference. UNEP's job is to co-ordinate and promote action on environmental issues within the UN system.

In April 1987, the Report of the World Commission on Environment and Development (the Brundtland Commission) was issued. It was a watershed in environmental discussions and introduced the concept of "sustainable development" to the world. The term means "development that meets the needs of the present without compromising the ability of future generations to meet their own needs." The report emphasized that the environment and economic growth are not only compatible but interdependent.

The annual G-7 summits have played a major role in addressing environmental concerns. At the 1988 Toronto Summit, environmental discussions led to an endorsement of sustainable development. Growing awareness of environmental concerns after the 1988 Toronto Summit helped shape the outcome of the United Nations Conference on Environment and Development (UNCED) held in Rio de Janeiro, Brazil in 1992, and made linking economic development to environmental protection an international priority.

The 1989 Paris Summit communiqué called for action in such areas as climate change, the integration of economic and environmental policies, sustainable forestry, and sound management of the world's oceans. It also noted that developing countries would need financing and technology transfers to deal with past damage and that these countries, too, should take environmentally responsible action.

Leaders at the 1990 Houston Summit urged that negotiations on climate change and forestry be completed, and that a strategy on reducing land-based sources of marine pollution be developed. They

underlined the need to conserve and protect living marine resources, respect conservation measures, and strengthen regional fisheries organizations. They also noted the importance of preserving biodiversity — the wealth and variety of genetic material, species, and ecosystems.

The Houston Summit endorsed the ongoing work of the Organization for Economic Co-operation and Development (OECD) on environment-economy linkages, market-oriented approaches, and environmental indicators. When OECD environment ministers met in January 1991, they developed an environmental strategy for the 1990s which included four Canadian initiatives: reviews of country environmental policy; good environmental practices for governments; examination of the relationship between trade and the environment; and the continuation of OECD work on environmental indicators.

Further support for environmental co-operation came out of the 1991 London Summit. There, emphasis was placed on the role of market economies and democratic systems in mobilizing adequate resources and ensuring accountability. Protection of living marine resources, a priority for Canada, received particular attention.

The 1992 UNCED in Rio de Janeiro was the largest gathering of world leaders in history. With more than 120 countries in attendance, UNCED's aim was to develop an international sustainable development agenda for the 21st century. The meeting also aimed to foster a global understanding of the connection between the environment and development.

The conference made progress on a broad spectrum of environmental issues ranging from climate change and forest management to the protection of biodiversity and marine resources. It also saw the adoption of the Rio Declaration, the Statement of Principles on Forests, and Agenda 21, a blueprint for sustainable development into the 21st century. In addition, framework conventions on biological diversity and on climate change were signed by more than 150 governments.

The 1992 Munich Summit pressed for action to follow up and implement the achievements of UNCED. To this end, it urged other countries to join in setting up the UN Sustainable Development Commission.

The communiqué of the 1993 Tokyo Summit restated the commitment of the G-7 countries to

follow up on the work of UNCED and to implement its commitments. Of particular note to Canada was the summit's call for a successful outcome to the ongoing UN Conference on Straddling Fish Stocks and Highly Migratory Fish Stocks. The summit also recommended an "appropriate, internationally agreed arrangement for the management, conservation, and sustainable development of forests."

In Naples in 1994, summit leaders endorsed the work of the Commission on Sustainable Development in reviewing the implementation of the Rio process. It also supported the restructuring and replenishment of the Global Environment Facility (GEF). Leaders also planned to accelerate the application of their national actions called for under the Rio Climate Treaty and to report their progress to each other in Halifax.

Canada and its G-7 partners are working to implement the commitments of the 1992 UNCED concluding the convention on climate change and the

convention on biodiversity. Canada was one of the first countries to sign and ratify these conventions.

The importance Canada places on environmental issues in a G-7 context can be seen from the fact that Deputy Prime Minister and Minister of the Environment, Sheila Copps, will host a meeting of G-7 environment ministers at the end of April. Ministers will meet in Hamilton, Ontario. They will discuss global issues of concern such as: environment-economy integration, progress on the issues of climate change and biodiversity, and the future direction of international environmental institutions. Although not part of the formal summit process, the results of the meeting will feed into the sherpa process to guide leaders' discussions.

In Halifax, leaders will follow up on the commitments made at the 1994 Naples Summit to review progress on national plans to implement key UNCED commitments, notably the climate change convention.

ORGANIZED TRANSNATIONAL CRIME

Among the issues of concern on the new global agenda are the problems of organized crime, including terrorism, drug trafficking, and money laundering.

Canada is determined to strengthen international co-operation to deal with the growth of organized crime. This is a worldwide problem in countries that are reforming toward market-based economies and in developing countries, both of which are increas-

ingly targeted by criminal organizations.

On the issue of money laundering, Canada recognizes the achievement of the G-7 Financial Task Force set up in 1989 to combat the problem, and supports its continued work. To succeed in the fight against money laundering, Canada and its G-7 partners believe that all governments must provide effective measures to prevent the laundering of proceeds from drug trafficking and other serious crimes.

RUSSIAN PARTICIPATION IN POLITICAL DISCUSSIONS

The 1994 Naples Summit was the first time Russia took part directly in the political discussions, with President Boris Yeltsin at the summit table. Prior to 1994, a separate meeting was held with Russia on the margins of the summit, beginning in 1989. At his news conference following the summit, Prime Minister Jean Chretien indicated that Russian association with G-7 political talks would continue in Halifax.

Canada welcomes the important and constructive role Russia can play in helping to address the many problems facing the international community through this closer association with

the political portion of the summit. Canada, along with its other G-7 partners, believes that Russian participation is critical in solving problems such as controlling the spread of nuclear and conventional weapons; ensuring the safety of nuclear power plants; environmental protection; fighting terrorism and organized crime; and preventing and managing regional crises.

Canada and other G-7 members support Russian involvement in the international trade and economic system and are working to bring about its integration, at a pace consistent with its own reforms.

CONTROLLING MECHANISMS

The IMF and The World Bank

Fifty years ago, it was recognized that if there was to be peace in the post-World War II world there had to be economic growth.

A remarkable conference took place in the summer of 1944. Experts from 44 nations, including Canada, met at a place called Bretton Woods in New Hampshire. Their job was to design a global system that would govern the monetary and economic relations of states following World War II. Out of the Bretton Woods Conference

came the International Monetary Fund (IMF) and the International Bank for Reconstruction and Development (popularly known as the World Bank). The Bretton Woods Conference also reflected the desire for freer trade among nations. This led to the setting up of the General Agreement on Tariffs and Trade in 1947.

INTERNATIONAL MONETARY FUND (IMF)

The Fund's mandate is to "promote international monetary co-operation, balanced growth of international trade, and a stable system of exchange rates."

In the early 1970s, most countries moved away from fixed exchange rates for their currencies.

With "floating" rates dominating, the IMF's role in controlling world currency exchanges diminished. Today, it concentrates more on advising governments on policies that underpin currency values.

The most important policy targets now aimed at by the IMF involve adjustment programs for economies in transition. The Fund works to ensure

that the financial condition of countries is sustainable, i.e. that governments borrow no more than they can eventually pay back. There is also an em-

phasis placed on controlling inflation and achieving price stability. The market-oriented programs recommended by the IMF usually involve some short-term pain in the adjusting country (e.g. lower real wages and higher cost of living, layoffs in the public sector and in protected industries) before the longer-run benefits of reform take hold.

The IMF has had to cope with several major shocks in the last 20 years; the oil price increases in the 1970s, the debt crisis of the 1980s, and the transition of Central and Eastern Europe from centrally planned to market economies in the 1990s. More recently, the Fund took part in an international package to rescue Mexico from financial instability. The Mexican crisis underlined the need for enhanced multilateral mechanisms of co-operation and financing to deal with national financial difficulties before they cause problems in other countries.

In 1993, the World Bank loaned US\$20.8 billion to low- and middle-income countries.

THE WORLD BANK

The World Bank was created to assist with the reconstruction of Europe. It has gone on to become a lender of funds and supplier of technical help to the world's poorer nations. These loans are used to pay for development projects. The Bank borrows from commercial markets on the strength of commitments from member states. It then on-lends to recipient countries on non-

concessional (current interest rates) terms. The International Development Agency (IDA) receives direct contributions from among member states and lends at concessional (lower than current interest rates) terms to the poorest states that are unable to borrow on commercial terms.

The World Bank is a key player in the process of economic transition in the countries of Central

INSTITUTIONAL FRAMEWORK

and Eastern Europe and the former Soviet Union. The bulk of its activities, however, remain focussed on promoting sustainable development in the world's poorer countries. It has provided developing countries with more than US\$300 billion over the past 50 years. During that time, developing countries have doubled their incomes, halved infant mortality rates, and significantly increased life expectancy. The absolute number of poor is still rising, largely because of rapid population growth. But, as a percentage of the world's population, the number of poor has steadily declined. Economic progress has been faster than during any similar period in history.

REFORMS

In the fall of 1994, the two organizations celebrated their 50th anniversaries. Several non-governmental organizations used the occasion as a forum for their protests. Greenpeace attacked World Bank policies as being harsh on the environment; Oxfam said that structural adjustment is causing unnecessary hardship. In 1992, the World Bank initiated its own internal review. The report by the task force president, Willi Wapenhans, found that 35% of World Bank-funded projects failed to meet their minimum economic targets. The review also found that problem projects had increased significantly during the 1980s. The Bank has developed an action plan to improve project implementation and evaluation.

A major complaint has been that the World Bank focussed too much on funding mega-projects, such as dams, with little regard for environmental impacts. Another criticism has been that structural

The World Bank is the single largest source of capital in the continent of Africa.

adjustments have been too harsh. Countries receiving loans from the Bank have often been forced to undertake major economic reforms. These have included the slashing of government spending. Social programs, already well behind those in the developed world, have been very hard hit and

there has been a lot of suffering among the world's poorest people. Donors have urged the Bank to focus its efforts on poverty alleviation, good governance, gender issues, and environmental programs. It has also been urged to co-ordinate its efforts with those of other institutions to reduce overlap and duplication.

Lewis Preston, the Bank's President between 1992 and 1995 has responded to these criticisms. The World Bank has set tougher environmental

Under the communist system, all economic activity was centrally controlled. Basic economic concepts which we take for granted, such as profit and loss, ownership of property, or the law of supply and demand, were not part of communist economic practice. The economies of Central and Eastern Europe are now making the difficult transition to the free market model. As a result the World Bank is helping these countries set up what's called an "institutional framework." Property laws have to be written, accountants need to be trained, and stock exchanges have to be established. None of these institutions existed under the communist system.

standards for projects it finances; it even funds environmental clean-up. It has increased lending for poverty-related issues such as education and health care. The World Bank is changing its emphasis from funding massive infrastructure projects and structural adjustment to private-sector development. It is now studying what are called micro-credit schemes. These are projects that lend as little as \$100 to someone who wants to start up a small business. Or, the Bank might pay local villagers, rather than an education ministry, to build a school. Canada's outgoing executive director at the World Bank, Robert de Cofret, said in the fall of 1994, "There's been a definite change within the Bank since the Wapenhans report."

Another spat at the World Bank has revolved around who receives its help. Originally, its clients were exclusively Third World countries. Now, the Bank is helping countries going through economic and political transitions; these range from Croatia to South Africa. Many developing nations complain that the World Bank and IMF are focussing too much of their attention on these emerging economies. They see that special money going to these countries, particularly at the urging of the G-7, is money denied to them. The developed nations of the world argue that everyone, rich and poor, stands to gain if the economies of countries in transition are helped back to health.

The World Bank and the IMF are indispensable to the success of many of the issues at the top of the G-7 agenda. Their funds are helping to shore up democracy in South Africa, Central and Eastern Europe, the former Soviet Union, and Central and South America. Loans needed to help build a strong Palestinian state are aiding the Middle East peace process. And, Bank policies help to lower trade barriers.

"LOVE THE WAY WE LIVE"

Halifax

The host city for this year's G-7 Summit is a modern community that is the base for many companies involved in leading-edge technologies.

If there's one thing that Atlantic Canada is noted for it's hospitality. The friendliness of the people makes most visitors agree with the slogan used by the Halifax Tourist Bureau — "Love the way we live."

Before European contact, the Micmacs occupied various sites along what is today the Halifax Harbour—one of the largest natural ports in the world.

The area was explored by Samuel de Champlain in 1605. Founded in 1749, it was first called Chebucto. The city was renamed shortly after in honour of George Dunk, earl of Halifax and chief lord of trade and plantations, who masterminded its settlement. Shortly after the founding, the *Halifax Gazette* started publishing to become Canada's first newspaper.

The first settlers were a group of 2,500 recruited mainly from England and led by Colonel Edward Cornwallis. Today, Halifax's population reflects this heritage; 80% of its people are of British origin.

In the early days, the city's economic growth was based on trade, with a "Golden Age" in the mid-19th century. During the two world wars of this

century, the strategic importance of Halifax was highlighted. It became a major assembly point for North Atlantic convoys, and their naval escorts. Its function as a naval dockyard continues today.

Since the 1950s, the economy of Halifax has been built on trade and distribution, transportation, and public administration. Today, the city is a major transportation hub, providing access to all major North American trade routes via air, land, and sea. The urban area is home to 12 colleges and universities so higher education is an important industry. So too is scientific, medical, and ocean research. More recently, industries such as: information technology, aircraft components, film, and high-technology manufacturing have successfully moved into the region.

Halifax is the capital of the province of Nova Scotia and largest city (population: 330,000) in Atlantic Canada. More than a million people live within a three-hour drive of the city. Its location on the sea surrounded by the forests of Nova Scotia produces a quality of life unusual in a major city. Central Halifax has been revitalized by extensive redevelopment around the original central square and waterfront. It is a bustling, dynamic, and contemporary urban centre. The city has one of the best educated and technically skilled workforces in North America.

Halifax is also the cultural centre of Nova Scotia. From its founding, music, art, and theatre have been central attractions. The Neptune Theatre, Nova Scotia College of Art and Design, and the Atlantic Symphony continue these traditions. Many well-known writers have been associated with the city — Thomas Chandler Haliburton, Thomas McCulloch, Thomas Raddall, Hugh MacLennan, and Charles Ritchie among them.

Halifax is two hours closer to Europe by air than is New York or Toronto, and is one full day's sailing closer to Europe than any other mainland port in North America.

THE BIG BANG

Shortly after 9 a.m. on 6 December 1917, the entire north end of Halifax ceased to exist. It was flattened when the French munitions ship *Mont Blanc* exploded in Halifax Harbour after colliding with another vessel. It was the largest man-made explosion before Hiroshima. Windows were shattered in Truro, 100 km away, and it was heard in Prince Edward Island, 200 km distant. The *Mont Blanc's* anchor, weighing 500 kilos, came to earth on the other side of the Northwest Arm, five kilometres away. The tidal wave and fires triggered by the explosion added hundreds to the death toll caused by the collapsing buildings. To make things worse, that same evening, it began to snow and a blizzard raged for several days. Out of a population of less than 50,000, more than 1,600 people died and 9,000 were injured. For months, the people of Halifax struggled to rebuild their city. Help poured in from across Canada, the New England states, and from as far away as Australia and New Zealand.

THE HALIFAX AGENDA

Priorities

*The 1995 meeting will be the third time
Canada has hosted the G-7 Economic Summit.*

The chairperson
for each summit
is the Head
of Government
of the host country
— Prime Minister
Jean Chrétien will
serve as chairperson
in Halifax

A G-7 summit doesn't just happen. Months of planning and consultation go on before the leaders actually sit down at the conference table. Much of the early leg-work is done by a group of people known as "sherpas." They are the leaders' personal representatives who meet at least three times prior to each summit to prepare the agenda and to discuss and process questions.

At the last summit in Naples, the leaders stated that the Halifax meeting would focus on: "How we

can assure that the global economy of the 21st century will provide sustainable development with good jobs, economic growth, and expanded trade to enhance the prosperity and well-being of the peoples of our nations and the world." As part of these economic discussions, the leaders will look at the role and structure of economic institutions — the World Bank, the International Monetary Fund, the World Trade Organization, etc.

POLITICAL ISSUES

The political agenda at Halifax will be full also. Prime Minister Jean Chrétien has said that the Russian president, Boris Yeltsin, will take part in the G-7 political discussions on an equal basis with other members. These talks will focus on some of the current hotspots such as Bosnia and the former Yugoslavia, Algeria and North Africa, Rwanda and Burundi, and Somalia. There will also be discussion of UN reform, and global issues such as nuclear non-proliferation, drug trafficking, the environment, human rights, and migration.

At the end of each summit, a communiqué is issued. This is a summary of what the leaders have discussed and what decisions they have made. On some topics, the communiqué contains a statement of goals or principles. Here's an example from the Naples Summit of 1994: "We are alarmed by the growth of organized transnational crime, including money laundering, and by the use of illicit proceeds to take control of legitimate business... We are determined to strengthen international co-operation to address this situation. We welcome the UN Conference on Organized Transnational Crime to be held in Naples next October."

On other topics, the communiqué outlines more definite action. Here's another example from Naples on the issue of nuclear safety: "We are... putting forward to the Ukrainian government an action plan for the closure of Chernobyl... As a further step we are ready to provide for the action plan an initial amount of up to US\$200 million in grants, including a replenishment of the Nuclear Safety Account for this purpose."

For Canada, the summits are a valuable forum in which we can influence policies concerning the world's economic and political problems. By working with other nations we can achieve much more than we could on our own.

SLIMMING DOWN

The G-7 summits began as informal, low-key get-togethers. In recent years, they have become somewhat extravagant mega-media events; the press corps in attendance numbers in the thousands.

With all those reporters, each with stories to file, economic summits can look like media circuses. The vast quantity of words generated by the reporters is often out of proportion to the actual events. This can lead to the perception that there's a lot of fuss made about very little. With so many information-hungry media types in town, it's hard for the hosts to resist the temptation to spend lavishly to create a favourable impression. The cost of hosting a summit can be enormous. At the 1993 Tokyo Summit, 36,000 police officers were needed for security; 3,000 accredited journalists had to be looked after at the 1991 London Summit; the 1989 Versailles Summit was tied into lavish celebrations for the 200th anniversary of the French Revolution.

However, Prime Minister Jean Chrétien wants the Halifax Summit to be a more modest affair. He promises the meeting will be a slimmed-down gathering, perhaps returning to its original purpose — a place where the world's leaders can discuss issues of mutual concern in an informal and relaxed atmosphere. The Halifax Summit will be more businesslike and less ceremonial than some of those that have gone before. And, the leaders will have more time for informal discussions.

OPENING MARKETS

World Trade Organization

*A new organization, more powerful
than the General Agreement on
Tariffs and Trade,
now oversees the world's trading system.*

A rules-based world trading system is vital to Canada. Without rules, there would be little protection for small- and medium-sized nations, against unilateral trade measures taken by larger nations.

*"We welcome the work
on the relation between trade
and environment in the new WTO.
We call for intensified efforts
to improve our understanding
of new issues including employment
and labour standards and
their implications for trade policies."*

Communiqué of 1994 G-7 Economic Summit

So it is that Canada has always been a strong supporter of the General Agreement on Tariffs and Trade (GATT). In fact, the GATT has been the cornerstone of Canadian trade policy since the late 1940s. Through the stronger trade rules made possible (or provided by) the GATT, Canada is assured

greater access to world markets. Selling Canadian products in world markets can contribute to stronger domestic growth and more jobs.

In April 1994, 124 governments signed the Marrakesh agreement to establish the World Trade Organization (WTO). This concluded the seven-year Uruguay Round of Multilateral Trade Negotiations. The WTO succeeded the GATT on January 1, 1995 as the principal forum of the rules-based world trading system. Canada played a major role in developing the WTO as an institution that encompasses the interests of all nations.

DIVERSITY

Forest products, grain, and oil and gas are the big Canadian trading items, but thousands of smaller transactions take place daily. According to Statistics Canada, in 1992 we sold \$3000 worth of doors to Cuba, \$50 000 worth of mustard seed to Morocco, and \$98 million worth of mineral water worldwide.

The WTO features a greatly expanded array of rules to open up global trade and, for the first time, a fast and effective dispute-settlement system. International Trade Minister Roy MacLaren sees the WTO growing to enhance co-operation among today's regional trading pacts, drawing together Europe, Asia, and North and South America.

*"The prosperity
of any commercial nation
is regulated
by the prosperity of the rest.
If they are poor,
she cannot be rich."*

Thomas Paine in *The Rights of Man* 1792

Canada has urged its G-7 partners to ensure that the WTO is strong enough to take the world into the 21st century and to counter protectionism. As well, a smoothly running WTO is essential to finish what the Uruguay Round left undone - negotiations in areas such as financial services, telecommunications, shipping, and the ways in which governments buy goods and services.

Some countries, led by the United States, want to include labour and environmental standards in trade rules. They argue that they face unfair competition from countries, mostly developing ones, where employers are not required to install pollution control equipment or provide safety measures in the workplace. This view tends to win support in rich countries, but it can be used as a backdoor form of protectionism. It will be a tough issue for the World Trade Organization to deal with.

There is also the issue of admitting new members to the WTO. Canada believes that countries must commit themselves to open, market-based economies; to the basic principles of the multilateral trading system; and to improved access to their own markets.

There are always new challenges facing the world trading system. One of them is what's called globalization. Modern communication and transportation links make it possible for companies to locate their operations almost anywhere. A Canadian insurance company, for example, processes claims in an office in the Caribbean. A company selling

CD-ROM databases has the information entered in India. So, Canadian workers are no longer just competing with their counterparts in the United States, they are in competition with workers everywhere — especially those in lower-wage, lower-tax environments.

This globalization has increased the need for international co-ordination and co-operation; the G-7 summits lead to better economic policy co-ordination (e.g.: consideration of inflation and interest rates; promotion of international trade and investment; creation of jobs) and also allow the leaders to set the international agenda and thus identify critical issues and global priorities.

THE URUGUAY ROUND

One observer who sat through the entire Uruguay Round of GATT negotiations said they should be renamed the General Agreement to Talk and Talk.

Originally negotiated in 1947, the GATT has always been intended to increase international trade and the free flow of goods among nations. This is to be achieved by reducing and policing the imposition of tariffs, quotas, and other barriers to trade. By the late 1980s, however, the existing GATT deal was in need of updating; several new trade challenges needed to be dealt with.

For seven years, negotiators from 117 countries hunkered down in locations ranging from Uruguay to Geneva in an effort to reach an agreement. For years however, the United States and the European Union had haggled over farm subsidies, and the deal came close to collapse many times. It must be remembered that disagreements and delays in such complex negotiations are inevitable, with participants using both as bargaining tactics. In the end, a recognition that there was more to be gained from co-operation than confrontation brought about a deal in December 1993. For the first time, areas such as services, farming, and intellectual property were brought under the GATT umbrella. Some economists say the agreement could increase world trade by as much as \$200 billion a year.

Canada's Trade Minister Roy MacLaren said: "What [the GATT] does is open markets to Canadian exports... and this is good news for Canada." Tariffs will be cut to zero on pulp and paper, pharmaceuticals, and chemicals and will be reduced on wood and non-ferrous metals, with the exception of aluminum. The Europeans scuttled tariff cuts on aluminum, an important Canadian export, in order to protect the industry in France.

FRANCE

HEAD OF STATE: President François Mitterrand (Socialist Party)

HEAD OF GOVERNMENT: Prime Minister Edouard Balladur (Republican Party)

POPULATION: 57 566 000

GROSS DOMESTIC PRODUCT (GDP): \$1.616 trillion (1993)

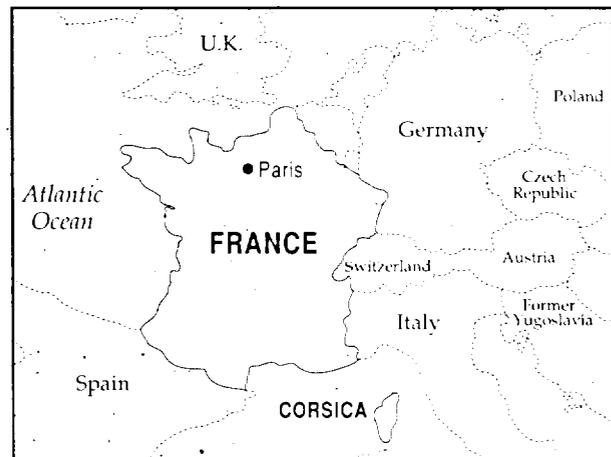
GDP GROWTH: 2.4% (1994)

PER CAPITA GDP 1993: \$27,088

UNEMPLOYMENT RATE: 12.6% (1994)

INFLATION RATE: 1.7% (1994)

EXPORTS AS A PERCENTAGE OF GDP: 27.4% (1993)



TRADE AND INVESTMENT

France is the eighth-largest consumer of Canadian merchandise exports. Two-way trade between Canada and France was valued at more than \$4 billion in 1993. Canada's 1993 trade deficit with France reached \$980 million. Exports to France mean business for all Canadian provinces. France is the fifth-largest destination for goods produced in Quebec. In 1993, Ontario exported goods worth \$322 million to France; B.C.'s exports totalled almost \$140 million, and the Prairie provinces, almost \$100 million. From 1980 to 1990, the cumulative value of French investment in Canada increased from about \$1.3 billion to \$4.2 billion. This places France third among European Union countries with investment in Canada. Canadian investments in France have also increased significantly, reaching nearly \$2 billion in 1993. Some 350 French firms operate in Canada, including: Total Petroleum in Calgary, Rhône-Poulenc (Pharmaceutical) in Mississauga, Bull (Electronics) in Quebec, and Aerospatiale in Nova Scotia. Canadian companies such as Bombardier, McCain, and Northern Telecom are active in France.

BILATERAL RELATIONS

Relations between France and Canada are friendly. Since an agreement was signed in 1965, cultural exchanges between the two countries have been extensive, a major initiative being the TV-5 project. Through the TV-5 partnership, French-language programs are available in most parts of the world, with more than \$300 million invested in joint productions since 1986. In addition, 15 Canadian studies centres are located throughout France, which promote a greater knowledge and understanding of Canada.

Canada and France are leading members of la Francophonie, an organization that links 47 French-speaking countries or governments worldwide.

CURRENT ISSUES

The islands of Saint Pierre et Miquelon, in the Gulf of St. Lawrence, are French territory. The proximity of the islands to Canada led to numerous disputes over control of fishing in the area. In June 1993, the International Court of Arbitration settled the issue largely in Canada's favour. With the problem of jurisdiction settled, Canada and France signed a 10-year fishery agreement in November 1994. Under the deal, Canadian fishermen will get access to shellfish worth more than a \$1 million a year. In return, fishermen from Saint Pierre et Miquelon will be able to catch up to 15 per cent of the cod off Newfoundland's south coast, once the moratorium on cod fishing is lifted. The spirit of co-operation under which this agreement was signed is a far cry from the sometimes difficult relations of recent years.

GERMANY

HEAD OF STATE: President Roman Herzog
HEAD OF GOVERNMENT: Chancellor Helmut Kohl
(Christian Democrats)
POPULATION: 80 767 500

GROSS DOMESTIC PRODUCT (GDP): \$2.4 trillion (1993)
GDP GROWTH: 2.8% (1994)
PER CAPITA GDP 1993: \$29,862

UNEMPLOYMENT RATE: 9.6% (1994)
INFLATION RATE: 3.1% (1994)
EXPORTS AS A PERCENTAGE OF GDP: 38% (1993)



TRADE AND INVESTMENT

Germany is Canada's fourth-largest trading partner. In 1993, our exports to Germany were valued at \$2.49 billion, an increase of 8 per cent over the previous year. Imports from Germany remained constant in 1993 at \$3.5 billion.

The world's largest information technology fair — CeBit '94 — was held in Hannover in March 1994 and Canada was the featured country. More than 100 Canadian companies exhibited their products and services at the fair. Germany is Canada's most important European partner in the development and application of new technologies. An example is the use of Canadian technology to clean up uranium waste in the former East Germany.

BILATERAL RELATIONS

It is a Canadian priority to strengthen relations with Germany because of the pivotal role that country plays in European integration and in the world. Through NATO, the two countries are defence partners; ties that were strengthened by the Canadian military personnel based in Germany for almost 50 years. Canada and Germany share a wish to reform and strengthen the United Nations and to help the countries of Central and Eastern Europe adjust to the new realities of market-driven economics in the post-Cold War era. There are many cultural and academic exchanges between the two countries at the federal level. This is also true at the provincial level; for example, Ontario and Quebec have signed cultural and educational co-operative agreements with Baden-Wurttemberg and Bavaria, respectively.

CURRENT ISSUES

In 1990, the Federal Republic of (West) Germany and the (East) German Democratic Republic reunited after being divided for 45 years. The integration of the former East German Communist economy with the market-driven economy of the West will take time to complete. Eastern Germany's unemployment rate is about 15 per cent, while per capita income is substantially below that of Western Germany. However, there are signs that the former East German economy has bottomed out. Chancellor Helmut Kohl's Christian Democratic Union (centre-right) scored a narrow election victory over the Social Democrats in an October 1994 election.

The largest self-identified ethnic origin in Canada, other than British or French, is German. Ten per cent of Canadians, or more than 2.4 million people, reported German origins in the 1991 Census.

ITALY

HEAD OF STATE: President Oscar Luigi Scalfaro
HEAD OF GOVERNMENT: Prime Minister Lamberto Dini
(politically independent)
POPULATION: 58 018 500

GROSS DOMESTIC PRODUCT (GDP): \$1.32 trillion (1993)
GDP GROWTH: 2.0% (1994)
PER CAPITA GDP 1993: \$22,410

UNEMPLOYMENT RATE: 11.7% (1994)
INFLATION RATE: 3.9% (1994)
EXPORTS AS A PERCENTAGE OF GDP: 16.9% (1993)



TRADE AND INVESTMENT

An economic and industrial co-operation agreement was signed between Canada and Italy in 1988. The agreement has provided a framework for the promotion of trade and investment. In 1993, Canadian exports to Italy were valued at \$952 million, while imports from Italy stood at \$1.9 billion. Italy is the 12th most important market for Canadian exports. The Italian government has placed controls on the movement of capital and currencies. Without these restrictions, Italian investment in Canada would be higher and the potential for joint ventures greatly enhanced. Major Canadian firms doing business in Italy include, Alcan Aluminum, Seagram Company, Bata Industries, and John Labatt.

BILATERAL RELATIONS

The presence in Canada of more than one million citizens of Italian origin has ensured close relations between the two countries in a wide range of areas. There are strong cultural and academic ties between the two countries.

CURRENT ISSUES

In March 1994, Silvio Berlusconi was elected and formed Italy's 53rd government in 50 years. But, in December of that year, Mr. Berlusconi resigned after his coalition fell apart over conflict of interest allegations. Then, in January 1995, Italy's President, Oscar Luigi Scalfaro, asked Lamberto Dini to form a government. Mr. Dini, a former executive of the Bank of Italy and Minister of the Treasury in Berlusconi's government, is not a member of any political party or of Parliament. He must try to tackle the country's large budget deficit and carry out regional electoral reforms.

In 1497, Giovanni Caboto (we call him John Cabot), an Italian sailing out of Bristol, England, landed on the Canadian coast — likely in Cape Breton or Newfoundland — and claimed the land for Henry VII.

JAPAN

HEAD OF STATE: His Imperial Highness
Emperor Akihito

HEAD OF GOVERNMENT: Prime Minister Tomiichi
Murayama (Socialist Party)

POPULATION: 124 711 500

GROSS DOMESTIC PRODUCT (GDP): \$5.42 trillion (1993)

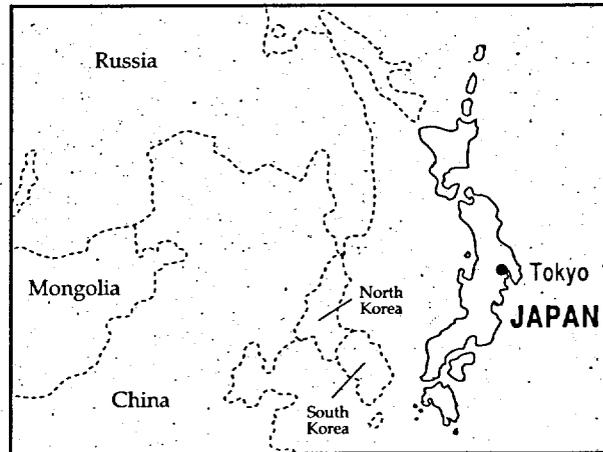
GDP GROWTH: 0.9% (1994)

PER CAPITA GDP 1993: \$26,161

UNEMPLOYMENT RATE: 2.9% (1994)

INFLATION RATE: 0.7% (1994)

EXPORTS AS A PERCENTAGE OF GDP: 18.4% (1993)



TRADE AND INVESTMENT

After the United States, Japan is our second largest trading partner. In 1994, Japan purchased approximately \$9 billion worth of Canadian exports. In the same year, Canadian imports from Japan were worth about \$11 billion. Traditionally, Canada's exports to Japan have been dominated by raw materials, however, more than 40 per cent of Canada's sales in Japan are now in manufactured or value-added goods, and this share is rising. Canadian exports include: aerospace, food, building, and information technology products. Japan is a major investor in Canada; our third-largest source. Car makers alone have invested close to \$2 billion in Canada, most recently into a big expansion of the Toyota plant in Cambridge, Ontario.

BILATERAL RELATIONS

Canada-Japan relations are not just about trade and investment. Expanding cultural, scientific, educational, and tourism ties, for example, round out the excellent relations between our countries. Every month, there are 20 Canadian cultural performances in Japan. Canada's Japan Science and Technology Fund improves links between the two countries' scientific communities. Thousands of Japanese study at universities and other educational institutions in Canada. As members of the G-7, the Asia-Pacific Economic Co-operation forum (APEC), the UN, and many other international organizations, Canada and Japan work closely together to deal with a range of important global issues, such as the environment.

CURRENT ISSUES

Canada must keep pace with Japan's growing demand for manufactured imports. Canada's "Action Plan for Japan", launched in 1993, is designed to help Canadian exporters improve their sales to Japan in seven key "value added" sectors including: processed foods, tourism, information technology, auto parts, forest and building products, aerospace, and fisheries products. Success in these areas will translate into more jobs for Canadians. Canada will also benefit from Japan's efforts to open its market more through deregulation and the removal of non-tariff barriers. In the international arena, Japan is steadily assuming a greater role for itself, one that reflects its economic importance.

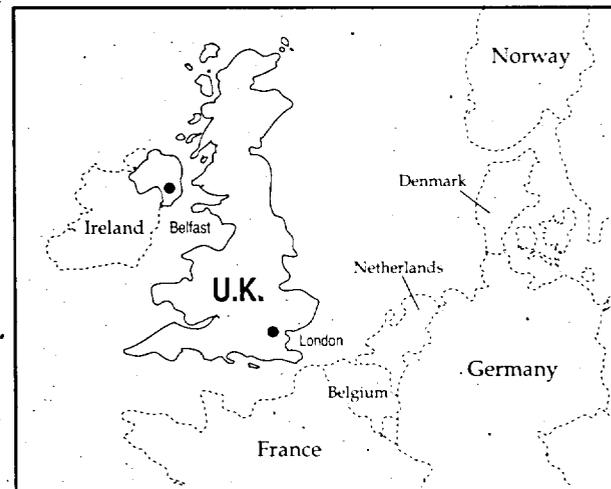
More tourists
come to Canada
from Japan
than from
any other country
except
the United States;
in 1994,
more than
half a million
Japanese visited
Canada.

UNITED KINGDOM

HEAD OF STATE: Her Majesty Queen Elizabeth II
HEAD OF GOVERNMENT: Prime Minister John Major
(Conservative Party)
POPULATION: 57 970 000

GROSS DOMESTIC PRODUCT (GDP): \$1.19 trillion (1993)
GDP GROWTH: 4.0% (1994)
PER CAPITA GDP 1993: \$22,162

UNEMPLOYMENT RATE: 9.3% (1994)
INFLATION RATE: 2.5% (1994)
EXPORTS AS A PERCENTAGE OF GDP: 26.9% (1993)



TRADE AND INVESTMENT

As a former part of the British Empire and, later, the Commonwealth, Canada has enjoyed close relations with the United Kingdom (U.K.) for many years. The bilateral trading relationship remains strong, with two-way trade valued at \$7.2 billion in 1993, making Britain our largest commercial partner in Europe and our third largest globally. The U.K. is Canada's third largest consumer of exports. Canadian companies invested \$12 billion in the United Kingdom in 1991 — more than triple their investment in 1984. British direct investment in Canada stood at \$17 billion at the end of 1991, this makes the U.K. by far Europe's biggest investor in Canada. In addition, British investors hold more than \$23 billion worth of Canadian bonds.

BILATERAL RELATIONS

Historical ties, the monarchy, and a shared heritage mean that Canada's relations with the United Kingdom are the closest and most extensive we have in Europe. More than 100 Canadian departments and agencies have exchanges or other co-operative ventures with their British counterparts. The Canada-U.K. Colloquium has been an integral part of public policy exchanges. Public and private sector people from both countries gather annually to share information and ideas. In 1994, at the 10th anniversary of this annual event, the colloquium focussed on foreign policy. The Canadian and British governments consult closely on a wide range of multilateral and security issues.

CURRENT ISSUES

In 1973, Britain joined the European Community, now the European Union. Canada has since become a member of the Asia-Pacific Economic Co-operation forum (1989), the Organization of American States (1990), and the North American Free Trade Agreement (1994). Through the historical links between the two countries, Canadian businesses see the U.K. as a principal gateway to establishing a presence in the European Union. By the same token, Canada acts as a link into the North American market for British businesses. While each country has come to focus more on its immediate region as a result, both countries remain firmly committed to the transatlantic partnership embodied in NATO.

Four
prime ministers
of Canada
Sir John A. Macdonald,
Alexander Mackenzie,
Sir Mackenzie Bowell,
and John Turner,
were born in
the United Kingdom.
One British prime
minister, Andrew
Bonar Law, was
born in Canada.

UNITED STATES

HEAD OF STATE & HEAD OF GOVERNMENT : President William J. Clinton (Democratic Party)
POPULATION: 258 104 000

GROSS DOMESTIC PRODUCT (GDP): \$8.13 trillion (1993)
GDP GROWTH: 4.0% (1994)
PER CAPITA GDP 1993: \$31 663

UNEMPLOYMENT RATE: 6.1% (1994)
INFLATION RATE: 2.6% (1994)
EXPORTS AS A PERCENTAGE OF GDP: 10.4% (1993)



TRADE AND INVESTMENT

Canada and the United States maintain one of the closest and most productive trading relationships of any two countries in the world. We are each other's single most important trading partners, with two-way trade valued at some \$313 billion in 1993. The U.S. buys 80 per cent of Canada's exports, and trade between the two countries supports an estimated 1.5 million jobs in Canada. Just over 20 per cent of Canada's GDP is generated directly by merchandise exports to the U.S. The automotive, forestry, and energy sectors dominate the trade, accounting for about half of all domestic exports to the United States. In 1993, Canada enjoyed a favourable merchandise trade balance with the U.S. of almost \$20 billion.

BILATERAL RELATIONS

There are more joint initiatives between the governments and peoples of Canada and the United States than between any two nations in the world. In 1909, the Boundary Waters Treaty set up the International Joint Commission (IJC), the first permanent joint organization between Canada and the U.S. The IJC has supervised dozens of decisions and helped draw up agreements. Joint peace and security issues are dealt with through the North American Aerospace Defence Agreement (NORAD) and other organizations. There are international trade unions that represent workers on both sides of the border, while business associations do the same thing for companies. Cultural, political, and academic exchanges are constant.

CURRENT ISSUES

On January 1, 1989, the Free Trade Agreement (FTA) between Canada and the United States came into effect. It was to remove all tariff barriers between the two countries over a 10-year period. On January 1, 1994, the agreement was extended to include Mexico to become the North American Free Trade Agreement (NAFTA). Now, the name will have to change again. At the Summit of the Americas in Miami, Florida in December 1994, Chile began negotiations to become the fourth nation to join the trade pact. The ultimate goal, as expressed by Prime Minister Jean Chrétien and U.S. President Bill Clinton at the Miami Summit, is to create a hemisphere-wide free trade zone by 2005.

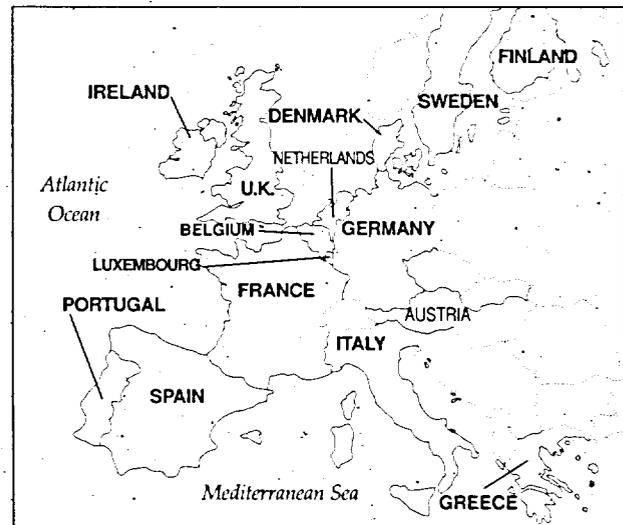
According to the
1990 U.S. Census,
745 000
Canadian-born
people were living
in the United States
More than half
of these Canadians
had become
naturalized
U.S. citizens.

EUROPEAN UNION

Represented by the President of the European Commission: Jacques Santer
Population: 370 208 000

Gross Domestic Product (GDP): \$6.227 trillion (1993)
Forecast 1995 GDP growth: 2.5% (Sweden) to 3.6% (U.K.)
Per capita GDP 1993: \$10,578 (Greece) to \$27,993 (Luxembourg)

Forecast 1995 unemployment rate: 7.2% (Sweden) to 23.9% (Spain)
Forecast 1995 inflation rate: 2.0% (Belgium) to 4.4% (Spain)



TRADE AND INVESTMENT

The European Union (EU) is Canada's most important trading partner after the United States. In 1993, trade between Canada and the EU totalled \$24.8 billion, or 7 per cent of Canada's global trade. Since 1983, Canada has had a trade deficit with the EU; in 1993, this was \$4.6 billion. The European Union is Canada's second largest source of foreign direct investment (FDI) — this is European businesses investing in Canadian companies which helps their growth and development. Close to a quarter of the total FDI in Canada comes from EU countries. Agreements between Canada and the EU on fisheries; science and technology, competition policy, the testing and certification of regulated products, and customs co-operation are either under discussion or have been ratified.

BILATERAL RELATIONS

In 1990, Canada and the EU agreed on a joint declaration, called the Transatlantic Declaration, to establish principles of partnership and common goals. The declaration calls for regular consultations between Canada's Prime Minister, the Head of Government of the EU member states holding the Presidency (Chairmanship) of the European Union, and the President of the European Commission. It also sets up regular consultations at the ministerial level. Under the declaration, Canada and the EU are committed to safeguarding peace and security. Common goals include economic growth, price stability, a stable international financial system, promotion of free market principles, and providing adequate support to developing nations and the countries in transition in Central and Eastern Europe. The declaration also calls for Canada and the EU to work towards solutions in areas as diverse as medical research, drug trafficking, protection of the environment, and migration and refugee issues. Canada and the EU have also signed a Framework Agreement for Commercial and Economic Co-operation that facilitates such co-operation between Canada and the EU.

On January 1, 1995
Austria, Finland,
and Sweden joined
the European Union;
increasing the number
of member states to 15.

CURRENT ISSUES

France and Germany would like to see the EU become a closer federation with a single currency within a political union. The British are prominent on the other side of the debate which would like to see the EU become a giant free trade zone with each member state retaining much of its national autonomy. Bulgaria, Cyprus, the Czech Republic, Hungary, Malta, Poland, Romania, and Slovakia, have indicated an interest in joining the European Union.

RUSSIA

HEAD OF STATE: President Boris Yeltsin

HEAD OF GOVERNMENT: Prime Minister Viktor Chernomyrdin

POPULATION: 149 300 000

GROSS DOMESTIC PRODUCT (GDP): \$700 billion (1993)

1994 GDP DECLINE: 16%

PER CAPITA GDP 1993: \$4,154

FORECAST 1995 UNEMPLOYMENT RATE: 3-4% (1993)

INFLATION RATE: 203% (1994)

EXPORTS AS A PERCENTAGE OF GDP: 8.3% (1992)

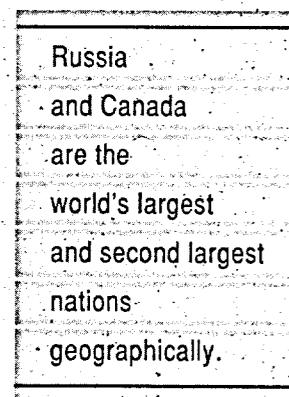


TRADE AND INVESTMENT

Since 1991, more than \$200 million has been invested by Canadian companies in Russia, mostly in the oil and gas industries. Canadians are taking advantage of their expertise in operating under difficult northern conditions. In 1993, Canadian exports to Russia (\$430 million) and imports from Russia (\$432 million) almost balanced exactly. Services to the Russian energy sector accounted for most of the Canadian exports while commodities such as diamonds, platinum, nickel, and uranium dominated our imports. The market remains a challenging one, however, and preliminary Statistics Canada figures show that exports for 1994 will fall well short of 1993's record levels. Bilateral trade continues to expand in regions such as Russia's far east where significant new opportunities are emerging.

BILATERAL RELATIONS

Canada and Russia are northern neighbours. Together, we share responsibility for most of the Arctic landmass. An active exchange program brings together Native peoples, scientists, businesspeople, and government representatives to find new solutions for sustainable development of the North. With the end of the Cold War, Canada and Russia have worked together in UN peacekeeping and have participated in joint military exchanges. Canada has supported Russia's participation in NATO's Partnership for Peace. Canada has also played a key role in bringing Russia into membership in the International Monetary Fund (IMF), the World Bank, and the European Bank for Reconstruction and Development (EBRD).



CURRENT ISSUES

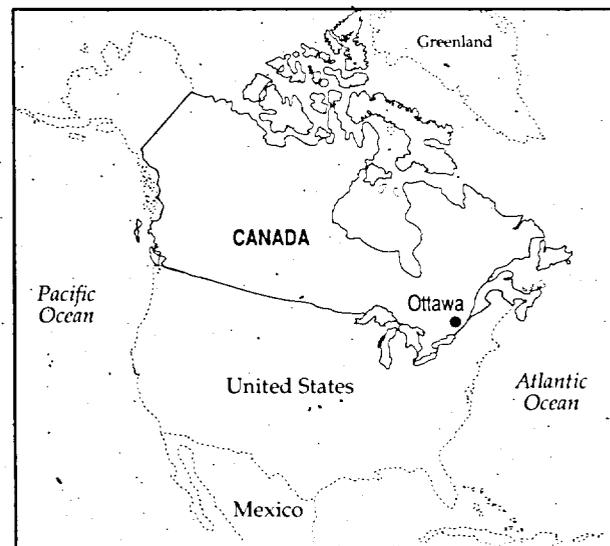
As a member of the G-7, Canada is working with its Western partners to provide more effective support for Russia's political and economic reforms. The tragic conflict in Chechnya highlights the challenges Russia faces in making the transition to democracy and a market economy. Canada and its G-7 partners have expressed concern over the bloodshed and violations of human rights in Chechnya, and have urged President Yeltsin to seek a peacefully negotiated settlement.

CANADA

HEAD OF STATE: Her Majesty Queen Elizabeth II
HEAD OF GOVERNMENT: Prime Minister Jean Chrétien
(Liberal Party)
POPULATION: 28 850 000

GROSS DOMESTIC PRODUCT (GDP): \$711 billion (1993)
GDP GROWTH: 4.3% (1994)
PER CAPITA GDP 1993: \$24,730

UNEMPLOYMENT RATE: 10.4% (1994)
INFLATION RATE: 0.2% (1994)
EXPORTS AS A PERCENTAGE OF GDP: 32.5% (1993)



TRADE AND INVESTMENT

Canada is one of the most trade-dependent nations with exports of goods and services accounting for more than 30 per cent of GDP. Much of the growth in the economy in 1994 resulted from an increase in exports, up 18.2 per cent, and a 19.1 per cent increase in business investment. Canada's exporters achieved success through strong improvements in labour productivity, tight cost controls, and a lower exchange value of the Canadian dollar. Canada has maintained its international competitiveness through expanding formal trading relationships through groups such as NAFTA and GATT. Canada's trade and investment with developing markets in Asia, and Latin and South America also showed strong growth. Canada offers an attractive environment for business investment including an advanced economy, a skilled workforce, superior physical and social infrastructure, and sophisticated industries whose products are in great demand in developing regions (e.g. telecommunications, engineering consulting).

BILATERAL RELATIONS

Multilateralism (working in concert with other nations) is the cornerstone of Canada's foreign policy. So it is that Canada is a strong and supportive member of the World Trade Organization, the G-7, the Asia-Pacific Economic Co-operation forum, the North American Free Trade Agreement, and many other groups working to harmonize world economic activity. We are active and involved in the United Nations, the Organization of American States, the Commonwealth, and la Francophonie. Canada also contributes to the work of the North Atlantic Treaty Organization, and the Conference on Security and Cooperation in Europe.

Canada's two-way trade with the rest of the world amounts to almost \$1 billion a day.

CURRENT ISSUES

At present, Canada has the fastest growing economy among the G-7 nations. In its December 1994 outlook, the Organization for Economic Co-operation and Development (OECD) projected that Canada's real GDP growth would be 4.2 per cent in 1995. Canada's upbeat economic performance is overshadowed by the level of its public debt. Canada has the highest debt to GDP ratio among G-7 countries. In the 1994 Budget the government took steps to reduce its deficit, primarily by lowering spending. The government has set a deficit target of \$32.7 billion in 1994/95 and a deficit of no more than 3 per cent of GDP in 1996/97 — or about \$25 billion. The ultimate objective is to achieve a balanced budget and to significantly reduce Canada's debt as a percentage of the GDP. Deficit reduction is an essential part of the government's overall economic strategy which is to create more and better jobs for Canadians through economic growth.

NOTES TO TEACHERS AND STUDENTS

SOURCES, CONTACTS AND ADDRESSES

British High Commission

80 Elgin Street
Ottawa, Ontario, K1P 5K7
Tel.: (613) 237-1530 Fax: (613) 237-7980

Delegation of the Commission of the European Union

350 Sparks Street, Suite 1110
Ottawa, Ontario, K1R 7S8
Tel.: (613) 238-6464 Fax: (613) 238-5191

Embassy of France

42 Sussex Drive
Ottawa, Ontario, K1M 2C9
Tel.: (613) 789-1795 Fax: (613) 789-3484

Embassy of Germany

275 Slater Street
Ottawa, Ontario, K1P 5H9
Tel.: (613) 232-1101 Fax: (613) 594-9330

Embassy of Italy

275 Slater Street, 21st Floor
Ottawa, Ontario, K1P 5H9
Tel.: (613) 232-2401 Fax: (613) 233-1484

Embassy of Japan

255 Sussex Drive
Ottawa, Ontario, K1N 9E6
Tel.: (613) 241-8541 Fax: (613) 241-7415

Embassy of the Russian Federation

285 Charlotte Street
Ottawa, Ontario, K1N 8L5
Tel.: (613) 235-4341 Fax: (613) 236-6342

Embassy of the United States

100 Wellington Street
Ottawa, Ontario, K1P 5T1
Tel.: (613) 238-5335

Foreign Policy Communications

Division
Department
of Foreign Affairs
and International Trade
125 Sussex Drive
Ottawa, Ontario, K1A 0G2

International Monetary Fund (IMF)

700 - 19th Street NW
Washington, DC 20431
United States

United Nations Conference on Trade and Development (UNCTAD)

Palais des Nations
8 - 14 avenue de la Paix
1211 Geneva 10
Switzerland

World Bank (IBRD)

1818 H. Street NW
Washington, DC 20433
United States

World Trade Organization (WTO)

Centre William Rappard
154, rue de Lausanne, Geneva 21
Switzerland

SUGGESTIONS ABOUT ACTIVITIES

In a January 1995 speech, the Director-General of the World Trade Organization, Peter Sutherland, said: "Of the nearly two billion people who will be added to the world's population in the next 20 years, 95 out of 100 will be born [in developing countries]. One consequence is that between now and the year 2015, the number of new jobs required to keep unemployment unchanged in the developing world will exceed the current populations of Western Europe and North America combined." As chairperson of the G-7 Summit, how would you focus the attention of leaders on this issue rather than on the issue of unemployment in their own countries? Would you even try? Discuss.

Invite a member of your local Chamber of Commerce to your classroom to discuss what industries in your community export goods or services. Determine what role exports play in your community.

Canada is a Pacific country, has a strong European heritage, and is linked into a free trade agreement with the world's largest and most dynamic economy — the United States'. These three factors give us access to the world's three major trading blocs; something that no other nation enjoys. Develop an advertising slogan and marketing strategy based on these advantages that could be used by trade officials in Canada's foreign missions. Send your plan to International Trade Minister Roy MacLaren, Department of Foreign Affairs and International Trade, 125 Sussex Drive, Ottawa, Ontario, K1A 0G4.

Through discussion, prioritize the following list of issues which the G-7 leaders will likely deal with at the Halifax Summit: the safety of nuclear power plants in Central and Eastern Europe, population growth and migration, the growth of debt in the developing world, proliferation of nuclear weapons, political and economic instability in the former Soviet Union, structural unemployment in the industrialized world, degradation of the environment, reducing government debt among G-7 members, reform of the United Nations, human rights abuses.

Does Canada belong? In the fall of 1994, *Globe and Mail* columnist Peter Cook wrote about Canada's hold on a seat at the G-7 table: "It was always the case that Canada's place as No. 7 depended on the calculation of a country's gross domestic product on a U.S. dollar equivalent basis. And, even then, we were nose to nose with Spain. Now, U.S. dollar GDP is out, having been replaced by a more accurate method of comparing actual costs, known as purchasing power parity. On this basis, Canada cannot cut the mustard.

"Six non-G-7 economies are bigger than we are — China, India, Russia, Brazil, Mexico, and Indonesia — which puts us 13th in the world economic league." Through discussion, counter Mr. Cook's argument with an analysis of Canada's non-economic role in the G-7.

Population and economic growth are not equal in all parts of the globe. As a result, some economies are growing much faster than others. This means that by 2015, the world's biggest economies will likely be, in order of size and wealth: China, the United States, Japan, India, Indonesia, Germany, and South Korea. Discuss whether or not these nations should form the G-7 20 years from now or whether membership should be restricted to those currently in the organization.

One of the goals of the G-7 summits in recent years has been to control the world's arms trade. However, Britain's Foreign Secretary, Douglas Hurd, when asked why not, if arms are bad, just ban all weapons replied, "Countries have a right to defend themselves, and that includes the right to buy arms to defend themselves." Discuss.

You have been given the job of organizing a banquet and entertainment for the G-7 leaders that will give them some understanding of Canada. Write a proposal for the evening covering the menu, whom you would invite to the banquet, how you would organize it, and what forms of entertainment you would present. Suppose you placed each of the G-7 leaders at separate tables; what seven other guests would you invite to sit with each leader?

Have a team of students clip newspaper and magazine articles on the G-7 Summit in Halifax, Nova Scotia. Prepare an analysis of these clippings and decide on which issues concrete action has been taken and on which the leaders have restricted themselves to a statement of principle.

Set up a G-7 Summit meeting in your school. Appoint teams of three students to represent each of the summit participants. These teams must research the delegation they are representing. Then, pick one of the following three topics for discussion:

- a. How can we reduce the level of youth unemployment in G-7 countries?
- b. What can we do to conserve and enhance the fish stocks of the North Atlantic?
- c. What should our response to the war in Chechnya be?

At the end of your discussions, issue a communiqué outlining the decisions you have made.

NOTES

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