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International Perspectives

The Canadian journal on world affairs

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International Perspectives

Contents

January/February 1984

- Conventional weapons and wisdoms: A NATO dilemma for Canada
by Michael Tucker 3
-
- Nuclear proliferation — a false threat?
by Ashok Kapur 7
-
- KAL disaster and the Soviet press
by Larry Black 11
-
- Canada and the OAS
by Maurice Dupras 15
-
- Canada and Mideast realities
by David B. Dewitt and John J. Kirton 19
-
- Greenland home rule and Canada
by Stanley C. Ing 24
-
- Brunei — newest and richest in Asia
by Bruce Burton 27
-
- Afghanistan — a visit to the front
by John Walker 30
-

Book Reviews 33

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Editor's Note:

When that Soviet fighter shot down that Korean airliner Soviet citizens learned about it only slowly — and only partially. In this issue Larry Black of Carleton University chronicles the tortuous path Russian newspapers and cartoonists took grudgingly telling part of the story.

There are many reasons to fear atomic weapons. In a different look at how war can come about, Michael Tucker of Mount Allison University gives us some new reasons to fear conventional weapons. Somewhat antidotally, Ashok Kapur of the University of Waterloo offers some comfort in an unusual examination of the perils of proliferation.

And what about our "tilts" in the Middle East? Are we really as imprisoned by our attachment to Israel as two previous authors in International Perspectives charged? Or are we slipping into a posture that has seen us steadily tilting away from Israel in recent years and towards the Palestinians? Two Toronto political scientists — David Dewitt and John Kirton — think so. Again this issue a Member of Parliament emerges to express his strongly-held views on a subject which would be controversial were it more widely debated — Canada's joining the Organization of American States.

Then there are no fewer than three articles on individual countries — two of them attracting our attention because of their emerging ability to make us notice their existence, Greenland is huge and close; Brunei is tiny and distant. Meet them here in articles by Stanley Ing of York University and Bruce Burton of the University of Windsor. Afghanistan has other reasons for its more strident demand on our attentions, and John Walker shares some of his findings on his second trip to that war front.

And next issue, we offer a slight change of format. It will be a theme number — on the changing economic world and how Canada finds ways of surviving and prospering by trade, aid and investment.

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Conventional weapons & wisdoms: a NATO dilemma for Canada

by Michael Tucker

At its first heads of government meeting in Paris in December 1957, the North Atlantic Treaty Organization adopted military plan MC-70. Under this plan alliance members reaffirmed their joint ministerial decisions of December 1954 and December 1955 to equip NATO forces in Europe with battlefield or "tactical" nuclear weapons. These systems, which included an air strike capability to interdict the adversary's land forces, artillery for the direct support of NATO land forces, and air-to-air missiles, were designed to give the alliance a counterforce capability against Warsaw Pact conventional forces. Effectively, NATO military authorities were given the hardware by which they could plan for the contingency of a limited nuclear war in the European theatre, in the event of aggression from the east.

The stated rationale for MC-70, and for the alliance's subsequent heavy reliance on nuclear weapons for its defence, was the need to offset the at least numerical advantage in troop strength and conventional armor which the Warsaw Pact clearly enjoyed. It was recognized that for compelling economic, political and social reasons the alliance could not hope to match Soviet conventional superiority. Yet another and equally cogent reason for MC-70 was the perceived and increasingly real need to strengthen the American nuclear commitment to Western Europe.

With the deployment of its long-range bomber in 1954 and then its intercontinental ballistic missile (ICBM) in 1957, the Soviet Union clearly demonstrated an ability to reach the United States with nuclear weapons. As a consequence of these developments, doubts began to surface in NATO Europe that Washington would risk the destruction of the American homeland merely for the sake of its beleaguered allies. By 1957, thus, two closely linked problems had emerged which continued thereafter to perplex if not bedevil the alliance: Soviet-American parity in their central strategic systems (the mainstay of the nuclear balance of power), and the question of the credibility of the American nuclear guarantee to NATO Europe.

Double quick fix

In hindsight at least, it seems that MC-70 was designed to perform a double duty as a hardware quick-fix for these new dilemmas facing the alliance. First, by providing for the contingency of an allied nuclear war-fighting capability at the theatre level rather than an automatic American strategic response to a Warsaw Pact attack, the plan was to offset American fears that NATO represented an all-too-dangerous entangling alliance. Second, should NATO face imminent defeat on the battlefield, then the use of tactical

nuclear forces by the alliance would serve as a trip-wire unleashing the American strategic arsenal. Tactical weapons were thus seen to serve both as a firebreak between alliance theatre and American strategic systems in the event of war and, paradoxically, as a coupling link between these systems.

Even as the positioning of NATO's tactical nuclear systems continued apace in the early-mid-1960s, however, the apparent willingness of the Soviet Union to respond in kind to Western hardware decisions compelled some rethinking in alliance capitals and councils about the logic of a virtually exclusive reliance on nuclear weapons. If and as the Soviet Union continued to deploy its own tactical nuclear weapons in Eastern Europe, the question arose as to what confidence the alliance could have in its nuclear war-fighting ability to repel a Soviet attack. Rather than return to a reliance upon the discredited doctrine of massive retaliation, the alliance, in December 1967, adopted a strategy of flexible response which promised a deliberate but controlled escalation of any conflict in Europe — from a conventional to the tactical nuclear level, and ultimately to the strategic nuclear level if need be. Uncertain of NATO's likely response (the level or threshold to be of the alliance's own choosing), the Warsaw Pact was thus to be deterred from initiating hostilities in Europe by a "seamless web" of potential threats, including NATO's possible first use of nuclear weapons.

Early push for conventional forces

The strategy required, of course, the appropriate weapons systems to sustain it, and that year the alliance agreed in principle to augment its nuclear arsenal with modernized and strengthened conventional forces. However, this agreement in principle was not to be put into practice, at least not at that time. For the next decade or so the hard issue of alliance conventional force upgrading was effectively shelved as a consequence of the emergence of a number of mitigating factors: superpower détente, cost considerations, which became all the more compelling as economic problems beset Western nations during the 1970s, and NATO's own earnest quest for détente with the East following upon the recommendations of the Harmel Report in 1967. Not the least of these recommendations was that the alliance should pursue the desideratum of

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Confidence-building measures needed

negotiations with the East over mutual and balanced force reductions in central Europe — a recommendation designed in part to offset the spirit and the spectre of Mansfieldism which haunted the alliance at that time, the spectre of American troop withdrawals from Europe.

Of late, however, the quest for a "strengthened" alliance conventional force capability has been given a new life. The paternity of this may well be traceable to new developments in the field of conventional weapons technologies, as well as NATO's 1978 Long-Term Defence Plan designed to improve alliance "readiness." While the alliance was ahead of Western public opinion in this thinking, the idea of conventional force preparedness was quickly and vigorously taken up on both sides of the Atlantic by former political leaders, government officials, and a concerned citizenry. There can be no doubt that, as far as the attentive public in the West was concerned, this developed interest was instigated in large measure by the abrupt downturn in the prospects for East-West détente and for nuclear arms control, which had been signalled by the fate of SALT II in early 1980. The subsequent imprudent tendency of chief spokesmen for a newly-elected Reagan administration in the United States to openly debate NATO's theatre nuclear war-fighting strategies only served to heighten fears in the West about the likelihood of nuclear war.

Enter "two-track"

Alas for the alliance, these events swiftly followed NATO's theatre nuclear force (TNF) modernization decision of December 1979. As is well known, this "two-track" decision called for the emplacement of Pershing II and ground-launched Cruise missiles (GLCMs) in Europe by the end of 1983 should the proposed Geneva intermediate-range nuclear force (INF) talks between the United States and the Soviet Union fail to reach agreement by then on an arms control regime for these systems and the Soviet SS-20. In retrospect, it seems clear that the error in NATO's ways when it called for TNF modernization was in not anticipating the demise of the SALT process, since the alliance had fully intended that an INF agreement should and could be reached with the East as a theatre nuclear force companion to SALT II. Instead, the TNF decision became the focus of the widespread anti-nuclear movements in Europe and North America during the early 1980s. These movements in turn have helped to fortify NATO's interest in conventional preparedness.

At root, these contemporary expressions of fear about the danger of nuclear war are quite legitimate. Few would argue on technical or military-strategic grounds that the system of mutual nuclear deterrence in the Soviet-American relationship and America's "extended deterrence" to NATO Europe are foolproof. Should these systems fail, few would argue on moral grounds that there is any compelling reason why innocent civilians should be the hostage victims of a nuclear exchange. These strategic and moral considerations mean, in sum, that there are powerful reasons for both West and East to shift to defence, failing mutual disarmament, for their security rather than relying on admittedly unstable systems of nuclear deterrence which would provide no choice, should the moment of truth arrive, between surrender and Armageddon. On this point the professional soldier and the man in the street may well be at one, and it may be unduly provocative to suggest that a parallel could be drawn between the present Western

interest in conventional rearmament and the interest of present American administration in defensive systems against strategic missiles and bombers. As the American Defense Secretary, Caspar Weinberger, has said, based on the threat of widescale destruction of civilian life, neither moral nor prudent.

US too close or too far?

Yet, to the extent that Western fears of nuclear war have been nurtured by NATO's nuclear war-fighting strategies, it is perhaps ironic that they should surface now with such intensity and political impact. These strategies, after all, were conceived a quarter-of-a-century ago. It would seem as though Western Europeans had worried about the possibility of nuclear war in Europe have always been more concerned than this, and they have been reflected in past NATO debates about alliance nuclear strategy. Intra-alliance questioning about the logic of massive retaliation, and the ill-fated multilateral nuclear force scheme of the early 1960s revolved one way or another around the fundamental and probably unresolvable issue as to how the security of NATO Europe in the nuclear era could be effectively provided for.

The strategy of flexible response represented the maximum attainable political consensus within the alliance on this central issue. It embodied all the key ambiguities in the concept of European security: a necessary commitment of the alliance to the use of nuclear weapons if need be, but not necessarily a nuclear response by the alliance because of both American and European fears about the consequences of nuclear war; the emplacement in NATO Europe of tactical nuclear systems which were (and are) supposed to serve on the one hand as a firebreak between limited theatre nuclear war and a strategic war, and on the other, to act as a coupling link to American strategic armaments; the promise of *controlled* escalation to the nuclear level in the event of war on the one hand, while on the other the positioning of nuclear systems in the forward zones of the alliance in order to guarantee their early use. This inherent contradiction between the strategies of flexible response and forward defence arose from the lack of depth to NATO European theatre, and it may be resolved by the advent of the new conventional "smart" technologies.

"Flexible response" a chimera?

Yet if the strategy of flexible response does not make strategic sense, this is probably because it was never meant to. It was never designed as an "operational" strategy. NATO's "war-fighting" plans were a political response to a strategic dilemma, and a necessary component of the professional esprit de corps of a military compact which faced a nuclear armed adversary. It did not (and does not) make sense for military planners, whose task it is to plan for the contingency of nuclear war (however remote or unpalatable that may be), to disavow the nuclear option. The points, it seems, have been wholly misunderstood, if not by those senior American spokesmen who publicized NATO's nuclear war-fighting plans, then by elements among the Western public who now seek salvation from the prospect of a nuclear war in Europe through conventional rearmament.

ment and NATO's adoption of a "no-first-use of nuclear weapons" pledge. In truth, alliance plans for the use of nuclear weapons were never "deeply secret," as Messrs. Bundy, Kennan, McNamara and Smith have asserted; but these former architects of American foreign policy, who have propagated the idea of conventional alternatives to a reliance on nuclear weapons in their influential *Foreign Affairs* article "Nuclear Weapons and the Atlantic Alliance," are essentially correct in saying that the coherence of the alliance has been maintained by "general neglect" rather than by "sedulous public discussion" of nuclear war-fighting scenarios.

The myth of NATO's nuclear war-fighting intentions must be sustained because it is a necessary component of America's "extended deterrence" to Western Europe. Extended deterrence, of course, is essentially an extension of the American nuclear "umbrella" to NATO Europe, through the coupling of theatre nuclear systems to American strategic capabilities, and NATO might have done well to explain the logic of its TNF modernization in these terms rather than as a knee-jerk reaction to the Soviet deployment of the SS-20. Whether the Pershing II and the Cruise are the most appropriate systems for this deterrent role is another matter, which should be addressed in terms of their stabilizing qualities within the overall strategic nuclear balance. The point to be made here is that the by now deep-seated opposition to the principle of TNF modernization and the related pressures for a clear firebreak between NATO's conventional theatre capabilities on the one hand and alliance and US nuclear systems on the other might undermine extended deterrence.

Flaws in conventional forces argument

This and what follows is not an argument against conventional weapons in NATO's arsenal. Politically, these are a necessary component of the triad of flexible response. It should be recognized, however, that as a consequence of the technological, political, moral and military-strategic factors which now fuel the drive toward conventional alternatives to nuclear weapons, the alliance could at some point in the near future find itself on the brink of doctrinal revisionism. If the shield of nuclear deterrence is thereby shifted in favor of the conventional sword, this could have less than salutary implications for European stability. If this be heresy, cast aside the matter of whether NATO members are now finally prepared to shoulder the socio-economic costs of conventional rearmament, and consider the logic of the following conventional wisdoms:

1. *A strengthened alliance conventional capability will contribute to stability by filling in the gap in NATO's spectrum of deterrence.* Yet are conventional weapons instruments of deterrence? This is a matter of perception. In psychological as well as etymological and military terms, deterrence cannot be separated from the concept of terror. As noted below, a number of conventional weapons are indeed potential weapons of terror, but they are not as yet seen as such. Conventional weapons do not have the stigma attached to them that nuclear weapons do, which they need in order to be effective instruments of a system of deterrence.

2. *If conventional weapons are not useful instruments of deterrence, then they are useful weapons for defence.* Given the possibility of war in Europe, it is morally appropriate for the alliance to have a defensive capability which will not

necessitate recourse to the ultimate weapon. This is granted, but given the new conventional weapons in or scheduled for the arsenals of NATO and the Warsaw Pact (the non-nuclear air fuel-explosive, for instance, which reportedly equals the blast of an atomic bomb), to describe any possible non-nuclear conflict in Europe as a "conventional war" would be a misnomer. Thanks to technological innovation, a conventional war in Europe would be no more a useful instrument of policy, in the classic Clausewitzian conception of war, than would nuclear conflict.

3. *Conventional weapons will "raise" the nuclear threshold. This is a military necessity, just as it is morally appropriate, because any use of nuclear weapons in Europe will surely escalate to the strategic threshold.* The notion of "raising" the nuclear threshold is fuzzy at best, and raises two fundamental questions from a military standpoint: is it possible? is it desirable? The possibility of raising this threshold must be assessed in terms of the willingness of the two adversarial military compacts in Europe to adhere to agreed upon and understood rules of limited war. This would presume a degree of rationality on the part of decision-makers, and in the process of war itself, which would be at best imprudent. The question of the desirability of raising the nuclear threshold can of course only be addressed in relation to the prewar situation. Presuming this could be done in economic and military force structure terms, the issue is then whether raising this threshold would in fact make war in Europe any less likely. This is to carry the point about the limited utility of conventional weapons as instruments of deterrence one step further: would a reduction in the fear of the consequences of war enhance rather than reduce the likelihood of war itself?

4. *A credible alliance conventional capability is now militarily feasible because of NATO's commitment to a posture of readiness and because of NATO's acquisition of "smart" precision-guided munitions (PGMs).* True, these weapons give the alliance a capability to interdict Soviet second-echelon forces which lie well behind the Warsaw Pact's front line, and thereby would throttle a Soviet tank blitzkrieg. But the counterforce qualities of PGMs seem at least to threaten Soviet nuclear retaliatory systems, the ultimate guarantor of the adversary's territorial integrity. In war these systems could well take on a "use them or lose them" character, thus forcing the adversary to initiate a nuclear war. In peace PGM counterforce technologies help to blur the distinction between conventional and nuclear weapons, a distinction which remains politically useful for the alliance.

5. *An increased commitment by NATO to conventional alternatives would do double duty insofar as its present predicament over TNF modernization is concerned. It could facilitate Washington's ability to reach a militarily-significant INF agreement with Moscow and help to dissipate Western peace movements which are weakening the political cohesion of the alliance.* There is much to be said for the political cohesion of the Western alliance. It is at least as crucial to Western security as any particular weapons system. And in truth Western peace movements have not done much to help alliance cohesion of late. Yet are conventional weapons the answer to anti-nuclear movements? Is Western public opinion too uncertain a trumpet on military matters to act as a basis upon which NATO should make its hardware choices or establish its doctrinal directions? Is the

Confidence-building measures needed

West now ready to think and act seriously upon non-nuclear alternatives and, one would presume, to try to sell the idea to the Soviet Union?

It is not at all clear, furthermore, that conventional weapons could be treated as an alternative to modernized theatre nuclear forces. Even if the alliance, like Dickens's Barkis, were willing, there is little likelihood that the Soviet Union would respond in kind, especially in view of the British and French nuclear force modernization programs. In short, there is now little chance of turning back the theatre nuclear force structure clock.

Canadian quandary

There are two enduring realities of Canada's NATO relationship which will factor into any consideration that we might give to the alliance's current thinking about conventional rearmament. The first is that for sound economic, military and social reasons Canada remains committed to the security of Western Europe. In fact, although not on paper, the NATO relationship is our first defence priority. The second reality is that we have not in peacetime seen fit to commit ourselves as fully as we might have to European security. Because of the diverse roles assigned to Canada's armed forces, our distaste for most things military, and our penchant for approaching most aspects of Canadian defence policy from a cost-benefit standpoint, our force structure commitment to NATO Europe has by any yardstick of military professionalism left something to be desired.

Yet there may well be, if only for reason of national pride, a significant degree of sympathy in Canada for the professional plight of the Canadian Armed Forces in Europe; given our traditional distaste for nuclear weapons and our basic distrust of both nuclear war-fighting and nuclear war-winning scenarios, there may well also be a significant degree of sympathy among Canadians for the idea of alliance conventional rearmament. But whether these sentiments are likely in the foreseeable future to be translated into a tangible strengthening of Canada's conventional force commitment to NATO Europe is certainly moot.

As has happened in the past Canadians may find themselves attracted to a conventional arms control regime for Europe, partly in the hope of getting themselves off the hardware hook. This rather narrow view of self-interest, coupled with a long-standing belief that there is something to be said for mutual arms reductions by the two heavily armed camps in central Europe, helped to explain Canada's early and strong interest in the Vienna mutual and balanced force reduction (MBFR) negotiations. Yet if Ottawa's worries about the implications for Canada and for

European stability of the existence of these camps have been heightened of late, it should not look to the MBFR negotiations for salvation.

This set of negotiations has undoubtedly had value as an on-going forum for East-West dialogues over the inherent dangers in the confrontation in Europe; and given the current state of disrepair in East-West détente, the very existence of an inter-alliance forum such as MBFR continues to have an important symbolic meaning. Yet the Vienna negotiations have been stalemated since the mid-1970s over "data discrepancies" in the reported number of Soviet troops in Eastern Europe, and there is no early resolution of this stalemate in sight. East-West differences over this issue probably only underscore the reality that militarily-significant force reductions in central Europe are not at present amenable to a negotiated settlement, and this may well be the most important lesson for arms control which the MBFR discussions have to offer. This reality should delimit Canadian expectations about a conventional arms control regime in Europe.

Optimally, Canada might aim for some sort of understanding between East and West about the inherent dangers of an in-depth expansion and modernization of conventional capabilities in Europe, some sense of which will be inconsistent with stable mutual deterrence. We might also promulgate, in appropriate fora, the idea that mutual deterrence could not be strengthened by an East-West accord on the no-first-use of armed force in Europe to be clearly distinguished from a potentially destabilizing no-first-use of nuclear weapons pledge. Yet the most that can probably be hoped for at present will be a modest but meaningful strengthening of the dialogues between NATO and the Warsaw Pact with respect to their military establishments: communications about capabilities and intentions, data exchanges and the like — the stuff and substance of confidence-building measures (CBMs).

If obligatory, and given agreement on adequate verification measures, these might well obviate the perceived need for extensive conventional force modernization programs. Canada has an expertise in both verification and confidence-building measures, garnered through its preparations for the MBFR, CSCE (Conference on Security and Cooperation in Europe) and other arms control exercises of the past decade; and, as in past arms control negotiations, this expertise would be crucial to the salience of the Canadian voice in any discussions about a CBM-based conventional arms control regime in Europe. The time may well be ripe for such a regime, given East-West interest in the newly-established Stockholm conference on disarmament in Europe. The first phase of its discussions will focus on CBMs, and the Canadian voice should be heard.

Nuclear proliferation a false threat?

by Ashok Kapur

During the 1980s the emergence of "Nuclear Weapons powers" in the "secondary conflict zones" of world politics — in South Asia, the Middle East, Southern Africa and South America — is unlikely. The strategic environment of the near-nuclear weapon powers on the short list — India, Pakistan, Israel, Iraq, South Africa, Argentina and Brazil (most of these are located in the secondary zones of conflict and in the Indian Ocean "arc of crisis") — will remain predictable and manageable for decision-makers in those countries. They will continue to assess the nuclear factor as one of several (along with coercion, economic and cultural diplomacy and controlled nuclearization) that shape regional and international power politics. As in the past, these states will remain on a "low proliferation curve" — defined as the acquisition of the capability to explode a bomb, but with no phasal or inevitable movement towards weaponry decisions. Such decisions will remain subject to domestic bureaucratic vetoes and debates. The potential military use of nuclear power will remain potential during the 1980s. Bomb-making, and threatened bomb-making (keeping capability in undemonstrated form), will remain useful as a diplomatic resource in a non-crisis situation and as a military resource in a "back-to-the-wall" crisis.

The practice of nuclear ambiguity will continue to remain the common feature in the nuclear diplomacy of the near-nuclear states on the short list noted above. Nuclear ambiguity will continue to serve diverse aims of near-nuclear states: to accommodate unsettled policy debates between pro-nuclear and anti-nuclear arms advocates (Israel, India and Pakistan); to facilitate a promise not to explode a nuclear device in return for a transfer of modern conventional armament (Pakistan vis-à-vis USA); to facilitate a promise not to explode a bomb in return for diplomatic and moral support (South Africa vis-à-vis USA after threatened Kalahari test); generally to induce caution, pause and re-thinking among regional and international rivals by presenting the danger of escalation (Israel vis-à-vis Arab world, India vis-à-vis Pakistan); and to boost domestic morale.

Future of anti-proliferation

Disinformation by practitioners of anti-proliferation policy and by practitioners of near-proliferation policy will continue in inter-governmental and non-governmental communications. The total truth about the motives of the practitioners, the intended consequences of their public utterances, and their secret plans will remain difficult to discern. Nuclear proliferation study will probably remain cast as a world order issue. The dominant approach in USA

and Canada will probably continue to be that of "proliferation control," expressed as an analytical, technological and legal issue.

The intimate relationship between strategy and culture of governments will probably remain neglected. University professors, who are not normally responsible to anyone, will (with some notable exceptions) continue to remain incurious about the inner workings of the near-nuclear states' decision apparatus. They will generally avoid the study of Third World nuclear questions in a competitive bureaucratic context. Western analysis of Third World proliferation will probably remain intolerant of ambiguity in strategic matters. Deliberate misinformation and voluntary misunderstanding (not ignorance) will remain allies in the anti-proliferation advocacy of the St. Georges who seek to slay the dragon of irresponsible, unstable and unreliable Third World states.

Some mid-course corrections will continue to be made but in fact one distorted framework will be replaced by another distorted framework. For instance, in recent Washington writings, the notion of the imminence, inevitability and *instability* of nuclear weapons proliferation in the Third World has been replaced by the notion of imminence, inevitability and possible/probable *stability* of nuclear weapons proliferation. Some writers have attempted to balance the persistently one-sided and hysterical discussion of the dangers of a proliferating world, and by implication of the virtues of North America the good and the responsible anti-proliferator. I too reject the notion of imminent and inevitable nuclear weapons proliferation. It is therefore useful to examine the nature of proliferation among the near-nuclears in the secondary conflict zones.

Nuclear proliferation latent

Imminent or inevitable nuclear weapons proliferation is in reality latent proliferation. The latter contains a number of barriers against proliferation, although each threshold can also be viewed as a step towards proliferation in select and definable circumstances. The barriers/steps are: first, achieving access and mastery over nuclear science; second, acquiring the nuclear infrastructure of equipment and materials to (a) make a single nuclear bomb and/or (b)

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Uses of nuclear ambiguity

to assemble a nuclear force of ten plus; third, engaging in open advocacy of nuclear weapons by the government concerned; fourth, demonstrating nuclear weapons capability and the future potential by nuclear testing; and fifth, publicly establishing a nuclear force.

For a near-nuclear state the movement along the steps is not necessarily phasal or unidirectional. In fact, the near-nuclear states on the short list have all crossed the first, but it is debatable whether all have crossed the second threshold. None has crossed the third, although at least one (Israel) has publicized hints to that effect. Only one near-nuclear weapon state has crossed the fourth step (India), but it failed to test continually and extensively and its posture is presently located in the first and second steps. None of the near nuclear states on the short list has crossed the fifth step.

Misinformation, misunderstanding and NPT strategy

There is a view that anti-proliferation advocacy and the use of multilateral diplomacy to shape American (and Soviet) anti-proliferation posture existed in the 1960s not because a near-nuclear Third World state was about to acquire nuclear arms, but because the near-nuclear state had no immediate intention and no strategic necessity to do so. Government experts knew that there was, and is, no definitive evidence of movement towards arms in any of our short list of near-nuclear states. They knew that nuclear arms acquisitions could be costly to the new nuclear weapon state, and that the benefits of nuclear ambiguity to a near-nuclear state could be lost. And in any case, if some of the near-nuclear states acquired nuclear arms the impact on the security of the superpowers would be marginal.

In fact, the initial anti-proliferation advocacy — as expressed in the Non-Proliferation Treaty (NPT) — was intended to shape a superpower consensus that centred on denial of national nuclear arms to the Federal Republic of Germany. The rest of the treaty was meant to get something for nothing, hence its universalist cast. At best in its initial condition the NPT was intended to “scare the hell out of the audience” (hence scenarios of unstable, irresponsible nuclear states), and it was against the development of potentially powerful states in the secondary zones of international conflict. The intention was to freeze the nuclear power development of the secondary powers, and to institute international controls that would provide valuable intelligence about the nuclear planning of select secondary powers in conflict zones. (It is noteworthy that all near-nuclear states on the short list see themselves as upwardly mobile in the international system and hence are potential threats to the international position of the superpowers and their allies.)

In fact, the NPT strategy backfired. It scared the Western audiences — its own people — into thinking of proliferation as imminent, inevitable and de-stabilizing. The consequences of a radicalized international environment are noteworthy. Consider the policy position and the decision structure of a near-nuclear state before 1968, and after the NPT regime was established. Before 1968, generally speaking, the nuclear option of the near-nuclear (India, Israel, South Africa and Argentina) was active but hidden. There was strong elite and public support for nuclear disarmament, and a belief in the possibility and desirability of nuclear disarmament and arms reduction. By contrast the NPT regime radicalized the external policy and the deci-

sion-structure of a near-nuclear state. Not only did the short list of near-nuclears increase in size, but the policy of the hard-core near-nuclears underwent radical change.

Pro-explosion and pro-nuclear arms lobbies emerged publicly in opposition to the existing anti-bomb lobby that earlier enjoyed popular support. The impact on the house debates was irreversible. In-house disarmers were compromised or neutralized by the cynical use of Article IV of the NPT by the USA and USSR and their cohorts. (The Article promised “good faith” disarmament negotiations.) Government bureaus that lobbied for disarmament before 1968 were converted into lobbies of autonomous nuclear options. In effect they sought disarmament-control for themselves, and disarmament for their enemies. The erstwhile belief in the possibility and desirability of disarmament became a victim of the new societal and government orientation.

The NPT was a mistake because, if the intention was to institute effective international controls against undesirable military development of nuclear power in the secondary zones of international conflict, if the intention was to achieve intelligence on the cheap under the guise of international safeguards, it failed. The anti-proliferators ended up seeing the extension of the practice of nuclear ambiguity and the development of nuclear options in several secondary powers.

Active, imminent and latent proliferation

A historical perspective about proliferation helps us make distinctions among three different types of proliferation. *Active* (vertical) proliferation is relevant in East-West relations and for the disarmers. *Imminent* (imagined) proliferation is a problem in Western thinking. It requires rethinking about the real nature of proliferation decision-making by secondary powers in secondary zones of conflict. *Latent* (horizontal) proliferation, however, is a real and a novel development. It is not essentially a copy of active proliferation because the strategic perceptions and the strategic setting in the world beyond alliances is substantially different from that of Northern alliance members. In latent proliferation there are several creative uses of nuclear ambiguity. Active proliferation has been taking place since 1945 to the present. Imminent proliferation does not materialize but it has been the basis of anti-proliferation efforts. Latent proliferation has occurred since the 1940s but its future evolution is not predictable. As such the question of stability or instability of nuclear arms in the hard-core near-nuclear cases (Israel, South Africa, India and Argentina) is presently academic and irrelevant. Table 1 outlines the three types of proliferation.

Future of proliferation

To forecast proliferation in the 1980s, a distinction should be made between near-nuclear states that have an incentive to maintain a nuclear policy of “deep back ground” or “deep latency,” and near-nuclear states whose nuclear policy seeks to utilize nuclear power to correct the regional balance of power. Accordingly, the nuclear program of South Africa should be placed in the category of “deep latency.” (Qualifications are in order about Iraq. Its motivation to “go nuclear” may be high but its capability to do so is questionable after the neutralization of the Baghdad facility by Israel.) At present South Africa possesses the military, economic, political and sub rosa means

ly did to manage its enemies. Thus, maintaining South Africa's nuclear program in a position of "deep latency" is adequate for its long term contingencies, e.g., to mobilize Western attentiveness to South African concerns.

To forecast nuclear proliferation in the 1980s three questions should be considered. First, where is a near-nuclear state "at" at present in its nuclear capability? Second, where is a near-nuclear state "at" at present in its overt nuclear policy and posture? Third, what is the overt pattern of, and process in, the development of a near-nuclear power's capability and policy in its conduct in the

ond was to move away from nuclear testing. Underlying both movements was a constant reinforcement of the first and second steps in the proliferation scale.

Pakistan. It may have been able to explode a device as early as 1973; but more surely by 1979 (when speculation was rife about the activities of Dr. Khan and his famous enrichment project). The appearances were a deep commitment to nuclear power and quick activity to catch up with India, to build the Islamic bomb, to "beg, borrow or steal" (in the words of General Zia). However, Pakistan seems to be experiencing problems with its enrichment



our types of policy situations — non-crisis, pre-crisis, crisis and post-crisis? Our answers are tentative, but serve as explanations of past developments and they provide a basis for forecasting the future.

India. It has possessed the capability to introduce nuclear weaponry into the Indian subcontinent since the mid-1960s — if by "introduction" is meant (a) producing a nuclear device or weapon; (b) testing it; and (c) the government officially advocating a nuclear weapons policy. The pattern and the process of Indian nuclear policy development was first, to come close to making the bomb (late 1965 — early 1966); and second, then to move away from that position; and third, then to decide to test in 1974. A common factor in the first and third was the attentiveness of Indian leadership to the implications of military crises in South Asia (the wars in 1965 and in 1971) that required militarization of nuclear policy in response to these crises. Thus, Indian nuclear decision-making can be classed as "post-crisis" that fuses into the "non-crisis" category also. Then, having crossed the fourth threshold in the proliferation ladder, the pattern and process was to revert to a mode of "latency"; thus, the curtain was re-closed after 1974. In short, India's nuclear behavior demonstrated two basic movements: the first was towards nuclear testing; the sec-

project as well as with the reprocessing project. The wear and tear of the centrifuges is high, replacement is costly (but possible) and plutonium fuel fabrication may be problematic. So at best Pakistan could explode a bomb, but could it, at present, mount a viable nuclear force? Probably not.

The pattern and the process of Pakistani nuclear development was twofold. First, to build a real nuclear infrastructure after the Multan meeting in January 1972, when Z.A. Bhutto gave his experts three years to build the "Islamic bomb." The development of its nuclear infrastructure is significant even though the three-year deadline has long passed. Second, to exploit the image of momentum in Pakistan's nuclear policy and capability to acquire conventional US armaments for national security. (This was Bhutto's aim before the USSR invaded Afghanistan.) US disinformation promoted the Pakistan bomb story in order to persuade India to accept full-scope safeguards in return for international controls on Pakistan's nuclear development. The bluff failed.

Israel. According to *The New York Times* and US intelligence sources, through the 1960s and 1970s Israel either possessed nuclear arms or had the capability to go nuclear in a short time. Israel appears to have crossed the

Uses of nuclear ambiguity

first and second step of the proliferation ladder during the late 1940s-1960s, although during this period its public posture and nuclear policy appeared to be one of latency. It repeatedly said that it would not be the first to introduce nuclear arms into the Middle East. There has been a controversy between US and Israeli officials about the meaning of "introduce." To Israelis this meant that Israel would not test or advertise nuclear arms; to Americans it meant that no production would occur. Israel seems to have moved to a bomb-in-the-basement position during the initial phase of the Middle East crisis in 1973. There appeared to be the prospect of moving towards an open advocacy of nuclear arms, but when conventional armament did the job of securing Israel's existence, it retained its bomb-in-the-basement position. Here, as in the case of India, there is a movement forward and then a movement backward. The difference, however, is that Israel acted in a crisis situation in moving towards the bomb whereas India's movement forward was in post-crisis circumstances:

Value of ambiguity

The finding is that so far there are overwhelming incentives favoring nuclear ambiguity rather than nuclear armament. So far it has been unnecessary for the near-nuclear states to dip into their nuclear insurance because existing approaches have adequately served national requirements. However, the strategic environment can deteriorate and impact on nuclear decision-making. The following argument about India is illustrative.

Let us begin with the premise that India's nuclear development has never really been a reaction to Chinese nuclear development. India took the first steps towards the nuclear field before China did. India did not get hysterical about Chinese nuclear arms. There was no arms racing. Symmetrical nuclear development is not the norm in Sino-Indian relations; rather the central premises and approaches are quite different.

The first premise is that persistent Indian mistrust of Soviet and Chinese intentions has for long been the basis of Indian foreign policy thinking. Early in the 1950s Nehru encouraged the development of Sino-Soviet differences because Sino-Soviet controversy helps Indian security, just as a joint Sino-Soviet front clearly does not. If Sino-Soviet reconciliation occurs in the future then the change in the Asian balance of power would require a change in Indian nuclear policy. This no Indian government could resist. As it is, Sino-Soviet talks make the Indian government nervous.

The second premise is that if Pakistan breaks up because of the Sind revolt, and American power is shown to be weak in the Arabian sea and on the ground in the Gulf region, then the prospect of coexistence between Soviet and Indian military power — a new contingency — would

require an escalation of Indian nuclear power — from ambiguity to a viable force.

In this line of argument the People's Republic of China (PRC) is a secondary factor in Indian strategic thinking. India knows that the PRC is not in a position to determine the power relationships in Pakistan; or in Afghanistan where it could not even prevent the Soviet annexation of the Wakhan corridor that sits across the strategic Soviet-Afghanistan-PRC-Pakistan nexus; or in the Indian Ocean. The PRC today cannot even manage the power relationships in South-East Asia — where it enjoys a natural ethnic constituency; or in Africa — where Chou en Lai had revolutionary aspirations in the 1960s. Today the PRC has marginal international influence in territories south of its border, whereas the USSR has a wide ring of bases — Angola, Mozambique, Aden, Socotra and Camranh Bay — and naval-diplomatic forces.

Ambiguity works for Israel

By comparison Israel does not face strategic dilemmas that would require a change in its present stance of nuclear ambiguity. There are good reasons for this assessment. First, despite the upheavals in Israeli politics and despite the changes in tone in US-Israel relations, the American commitment to Israeli national security is a traditional one and Israel and the American Jews have ways to keep Americans in line. Second, there is a special reason why Israel and the Soviet Union share a parallel concern not to do anything that could nuclearize the Middle East. Shrewd observers point out that Moscow does not seek Arab victory and it does not recognize the notion of a single united Arab nation. It is the direct Soviet interest to maintain a continuous state of instability in the Middle East rather than to seek a resolution of any Middle East problem by active and prolonged Soviet involvement on the side of the Arabs and the Palestinians in a crisis moment. Israeli strategists probably factor this vital element into their calculations of the strategic equation and accept it positively. Accordingly, Israeli strategists have an incentive not to make any move — except in a grave emergency — that could appear to be a movement towards nuclear armament and the Soviet Union has an incentive to accept the Israeli denial of possession of nuclear armament positively. It is not cause the existence of Israeli nuclear armament — as distinct from capability that many nations possess — could provide concrete justification for further and direct Soviet involvement on the Arab side. If the lines of adversarial relationships in nuclear relations have already been established between Israel and the USSR — as they have in the Gulf-Arabian sea area between India and the USSR — then the Middle East is not likely to be the central arena of third world nuclear politics during the 1980s.

Anti-proliferators should consider the realities of foreign relations before making the next speech.

KAL disaster and the Soviet press

by Larry Black

In an address to the Ninth All-Russian Congress of Soviets in December, 1921, V.I. Lenin cautioned a cheering audience that the first lesson which must be learned by every Soviet worker and peasant was "to be on the alert . . . Remember that we are surrounded by people, classes, governments who openly express the utmost hatred of us. We are always a hair's breadth away from invasion." One can understand Lenin's position at the end of 1921. His new state was then at peace, but only after the Russians had suffered seven years of invasion by Germans, revolution, civil war, foreign intervention — in which French, British, Canadian, American, Italian and Japanese forces actively sought the downfall of the Bolshevik government — and war with the new state of Poland. Less understandable, perhaps, is that in 1975 these very phrases were quoted in the USSR by none other than Marshall Andrei Grechko, then minister of defence and member of the Politburo. Grechko prefaced his citation from Lenin with a comment to the effect that international diplomacy of the 1930s was characterized by "aggressive imperialist encirclement" on the part of Britain, France and the United States, who purposely directed German military ambitions towards the USSR. His remarks appeared in an issue of the *World Marxist Review*, dedicated to the thirtieth anniversary of victory over Germany. The "lesson" of that victory, Grechko said, was that Soviet citizens must still heed Lenin's warning of 1921.

Continuity in Soviet propaganda

In fact, Grechko's message expressed a principle of Soviet ideology which has remained sacrosanct since Lenin's time, that is, the assumption that "imperialism" is "predatory" and that the United States is the leading imperialist power, against which the USSR must always be prepared to defend itself. This theme re-appeared in the Soviet media after a lapse between 1941 and 1945 and has been present in varying degrees of intensity ever since. In a Brezhnev address to the Twenty-fourth Party Congress in 1971, the General-Secretary of the CPSU referred to the "immutability" of imperialism's "reactionary and aggressive nature." Ten years later, at the Twenty-sixth Party Congress, Brezhnev (by then also Chairman of the Presidium of the Soviet government) spoke once again of the "aggressive designs of imperialism," and insisted that the American government was planning a nuclear war to justify its aggressive plans. Brezhnev said also that Washington was manufacturing and spreading falsehoods about a so-called "Soviet threat." He summed up his remarks on foreign affairs by calling for the continuation of the policy of "peaceful coexistence," which he attributed to Lenin,

from the Soviet side. In short, reference to Lenin still predominated as justification for policy — and admonitions about external dangers still served as a means to keep Soviet listeners alert.

Enter KAL

Soviet press reaction to the KAL (Korean Air Lines) affair illustrates very well the continuity in Soviet views of the West. Although there was confusion in Soviet reporting of the matter to its own public, and not a few contradictions, both *Pravda* and *Izvestiia*, the two most widely-distributed organs in the USSR, still relied upon traditional themes to explain the situation to their readers. In these

Pravda 2 Sept 83
Сообщение ТАСС p.5.

В ночь с 31 августа на 1 сентября с. г. самолет неустановленной принадлежности со стороны Тихого океана вошел в воздушное пространство Советского Союза над полуостровом Камчатка, затем вторично нарушил воздушное пространство СССР над о. Сахалин. При этом самолет летел без аэронавигационных огней, на запросы не отвечал и в связи с радиодиспетчерской службой не вступал.

Поднятые навстречу самолету-нарушителю истребители ПВО пытались оказать помощь в выводе его на ближайший аэродром. Однако самолет-нарушитель на подаваемые сигналы и предупреждения советских истребителей не реагировал и продолжал полет в сторону Японского моря.

Actual size of first news item.
Pravda (September 2, 1983)
page 5 (of the usual six pages).

cases, traditional tenets took the following forms: the "incident" was merely another in a never-ending series of imperialist provocations; the plane was a spy plane trying to locate and test Soviet defence capabilities on its sacred and inviolable borders; and, above all, the capitalist enemies of the USSR were lying about the affair to their own people so as further to spread anti-Sovietism. Although news of the KAL tragedy of the night of Wednesday/Thursday August 31/September 1 was reported in the Western press almost immediately, the first

reference to it in Soviet newspapers did not occur until Friday, September 2. In a very brief, lower mid-page 5 notice, it was reported in *Pravda* that "an airplane" of "unestablished identity" violated Soviet airspace twice, "was flying without aerial navigation lights, failed to respond to inquiries" and — after apparently refusing "assistance" from Soviet fighter escorts — finally flew off "towards the Sea of Japan." The same notice appeared the next day in *Izvestiia*. Since *Pravda* is the organ of the

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Slow and limited unfolding

Communist Party of the Soviet Union, and *Izvestiia* the newspaper of the Soviet government, it is appropriate — and ironic — that the latter paper regularly carried verbatim items about the incident one day after they had appeared in *Pravda*.

Day two

The next day (September 3 for *Pravda*; September 4 for *Izvestiia*), a much lengthier piece was printed. The plane was still not identified for the Soviet public, but its flight path was said to be 500 kilometres off-course and the plane itself was said to have been over Kamchatka for more than two hours. "Naturally," Soviet air defence "repeatedly" tried to establish contact, and fired warning shots of tracer shells along its flight path. The plane again was said to have continued on its way toward the Sea of Japan. A full



ХИЩНИК И ЕГО СТАЯ

Рисунок Е. МИЛУТКИ.

Krokodil, No. 22 (August 1983)

The shark is "Imperialism" — its "school" or "pupils" are "blackmail," "lies," "hatred," "exploitation," "aggression" and "threats."

paragraph implied that the aircraft must have been part of a CIA spy operation, and it was noted that it was probably (but not definitely) a civilian aircraft. "Obviously," the article writer went on to say, the "dirty insinuations" from the USA and the "impudent slanderous" statements being made by President Reagan were unfounded. But no information as to what Reagan actually said was offered. Such cases of "deliberate violations" by American plans were not rare, the writer intoned as he concluded with a staggering non sequitur — "in light of these facts" (none had been given), the intrusion by the "aforementioned plane cannot be regarded as anything but a preplanned act." Readers were left somewhat uncertain, however, as to whether the "plan" was a spy mission, or an act of provocation to exacerbate further the international situation. Almost as an afterthought, without its previously having been mentioned that anything dramatic had happened to the plane, it was noted that the "leading circles" of the USSR regretted the loss of human lives in the incident. No numbers were offered or even a hint that civilians had been killed.

Day three

Carefully selected quotes from the foreign press and strong anti-American adjectives were featured in the next day's reports (*Pravda*, September 4; *Izvestiia*, September 5), the main theses of which were alleged links between the

"intruder-plane" and the CIA. The State Department accused of "feverish" cover-up attempts and the White House of a "rabid anti-Soviet campaign." President Reagan's statements were described as "frenzied hatred and malice," (but not quoted) — and the plane's deviation from its original flight path was laid directly at the door of American "schemers." Somewhere it seemed to have been forgotten that the plane was Korean; indeed, Soviet reporters were reminded of this only occasionally during the entire reporting on the subject.

American, French, Japanese and Australian press statements were culled carefully and used to imply that there was widespread questioning of the American and Japanese accounts from among their own allies. The fact that the press from countries other than the USA also denounced the damned Soviet actions was never mentioned — but, of course, no major Soviet action had as yet been mentioned to the Soviet public. Nor was there any further reference to a loss of life offered on this third day of the KAL saga.

A second report in *Pravda* (not in *Izvestiia*) registered once again Washington's "dirty insinuations," its pagandistic "hysteria," and its "malicious" attempt to bring the matter before the UN Security Council. The entire situation, it was alleged, was part of an American scheme, to justify its own "reckless policy" of preparation for nuclear war. It was in this short notice, written by a Soviet correspondent in New York (A. Tolkunov) that there first appeared what was to be a standard defence from Soviet media, i.e., "Who profited from the incident?" This question was to appear again and again, including in a CBC National News interview of a Soviet "expert" the next evening.

Day four

On Monday, September 5, *Pravda* introduced the obligatory explanation in the person of Col. Gen. S. Romanov, Chief of the General Staff of the Air Defence Forces. The KAL plane was still described as unidentified, without aerial navigation lights, and unresponsive to the Soviet interceptor. But this time, it "crashed." Further references were made to violations of international regulations and the sophistication of the instruments carried by "all planes of this type." But its "type" had not yet been clearly established insofar as Soviet readers were concerned. Romanov acknowledged, however, that some foreigners were "trying to claim" that it was an "ordinary New York-Seoul trip." Romanov then detailed the many ways in which the Soviet interceptor had tried to attract the attention of the off-course plane crew, all to no avail. Furthermore, the Soviet pilot had no way of knowing that "he was dealing with a civilian airplane," which, in reality, was "sneaking over our territory at night." Indeed, the "contours" of the plane, he said, "greatly resembled the American RC-135 reconnaissance plane." Thus Romanov's presentation presented an almost eerie mixture of admissions and assertions: the incident was a "deliberate" part of an "anti-Soviet provocation" mission; the plane was civilian and its contours were visible; its identity was/is "unestablished"; people lost their lives (as "victims of the Cold War"); the plane "crashed."

The entire page 5 of *Pravda* was filled with accounts in support of Romanov. President Reagan again was accused of "slanderous rhetoric" in one piece that was reprinted in *Izvestiia* on Tuesday and in which the practice of quoting

...rtment the West against itself was adhered to throughout. The fact
 the what the plane was a giant Boeing 747 was admitted as well,
 sident though no impressions of its "contours" were drawn. The
 hatred semblance between a Boeing 747 and an RC-135 is, in
 ct. very slight. Interestingly, *Pravda* cited critical (of
 he door Reagan's position) items from major American papers,
 b have b and from both CBS and NBC, without caring that the
 soviet re age of a dissenting press might evoke questions about
 during e role of the press in the USSR. They were right, of
 urse, it would not. Assumptions about the West held by
 e majority of Soviet citizens had long-since been formul-
 imply led. Ringing nationalistic phrases about preparation to
 erican/efend "our great country" and familiar clichés like: "To-
 he fact ay planes are sent over our territory, and tomorrow mis-
 A also des may be launched," typified the tone of the Soviet
 — but sponse in their major papers five days after the event —
 mentio were reminiscent of exhortations from the days of
 eference in and Stalin.

... saga. **Day five**
) registe More of the same appeared on Tuesday in *Pravda*
 ,," its September 6). A screaming headline, "A Policy of Sabo-
 pt to tage against Peace," was followed by charges against the
 The en White House generally for "a wicked anti-Soviet cam-
 can schaign," and against President Reagan specifically for his
 ation f pathological hatred of the Soviet Union and its people."
 by a Sofie "incident," which the situation was called in another
 t there rticle (quoting US papers) on the same page, was treated
 rom Strictly as a CIA project designed to give Reagan justifica-
 This quon for accelerating the arms race. "The inspirers of the
 C Natio nent anti-Soviet chaos," are trying to deprive the USSR
 vening. f "the right to defend its own borders," said journalist V.
 akharov, who repeated the assertion that the entire epi-
 ode was "pre-planned" espionage. He also echoed all the
 ed the arlier statements about no lights and no response to Soviet
 Roman attempts to make contact with the "intruder-plane." Now,
 orces. owever, it was noted that tracer warning shots had been
 d, with red across the KAL flight path.

... the Sov **Day six**
 e referen It was not until September 7 that *Pravda* and Septem-
 ons and er 8 that *Izvestiia* informed their readers that the KAL
 "all pla ne had been shot down, or, as the Soviet government
 en clea tement put it, rather euphemistically, an interceptor had
 erved. een ordered "to stop the flight." Soviet actions, the state-
 gnerns w ment insisted, were "fully in keeping with the Law of the
 w York USSR State Border, which has been published." This was a
 ay ways eference to a detailed law on borders which had been
 the att uted in full in both *Pravda* and *Izvestiia* (taking up
 l. Furth early half of the papers) on November 26, 1982. That law,
 at "he he first major legislation under Andropov, proclaimed
 eality, hat Soviet borders were inviolable and that any attempts
 the "co "violate it are resolutely stopped." At that time, readers
 the Am vere urged to maintain a "spirit of vigilance." The KAL
 nov's pla ne now could be used as proof of the pudding.

... and ass The KAL flight was linked once again to a "malicious
 an "an and hostile anti-Soviet campaign" and it was stated une-
 ian and quivocally that the plane was on a spy mission, that Soviet
 ablished pilots could not have known that it was civilian, and that
 War"); resident Reagan had carefully chosen this moment to
 amouflage his own intention to sustain the arms race. The
 accounts soviet government expressed "regret over the deaths of
 as accus nnocent people . . . [but] the entire responsibility for this
 printed ragedy rests wholly and completely with the leaders of the
 of quot United States of America." No mention was made of the

number of lives which were lost, or of the fact that many of those who perished were American.

The official announcement was surrounded — nearly submerged — by long essays directed almost exclusively at what the Soviet press described as an orchestrated campaign of lies about the USSR. One article, headlined, "Cynical Fabrications," spoke of "pathological" and "troglodyte" anticommunism — and charged the US throughout with every conceivable crime. Sandwiched between this piece and another under the lead, "In the Heat of Anti-Sovietism," was the following caricature:



«...на все руки!..»

In the speaker's left hand are banners proclaiming: "Soviet Threat!" "Embargo against the USSR!" and "Crusade against Communism!" The accompanying swastika speaks for itself. The snake-like right hand has "provocation" written on it. Most *Pravda* issues carry at least one international cartoon, directed in the last two decades nearly entirely against the USA or Israel (or both). During the first week of the KAL crisis, the USA was caricatured repeatedly as a warmonger and, more often, as a source of all falsehoods about the USSR.

"New facts"

Between September 7 and Sunday, September 10, short essays in both major papers continued to associate an "anti-Soviet campaign" in the West with earlier American projects to violate Soviet territorial integrity. "All the New Facts" (*Pravda*, September 8, page 5), for example, included letters from Soviet citizens and selected citations from the Western press to corroborate such themes (including a "Montreal student" who was interviewed for the *Ottawa Citizen* and said that he had travelled on an earlier flight when all internal and external lights had been turned off). Accompanying this item was a caricature of President Reagan which portrayed him as a ruthless hypocrite.

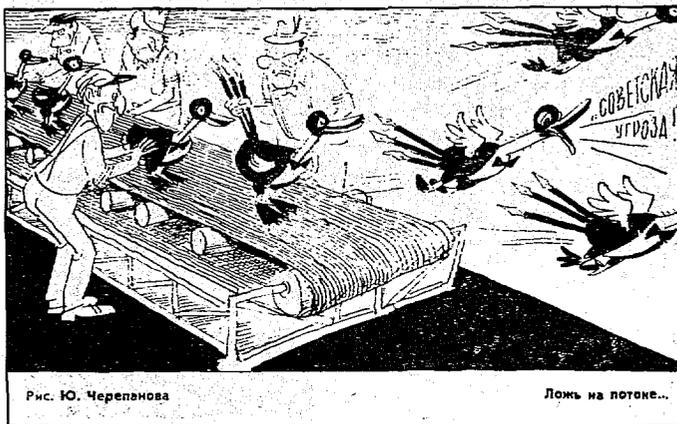
Day nine

The most space allotted to the KAL affair in a single issue of *Pravda* came on September 10 (the next day in *Izvestiia*) when a press conference conducted the day before by a bemedalled Marshall Nikolai Ogarkov, chief of Soviet General Staff and first deputy minister of defence, was reported verbatim. Ogarkov outlined the Soviet ver-

Slow and limited unfolding

sion of events and then answered questions for reporters. The press conference had been televised and Ogarkov used large maps and diagrams to illustrate his remarks. New releases containing his full statement were issued by Soviet embassies around the world.

This, then, was the first full-scale official Soviet response to Western charges of infamy. It is worth noting that the counter-attack came from the military and not from Andropov; but the gist of Ogarkov's message differed little from earlier official statements: the flight had been on a spy mission and its "termination" had been proper. In keeping with previous practices, the daily cartoon portrayed a "western centre of disinformation expanding the psychological war against socialist countries." The birds flying off the "assembly line" are quacking "Soviet threat!"



All subsequent stories in *Pravda* and *Izvestiia* (and caricature) have merely confirmed everything printed up to September 10. The fact that there were 269 people on board the aircraft was reported in the Soviet Russian national newspaper, *Sovetskaiia Rossiia* (September 9) and two days later *Pravda* went so far as to intimate that American citizens had been among the victims of the "provocation" which caused Soviet pilots to "terminate" the flight. But both notices were almost in passing and were so buried within a barrage of anti-American invective that a reader would have to be especially astute to recognize them as jarring notes in the by-then patented Soviet version of events. The widely-quoted suggestions by Soviet delegates (including *Pravda's* own Chief Editor, Victor Grigor'evich Afanas'ev) to various meetings outside of the USSR to the effect that the destruction of the plane had been an error in judgment have not even been hinted at in the Soviet media.

Belief-systems versus facts — there and here

Does this mean only that the Soviet government is afraid of admitting mistakes and of telling the truth to the public? Perhaps; but such reporting is also a product of a belief-system. Accusations which strike Western readers as ludicrous may not seem so far-fetched to Soviet editors, writers and their audience. By way of explanation, let us recall observations published nearly a quarter of a century ago by an American social psychologist who visited the Soviet Union in 1960, one month after the U2 incident.

The American professor, who spoke Russian fluently, took advantage of his stay in Moscow to undertake wide-ranging talks with Soviet citizens with whom he struck up conversations in parks, on the street, in restaurants and on the metro. From these discussions, he came to what were for him startling conclusions, that is, that "the Russians' distorted picture of us was curiously similar to our view of them — a mirror image." Almost all of the images which he and other Americans had of the Soviet Union in 1960 were that it was aggressive; that the government exploited and deceived people; that the mass of people were not sympathetic to the regime; that Russians could not be trusted and that their policy "verged on madness" — were almost exactly the impression that the ordinary Soviet citizen had of Americans and their government. Moreover, the visitor, Urie Bronfenbrenner of Cornell, found to his amazement that the great majority of people to whom he spoke demonstrated a genuine pride in the accomplishments of the system and were convinced that communism was the way of the future. Whatever the merits or weaknesses of Bronfenbrenner's findings, his conclusions about the tendency of most distant observers of societies other than their own to assimilate new perceptions to old ones, or readily to believe evidence for viewpoints already held, warrants recollection.

The U2 incident, in fact, marked the first occasion on which many United States citizens realized that their own government was capable of systematically lying to them. In the Soviet case, however, the media and government treatment of the KAL affair will not have the same consequences. In a sequence. With few exceptions, the conditioned and isolated Soviet reader will assume the version it reads to be accurate, and will pay little attention to rumors or foreign broadcasting to the contrary. He or she will accept caricature as fact and Lenin's warning of 1921 will continue to have as much validity for the Soviet media and public as it did over sixty years ago.

Canada and the OAS

by Maurice Dupras

In May 1968, one month after becoming Prime Minister of Canada, Pierre Elliott Trudeau announced that a review of Canadian foreign policy would be undertaken, and that Latin America and the Caribbean would figure prominently in the review process. He said then:

We have to take greater account of the ties which bind us to other nations in this hemisphere — in the Caribbean and in Latin America — and of their economic needs. We have to explore new avenues of increasing our political and economic relations with Latin America where more than four hundred million people will live by the turn of the century and where we have substantial interests.

Over the past fifteen years the "substantial interests" the Prime Minister referred to have grown considerably. Today, Canadian businesses, churches, embassies, government agencies, human rights groups, travel bureaus, universities and individuals are involved in Latin America and the Caribbean as never before. Indeed, Canadian involvement in the lands and islands south of the United States is more diverse and more intense than in any other part of the Third World.

Involvement, whether in the form of a trip south to secure a business deal or to lessen the impact of the Canadian winter by a week's holiday in the sun, usually prompts some kind of awareness that life outside of Canada is far different from the relatively carefree existence we take for granted while home. For whatever motives one embarks on a journey, travelling can be, as writer Lawrence Durrell has observed, "one of the most rewarding forms of introspection."

Involvement makes awareness possible. Introspection breeds concern. When, between June 1981 and November 1982, the Sub-committee on Canada's Relations with Latin America and the Caribbean conducted its parliamentary mandate, it was surprised at the extent of Canadian involvement in the area and heartened by the degree of awareness and concern its inquiries revealed. During my thirteen years in the House of Commons and membership in many committees I had never seen equal breadth and intensity of interest in matters of international relations.

Economic interdependence

Given that Latin America and the Caribbean, over the past two decades, have emerged as an increasingly attractive market for Canadian exports and investments, perhaps

the Sub-committee could have anticipated better the heartening of public response to its investigations, especially from such a pragmatic group as the Canadian business community. That is not so surprising when one looks at our trade and financial involvement in the region.

Approximately three-quarters of all of Canada's direct commercial investment in developing countries, as well as more than half of Canadian trade with the Third World, is focussed on Latin America and the Caribbean. Indeed, Canadian investment in the region is greater than that in any other part of the world except the United States. This involvement is reckoned to provide employment for about 150,000 Canadians, many in manufacturing and new high-technology fields such as telecommunications, energy exploration and mechanized agriculture. The five major Canadian banks alone have \$22.3 billion in assets in Latin America and the Caribbean, a figure which is approximately twelve-times that of assets in Africa and the Middle East and almost twice that of assets in the entire Asia-Pacific region. Two countries (Mexico and Venezuela) now supply Canada with about half of its total petroleum imports, a dependency which (after the events of 1973) necessitates a close, harmonious and mutually respectful relationship. All these ties, and countless others, will only develop and be reinforced between now and the end of the century. Canada thus has, and will continue to have, a considerable vested interest in the economic and social development of Latin America and the Caribbean as well as the region's political stability.

Joining OAS — debate reopens

In view of the myriad and profound connections that now exist between Canada and Latin America and the Caribbean, debate has arisen once again over the issue of Canadian membership of the Organization of American States (OAS). More specifically, questions are being asked about whether or not Canada should advance beyond its present status of Permanent Observer (a status it shares with nations of such limited hemispheric importance as Egypt and the Republic of Korea) and apply for full membership in the oldest international regional organization in the world. The matter is currently before the Cabinet

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where, according to the Secretary of State for External Affairs, Allan MacEachen:

Weighing the advantages and disadvantages, however carefully, does not produce an automatic result. Within the cabinet we are examining the membership question with an open mind, but a decision to join the OAS would have to be based on a firm conclusion that it would have decisive advantages for our political relations with Latin American states and for the promotion of Canadian interests in the region.

While the prudence of the Minister in that June 1983 speech, given the limited attraction of joining the OAS in the past, is in many ways well-founded, nonetheless there are reasons to believe that the potential benefits of full Canadian membership now far outweigh the drawbacks.

The OAS was founded in Washington in 1890 as the International Union of American States. Originally, much of the inspiration behind the organization came from the vision of hemispheric unity promoted by the soldier and statesman Simon Bolivar (1783-1830), leader of the revolutions which resulted in the independence from Spain of what are today the republics of Venezuela, Colombia, Panama, Ecuador, Peru and Bolivia. The present charter defining the structure, functions and operations of the OAS was adopted in 1948 and amended in 1967. There are currently twenty-eight Member States and eighteen Permanent Observer States. Canada has held the latter status since 1972.

OAS failures

It is indisputable that, especially after its restructuring in 1948 at a time when the Cold War and East-West confrontation dominated world politics, the OAS faltered in its attempts to promote hemispheric stability based on the principles of non-intervention and mutual respect. Two incidents which reflected this situation were the isolation by the OAS of the reformist government of Jacobo Arbenz in Guatemala in 1954 and OAS participation in the American occupation of the Dominican Republic in 1965, when the United States took military action to suppress what was mistakenly believed to be another Castro-style revolution in the Caribbean.

These incidents reveal only too well (as does the impotence of the institution during the 1982 crisis in the South Atlantic) past events in which the OAS has not functioned efficiently enough in the interests of hemispheric stability. Under such circumstances, it has been argued, Canada is best advised to steer clear of full OAS membership. However, to focus only on past instances of failure is to distort the historical record of the OAS and to give the organization an overly negative image as a forum for effective hemispheric dialogue. Charges of redundancy and irrelevance fail to take account of positive OAS initiatives such as the organization's central role in halting and resolving conflict between El Salvador and Honduras (the so-called Soccer War) in 1969. More importantly, such an emphasis overlooks a significant evolution on the part of Latin American and Caribbean nations, toward the promotion within OAS of political perspectives which directly challenge prevailing American viewpoints.

Resisting the US

Following the overthrow of the Batista regime in 1959, the United States exerted tremendous pressure on Latin America and Caribbean nations to sever relations with

Cuba. The administration of President Kennedy went as far as to propose a collective OAS resolution to expel Cuba from membership of the organization. It was perhaps the darkest hour in the history of the OAS. Most governments succumbed to fierce American lobbying. There was, however, one important exception: Mexico, which remained firm to its own analysis of the Cuban situation and which refused to be part of an OAS action it judged legally unfounded and politically myopic.

Since Mexico's principled decision to resist manipulation of the OAS over Cuba there has been a gradual but significant shift in the balance of power within the organization. Over the years emerging regional powers such as Brazil, Colombia and Venezuela have sought improved relations with Cuba. By the late 1970s Latin Member States conducted their OAS affairs with greater autonomy, astuteness, maturity and solidarity. In 1979, for example, Panama, as an indignant response to covert intervention in Chile between 1970 and 1973, many Latin American nations once again led by Mexico, successfully blocked attempts to form an OAS force to stop the ouster of the Nicaraguan dictator, Anastasio Somoza, by popular revolutionary forces. The move by Latin Member States within the OAS to counter such initiatives clearly illustrates that they have learned an important political lesson from their involvement in the Dominican Republic Affair of the mid-1960s.

More recently, Latin American signatories of the Rio Treaty have been lobbied with a view to supporting an OAS motion that would involve sending a security force to patrol the border between Honduras and Nicaragua. This motion has again met with a signal lack of Latin American cooperation. Attempts have also been made to isolate Nicaragua within the OAS by claiming that the Sandinistas made a "contract" with the organization in June 1979 to hold elections and develop a pluralistic society. This strategy has been firmly rejected by a majority of OAS diplomats who point out that the organization has no authority to intervene in the internal affairs of Nicaragua.

Latin American independence

These events indicate a growing sense of independence among Latin American nations, in what they say and do, in what they will support and what they wish no part of. Such behavior is an important measure of Latin American demands to be taken seriously in international affairs, to be shown a respect that has often been denied them in the past. Thus, whenever a proposal comes up for discussion in the OAS which is not in the best interests of Latin America or which takes little account of the Latin American viewpoint, vigorous opposition can now be anticipated.

The great fear, of course, is that Canada, upon becoming a full member of the OAS, would be drawn into the thick of Latin-US tensions and would be forced to choose sides, thus inevitably incurring the wrath of one party or the other and irreparably damaging subsequent bilateral relations. Once again, there are fundamental flaws in this line of reasoning.

If the government of the United States wished simply to have an unfailing proxy in the OAS, it is unlikely that it would have advocated — as it has done for twenty-five years — full Canadian membership in the organization. While there have been disappointing instances in the past quarter-century of Canadian foreign policy being almost indistinguishable from that of the United States, so to

reputation for balanced and impartial analysis and on our ability to acknowledge, comprehend, and take into consideration the other party's point of view. Our long standing commitment to creative diplomacy and meaningful international communication is badly needed in the OAS today. Canada has matured and developed considerably over the past fifteen years in the formulation of enlightened policy options for Latin America and the Caribbean, as is evidenced by the findings and recommendations of the Parliamentary Sub-committee looking into Canada's relations with its hemispheric neighbors in 1981 and 1982. It certainly cannot be argued, as it has been in the past, that Canada has nothing to offer the OAS, or that little will be gained by joining the organization.

Chance to help human rights

One simple technical advantage of full Canadian membership of the OAS is that by becoming a Member State Canada could take part in the important work of the Inter-American Commission on Human Rights (IACHR), something that its current status of Permanent Observer does not permit. Canada is already internationally respected for its endeavors in the area of human rights. Leading activists for human rights in Latin America, among them Adolfo Pérez Esquivel and Jacobo Timerman, have already praised Canada's firm and encouraging stand on the matter. Canadian involvement in the activities of the IACHR would give the Commission added vitality, would increase its visibility, and would improve its overall effectiveness.

By taking on full member status in the OAS, all Canada risks is becoming more involved in issues that should (and do) already concern us as privileged citizens of a free and democratic society. Full Canadian membership would almost certainly mean participating in a much-needed process of OAS reform, possibly along the lines suggested by the recently convened Inter-American Dialogue, and fostering reconciliation between, in some cases, bitterly divided ranks. Such a decision would serve to demonstrate to the world community, as did our chairmanship of the Cancun Conference, the sincerity of Canadian commitment to North-South dialogue. The OAS is an important international forum which could operate considerably more efficiently than it does at present if Canada's moderating influence were brought to bear on the issues which concern, equally, all nations of the hemisphere.

Canada has before it both an easy option (maintaining its status as Permanent Observer in the OAS) and a difficult challenge (seeking full membership in the organization). Our sense of integrity surely dictates that making do with an easy option is no longer good enough. It is our responsibility to rise to the challenge and promote the cause of peace, stability and mutual respect throughout the hemisphere by participating in the OAS as a full-fledged Member State. □

... independent stands been taken on highly contentious issues. The matter of relations with Cuba is one such sample.

Like Mexico, Canada has insisted on taking an autonomous stand and has flatly refused to have its dealings with Havana made accountable to Washington. The benefits for Canada of maintaining relations with Cuba has been significant; as well as granting Canadians enormous good will south of the Rio Grande, Cuba is now Canada's fourth largest Latin American trading partner, after Brazil, Mexico and Venezuela. If the open and cordial relationship Canada enjoys with the United States has been able to withstand such a profound irritant as trade and diplomacy with Cuba, then relations between Ottawa and Washington are unlikely to be seriously affected as a result of differing points of view over issues raised within the context of the OAS.

Canada's support not automatic

By the same token, it would be somewhat naive of Latin and Caribbean Member States to expect that if Canada assumed full OAS membership they then could count upon unwavering Canadian support for their positions in the organization. Canada is a moderate, middle power, and is seen as such (and not as an all-purpose problem solver) by Latin and Caribbean nations. In an age of political extremism, Canada is still held in high regard for its fairness, objectivity and even-handedness. Today, the capacity to sustain the centre of the political spectrum is one which often provokes the cynical ire of the demagogue, whether from the right or the left. But the politics of moderation, entailing a commitment to compromise, flexibility and resourcefulness, are precisely what the OAS could stand to benefit from, especially after the rift within the organization which occurred during the South Atlantic crisis. Bridging that rift will almost certainly necessitate a sweeping reform of the OAS, a reform in which an advocate of the politics of moderation can play a crucial part. Canada may never again be presented with such a unique opportunity to assume a vital role in the reshaping of the way in which hemispheric affairs are discussed and organized.

However imperfect the operation of the OAS has been in the past — and one does well to remember that global or regional institutions like the United Nations, NATO, the Warsaw Pact, the European Economic Community or the Organization of African Unity seldom conduct their group affairs without internal divisions or dissent — the point is that there are urgent hemispheric issues that currently demand the organization's attention, issues on which Canada could, and should, voice its opinion. The resolution of such complex and sensitive matters as conflict in Central America, sovereignty over the South Atlantic islands, renewed relations between Cuba and other nations in the Americas are ones on which Canada can have a substantial impact. Full membership of the OAS would provide ample scope for a determined Canadian initiative founded on our

THRONE SPEECH

(The following is the foreign affairs portions of the Throne Speech delivered in the Canadian Parliament on December 7, 1983, presented as an editorial service of International Perspectives.)

Canada's role in seeking world peace

Thirty-five million people have been killed in wars since 1945, and the possibility of major conflict is a danger no nation can ignore. In the four decades since the Second World War, Canada and its allies have sought to preserve peace through substantial contributions to Western collective defence and sustained efforts to resolve differences with our adversaries. Yet the current international situation is cause for considerable concern, even anguish.

The Government, in close consultation with our allies, intends to devote its full resources to exploration of every possible means to restore confidence and trust to the international scene. It will continue to advance proposals to slow the steady spiral of the arms race, halt the spread of nuclear weapons and create the conditions for greater security at lower levels of armament.

Canada will continue to make a responsible contribution to collective defence, in fulfillment of its obligations to the North Atlantic Treaty Organization and the North American Air Defence Command. The Government will maintain its commitment to 3 percent real growth annually in defence expenditure, thus ensuring that our forces are equipped with modern conventional weapons. Canadian forces will not be armed with nuclear weapons. Announcements will be made regarding conventional weapons procurement programs.

Renewed attention, too, will be given to the contribution Canada can make to peace and stability through peacekeeping operations under the control of the United Nations, particularly where local crises risk escalation into wider conflict.

Improving the climate among nations requires knowledge, creativity and a determination to find solutions. Reflecting Canada's concern about current international tensions, the Government will create a publicly funded centre to gather, collate and digest the enormous volume of information now available on defence and arms control issues. Fresh ideas and new proposals, regardless of source, will be studied and promoted.

Canadians want more than ever to become personally involved in the quest for peace. The Government will increase its funding for voluntary associations and private research groups interested in security, arms control and disarmament issues. Resources for research and development of verification procedures, the basis of successful arms control agreements, will be expanded substantially.

Economic progress is a crucial contributor to peace and stability. Recognizing the urgent needs of developing countries, the Government will maintain its commitment to overseas development aid. Canada will achieve aid goals of 0.5 percent of the Gross National Product by 1985, and 0.7 percent of the GNP by the end of this decade. Increased involvement of voluntary organizations and the cooperative movement will be sought in the delivery of this aid. Particular attention will continue to be given to the growing world food crisis, through existing programs, and the new International Centre for Ocean Development.

The events of October and November 1983

Bilateral Relations

| | |
|--------------------------------|---|
| USA | 2 |
| Other countries alphabetically | 4 |

Multilateral Relations

| | |
|-----------------------|----|
| Australia/New Zealand | 9 |
| Commonwealth | 9 |
| European Space Agency | 9 |
| Middle East | 10 |
| NASCO | 11 |
| NATO | 11 |
| United Nations | 11 |

Policy

| | |
|-------------|----|
| Immigration | 12 |
| Defence | 13 |
| Foreign | 13 |

For the Record

21

"International Canada" is a paid supplement to International Perspectives sponsored by External Affairs Canada. Each supplement covers two months and provides a comprehensive summary of Canadian government statements and of political discussion on Canada's position in international affairs. It also records Canadian adherence to international agreements and participation in international programs. The text is prepared by International Perspectives.

Bilateral Relations

USA

Seaway Tolls to Remain Same for 1984

On November 2 Transport Minister Lloyd Axworthy and United States Secretary of Transportation, Elizabeth Hanford Dole, announced that there would be no increase in the joint Seaway Tariff of Tolls for the 1984 season. In making the announcement Mr. Axworthy said that many Seaway users had suffered adversely in the last year and thus it was important to retain the existing tariff for the coming year.

He indicated that western Canadian grain producers, whose grain provides 52 percent of Seaway tonnage, would be the "major beneficiaries" of the freeze. "The Government of Canada received many representations from farm groups opposing increases at this time and this measure will help producers during this period of economic difficulty," the Minister added (Minister of Transport press release, November 2).

Garrison Diversion Debated

On October 17, Environment Minister Charles Caccia told Terry Sargeant (NDP, Selkirk-Interlake) that "in conjunction with our Secretary of State for External Affairs, we made representations on the Garrison proposal both on Phase One and Phase Two. We registered Canadian concerns very strongly and very firmly once again . . . Yesterday [October 16] we obtained agreement to a meeting to be held in Washington between Canadian and American officials in November. They will work out a number of irritants related to Phase One."

On November 2, the House debated Mr. Sargeant's Private Member's Motion of February 9, 1981 which stated:

That, in the opinion of this House, the Government should consider the advisability of taking those measures necessary to ensure that there is no damage caused to the Manitoba environment by the completion of the Garrison Diversion Unit in the State of North Dakota and, that such measures to be considered could include:

1. The convening of a joint meeting between provincial, state and federal authorities affected by the Garrison project;
2. The offer of legal and technical assistance to those citizens' groups in Canada now attempting to halt the progress of the Garrison Diversion; and

3. The bringing to trial in the World Court, the government of the United States, should Canada be unsuccessful in its efforts to receive satisfactory assurances regarding the future safety of her environment.

Dan McKenzie (PC, Winnipeg-Assiniboine) was the first speaker. He began by saying that it was too late for any of the three measures suggested in Mr. Sargeant's motion as "The United States has made it perfectly clear that it is going to complete the Garrison Diversion and to get assurances that it would not continue without further consultation.

He said that if the United States proceeded with the Garrison "a multimillion dollar Canadian industry [fishing] will be destroyed simply by changing the direction in which the river water flows." The International Joint Commission had already warned that the introduction of foreign species of fish into Lake Winnipeg would result in a major reduction in the more highly valued species. In addition, the project, if completed, would violate the 1909 Boundary Waters Treaty: "— waters herein defined as boundary waters and waters flowing across the boundary shall not be polluted, on either side to the injury or health or property on the other side."

Bill Blaikie (NDP, Winnipeg-Bird's Hill), after informing the House of "allegations which emanate from the US and involve bogus scientific information as distributed by the Department of the Interior" (also referred to by Terry Sargeant during Question Period on October 17), moved an amendment to the motion, an addition which became item Number Four. It read as follows:

The Canadian Government do everything in its power to investigate charges that falsified information has been used in preparing U.S. environmental assessments relating to wetlands and wildlife habitats in North Dakota and that, further, the Government do everything in its power to ensure that no falsified information has been used which might result in adverse environmental effects to Manitoba's waterways.

Suzanne Beauchamp-Niquet, Parliamentary Secretary to the Secretary of State for External Affairs, assured the Manitoba MPs that the Government was very aware of the risk of damage to the ecosystem of Manitoba by the present plans for the Garrison Diversion project. Consequently, she said, it had taken steps "to ensure that the

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United States does not renege on the assurances it has already given us that it will not undertake any work in connection with the Garrison project that might have a damaging effect on waters flowing into Canada." The United States assurances, she said, were also based on the recommendations of the 1977 report by the International Joint Commission, particularly its main recommendation that construction of those parts of the Garrison which might affect waters flowing into Canada be "put on hold."

Mrs. Beauchamp-Niquet brought the House up-to-date on the Canadian representations with regard to the Lonetree dam:

... on October 3 of this year, the Canadian Government, in a memorandum to the Department of State, specifically deplored the fact that the contract for construction of the Lonetree dam, the main work of the Garrison project's water distribution network, was awarded on August 24, 1983, before consultations scheduled by the International Joint Commission were finalized and agreement was reached by both Governments. This Government was particularly critical of the U.S. step because it was taken after a meeting of representatives of both Governments in Ottawa on July 20 of this year to discuss technical aspects of Canadian concerns about some of the project works, on the basis of plans and technical specifications that had been submitted to the Canadian side. At the meeting, a substantial amount of useful information was exchanged and resulted in a fruitful discussion that seemed to prepare the ground for a high level consultative meeting equally productive that both governments intended to have in September . . .

The Canadian Government did inform the United States that it appreciated the general assurances given on various occasions by the Administration, as well as the qualification tied to the last estimates approved to this date by Congress for the 1984 fiscal year that no monies earmarked under the current commitments of Congress shall be used for the completion of sections of the Garrison diversion project in North Dakota that could pollute, introduce foreign biota into or unduly increase or decrease the volume of water flowing into Canada. [The Government] must make sure that the general guarantees given by the United States at the ministerial level will translate into technical assurances and guarantees included in the specifications for the Garrison project.

Mrs. Beauchamp-Niquet added that the Government was cooperating with officials from the US State Department and Department of the Interior in order to monitor, clarify and resolve specific issues of a technical nature raised by the Canadian representatives. However, despite a very useful exchange of information during the bilateral meeting of experts held in Ottawa on July 20, Canada had not yet received any answers to some of its major concerns about the impact of the project on the flow of water into the Hudson's Bay basin. Consequently, she said, the Government had decided "to officially submit to the State Department a final list of technical issues of concern for Canada in connection with the Garrison project," including technical alterations to the works provided under Phase One.

Acid Rain Keeps Falling . . .

On October 19 and 20 Opposition Member Ed Broadbent (NDP, Oshawa) and John Fraser (PC, Vancouver South), raised the issue of acid rain "which is destroying our buildings, killing our lakes and doing untold harm to our citizens." Environment Minister Charles Caccia told both of them that "we have already moved toward the reduction of acid rain emissions by 25 percent . . . We are anxious to move with the Americans because we know that the ultimate objective of twenty kilograms per hectare per year can only be achieved together . . . We are anxiously waiting for them to be ready with a plan so that we can start negotiations, get a treaty going and reach our objectives together."

Ontario and Quebec were both participating in that effort and the Minister reminded the House that Ontario had set "objectives of 43 percent for Ontario Hydro and had reduced standards of emissions for INCO." Any final solution would depend, however, on the United States. "That," the Minister stated, "is corroborated by a statement made yesterday [October 19] by the Deputy Assistant Secretary of State, James Medas, who said that Canada cannot begin solving its own acid rain problems without a joint policy with the USA."

On November 4, Mr. Fraser asked External Affairs Minister Allan MacEachen if he had been able to give Secretary of State George Schultz or EPA Administrator William Ruckelshaus any commitment as to when Canada would proceed to a 50 percent reduction of sulphur emissions. Mr. MacEachen told him that "in order to achieve the proper reductions of sulphur emissions, it requires coordinated action between the US and Canada" and that while the federal Government and the provinces had reached agreement on a target, the US at the time of the meeting in Halifax had not yet been in a position "to indicate what would be their proposals . . . Therefore, a point plan or a joint agreement could not be reached."

On November 18 Environment Minister Caccia told Mr. Fraser that he had raised the issue of acid rain with Mr. Ruckelshaus in Indianapolis on the previous day. "I have asked him where, and when, he thinks he would be able to put forward a proposal which would be acceptable to his administration. It seems to me that at this point . . . the issue of acid rain between Canada and the US is becoming a leadership issue which the President of the United States must resolve himself in order to come to a decision. The administration is divided on this matter."

Mr. Caccia was not asked, nor did he make any reference to a Southam News report from Washington on November 15 (*The Citizen*, November 15) which said that the National Clear Air Coalition, a collection of United States environmental groups, had charged on November 14, that the EPA was planning to relax an important regulation governing sulphur dioxide emissions. The group, according to the report, had said that the effect of the "change governing new-generation power plans would be to increase by as much as 50 percent allowable emissions by some plants."

Bruce Jutzi, First Secretary in the Canadian Embassy's environment section and spokesman for the Embassy, said that the Government was aware of the proposed rule change and that it would likely present a diplomatic note to the State Department "within three or four days" requesting an official explanation. "We view this

as a matter of considerable concern because of the appearance of additional allowable emissions," Mr. Jutzi was quoted as saying.

Canada and USA to Work Together in Ocean Drilling Program

Energy, Mines and Resources Minister Jean Chrétien announced on October 24 that Canada would work with the United States in a scientific program of ocean drilling to probe deep beneath the sea floor. The announcement followed the signing of a memorandum of understanding between the two countries, confirming Canadian participation in the planning of the US National Science Foundation's Ocean Drilling Program (ODP).

"Canada stands to gain a great deal of valuable geoscientific information by participating in ODP," Mr. Chrétien said, "especially when you consider the length of our coastlines, our extensive continental shelves, and our increasing interests offshore." He termed the agreement "a very sound investment," with Canada contributing \$250,000 to the planning phase of the program over the next year. The US National Science Foundation would spend \$28.8 million during the same period, most of which would go into the refitting of the vessel that would carry out the drilling program.

The Minister noted that the United Kingdom was participating in the planning of ODP and that Japan, West Germany and France were expected to join as well. It was anticipated that the drilling phase would start in the fall of 1984 and that the drillship would be working in the Labrador Sea during 1985. The knowledge gained there would contribute to an understanding of the geology of the Labrador Sea and aid Canada in the search for hydrocarbons off its east coast.

Plans would be developed for research off Canada's west coast in subsequent years to provide Canada with more detailed knowledge of seabed mineral deposits such as those which had recently been found off Vancouver Island (EMR press release, October 24).

Canadian bank encounters extraterritoriality

John Crosbie (PC, St. John's West) told the House on November 17 that the Bank of Nova Scotia was being fined \$25,000 per day by United States courts for failure to divulge bank records from the Grand Cayman Islands. At the same time, an injunction from a Grand Cayman court forbade the bank to give that information to the American authorities because of their (Grand Cayman Islands) secrecy laws. In the light of that situation, Mr. Crosbie wanted to know whether the Government had decided to intervene before the United States courts in aid of the bank. As newspaper reports had stated that External Affairs Minister Allan MacEachen had discussed the matter with US Secretary of State George Schultz, Mr. Crosbie asked what Mr. Schultz's response had been. Further, he asked what action the Minister had planned for following up "this untenable position in which the bank has been placed?"

Mr. MacEachen replied that he had discussed the bank's position with Mr. Schultz. "We did have a continuing consultation on what Canada considers an unjustified extraterritorial application of American law. In this case the Bank of Nova Scotia and other banks are put in an almost

impossible position in being asked to comply with American law which contravenes the local law." He continued that "The American authorities have sought information in a way which we think is unnecessary as well as unjustified. We believe that a good deal of that information could have been obtained legally through the application, for example, of [sic] the taxation treaties."

With regard to the Canadian government's intention to intervene in support of the Bank of Nova Scotia in American courts, Mr. MacEachen said that the matter was under consideration by the Department of Justice.

Mr. Crosbie asked if, in view of the \$25,000 daily fine being paid by the bank, the Minister could not consider the matter to be urgent. He wanted to know whether Mr. Schultz had been sympathetic and whether he had indicated that he was going to take some action. Mr. Crosbie further asked whether the Government had given consideration to the suggestion of the President of the Bank of Nova Scotia "that we should hold the line on activities of foreign banks operating in this country until the matter is cleared up."

Mr. MacEachen replied that, in his opinion, Mr. Schultz had shown both sympathy and understanding. As for the \$25,000, the Minister's information was that the collection of the fine had been postponed for a month. He expressed the hope that it would not become necessary for Canada to apply actions to American banks which, in the Minister's view were "unjustified when applied to Canadian banks."

CENTRAL AMERICA

Canadian Offer to Monitor Peace Arrangements

External Relations Minister Jean-Luc Pepin, in the course of a press interview given in New York on October 17, is quoted in various newspapers as saying that Canada could become "very useful" to any peacekeeping operation in Central America. "That's the price you pay for being involved," he suggested, "you can't expect to be just in the cheering section." The following day, External Affairs Minister Sinclair Stevens (PC, York-Peel) and Pauline Jewett (NDP, New Westminster-Coquitlam), and Donald Munro (PC, Esquimalt-Saanich) (a former Canadian ambassador in Central America) asked for the extent of any commitment given by the Government. Mr. Munro called on the External Affairs Minister or one of his two Ministers of State to make a statement to the House; Mr. Stevens wanted assurances that the Commons would be able to give the "approval or disapproval before any Canadians are asked to engage in what the Minister has been suggesting," and Miss Jewett said that any monitoring should be undertaken "only after all foreign military forces and military bases have been removed from the bases in Honduras." International Trade Minister Gerald Regan told Miss Jewett that he cannot give her those assurances and indeed, I would not want to do so." To Mr. Munro he said that the Government "in support of the [Contadora] group of nations in the area that have been working toward peace. We do not see Canada as essentially playing a role in any peace corps in Central America, but we are prepared to consider it if requested."

Mr. Regan said that he would have to consult with

External Affairs Minister MacEachen on the matter but he noted that "we are not seeking to play a role in any monitoring of peace in the area."

The following day Mr. Munro made a Member Statement in which he continued to press his demand that the House should be consulted before any Canadian troops were sent abroad. He called on the External Affairs Minister to have the issue debated fully and approved or disapproved "before any decision is taken to commit Canadians, whether military or civilians, to any such operation."

On October 12, Bob Ogle (NDP, Saskatoon East) in a Member Statement called upon the External Affairs Minister to consider seriously the wide range of recommendations on Canadian policy in Central America which had been made by a high level ecumenical delegation representing the major Canadian churches. Father Ogle outlined the main points made by the delegation: "... that Canada support particularly the Contadora group and the efforts that it is making to bring about peace in that area. Secondly, they asked for a clear and public statement to be made to the United States and Honduran Governments regarding Canada's opposition to the military manoeuvres and to the construction of new military bases, on the grounds that they undermine the spirit and the letter of the Contadora group." He concluded by asking Mr. MacEachen to immediately release the eighteen million dollar line of credit which had been pledged to Nicaragua.

On the other hand, David Kilgour (PC, Edmonton-Strathcona), speaking on October 17, urged the Government not to approve the requested aid package to Nicaragua "unless and until the Sandanistas cease their systematic attacks on Jewish synagogues."

HAITI

Assistance Agreement Signed With PCIAC

On October 20, the Chairman of Petro-Canada International Assistance Corporation (PCIAC), Peter Towe, and the Haitian Minister of Mines and Energy Resources, Claude Mompoint, signed an agreement which set out the terms of a \$3.675 million oil and gas exploration assistance project in Haiti.

Under the terms of the agreement, PCIAC will provide assistance to the Government of Haiti by reevaluating offshore hydrocarbon prospects using existing geophysical data and by acquiring new data. The Canadian seismic vessel *Bernier* will be used for the latter phase and Canadian contractors and consultants have been engaged for additional components of the contract.

The \$3.675 million is in the form of a grant which is part of Canada's overall official development assistance to the Republic of Haiti (PCIAC press release, October 20).

Later in the month a commercial delegation from Haiti led by the Secretary of State for External Trade, Jean Michel Ligondé, visited Canada in order to promote joint Canadian-Haitian private sector cooperation to complement the public sector efforts to develop the Haitian economy.

The group met with representatives of External Affairs, CIDA, the Export Development Corporation and business representatives. The Haitian mission also re-

newed its government's invitation for a Canadian commercial and industrial delegation to visit Haiti in order to increase both joint ventures and exports between the two countries. That mission is planned for early 1984 (External Affairs press release, October 31).

JAMAICA

Canada-Jamaica Agreement on Social Security

During the official visit of the Minister of Social Security for Jamaica, Neville Lewis, he and Health and Welfare Minister Monique Bégin announced that the reciprocal Agreement on Social Security, signed on January 10, 1983 was to come into force on January 1, 1984.

The Agreement coordinates the operation of the Canada Pension Plan and the Old Age Security Act with the Jamaican social security programs which provide old age, survivor and disability benefits. Both countries impose minimum conditions of residence and/or contributions before individuals can qualify for social security benefits. Persons who reside or who have resided in Canada and in Jamaica will be able to combine credits earned in both countries in order to satisfy the minimum eligibility requirements of one or both countries.

The Agreement provides a means of calculating the amount of benefits to be paid by each country and also enables interested provinces to negotiate understandings with Jamaica in order to coordinate their social security programs with the equivalent Jamaican ones.

This is the fifth such social security agreement to come into force. Others have been signed with Italy, France, Portugal and Greece. Under the Canada-Jamaica agreement, approximately 2200 Canadian residents may become eligible for benefits (Health and Welfare press release, October 17).

JAPAN

Japanese Investment Sought

Canadian Press reported from Tokyo on October 26 that Canadian auto parts manufacturers were hoping to garner business from Japanese automakers while impressing them with the viability of the industry in Canada. The President of the Automotive Parts Manufacturers Association of Canada, Patrick Lavelle, said that the Japanese must be made aware of the high quality of Canadian industry before they would abandon their "America-first" attitude.

On November 1, United States and Japanese officials agreed to extend for one year the three-year voluntary curb on auto shipments, raising the number of autos shipped to the United States by 170,000 units. The agreement was viewed positively by Canada according to Canadian Press reports from Tokyo. The settlement with the United States would help to strengthen Canada's bargaining position when bilateral negotiations on establishing the level of Japanese exports began again.

The previous day, International Trade Minister Gerald Regan had met with his provincial counterparts. The Minis-

ters agreed that while closer trading links with the United States, including the pursuit of free trade in some sectors, should be explored, they should also work together to expand export opportunities in the Pacific Rim, especially in such markets as China and Japan (Canadian Press, November 1).

Industry Minister Ed Lumley said on November 10 that Canada would be prepared to extend millions of dollars in loans and grants to Japanese automakers in return for their commitments to establish manufacturing facilities in Canada. Assistance was as available to Japanese automakers as to existing companies in Canada, the Minister said. He added that it would be good business sense for the Japanese to build their cars in Canada as a springboard to the North American market (United Press Canada, November 11).

LEBANON

Outrage at the Bombings in Lebanon

On Sunday, October 23, a series of car-bombings of buildings which housed American and French contingents of the Multi-National Force in Beirut claimed the lives of approximately two hundred soldiers. Prime Minister Trudeau, in a statement to the press, expressed the shock and horror of the Canadian people "at these wanton acts which have caused so much death and injury to those whose only purpose is to work for peace."

After extending sympathies to the United States, France and Lebanon, Mr. Trudeau reiterated the need to find solutions through dialogue and conciliation and pledged Canada's continued support for "the efforts of all those striving through peaceful means for a genuine and lasting national reconciliation."

The next day, in the House, Donald Munro (PC, Esquimalt-Saanich) condemned the attack, calling it "shameless, senseless, and subhuman." He suggested the House send condolences to the families of the victims.

MALI

Canada-Mali Consultations

The fourth session of the Bilateral Consultations between Canada and Mali took place in Ottawa from October 18 to 20. The Canadian delegation was headed by External Relations Minister Jean-Luc Pepin. His Malian counterpart was the Minister of Foreign Affairs and International Cooperation Alioune Blondin Beye.

A CIDA press release (October 20) stated that current development programs were reviewed and agreement was reached on the orientation of future cooperation, principally in the fields of antidesertification efforts (ground cover stabilization), improvement of food equilibrium and energy development. The two Ministers signed a "General Agreement on Development Cooperation." This Agreement provides a "comprehensive framework for future assistance from Canada for development activities in Mali and covers all phases of economic, technical and related assistance." It also reaches agreement on areas common

to all development projects such as taxation, import duties and remittances. These need no longer be negotiated each future project.

The next session of the Bilateral Consultations will take place in Bamako in 1985.

MEXICO

Canada-Mexico Joint Ministerial Meeting

External Affairs Minister Allan MacEachen led the Canadian delegation to the Fifth Meeting of the Canada-Mexico Joint Ministerial Committee which was held in Ottawa November 1-2. Minister of Mines, Energy and Resources Jean Chrétien, Minister of Agriculture Eugene Whelan and Minister for International Trade Gerald Regan were on the delegation. The Mexican delegation was led by the Secretary for Foreign Relations, Bernardo Sepúlveda Amor and included the Mexican counterparts of the participating Canadian Ministers.

In the Joint Communiqué issued by External Affairs on November 3, the Ministers stated that they had reviewed the state of bilateral trade and the international market; had noted the long history of bilateral cooperation and trade in the agri-food sector and had renewed the arrangement for the supply and purchase of agricultural commodities; had discussed the extradition arrangements between Canada and Mexico and had agreed that existing arrangements were out of date and procedures leading to a new treaty should be implemented as soon as possible. They had discussed the current international economic and financial situation and the North-South dialogue.

The Ministers had reviewed the situation in Central America. Canada gave assurances of its support of the efforts of the Contadora countries of which Mexico is one. The Ministers strongly urged that "the commitments undertaken by Central American governments at the Panama meeting in September be reinforced by more far-reaching cooperation within the spirit of Contadora." They also urged outside governments "to refrain from actions which obstruct the essential process of cooperation, reconciliation and peace in Central America."

The Communiqué also stated that the Ministers had discussed the recent developments in the Caribbean and condemned the events which had culminated in the death of Prime Minister Maurice Bishop of Grenada. "Equally they expressed their serious concern about the invasion of Grenada by foreign troops. The invasion of Grenada has reinforced concerns that such conflict aggravates regional and global tensions."

In conclusion, the Ministers condemned the use of force in international relations. They agreed that the next meeting would take place in Mexico in 1985.

On November 2, at the conclusion of the Meeting International Trade Minister Regan announced that the Export Development Corporation had signed a \$ US 25 million line of credit agreement with Nafinsa, Mexico's national development bank, and a \$ US 10 million line of credit agreement with Banco Nacional de Comercio Exterior, the principal Mexican government entity responsible for the promotion, organization and development of foreign trade.

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The lines of credit were to support the sale of Canadian goods and services to Mexico.

On November 18, Mr. Regan and Agriculture Minister Whelan jointly announced the signing of the Canada-Mexico Arrangement for the Supply and Purchase of Agricultural Commodities. The Arrangement provides an umbrella to facilitate the sale by Canada of specified agricultural products while assisting Mexico in obtaining essential food products.

Frequent discussions, focusing on Mexico's food requirements and Canada's ability to supply them, would be held under the Arrangement (Government of Canada press release, November 18).

During the Ministerial Meeting it was recognized by both sides that "Canada could and should play a more important role in supplying high quality oil and gas equipment to Pemex [Mexico's national oil company] and in transferring Canadian technology to Mexico." As a result, it was announced on November 30 that International Trade Minister Regan would lead a delegation of twenty-four Canadian manufacturers of oil and gas equipment to Mexico early in December (External Affairs press release, November 30).

TAIWAN

Restrictions on Relations with Taiwan

At the November 29 meeting of the Standing Committee on External Affairs and National Defence, committee members Ursula Appoloni (Lib., York South-Weston), Otto Jelinek (PC, Halton), and Ian Watson (Lib., Châteauguay) encouraged the Government to relax its restrictions, particularly on trade, on relations with Taiwan.

International Trade Minister Gerald Regan said that there was considerable trade taking place with Taiwan and that he would be happy to see that amount grow. He said that the Government felt that, while it could not have governmental contacts, nonetheless "we certainly are actively exploring the option you [Mrs. Appoloni] have referred to of an office operated by the Canadian Chamber of Commerce in Taiwan to help facilitate further growth in that trade."

In answer to Mrs. Appoloni's question "Do you see any prospect at all in the fairly near future of Canada being able to sell Candu reactors to Taiwan?" Mr. Regan replied that he saw rather "incredible difficulties" due to the fact that Taiwan had not signed the non-proliferation pact, that there was a requirement for the international inspection organization to be able to inspect regularly and thirdly, "there must be an agreement between governments providing such undertakings [inspections]." Since Canada did not recognize Taiwan and would not as long as the Taiwanese purported to be China, it seemed to Mr. Regan that "there are problems that defy solution in achieving the sale of a nuclear reactor to Taiwan."

He then added that, in the light of steadily expanding trade with China, it would be a "short-sighted policy for any Canadian government to endanger the incredible long-term potential of that market and of the good relations we have enjoyed with China to achieve the benefit of the sale of a nuclear reactor in Taiwan."

TURKEY

CANDU Sale

Atomic Energy of Canada announced on November 3 that it had been among the three companies selected to enter contract negotiations with the Government of Turkey for the sale of a 600-megawatt CANDU Nuclear Electrical Generating Station to that country. Although the letter of intent had yet to be translated into a contract, AECL was confident, according to Stan Hatcher, vice-president of proposals, that Turkey was "firmly committed" to the project and that the contract would be signed within a year.

An AECL press release said that the Canadian project would involve a consortium of suppliers from several countries, including Korea which purchased a CANDU reactor in the early 1970s, with AECL playing a leading role. The Export Development Corporation had promised to finance up to 85 percent of the costs for Canadian suppliers.

The CANDU would be built in the well-developed Akkuyu area of southern Turkey. Construction would take six to seven years and would generate as much as 500 million dollars for Canada's nuclear industry (*The Citizen*, November 5).

USSR

Soviets Appoint New Ambassador to Canada

The *Diplomats* column by Patrick Best in *The Citizen* of November 2, reported that Ottawa had just agreed to the appointment of Alexei Rodinov, former Soviet Ambassador to Turkey, as the new Soviet Ambassador to Canada. He would succeed Alexander Yakovlev who had returned to Moscow in July after ten years in Ottawa.

Mr. Best interviewed Alexander Novikov who has been Chargé d'Affaires at the Embassy since Ambassador Yakovlev's departure. Mr. Novikov was in charge during the Korean airliner incident and had to contend with formal protests, the ban on Aeroflot flights, and anti-Soviet demonstrations outside his Embassy. He told Mr. Best that he felt Canadian-Soviet relations were "damaged" as a result of the Korean airliner episode but it was as yet difficult to measure the full impact.

Mr. Novikov sought to explain his refusal to accept the text of the unanimous resolution of the House of Commons which deplored the Soviet attack on the Korean plane: "It should be recognized that it is general practice in the world of diplomacy for an ambassador to refuse to accept notes that he knows will not be complied with by the home government. . . . This is quite normal practice, and Canadian MPs should take it into account."

KAL Aftermath; Aeroflot Ban Lifted

As reported in several newspapers, on Saturday, October 1, Prime Minister Trudeau repeated, before a Montreal audience of Quebec Liberals, his statement made earlier in Sault Ste. Marie that the shooting down of the Korean airliner was an accident. On October 4, the leader of the Opposition, Brian Mulroney, asked Mr. Trudeau who spoke for the Government on this issue, External Affairs Minister Allan MacEachen who had called the tragedy "an unjustified act of murder," or Mr. Trudeau who had called it an accident? Mr. Trudeau said in his reply that

"the statements made by the Secretary of State for External Affairs and other Ministers who have commented on this subject still remain the view of the Government. Accident," he explained, "means something that happens It is an accident that the Korean pilot put that plane over Soviet territory. . . . I do not think it was done by design. Therefore, an accident did happen."

Mr. Trudeau then reviewed the steps which Canada had taken to express its outrage, including the boycott of Soviet flights which Canada was continuing while most European nations had already interrupted theirs. The time had come, the Prime Minister suggested, to stop the shouting and begin a dialogue, for, he warned, "the world is teetering on the brink of disaster and atomic war."

Mr. Mulroney asked why, if the people in the Kremlin had not willfully shot down the airliner as Mr. Trudeau implied, the Prime Minister did not at least secure from them (the Kremlin) the acceptance of the Canadian note and the demand for compensation. Mr. Trudeau answered that he could not talk to the Kremlin if they would not listen and they would neither talk nor listen "if I just continue shouting at them and treating them as murderers."

On November 4, in answer to a question from Conservative External Affairs critic, Sinclair Stevens (York-Peel), External Affairs Minister Allan MacEachen announced that it was not the intention of the Government to extend the suspension of Aeroflot flights beyond the sixty-day period which would end on November 6. Mr. MacEachen defended the lifting of the ban saying it had been the toughest action taken by any nation and to maintain it might only harm other Canadian interests.

The Canadian Press reported that Mr. MacEachen had added, outside the House, that the Canadian Government would continue to press the Soviet Union to pay compensation to the families of the Canadian victims of KAL flight 007. He promised that the compensation claim

would be "in the forefront of our federal government's interest and determination" would not flag.

Mr. Stevens, in the same report was quoted as saying he was "surprised and disappointed" at the lifting of suspension. "The least you would expect is that they would come back to [Parliament] with some explanation as to why they're not extending it. If they could even indicate they've had some encouragement, some indication from the Soviets that if you will lift the ban we will sit down and negotiate or give you some satisfaction that we're working to a settlement," he said.

The first Soviet airliner, other than those sent to rescue the stranded Moscow circus, to land in Canada since early September, arrived in Montreal on November 7.

WEST GERMANY

Consulate-General Opened in Munich

On November 7, International Trade Minister Gerry Regan officially opened the Canadian Consulate-General in Munich. The office, which will concentrate heavily on trade, will be responsible for the states of Bavaria and Baden-Wurtemberg, the centre of Germany's electronic, aerospace, automotive and mechanical engineering industries. The region is of particular interest to Canada as a market for finished products and high technology sales, as well as an opportunity for joint ventures, technology transfers, and other forms of industrial cooperation.

The Federal Republic of Germany is Canada's fourth ranking trading partner, representing as it did in 1982 a market for over \$1.2 billion in Canadian products. It is also Canada's third leading source of foreign capital and has major investments in Canada's mining, chemical, health equipment and energy sectors (External Affairs press release, November 4).

AUS

Trade / New 2

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Multilateral Relations

AUSTRALIA/NEW ZEALAND

Trade Development Mission to Australia and New Zealand

International Trade Minister Gerald Regan led a group of seventeen Canadian businessmen on a trade development mission to Australia and New Zealand from November 9 to 19. The mission was to "seek out opportunities for increased Canadian sales into these markets and to enhance the perception by Australians and New Zealanders of Canada as a secure and reliable supplier of sophisticated and high quality manufactured goods."

Before leaving Mr. Regan stated "While the USA is and will continue to be our most important trading partner, Canada needs to broaden and diversify its trading range. Canadian businessmen need to seek market opportunities further afield and it is in this light that the Pacific Rim countries of Australia and New Zealand have come to be viewed with increasing importance" (External Affairs press release, November 8).

In Canberra, Mr. Regan met with the Deputy Prime Minister and Minister for Trade, Mr. Lionel Bowen. The Ministers reaffirmed the strong desire of both their countries to expand their trade relationship and to develop their potential in the areas of high technology and defence equipment manufacturing. Emphasis was placed on the need for stronger links between the private sectors in the two countries. As a result of these discussions both Ministers asked that officials look into the question of the stability and security of the preferential tariff arrangements that exist under the Canada-Australia Trade Agreement and which provide an incentive for both countries to increase bilateral trade.

The delegation also visited Sydney and Brisbane where they were optimistic about the possibility of joint ventures for the production of oil and gas equipment, industrial cooperation concerning the Submarine Replacement Program and the procurement of armored personnel transport equipment. Mr. Regan, accompanied by Horst Schmid, Minister of International Trade for Alberta, opened Canada's exhibit at Petroleum Technology Austral '83, Australia's largest oil and gas exposition. He also officially opened the Canadian Consulate in Perth, Canada's fourth trade post in Australia.

In New Zealand Mr. Regan met with Prime Minister Muldoon and other senior Cabinet Ministers. These meet-

ings were preliminary to the opening of trade consultations by officials from both countries.

In a press release issued on his return Mr. Regan stated that in terms of its two-fold purpose "the trade mission was very successful."

COMMONWEALTH

CMTAP to be Extended in Uganda

On November 28, External Affairs Minister Allan MacEachen and Defence Minister Jean-Jacques Blais announced that Canada had agreed to continue its participation, at current levels, in the Commonwealth Military Training Assistance Programme (CMTAP) until the end of March 1984.

CMTAP was established in 1982 when President Milton Obote requested Commonwealth assistance in retraining the Ugandan army. Canada's assistance consists of a three-man Canadian Forces medical team which has been in Jinja training Ugandan army medical staff and providing medical care for the Commonwealth team as well as \$300,000 to help defray costs of the program (Government of Canada press release, November 28).

EUROPEAN SPACE AGENCY

Special Status with ESA Extended

Early in 1984 Science Minister Don Johnston will sign an agreement which will reinforce Canada's special status with the European Space Agency, a non-military venture in space research. The five-year commitment extends the previous agreement of 1979 under which Canada has representation on most Agency boards but is not a full partner. Full partners such as France, Britain, West Germany and Italy pay a proportion of the GNP to the Agency and give it a permanent commitment. Canada will pay an "entry fee" of two million dollars per year. Jocelyn Ghent, Canada's space counsellor to the Agency, told a seminar sponsored by the Science Council of Canada on November 3 that the entry fee gave Canada a say in the Agency's technological

development, remote sensing and telecommunications policies.

Ms. Ghent pointed out a number of advantages for Canada: "Since 1979, the Canadian space industry has won almost forty million dollars in contracts to supply equipment for the agency. Having its foot in the door has also helped Canada establish credibility as a hi-tech country." In addition, Canada will be privy to lucrative contracts for the development and manufacture of space hardware.

Discussions on permanent membership will begin in 1986 (*The Citizen*, November 4 and press releases).

MIDDLE EAST

External Affairs Minister Visits Middle East

In late October, External Affairs Minister Allan MacEachen made a ten-day trip to the Middle East beginning on October 19 with Damascus, which no Canadian Minister had ever visited. Mr. MacEachen's tour attracted little press or parliamentary attention at the time as it was overshadowed by the Grenada invasion and the launching of the Prime Minister's peace initiative. (See related stories.)

After talks with Lebanese President Amin Gemayel, opposition Druse leader Walid Jamblatt and Syrian President Hafez al-Assad, Mr. MacEachen told Egyptian reporters in Cairo that "peace does not seem to be an early prospect." He predicted that the reconciliation talks which were due to begin the following week in Geneva would be difficult as Lebanese reconciliation was linked "to outside factors, such as agreement between the Lebanese government and Syria, which is demanding the repudiation of last spring's Lebanese-Israeli troop withdrawal agreement."

Mr. MacEachen also told an Egyptian reporter that peace depended on the withdrawal of Israeli forces from Lebanon (*The Citizen*, October 22).

Mr. MacEachen's statements in Syria became an issue in the House of Commons when Conservative defence critic Harvie Andre (Calgary Centre) quoted Mr. MacEachen as having said, during a press interview in Damascus that "Syria, like Canada, wants Lebanon to be sovereign and independent." Mr. Andre then asked, "Is it the view of the Government that that is why Syria, along with 5,000 Soviet troops, is occupying the Beka'a Valley in eastern Lebanon? Is it the view of the Government that Syria is playing a useful role and that the Syrians are there in eastern Lebanon because they want Lebanon to be sovereign and independent?" (*Hansard*, October 26).

International Trade Minister Gerald Regan replied that the statements of the Secretary of State of External Affairs "when accurately read" were "consistent with the policy which the Canadian Government has taken."

Mr. Andre then stated that Mr. MacEachen had been quoted as saying that Canada had "authorized the establishment of official contacts with the PLO and that the PLO had a role to play in the peace negotiations." He wanted to know when Canada had recognized the PLO and which faction it had recognized. Prime Minister Trudeau answered that "we have not recognized the PLO."

According to Duart Farquharson of Southam News, who accompanied the External Affairs Minister on his Middle East trip, while the Minister "broke no new policy ground

... he laid down Canadian positions without equivocation not be a s
(*The Citizen*, November 1). from Leb.

Mr. MacEachen's forthrightness infuriated the Israe On 1
Mr. Farquharson said. The Israelis were unhappy Minister
reports from Syria to the effect that Canada did not bel that "our
Syria to be an obstacle to peace in the Middle East unless s
MacEachen defended himself during a Jerusalem pr Lebanon
conference: "I made no comment one way or anothe We have
Damascus as to whether Syria was an obstacle to pea PLO." Sy

In Jerusalem, the Minister reiterated the Cana or a des
policy that "Israel shouldn't have invaded Lebanon hoped th
should withdraw unilaterally now. . . . Israeli settle ter adde
the West Bank should be stopped and negotiati only with
launched for a Palestinian homeland, which might incl
a Palestinian state on the West Bank and Gaza."

At the end of his trip, according to Mr. Farquharson, NASC
MacEachen said that the biggest surprise had been Salmon
visit with the Syrian President and his top officials. A G
Minister "spoke of the enthusiasm of the Syrian recepti announ
the tough efficiency of the regime, and the confidence a vention f
ambition of Assad to take over the Arab leadership." tic Ocea

When he returned to the House, Mr. MacEachen. The
to face questioning from Members of his own party. ratificac
November 14, Jim Peterson (Lib., Willowdale) asked tion with
Minister to assure the House and concerned Canadia salmon-
that "recent events demonstrate that higher level conta Commu
by Canada with the PLO are out of the question; secc Islands)
that the simultaneous withdrawal from Lebanon of all t The
eign forces, including PLO and Syrian, and not just Isra ests as
is a precondition for peace in Lebanon, and third, that are cau
countries in the Middle East recognize Israel's right to ex migrate
as a sovereign and independent nation". their riv
estimate

After reminding Members that the definitive stateme caught
on Middle East policy had been made before the Sena cause o
Committee on February 17, Mr. MacEachen said that C mize th
Canadian government officials had had contact from time waters.
time with PLO representatives and "I was considering t Th
possibility of upgrading those contacts" but any such u Salmon
grading "would depend upon the circumstances and t have a
requirements." He added that "with the struggle which sultatic
currently going on within the PLO . . . the time is not qu tion, e
propitious to give implementation to that particular poli Atlantic
question." will be
ment c

In addition to Mr. Peterson, Roland de Corneille (Lt. C
Eglinton-Lawrence) had made known his discontent w. C
the statements attributed to the External Affairs Minis two of
during his Middle East visit. In a Member's Statement
November 3, he said that he was opposed to "Canada NAT
giving any appearance of shoring up the sagging fortune NATO
of these terrorists [PLO]. Instead, perhaps our Govern F
ment should review its policy on the PLO and, based on NATO
recent contacts with Syria, should on humanitarian Oc
grounds call on Syria to stop immediately the slaughter to b
perpetrating in Tripoli." the H
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On November 17, Mr. MacEachen met with member
of the Canada-Israel Committee. The Toronto press too
particular interest in the meeting and the *Globe* entitled it
lead "Liberals Move to Calm Jewish Community Fear ove
Middle East Policy." At the same time, Jim Peterson put o
a press release claiming that: it was inappropriate for Ca
ada to have high-level contacts with the PLO; Israe
neighbors must recognize its right to exist; Israel shou

cannot be a special case when it comes to withdrawal of troops from Lebanon.

On November 21, in the House, the External Affairs Minister clarified his remarks on the role of Syria saying that "our view . . . is that all foreign forces should withdraw unless specifically requested by the Government of Lebanon . . . We have made it clear about Israeli forces. We have made it equally clear about Syrian forces and the PLO." Syria, he continued, could be either a "positive force or a destructive force" in the peace negotiations. Canada hoped the Syrians would choose the latter role. The Minister added that, overall, his visit had improved relations not only with Israel but with all countries in the region.

NASCO

Salmon Conservation Convention Ratified

A Government of Canada press release of October 13 announced that Canada had ratified the International Convention for the Conservation of Salmon in the North Atlantic Ocean.

The Convention, which entered into force upon ratification, was the culmination of several years of negotiation with the other North Atlantic salmon-producing and salmon-fishing countries: the United States, the European Community, Iceland, Norway, Denmark (for the Faeroes Islands) and Sweden.

The Convention is important to Canadian fishing interests as many salmon which originate in Canadian rivers are caught outside of Canadian waters where they have migrated in order to feed and mature before returning to their rivers of origin in order to spawn. In 1982 it was estimated that 45 percent of the 1077 tonnes of salmon caught off West Greenland were Canadian in origin. Because of this, international cooperation is required to minimize the interception of salmon by fishermen in other waters.

The Convention has created the North Atlantic Salmon Conservation Organization (NASCO), which will have as its prime objective "to contribute, through consultation and cooperation, to the conservation, restoration, enhancement and rational management of North Atlantic salmon stocks. Controlling salmon interceptions will be one of the Organization's prime functions" (Government of Canada press release, October 13).

Canada is a member of NASCO's Council as well as of two of its three commissions.

NATO

NATO to Cut Nuclear Arsenal

Fourteen defence ministers from the sixteen-country NATO military alliance met at Montebello, Quebec, from October 26 to 28. *The Citizen* reported on October 27 that the High Level group, under the chairmanship of United States Assistant Defence Secretary, Richard Perle, wanted the meeting "to be considered a response to worldwide peace marches opposing the nuclear arms build-up by both U.S.-led NATO and the Soviet Union."

At a press conference at the conclusion of the talks,

NATO Secretary General Joseph Luns stated that the NATO nuclear arsenal in Europe would be reduced by 1400 warheads during the next five to six years and, in addition, existing warheads would be reduced by one for each of the 572 new Pershing and Cruise missiles deployed in the area. The weapons to be dismantled would include nuclear artillery shells, air-delivered warheads and short-range missiles.

Mr. Luns, speaking for the group, reaffirmed their determination to deploy the new intermediate-range missiles, starting in December. The Ministers, in a joint statement, called on the Soviet Union to "follow the example set by the [NATO] alliance, to halt and reverse its buildup of nuclear forces." (See MULTILATERAL RELATIONS — UNITED NATIONS.)

UNITED NATIONS

International Disarmament Day Observed

October 22 was proclaimed an International Day of Disarmament, kicking off the United Nations Disarmament Week from October 24 to 31. A press release by the October 22nd Committee stated that the groups involved advocated that Canada return to its traditional role as a peacemaker by promoting balanced, multilateral disarmament.

Demonstrators in Canada numbered about 40,000, far short of the anticipated turnout. In Toronto 20,000 people protested the Cruise testing and demonstrated for peace; 10,000 people in Montreal joined hands to link the American and Soviet consulates; 5,000 people gathered on Parliament Hill in Ottawa.

In Edmonton, Defence Minister Jean-Jacques Blais suggested, according to *The Citizen*, that peace groups were playing into the hands of the Soviet Union at a time when the Geneva disarmament negotiations were at a crucial stage. The Minister said, "The consequence of course is the potential weakening of [the North Atlantic Treaty Organization] because we recognize that if we are to be effective at the bargaining table there has to be resolve amongst the NATO allies."

In Saskatoon, NDP Leader Ed Broadbent told his audience of 3,000 that Canada could refuse to test the Cruise without violating any NATO agreement and he urged Canadians to pressure the Government to stop the tests (*The Citizen*, October 24).

The demonstrations in Europe turned out more than one and a half million protesters, nearly half a million of them on Sunday in Brussels, Madrid and Paris. The campaigners said the huge turnout indicated widespread opposition to the deployment of 572 Pershing 2 and Cruise missiles in Europe (Canadian Press reports, October 24).

At the same time, the Canadian Council for Peace and Freedom held a conference which was attended by about thirty-five people. The Council, as reported by *The Citizen*, "believes the international peace movement has frightened the public over the true defence purposes of nuclear arsenals."

Arthur Mathewson, chief of defence policy planning at National Defence, said that particle beams, lasers and energy-targeted weapons had great potential to replace nuclear weapons. The fact that both sides recognize that

nuclear weapons could not be used limited their usefulness as weapons though not as deterrents. Mr. Mathewson stated that the peace movement had created benefits by forcing defence issues on to the political agenda but, at the same time, more attention should be focused on both sides in the arms race. "What is needed is communication between the actors," he said (*The Citizen*, October 24).

The first components for the Pershing 2 missiles arrived in West Germany on November 23, the day after the West German parliament, the Bundestag, voted to endorse their deployment by year's end. That same week the arrival of the Cruise missiles at Greenham Common in Britain. (See POLICY — DEFENCE; MULTILATERAL RELATIONS — NATO.)

Policy

IMMIGRATION

Entrepreneurs Welcome Immigration Cutback

On October 24 Immigration Minister John Roberts announced new measures to promote the admission of entrepreneurs as immigrants, effective January 1, 1984.

The major change in policy will lift the requirement under previous guidelines that entrepreneurs participate in the day-to-day management of their business in Canada. The new program places greater emphasis on the background, expertise and entrepreneurial spirit of the business immigrant.

Mr. Roberts, in his press statement, said that the new measures also included a higher processing priority for entrepreneurial applicants and a two-year provisional admission for well-qualified applicants who have not fully developed their business ventures. Specially trained entrepreneurial development officers who would have the task of recruiting, counselling and selecting business immigrants would be posted in key source countries.

While still needing sufficient capital to start a business, entrepreneurs would need assets other than financial: "The active personal involvement of these immigrants in businesses that directly create jobs for Canadians, plus business know-how and managerial skills, are the most important considerations." Mr. Roberts added that the measures had been developed with the provinces "to ensure that the program is flexible enough to support and enhance each of the plans for regional development."

The following week, on November 2, Mr. Roberts announced that a "Canadians-first" policy made necessary by high unemployment had resulted in the reduction of the number of immigrants for 1984 by 10 percent. This would be the second consecutive year that immigration would be curtailed. A Canadian Press report stated that immigration in 1983 was running 25 percent lower than 1982.

In the background study which accompanied the report, the Government listed the developments which had led to the cut back: high employment which is likely to "decline only slowly" until 1986; the increase in the number

of women in the work force; the aging of the baby boom generation and their acquisition of more technical skills. The study said that these developments "will have a direct impact on Canada's immigration program, particularly those categories of immigrants who are selected for their labor market skills." It went on, "In brief, Canada's economic recovery will not mean an equally rapid expansion of labor force requirements."

Mr. Roberts said Canada would maintain its commitments to accept and assist refugees and to reunite eligible family members at the same levels as 1983. The government cannot forecast these numbers but has raised the limit from 2000 to 2500 for refugees from Central America in 1984.

AID

Aid to Chad and Panama

Chad has been torn by civil wars and continuing drought for most of the last sixteen years, resulting in an almost complete breakdown of the economic, social and political infrastructure. Last year a major relief effort was started which involved various United Nations and non-governmental organizations. Canada has already made several contributions: \$500,000 in June of 1982 to the United Nations Disaster Relief Coordinator (UNDRO) for the transport of emergency supplies; \$50,000 to the League of Red Cross Societies (LRCS) for medical assistance in November 1982; and \$345,000 to UNDRO in February 1983 for the purchase of needed trucks.

On October 13, External Affairs Minister Allan Rock announced a further grant of \$150,000 to the LRCS to assist feeding programs for the drought and conflict victims.

At the same time the Minister announced a grant of \$25,000 to assist in a feeding program in Panama where

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extreme drought conditions have led to a rising level of undernourishment, especially among children under five years of age. The money would be used to provide basic foodstuffs until the harvest.

All funds were to be provided through the International Humanitarian Assistance (IHA) program of CIDA (CIDA press release, October 13).

DEFENCE

Minister Explains Cruise Testing

In two separate speeches, the first to the Kiwanis Club of Toronto on November 2, and the second to the Combined Chambers of Commerce of Grand Center, Cold Lake and Bonnyville, Alberta (the civilian towns serving CFB Cold Lake, site of the Cruise testing), on November 9, Defence Minister Jean-Jacques Blais explained the Cruise missile testing program.

In the Toronto speech, the Minister dealt with a number of defence-related topics. He defended the Cruise testing on the grounds that Canada and the NATO alliance must send the "right signals" to the Soviets. "Refusal to participate in the testing, while not making us more peaceful or pure of heart," could, he said, "convey a message of weakness and lack of commitment to collective defence policies as well as indicating that policies were responsive to propaganda."

In Mr. Blais's view, the Cruise testing was only another test in a long series in which Canada had participated. Canada had been the proving-ground for infantry, tank and aircraft testing and training programs by its allies for many years. That cooperation had been considered good and proper: "It has served to strengthen the deterrence of aggression."

Mr. Blais wondered why no protests had been made when the Soviets had begun testing their cruise missiles, and reminded his audience that "It is not a question of NATO adding more and more missiles"; rather, "It is a replacement and modernization program, not a build-up" which would actually lead to a reduction by 2400 in the total number of NATO warheads. (See MULTILATERAL — NATO.)

The NATO strategy of deterrence required only sufficient military strength to make an aggressor think twice, the Minister said, and the Cruise missile represented the minimum response to the Soviet 20s which would produce that second thought.

In his speech to the combined Chambers of Commerce, Mr. Blais spoke only of the testing itself. He described the Cruise as neither large nor fast nor verifiable. It was simply a 6.3-metre-long pilotless aircraft with wings, powered by a small jet engine. As its cruising speed was only 800 kilometres per hour, it could not, he said, be seriously considered as a preemptive or first-strike weapon.

Mr. Blais then dealt specifically with the tests themselves, planned for early 1984 between January and March, and ending near Cold Lake. He reassured his audience that the flight tests would avoid built-up areas. For this reason, and in the interests of air safety, an eighty nautical-mile-wide corridor had been established. The Minister said, "The flight path will avoid population centres

by at least five nautical miles; it will avoid larger centres by even more."

He reminded his listeners that the purpose of the flights was to test the guidance system of the Cruise. The first test had been planned so carefully that the Cruise would not, in fact, be released from the B-52 bomber which would carry it for the entire flight in a "captive carry mission." The operators would be able to observe the Cruise's ability to function accurately as its guidance system would be functioning.

The only possible environmental damage, according to studies which had been made, was the remote risk of forest fire should the missile crash in a forested area. Winter testing would minimize even that risk.

The environmental assessment also states that, "emissions will be well below established Canadian standards; noise will be only slightly higher than that of a Cessna 185 small aircraft, and would be over a shorter period of time; the risk of collision is negligible The probability of a crash causing property damage is also extremely low because the ALCM is small." Mr. Blais explained that although the Cruise had no pilot, it would be under the control and surveillance of controllers aboard mother ships who could manoeuvre it if necessary. They could also terminate the flight, harmlessly, with a parachute.

Mr. Blais told the group that the tests would be a boring experience for spectators and, therefore, "if it's excitement you're looking for, you would be better off going to the hockey game."

FOREIGN

Turkish Cypriots Declare Independence

Turkish Cypriots declared their independence on November 15 and, in the House, Sinclair Stevens (PC, York-Peel) wanted to know what the official response would be. Prime Minister Trudeau replied that Canada "recognized the government in Cyprus which already exists and with which we have good relations. It is a member of the Commonwealth and we continue to want to have good relations with that government." The Prime Minister reminded Members that the idea of independence had been "mooted for quite a while." For that reason, he said, "we very strongly encouraged the initiative of the Secretary General of the United Nations towards a compromise between the communities in Cyprus which are in conflict." He assured the House that there was no danger to "some 2,000 dual nationals, some 200 resident Canadian citizens and perhaps some 500 Canadian tourists" as "this is merely a new legal situation, with one part declaring its independence." He added that about one-quarter of the 2300 United Nations troops, some 515 soldiers, were Canadian peacekeepers.

In an official statement issued the same day External Affairs Minister Allan MacEachen said that "Canada recognises only one Cypriot State, the Republic of Cyprus." As the Prime Minister had done in the House, he reassured the public as to the safety of Canadians: "The situation on Cyprus is calm and Canadian citizens do not appear to be in any danger. Our diplomatic representatives are on the

island and will be in a position to respond to any requests for consular assistance."

On November 17, Lynn McDonald (NDP, Broadview-Greenwood), asked whether the Government would consider withdrawing its Ambassador to Turkey as an expression of disapproval of Turkey's recognition of the new illegal government. Mr. MacEachen demurred. "... that would not be appropriate in the circumstances," he said, because the Turkish Foreign Minister had stated that the unilateral declaration had taken place "without the consent and knowledge of the Turkish government." He also said that Canada disapproved of "this unilateral action. We do not propose to grant recognition to the new alleged government of Turkish Cyprus . . . We are concerting with other countries at the UN to support the efforts of the Secretary General . . . and those of the United Kingdom which is taking the lead in presenting a resolution which will be debated at the Security Council and on which Canada will speak."

That same day, the Permanent Representative of Canada to the United Nations, Gérard Pelletier, in a statement to the Security Council, repeated Mr. MacEachen's reply and enjoined the Secretary General and other states "in calling on all parties to exercise maximum restraint and to avoid any provocation that could result in a further deterioration of the situation. As an important troop contributor to UNFICYP, we call on all concerned to respect fully the mandate and the personnel of this UN peacekeeping force." Mr. Pelletier concluded by pledging continued Canadian support for the efforts of the Secretary General to promote a negotiated and lasting settlement.

Prime Minister Launches Peace Initiative

On October 20, just two days before the planned disarmament and anti-cruise protests (See MULTILATERAL — UNITED NATIONS), CBC reporter David Halton stated that Prime Minister Trudeau had established a "secret" task force to prepare a range of options for a Canadian solution to the superpowers' arms talk imbroglio. The existence of that "secret" task force was acknowledged on October 21 when External Relations Minister Jean-Luc Pepin answered a question put to him by Bill Blaikie (NDP, Winnipeg-Bird's Hill). The Minister said, "indeed there is such a task force, and one would be expected to have such a task force. At the Williamsburg Summit the leaders pledged themselves and promised they would do everything . . . to bring about peace and, particularly, to bring about forms of disarmament."

Maclean's magazine later (December 5) described the mandate of the group under the direction of External Affairs security and arms specialist Louis Delvoie as "to sift through proposals and make firm recommendations to the Prime Minister." Ralph Coleman, the Prime Minister's press secretary, said that the task force was shielded with secrecy and initiatives had to "unfold step by step" because the mediation role envisaged by Mr. Trudeau was so fragile (Canadian Press, October 26).

In his answer to Mr. Blaikie, Mr. Pepin promised that the Prime Minister would give his thinking on the reduction of East-West tensions when he addressed the Conference on "Strategies for Peace and Security in the Nuclear Age" at Guelph on October 27.

In his Guelph speech the Prime Minister said that he was deeply troubled "by an intellectual climate of acrimony

and uncertainty; by the parlous state of East-West relations; by a superpower relationship which is dangerous, confrontational; and by a widening gap between military strategy and political purpose." He saw an "ominous rhythm of crisis" which needed to be changed. He described détente as having provoked an "important impulse . . . toward political dialogue, toward regular consultation at the most senior levels of the East-West system." However, he went on, "With the loss of that impulse, and in the absence of high politics in the East-West relationship, it is not surprising that any shred of trust or confidence in the intentions of the other side appears to have vanished well."

Mr. Trudeau defined our central purpose as being to create a stable environment of increased security for both East and West . . . Therefore it is essential to West's purposes, in my judgment, to maintain in our policies elements of communication, negotiation, and transparency about our own intentions plus a measure of incentive to the Soviet Union first to clarify, and then to modify, its objectives towards the West."

He would add a "third rail" to the existing two-track NATO policy, a third rail "of high-level political energy" to speed the course of agreement — a third rail through which might run the current of our broader political purposes including our determination not to be intimidated."

The Prime Minister suggested a strategy of confidence-building measures of a political nature:

- steps that reduce tensions caused by uncertainty about objectives, or caused by fear of the consequences of failure;
 - steps that mitigate hostility and promote a modicum of mutual respect;
 - steps that build an authentic confidence in man's ability to survive on this planet.
- In short, we must take positive political steps in order to reverse the dangerously downward trend line in East-West relations, which has been sloping downwards for much too long.

He informed his audience that he would be meeting shortly with NATO leaders in Europe. He would be discussing several elements with them including:

- ways of designing a consistent structure of political and economic confidence with which to stabilize East-West relations;
- ways to draw the superpowers away from their concentration on military strength, toward regular and productive dialogue, toward a sense of responsibility commensurate with their power;
- ways to persuade all five nuclear weapons states to engage in negotiations aimed at establishing global limits on their strategic nuclear arsenals;
- ways of improving European security through the raising of the nuclear threshold, including the imposition of a political dynamic upon the static MBFR talks in Vienna; and
- ways to arrest the horizontal proliferation of nuclear weapons among other states.

Newspapers, in general, applauded Mr. Trudeau's initiative while cautioning that its success would depend upon support from the NATO allies and a strengthening of political will on the part of the superpowers. The Opposition was skeptical. The Leader of the Opposition, Brian Mulroney,

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was quoted as saying that peace should be above politics and that "philosophical musings" would not produce very much. "The road to peace is a road the nations, the world must walk together. In such a complex and perilous enterprise it seemed to Mr. Mulroney, there is little room for one shot initiatives however well-intentioned." Erik Neilson (PC, Yukon) said that the Prime Minister had tried the same approach with North-South and NDP critic Pauline Jewett (New Westminster-Coquitlam) recalled the Prime Minister's "strategy of suffocation" proposal and claimed that he never followed through. . . . He never worked at it . . . do not see him as an energizer" (Various newspapers, October 28, 29).

The Prime Minister took his peace initiative to Europe on November 8, meeting with French President François Mitterand, Dutch Prime Minister Rudolphus Lubbers, Belgian Prime Minister Wilfred Martens, Italian Prime Minister Broun Crazi, Pope John Paul, West German Chancellor Helmut Kohl and British Prime Minister Margaret Thatcher, during the course of his four-day tour.

In an interview given in Brussels, he admitted that he had run into a great deal of skepticism, especially from the Canadian media. Belgian Foreign Minister Leo Tindemans described Mr. Trudeau's mission as "an excellent one . . . I think it is a token that the allies of NATO are doing all they can in order to improve East-West relations" (*Globe and Mail*, November 10).

The Prime Minister did not reveal his peace strategy publicly during the European trip. He chose instead to announce it at a Liberal party gathering in Montreal upon his return on November 13. He told supporters that he had been encouraged by the "extent to which my purposes are shared by a community of other leaders." He went on to say that, in addition to his meetings with NATO allies in Europe, he had also sent letters to Soviet Leader Yuri Andropov, Chinese Premier Zhai Ziyang and United States President Ronald Reagan advising them of his concerns.

Mr. Trudeau then outlined his proposals for world disarmament which he had put forward during his European talks:

- a five-powers conference of nuclear states within the next year. This conference would include Britain, France and China in addition to the Soviet Union and the United States.
- a strengthening of the nuclear non-proliferation treaty to include nations other than the present 190 signatories.
- the need for new initiatives to advance the stalled talks in Vienna on mutual and balanced force reductions in Europe.
- a ban on the testing and deployment of high altitude anti-satellite weapons systems; and
- an agreement to restrict "excessive mobility" of intercontinental ballistic missiles.

On November 14, both Leader of the Opposition Brian Mulroney and New Democratic Party Leader Edward Broadbent said that they liked the Prime Minister's initiative but that they wanted to know just what they were supporting. Mr. Mulroney asked if the Government would not table the correspondence with foreign leaders and speak to the House. The Minister of External Affairs revealed that President Ronald Reagan had "made a suggestion" that a meeting with the Prime Minister could follow Mr. Reagan's return from his trips abroad. As for tabling the correspon-

dence, "it is not usual to table communications of this type." He could not give a statement as "the practice of giving statements in the House has fallen into disuse . . . because what ought to be serious discussions on foreign policy usually become rather intense political brawls." The following day the Prime Minister returned to the House and said that he had "no general statement to make" and would not table his correspondence with other government leaders, as "not only is it not customary, but it would be breaking every diplomatic rule."

On November 15, External Affairs Minister MacEachen met with United States Deputy Secretary of State Kenneth Dam and assured him that the Prime Minister's peace-seeking tour was not intended to prevent the deployment of Cruise missiles in Europe or to interfere with nuclear arms talks in Geneva (*The Citizen*, November 15).

Mr. Dam told reporters at a background briefing that the United States was willing to consider all the points raised by Prime Minister Trudeau for promoting dialogue between the nuclear superpowers. He said that the Reagan administration welcomed the peace initiatives but disagreed that political will was lacking in Washington for a nuclear arms control agreement. He also said that there would be a meeting between President Reagan and Mr. Trudeau to discuss the peace initiative but no date had yet been set.

At the same time, State Department spokesman Alan Romberg said that, "we attach a high priority to efforts to move these negotiations forward. We are looking carefully at the ideas put forward by Prime Minister Trudeau" (*The Citizen*, November 15).

On November 19, Mr. Trudeau met with Japanese Prime Minister Yasuhiro Nakasone "who was," *Maclean's* reported November 28, "particularly interested in Trudeau's proposal to draw nuclear powers — including China — into global arms reduction talks." While in Tokyo, Mr. Trudeau met there with Georgi Arbatov, the director of Moscow's Institute of the U.S.A. and Canada, a senior Kremlin foreign policy adviser and personal associate of President Yuri Andropov. Mr. Trudeau told reporters in Dhaka, Bangladesh that "Mr. Arbatov was rather pessimistic about the state of East-West relations and he didn't seem to entertain great hope that I would be able to convince the United States to be, to use his words, "more reasonable" (*The Citizen*, November 21).

On November 20, the Prime Minister's personal envoy, Geoffrey Pearson, former Ambassador to the Soviet Union, accompanied by Garry Smith, an External Affairs member of the task force, travelled from Tokyo to Peking and later to Moscow. According to Mr. Trudeau, Mr. Pearson was sent to sound out the Chinese and the Soviets on their reaction to his proposals.

After three days in Bangladesh, the Prime Minister went on to New Delhi to attend the Commonwealth Prime Ministers' meeting. His initiative was given endorsement when Commonwealth leaders, representing one-quarter of the world's people, signed a declaration on November 27 calling on the US and the Soviet Union to resume their nuclear arms talks. The leaders stated that they welcomed Mr. Trudeau's "efforts to restore active political contact among all the nuclear powers" and expressed their willingness "to help in all appropriate ways." Zambian President Kenneth Kaunda suggested that perhaps several Com-

monwealth leaders could join Mr. Trudeau in possible trips to Moscow and Washington.

Mr. Pearson's trip to Peking brought forth an invitation for the Prime Minister to visit there. Mr. Trudeau left New Delhi and went to China where he met with the Prime Minister, Zhao Ziyang, on November 28 and with Chairman Deng Xiaoping on November 29. The Chinese leaders told Mr. Trudeau that they would support his proposal for a conference of the five nuclear powers if the two superpowers were to cut their arsenals by half. "We cannot do exactly as you advocate in some respects," Deng said. "However, your efforts are important."

At a press conference given in Abu Dhabi on November 30, Mr. Trudeau said that he was encouraged by that message from Deng who later "insisted I must continue on my peace initiative to inject greater political will amongst the various political leaders." He also said that he was satisfied that he had already contributed to world peace; that his main aim had been to get world leaders moving on the issue of disarmament rather than to advance specific proposals for disarmament.

Events in Grenada

On **October 12**, it was widely rumored that Grenadian Prime Minister Maurice Bishop and several of his Cabinet ministers had been placed under house arrest by members of a rival faction within the New Jewel Movement, the Marxist ruling party. The Deputy Prime Minister, Bernard Coard, was named by various news sources as the leader of the dissident group.

It was not until **October 17**, that the situation in Grenada drew the attention of the House of Commons. On that day, Michael Forrestall (PC, Dartmouth-Halifax East) asked International Trade Minister Gerald Regan what the situation in Grenada was. The Minister told him that, "while the situation in relation to the form of the future government on Grenada is unclear, the situation today is calm. There is a representative of our mission in Barbados who is presently in Grenada to observe the situation. There appears to be no danger whatsoever to the eighty-one or so Canadians who are resident in that island for one reason or another, or to the few Canadian tourists who are there at the present time." The Minister further stated that telecommunications had been "normalized" and flights had been arriving on and departing from the island.

On **Wednesday, October 19**, it was Mr. Forrestall who reported the radio announcement of the release, subsequent re-detainment and eventual shooting of Prime Minister Bishop. He asked Mr. Regan for information on Mr. Bishop's condition but Mr. Regan had at that time no "confirmed reports of the shooting of Prime Minister Bishop. What we do have is an indication that his supporters had released him from house arrest and that there is very considerable confusion about what is happening on the island." He went on to give assurances of the safety of Canadians: "There seems to be no danger for the Canadians . . . There is no report of widespread violence."

Mr. Forrestall asked Mr. Regan whether he could give an updated report on the situation the following day "particularly . . . as to whether or not there is any suggestion that this same turmoil might be in the process of being extended to other small islands in that part of the Caribbean Basin?" Mr. Regan promised to keep the House informed of the developing situation and stated that "we

have absolutely no indication or reason for thinking there could be any extension of the unsettled conditions from Grenada itself, where a particular situation exists."

By **October 20**, Mr. Bishop's death had been confirmed as were the deaths of three of his Cabinet ministers and two union leaders, in addition to several supporters. Details of the deaths were vague, with reports from Grenada saying that the Prime Minister and his colleagues had been killed when soldiers fired on the crowd which freed them from house arrest, and the Prime Minister of Barbados, Tom Adams, saying that Mr. Bishop had been wounded in the initial shooting, then taken captive and executed (*The Citizen*, October 22). Eyewitness accounts would later bear out Prime Minister Adam's version of events.

Prime Minister Trudeau issued a statement regarding the events in Grenada. He said that he was "appalled by the killings in Grenada and deeply saddened by the loss of a Commonwealth colleague. Prime Minister Bishop's ideology was not ours, but he believed in dialogue and he was a friend." Mr. Trudeau said that the Government did not know "exactly what happened yesterday in St. George's, but there is no doubt that it was a day of terrible tragedy for Grenada and for the West Indies." He extended condolences to the families of those who were killed.

President Fidel Castro of Cuba issued a statement which said that Prime Minister Bishop's death had "uplifted the leadership of our party and we offer the greatest tribute to his memory." It also said, according to *The Citizen*, on October 22, that the Cuban Embassy in Grenada had been ordered "not to meddle in any way in the internal affairs of the country."

General Hudson Austin, Commander of the Grenadian Army, completed the military takeover when he named a sixteen-member Revolutionary Council.

On **October 20**, the Leader of the Opposition Brian Mulroney led the questioning on Grenada, asking first what the Government's position was in relation to the "report of a Marxist takeover" and, whether in light of the "brutality of the murder involved", this would influence the thinking of the Government with regard to aid programs. Prime Minister Trudeau agreed that the events in Grenada had been unfortunate and that that type of violence could not be condoned. He expressed his own personal sorrow as he had done in his press statement. As for aid, the Prime Minister said, he had never been an advocate of cutting off countries because he did not agree with their ideology. While he did not think that Canada should try to influence the choice of independent people through aid programs he did feel that it would be necessary "to show very great displeasure" and to "take action" if a country tried to export its revolutionary revolution.

Mr. Mulroney agreed that a country need not reflect the ideology of the donor country in order to benefit from foreign aid and then asked whether the Prime Minister thought it might be prudent to "review diplomatic relations and aid programs . . . that might be construed as giving the blessings of the people of Canada . . . to this kind of regime?" Mr. Trudeau assured the Opposition Leader that "when a Government is overthrown by force, we would not [review diplomatic relations] as a matter of course."

Mr. Forrestall asked for an up-to-date report on the safety of Canadians on Grenada and was told by External Relations Minister Jean-Luc Pepin that there was now

four-day twenty-four-hour curfew in effect. The Canadians, among whom were twelve CIDA cooperants, five CUSO volunteers, one CBC reporter, and one External Affairs officer, were reported to be "in touch with each other" and "generally in good spirits." They were being advised, however, "to stay put, not to move, not to try to get out because attempts to leave might be dangerous."

On October 21, conservative External Affairs critic Sinclair Stevens (York-Peel) asked External Relations Minister Pepin whether he had been correctly quoted the previous day and whether he had been speaking for the Government when he was reported to have said "that the Canadian Government, after a reasonable, decent period of time, would likely recognize the Government in Grenada." He was asking, he said, "in view of the fact that the Government of Jamaica, the Government of Barbados and the Governments of other Commonwealth Caribbean nations have already indicated that they do not intend to follow that course." Mr. Pepin replied that Canada would consult with the governments of the different West Indies islands. However, he said, "When a government, a group of people, a junta or whatever, takes over power in a country by force, we must look at all of the factors that I have indicated. Those factors include the reality of the exercise of power, and the reaction of the neighboring countries to that exercise of power. A sort of consensus builds up in the world and, after a period of time, the facts of life are accepted and recognition is given." Mr. Pepin then reaffirmed the Prime Minister's statement on aid policy made the previous day.

Donald Munro (PC, Esquimalt-Saanich) wanted to know whether the Prime Minister had discussed the "brutal takeover" with the heads of the Caribbean governments or with the President of the United States "with a view to concerting action, whether it be recognition, or other action in the hemisphere against the vicious Government now in place in Grenada?" He also wanted to know whether Canada had asked to send an observer to the meeting of the Commonwealth Caribbean Ministers which was taking place that weekend. Mr. Pepin told him that Canada would be in contact with the Caribbean leaders "on the result of their meeting during the weekend." At the same time, an External Affairs press release stated that "instructions have been given to Canada's High Commissioners in the Caribbean to consult closely with governments to which they are accredited about the tragic and disturbing circumstances prevailing in Grenada . . . The Canadian Government would wish to give careful consideration to the views of Grenada's closest neighbours in formulating its own response to the events in Grenada."

A further question from Mr. Munro on Canada's eventual recognition of the new regime "after a decent delay" prompted an elaboration by Mr. Pepin on his point that one of the factors in recognition was the reaction of neighboring countries: "It, for a number of reasons, all the neighboring countries of Grenada should decide not to grant recognition for a period of time — for a long period of time — I am sure this would be a major consideration in the decision Canada would have to make."

In the evening of October 21, Pentagon sources said that the aircraft carrier, the *USS Independence*, and about two thousand Marines were headed for the coast of Grenada "to protect the lives of an estimated 1,000 Americans living on the island by providing a means of evacuation in

case the Americans need to be pulled off Grenada" (*The Citizen*, October 22). The same report quoted an External Affairs spokesman as saying that the new Grenadian government had assured Canada that all Canadians were safe and "I gather that the British and the Americans have those assurances as well."

The Department of External Affairs, through the High Commission in Barbados, began an attempt to evacuate those Canadians who wished to leave Grenada. The regional carrier, *LIAT*, had been chartered to carry out the evacuation as soon as permission was received from Grenada. The Grenadian government lifted the curfew at 6 a.m. on Monday, October 24, but, at the last minute the heads of government of Antigua, Montserrat and St. Kitts objected to the flight. A *Canadian Press* report from New York on October 27 speculated that the flight might have been deliberately blocked "because of fears a successful evacuation would undermine justification for the invasion."

In the House on October 24 Mr. Pepin outlined the difficulties involved in getting the Canadians to safety. "We now have a plane ready to go. The regional group which met during the weekend stopped all air and sea links . . . We have obtained clearance from the CARICOM group. We now have clearance to take off from Barbados. We have clearance from Grenada to land, in principle anyway." The Minister ended optimistically, "We hope that later today, or tomorrow, the plane will pick up those Canadians who have expressed the wish to return. To be specific, there are apparently twenty-four of them." However, by the time permission was granted for the flight to take place it was too late for the aircraft to land at the unlighted Pearls airport and the Canadians remained in Grenada.

During the same Question Period, Prime Minister Trudeau told Mr. Stevens that he did not intend to "shoot from the hip" on the subject of Grenadian recognition. As for the Bishop Government, "It was a Government which was practically put in quarantine by several other countries which are now beginning to say that maybe we were better off with Bishop than we are with this new crew. That is why this Government does not act as hastily . . . We look at the situation and we study it before making condemnations, realizing that some people are worse than others, and we are better, once again, with those who are half way than with those who have gone the whole way towards revolution and murder."

The Canadian Labour Congress, in a press release on October 24, called for an immediate halt to all Canadian government assistance to the government of Grenada as was done in the case of Surinam when moderate labor and political leaders were killed. The murder of Prime Minister Bishop, other political leaders and key figures in the trade union movement, was "frighteningly reminiscent" of events in Surinam, it said.

Early on the morning of Tuesday, October 25, nearly two thousand US troops and about 300 soldiers from six Caribbean countries invaded Grenada. President Regan cited the safety of American citizens who had been prevented from leaving Grenada as a primary reason for the attack. He also said it was made in order to restore law and order and to end the chaos in Grenada (Various news sources.) A *Citizen* news report (October 26) quoted a US State Department official as saying that the "invasion decision was made 'the middle of last week,' " but even on the

24th, press spokesman Larry Speakes had "denied any military operation was being planned."

In a *Canadian Press* report from Washington on October 26, Carl Mollins reported that United States State Department documents showed that

Three days before U.S. forces invaded Grenada, the Caribbean island's new military regime appealed for improved relations with Washington and promised to encourage private enterprise and foreign investment as part of a mixed economy . . . Two days before the invasion, a member of the 16-man Grenadian Revolutionary Military Council assured U.S. and British envoys that a "shoot-on-sight" curfew was being relaxed and foreign nationals, Canadians among them, were free to leave Monday if they wished.

Mr. Mollins also reported that Secretary of State, George Schultz had said at a news conference "that any involvement of the Soviets or Cubans in Grenada was 'not the basis of this action' to invade."

The Citizen headline of October 26, "World Condemns U.S. Action" summed up the reaction to the invasion. NATO allies in western Europe, the Soviet Union, and those Caribbean states which had opposed the invasion were quoted. The Canadian reaction, while not "condemning" the invasion, was not supportive. International Affairs Minister Regan stated that Canadian lives might have been endangered by the invasion while British Prime Minister Margaret Thatcher told Parliament "We communicated our very considerable doubts . . . and asked them to weigh carefully several points before taking any irrevocable action."

By Thursday, October 27, the safety of Grenadian Governor-General Sir Paul Scoon had been assured and thus Prime Minister Eugenia Charles of Dominica could reveal at a news conference that Governor-General Scoon had "got word to Eastern Caribbean leaders meeting in Barbados last weekend to take action to prevent what was happening in Grenada." At an emergency meeting of the Permanent Council of the OAS, Miss Charles said "pro-western states of the eastern Caribbean sought U.S. military intervention in Grenada because of fear that country's new government might commit aggression against its neighbors" (Associated Press, October 27).

American citizens were transported out of Grenada as soon as possible after the invasion. Most students reported that they had never actually been threatened by the military government but, despite the reassurances as to their safety given by the Grenadians, "they were fearful nonetheless and welcomed the invasion" (*The Citizen*, October 27). The Canadians remained in Grenada as sniper fire continued. Four abortive attempts were made to evacuate them and they were at last brought out to safety to Barbados on Friday, October 28.

In the Commons on October 25, Opposition Leader Mulroney led off the questioning by asking the Prime Minister "Was the Canadian Government asked for its advice at any stage of the proceedings in preparation for the move on Grenada, either by our Caribbean friends, neighbors and allies, or by the United States of America?" Prime Minister Trudeau answered: "At seven o'clock yesterday afternoon, or 1900 hours, on Monday, our embassy in Washington was informed by someone from the State

Department . . . of various options that the Americans were examining with a view to ensuring the protection of their nationals in Grenada." The answer did not satisfy Mulroney and he pressed the Prime Minister for more details. He was told that ". . . the answer is 'no' in so far as Caribbean allies are concerned."

Mr. Mulroney then asked what the position of the Prime Minister and the Government was with regard to events in Grenada and whether the Government supported or opposed the initiative which had been taken. Mr. Trudeau replied that he was not in possession of all the facts and did not therefore know "Whether it [the US] used the means available . . . and proper means to protect them [its citizens]." He was prepared to wait for Secretary of State Schultz's explanation although he did know that "In the case of Canada . . . we had permission from Grenada to evacuate our nationals."

Mr. Mulroney pointed out that "the neighbours [of Grenada] have made it very clear what they want to be done." He repeated his question, "In the light of this very clear statement by the President and by our Caribbean allies, do the Prime Minister and the Government approve of the action that has been taken, or is the Government in disagreement?"

The Prime Minister stated that President Reagan's justification — to ensure the safety of Americans there — "is not enough for me to justify or condemn the action of the United States had had the same authority from Grenada to take its citizens out, then he could not see a reason for invading to protect its nationals. As for the maintenance of democracy, he asked, "What would happen if the United States gave itself authority to invade a country where the democratic system did not exist?"

Mr. Stevens then asked what the notification of the previous evening had been of: an American rescue operation or the multi-nation entry into Grenada. Mr. Regan replied, "Mr. Motley met with Mr. Roy, Minister at the Canadian Embassy in Washington, and outlined a number of options that the American authorities were thinking in relation to protecting the safety of American nationals in Grenada. Those options largely could be characterized as being of the rescue operation type. There was no indication at that time that an invasion would take place within hours."

The plight of the Canadians still on Grenada continued to draw questions and Minister Regan admitted the problems, first with authorization of the flights, then with the crew and then the invasion itself, had prevented the rescue. On October 26, Conservatives Sinclair Stevens and John Bosley (Don Valley West) continued to criticize the Government's lack of success in retrieving the Canadians on Grenada. Mr. Regan said that a CAF 707 had been flown to Bridgetown but that technical complications regarding the "conditions of the airport" had prevented its landing in Grenada. As a result, a Hercules would shortly be leaving Canada for Barbados. While permission to land had not yet been received from the Americans, Mr. Regan announced that he had "within the past half hour met with the United States' Ambassador to Canada and requested that he make arrangements."

When Mr. Bosley claimed that "Canada is proving that it is not trustworthy in the Western hemisphere," the Minister replied that the Canadian position on the US action "is one that is strikingly similar to the position of the United

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Kingdom . . . and it is indeed mild compared to the position that has been taken by Mexico, Trinidad and all of the South American countries."

The NDP entered the debate for the first time when Leader Ed Broadbent asked the Prime Minister to "condemn this act of violence in a forthright way." The Prime Minister replied that that was the substance of a message which had been conveyed to the US Ambassador and to State Department officials. Mr. Broadbent then asked the Prime Minister whether he was prepared to say that the Government of Canada "categorically opposes this invasion of Grenada?" Mr. Trudeau repeated his statement of the previous day. "Unless we had information which showed that this action was necessary to protect and rescue American nationals, and unless there was no other way of doing it, then the intervention would seem unjustified."

Mr. Broadbent then asked whether the Grenada invasion might not be a "forerunner of a similar kind of group action taken by CONDECA (Central America Defence Council) against the people of Nicaragua." Mr. Trudeau said he would not want to speculate on a "hypothetical situation in Nicaragua or elsewhere."

On Thursday, October 27, the Prime Minister was closely questioned on consultations before the invasion. Mr. Mulroney quoted Kenneth Dam, Deputy Secretary of State, who had said that Canada was not consulted "because of concerns on the security side that the invasion shouldn't be too widely known." Mr. Trudeau replied that Mrs. Thatcher apparently hadn't been consulted either. He said however that he did know for a fact "that the eastern Caribbean countries had agreed among themselves that Canada should be consulted. Something apparently happened in the urgency to act that they did not consult us." Later, Mr. Trudeau revealed that Prime Minister Edward Seaga of Jamaica had telephoned him after the event and had apologized "for the fact that the person who was supposed to communicate with me had not done so." He also said that the information given to Canada on the Monday evening was that "various options were being considered for rescuing the American citizens on the island." Upon learning of this, he had immediately said that "we should tell the Americans that they should envisage every way of rescuing or making sure their citizens were secure before contemplating an invasion." The message, however, was not sent as the invasion had taken place before it could be delivered.

Pauline Jewett (NDP, New Westminster-Coquitlam) said that she understood from External Affairs that there had been a meeting on Friday, October 21, between Canadian High Commission officials in Barbados and the Barbadian Prime Minister Mr. Adams. At that meeting Mr. Adams was supposed to have said "there was a very strong likelihood of a US-led invasion of Grenada". Miss Jewett said she had been told that Mr. Pepin had received that information. If that was so, why, she wanted to know had no immediate action been taken to remove the Canadians from Grenada. "Or was the Government, with advance knowledge of an invasion, deliberately failing to evacuate Canadians in order not to undermine the United States rationale for carrying out an invasion, namely, to save its nationals?"

Mr. Regan told Miss Jewett that her premise was

inaccurate. He went on to give her the sequence of events in Barbados:

It is true that our High Commissioner in Barbados, Mr. Noble Power, met with Prime Minister Adams last Friday. In the course of that discussion Prime Minister Adams mentioned the possibility of the Eastern Caribbean states considering military action and that it would have to be discussed at a subsequent meeting of those states. He made no mention of a decision for an invasion, nor did he make any mention of any participation by the United States.

The accuracy of his recollection of that meeting and the report he gave on it is confirmed by a meeting High Commissioner Power had yesterday with Prime Minister Adams in which the Prime Minister apologized, through Mr. Power, to our Prime Minister for there not being prior consultations with Canada.

The question of whether or not Canada had been informed beforehand was examined in the newspapers as well. *The Citizen* reported on October 27 that Prime Minister Adams had said in a speech the previous night that "although it had not been contemplated by those of us who had discussed the matter that Canada would have been invited [to participate in the invasion], in deference to the outstanding close relations of Canada and Barbados . . . I did tell the High Commissioner that my view of the Grenada situation was that the only solution was a military intervention."

The Citizen further quoted a spokesman for the Barbadian government as saying that there "can be no doubt, that at the time of the meeting with the Canadian officials, Adams was fully aware the invasion was imminent." However, when asked whether Mr. Adams had specifically told the Canadian High Commissioner that an invasion was going to take place, a Barbadian official said: "If you read the Prime Minister's statement, it was certainly mentioned as a possibility."

Prime Minister Adams was quoted in a *Chicago Tribune* article (*The Citizen*, October 28) as saying that the US invasion of Grenada had begun as an American plan to rescue deposed Marxist Prime Minister Maurice Bishop. American officials denied this but the State Department did disclose that the US had begun talking with some Caribbean leaders as early as October 15, not, as Secretary of State Schultz had said, only after receiving an "urgent request" for help from the Organization of Eastern Caribbean States (OECS) on Saturday, October 22. The report went on, "Adams had said that, after OECS formally asked U.S. military assistance to restore order on Grenada, he was notified of American plans to invade the island less than ten hours before the first U.S. troops stormed ashore at dawn Tuesday."

On October 28 Dominican Prime Minister Charles confirmed that it was she who had been supposed to have informed Canada about the invasion but "things happened more quickly than I expected, or more quickly than we wanted them to." She further added that she did not have Prime Minister Trudeau's phone number and that a letter would have taken two weeks to reach him (*Canadian Press*, October 28).

On September 27, Prime Minister Trudeau, in answer

to a question put to him by Mr. Stevens, said that, "If an election is to be held after the invading troops leave, then presumably some kind of Commonwealth force would be required. I am offering, subject to the approval of Cabinet, to participate in such an observation force on an election . . . I would go even further and suggest that we could call for a truce, ask all foreign nationals to leave the island of Grenada, and then the Commonwealth could send observers in to ensure that that truce is respected. This is a strange way of making this suggestion public . . . I am trying to get views of other Commonwealth leaders on that, but I feel it is appropriate in these circumstances, because of the great confusion surrounding the whole operation, that I take Parliament into my confidence in this matter."

That evening the House gave its unanimous consent to Mr. Broadbent's request for an emergency debate on Grenada. The NDP condemned the invasion. Neither Brian Mulroney nor Sinclair Stevens spoke in the debate; instead the Conservatives were led by Deputy Opposition Leader Erik Nielson (Yukon) who argued that the "Liberal and NDP Parties, together once again, are trying to narrow the issue to the landing of the US troops in Grenada . . . Implicit in this narrow view is that no guilt shall attach to those responsible for shooting down the Prime Minister and four of his cabinet along with dozens of innocent people. This view of the NDP and Liberals totally discounts the right of the people of Grenada to freedom of choice." The US intervention, he proclaimed, was at the invitation of the Organization of Eastern Caribbean States and the Governor-General of Grenada, Sir Paul Scoon. The other Conservatives who spoke supported in varying degrees the US invasion.

International Trade Minister Regan began his speech by complimenting the efforts of the foreign service and tracing the Government's efforts on behalf of the citizens still on Grenada. As for the US action, "I admire the great republic to our south. I admire the US and I value the friendship of the US. But as a Canadian, I am not prepared to endorse automatically every action that they take regardless of an examination of its merit." The Minister announced that he had spoken with the Commonwealth Secretary General that afternoon and "there may well be a role for the Commonwealth in re-establishing peace and self-determination in Grenada." The Liberals who followed Mr. Regan supported him although they, like several of the Opposition, suggested the United Nations might well have a role to play.

On October 28, the opposition sought further information about the Power dispatch of October 21 and its warning or lack of warning of military action. Minister Regan said that the dispatch had not arrived until late in the evening and he repeated his earlier statement that it did not indicate "the urgent possibility of military intervention." The best defence of this claim, the Minister argued, was that subsequent to the invasion "Tom Adams has apologized to Canada for the fact that it was not possible to consult."

Various newspapers reported demonstrations outside US Consulates across Canada, including clashes between pro- and anti-US groups in Winnipeg. The Canadian Labour Congress issued a press release (October 27) expressing "dismay" at the imposition of American will by force on Grenada.

On Sunday, **October 30**, those Canadians who had wished to leave Grenada were home. At a news con-

ference in Ottawa on her return, CUSO spokeswoman Barbara Thomas told reporters, "We would like the Canadian press to know that our lives only became endangered at 5 a.m. on Tuesday, October 25, when the Marines began landing in Grenada and it became impossible for us to leave the island."

David Kilgour (PC, Edmonton-Strathcona), paid a quick visit to Grenada on the weekend of October 29. In an interview with the *Edmonton Journal* (October 31), he said, "The vast majority of people I have spoken to in Barbados and in Grenada . . . regard [the invasion] as a liberation and rescue operation and are totally in support of it."

Efforts were being made to define the terms "peace-keeping force" as it would apply to Grenada. On October 31 External Affairs Minister Allan MacEachen said that the Government had been in close touch with Mr. Rampal (Commonwealth Secretary General) but "It is not intended at the present time to constitute a peace-keeping force in the sense that a new force would attempt to interpose itself between the troops presently on the island. What is intended is an effort to help restore constitutional authority to the island after forces might withdraw . . . The form that the Commonwealth presence might take is still somewhat unclear except that it could support an interim government and could assist in the holding of elections at an appropriate time." Sinclair Stevens said that it appeared the government was "softening" in its plans to send Canadian troops to Grenada.

On Wednesday, **November 2**, the United Nations General Assembly adopted by a large margin a Nicaraguan resolution "deeply deploring" the Grenadian intervention and calling for an immediate US withdrawal. Eighty-two NATO allies voted in favor of the resolution while Canada and Britain abstained. In a statement explaining the Canadian vote, Permanent Representative Gérard Pelletier said that Canada was "not yet convinced on the basis of the evidence available to us that the invasion of Grenada was a legitimate exercise of the right of self-defence. Nor are we satisfied that it was consistent with the principle of the prohibition of the use of force in international relations. Despite that, Canada abstained on the grounds that "The resolution in document L-8 addressed itself in general and satisfactory form as to what has happened but was deficient on many of the responsibilities and challenges that await us. We also consider that an opportunity should have been provided for us all to debate this important matter."

The following day, in a Member's Statement, Mr. Stevens asked whether the abstention meant that the Government had changed its mind, whether it had realized that it had been too rash in initially condemning the intervention. He called again for a review by the Standing Committee on External Affairs and National Defence (SCEAND) on the government's handling of the whole Grenadian affair.

On November 22, External Affairs Minister MacEachen appeared before the SCEAND. He made Grenada the subject of his opening remarks saying that the government regretted "that adequate consultations with our Caribbean allies and the US did not take place before the military intervention. What we believed were well-established methods of dialogue and consultation did not work. Calling on American troops to withdraw from the island, the Minister said that his disappointment with the US would not change the "commitments and objectives we share

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globally with the US and other members of the Western Alliance." Speaking specifically to Canada's Caribbean relationship, the Minister said that the "basic premises for the relationship between Canada and the region, as we defined them in 1980, have been shaken but have not changed in a fundamental way." He promised to restart the three main Canadian projects in Grenada (cocoa rehabilitation and expansion, construction of a Central Garage Unit and a port cargo handling facility) "if that is the wish of the new government." Conservative questioning from Mr. Stevens and Mr. Bosley condemned the Government for not having stood by the US.

Later in the week, Mr. Forrestall questioned further the Minister's response to events in Grenada. He wanted the cocoa rehabilitation project restarted and full consular services extended to those Canadians who were still searching for Grenadian relatives.

At the Commonwealth Conference in New Delhi (See POLICY — FOREIGN — Peace Initiative) the Caribbean members of the Commonwealth who participated in the American-led invasion of Grenada told Prime Minister Trudeau on November 24 that they remained steadfast that what they had done was right "and they'd do it again." Seven leaders or their representatives, including five of the

"invading" countries, had lunch with Mr. Trudeau at his invitation. According to various newspapers, a Canadian official told reporters later that the Prime Minister, hoping to clear the air, had asked his guests point blank whether they wanted Canada to withdraw from its traditional role in the region and be replaced by the United States. The answer from all seven countries was that, if anything, Canada's presence was needed more than ever to act as a "psychological buffer" to help them maintain some independence from the United States.

In a declaration on November 27, members expressed concern at the vulnerability of small states to external attacks and interference in their affairs. The statement did not mention Grenada by name although the overthrow of the government there and the subsequent invasion dominated the Commonwealth meeting. Several black African leaders at the conference expressed the fear that the Grenada incident might serve as an example for South Africa to take military action against them. In a communiqué which ended the conference on November 29, the leaders said that they looked forward to a Grenada free from external interference and foreign troops and were ready to consider requests for assistance (Various news sources).

For the Record

(supplied by External Affairs Canada)

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1. Press Releases

- No. 131 (October 7, 1983) Visit of U.S. Secretary of State George Shultz to Halifax.
- No. 132 (October 7, 1983) Expansion of GATT Agreement on Trade in Civil Aircraft.
- No. 133 (October 11, 1983) Federal-Provincial Trade Ministers' Meeting.
- No. 134 (October 11, 1983) Deputy Prime Minister and Secretary of State for External Affairs to Visit the Middle East.
- No. 135 (October 11, 1983) Message of Condolence to the Government of the Republic of Korea.
- No. 136 (October 13, 1983) Canada Ratifies the International Convention for the Conservation of Salmon in the North Atlantic Ocean.
- No. 137 (October 17, 1983) Canada-Mali Bilateral Consultations, October 18-20, 1983.
- No. 138 (October 17, 1983) Canadian Export Award to 15 Canadian Firms.
- No. 139 (October 21, 1983) Canadian Consultations With the Commonwealth Caribbean on Grenada.
- No. 140 (October 25, 1983) Canada's Export Development Plan For the Federal Republic of Germany.
- No. 141 (October 25, 1983) Canada-Mexico Joint Ministerial Meeting November 1-2, 1983.
- No. 142 (October 26, 1983) Bilateral Consultations Between Canada and Mali Ottawa, October 18-20, 1983.
- No. 143 (October 27, 1983) Launch of a New Hi-tech Product.
- No. 144 (October 31, 1983) Visit of a Haitian Commercial Delegation in Canada.
- No. 145 (October 31, 1983) Message of Condolence to President of Turkey.
- No. 146 (November 3, 1983) Fifth Canada-Mexico Joint Ministerial Committee.
- No. 147 (November 4, 1983) Official Opening of the Canadian Consulate General in Munich.
- No. 148 (November 4, 1983) Minister Allan J. MacEachen to Meet Canada-Israel Committee.
- No. 149 (November 4, 1983) Canadian Reaction to the United States Commerce Department's Final Determination of Canadian Round White Potatoes.
- No. 150 (November 7, 1983) Export Trade Development Board Second Annual Report.
- No. 151 (November 4, 1983) Canada-Zaire Bilateral Commission.

- No. 152 (November 8, 1983) Trade Development Mission to Australia and New Zealand.
- No. 153 (November 16, 1983) Official opening of the Canadian Consulate Perth, Australia.
- No. 154a (November 15, 1983) Canadian Statement on Cyprus.
- No. 154b (November 17, 1983) Official Canadian delegation to the 1984 Davos Symposium.
- No. 155 (November 17, 1983) The Minister of State (External Affairs) to visit Brazil and Colombia.
- No. 156 (November 18, 1983) Minister Regan's Visit to Australia and New Zealand.
- No. 157 (November 22, 1983) Highlights of Trade Mission to Australia and New Zealand.
- No. 158 (November 18, 1983) Canada-Mexico Arrangement for the Supply and Purchase of Agricultural Commodities.
- No. 159 (November 24, 1983) Official visit to Canada of Algerian Minister of Agriculture and Agrarian Reform.
- No. 160 (November 25, 1983) Danish Canadian Cooperation in Breaking Drug Ring.
- No. 161 (November 28, 1983) Canada Announces Extension to Commonwealth Military Training Assistance Programme (CMTAP) in Uganda.
- No. 162 (November 28, 1983) Visit by the Deputy Prime Minister and Secretary of State for External Affairs to Chicago.
- No. 163 (November 29, 1983) Canada-Gabon Joint Commission.
- No. 164 (November 29, 1983) Meeting with Arab Ambassadors.
- No. 165 (November 30, 1983) Minister Regan Leads Oil and Gas Equipment Mission to Mexico.
- No. 166 (November 30, 1983) Convention on International Child Abduction Comes into Force.
- No. 167 (December 1, 1983) Visit of the Honourable Gerald Regan, Minister for International Trade, to New York.
- No. 168 (December 2, 1983) Canadian Delegation to the General Conference on the Agency for Cultural and Technical Cooperation (ACCT).
- No. 169 (December 2, 1983) North Atlantic Council Ministerial Meeting.
- No. 170 (December 7, 1983) Agreement with the Federal Republic of Germany on German Armed Forces Training in Canada.
- No. 171 (December 7, 1983) Canada-Gabonese Bilateral Commission Joint Communique.
- No. 172 (December 7, 1983) Official Visit to the United Kingdom
- No. 173 (December 7, 1983) Minister Regan Returns from Mexico
- No. 174 (December 12, 1983) Canada Files Third Written Argument Gulf of Maine Boundary Case.
- No. 175 (December 12, 1983) Canadian Reaction to the United States International Trade Commission's Final Negative Determination of Injury in the Anti-Dumping Investigation of Canadian Round White Potatoes.
- No. 176 (December 13, 1983) Diplomatic Appointments.
Mr. Jacques Asselin (54), born in Montréal, Quebec, as Co-ordinator General in Seattle, U.S.A. He will replace Mr. John Sharpe who has returned to Canada.
Mr. John Peter Bell (45), born in Montreal, Quebec, as Ambassador to the Ivory Coast with concurrent accreditation to Liberia, Volta, Mali and Niger. He will replace Mr. Ernest Hébert.
Mr. Pierre Charpentier (57), born in Ottawa, as Ambassador and Permanent Observer to the Organization of American States in Washington, D.C. He will replace Mr. Kenneth Williamson whose next assignment will be announced.
Mr. Erik B. Wang (51) born in Montreal, Quebec, as Ambassador to Denmark. He will replace Miss Marion Macpherson who is now Deputy Commandant of the National Defence College in Kingston, Ontario.
Mr. John Lawrence Paynter as Ambassador to Laos. Mr. Paynter's appointment as Ambassador to Thailand, where he is resident, was announced September 23, 1983.
Mr. Peter McLaren Roberts as Ambassador to Mongolia. Mr. Roberts's appointment as Ambassador to the Union of Soviet Socialist Republics, where he is resident, was announced September 23, 1983.
Mr. Witold Maciej Weynerowski as Ambassador to Libya. Mr. Weynerowski's appointment as Ambassador to Tunisia, where he is resident, was announced October 7, 1983.
- No. 177 (December 15, 1983) Executive Director of U.N. Institute for Training and Research to Visit Ottawa.
- No. 178 (December 22, 1983) Canada Presents Claim for \$2,100,000 Soviet Union for KAL 007 Incident.
- No. 179 (December 22, 1983) Canada Requests GATT Consultation on Newsprint Exports to the European Economic Community.
- No. 180 (December 22, 1983) Madame Gisele Côté-Harper elected member of the United Nations Human Rights Committee.
- No. 1 (January 4, 1984) Trading House Task Force.
- No. 2 (January 4, 1984) The Minister for External Relations to Visit St. Lucia, Barbados and Trinidad and Tobago.
- No. 3 (January 4, 1984) Surtax on Imports of Certain Specialty Steel Products Imported from the United States.
- No. 4 (January 5, 1984) Diplomatic Appointment
Mr. Kenneth Bryce Williamson (61), born in Winnipeg, Manitoba as Ambassador to Cuba. He replaces Mr. James K. Bartlemore who has returned to Canada.

Canada

Canada and Mideast realities

by David B. Dewitt and John J. Kirton

Two earlier articles in *International Perspectives*, asserting disapprovingly that Canadian policy was pro-Israel or anti-Palestinian, stimulated this article and its different finding. The first of those was by Peyton Lyon of Carleton University in the September/October 1982 issue; the other by Paul Noble of McGill University in the September/October 1983 issue.

nounced than in regard to the core issue in the region — the status of the Palestinian people. Since 1948 Canada has recognized the plight of the Palestinian refugee community and accepted its responsibility to support attempts to resolve the overarching Arab-Israeli conflicts, as well as to provide the United Nations Relief and Works Agency with the means to care for those refugees in camps. But as with many Arab governments, Canada before 1967 was slow to conceive of the Palestinians as a viable and independent political community. As a result Canadian policy was cautious yet judicious, calling on governments to support UN-RWA and upon all parties to the conflict to compensate and resettle the Palestinian refugees.

By 1974 the Canadian conception had changed considerably, following the evolution of European, African and Latin American views in the wake of the 1973 war. In 1974 then Secretary of State Allan MacEachen reaffirmed Canada's support for Security Council Resolution 242 and stated that "Any enduring peaceful settlement . . . must take account of the legitimate concerns of the Palestinians." From that speech until the tabling of the Stanfield Report in February 1980, the Canadian government consistently voiced its support for a negotiated settlement which required the recognition of the Palestinian political community and, in support of the Camp David Accords, acknowledged the issue of legitimate rights of the Palestinians in the context of a secure Israel.

The Canadian government took another major step when Prime Minister Clark accepted the Stanfield Report, which called for Canada to "broaden contacts with the PLO" and to "support the Palestinians' right to a homeland." Subsequently Liberal Secretary of State for External Affairs Mark MacGuigan stated that "The legitimate rights and concerns of the Palestinians have to be realized" and "that the PLO represents an important element of Palestinian opinion." Six months later, in the fall of 1982 after the Israeli invasion of Lebanon, Pierre De Bané, then Minister of State (External Relations) in External Affairs, called for Palestinian "self-expression within a territorial framework . . . [and] a homeland within a clearly defined

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In late October 1983 Deputy Prime Minister and Secretary of State for External Affairs Allan MacEachen returned from a lengthy trip to the Middle East. To most Canadians, distracted by the American invasion of Grenada and the bombings of American and French forces in Beirut, the trip offered few dramatic developments. Yet those who took a close look at MacEachen's activities and emphases found much of note. His visit to Damascus represented the first ever by a Canadian foreign minister. While there he indicated that Canada might upgrade its contacts with the PLO at an opportune time. Throughout his tour he publicly emphasized Canada's differences with Israel, most notably by calling for an initial Israeli withdrawal from Lebanon. He also expressed sympathy with some Arab governments' positions, in particular through his acknowledgement of Syria's legitimate "interest" in Lebanon.

These new emphases in Canada's approach to the Middle East, while important, should have caught no close observer by surprise, for they represent the culmination thus far of a relentless and cumulatively profound shift in Canadian policy toward the region that has been underway since 1968. Whether the subject be Palestinian claims, Israeli government policies, or UN diplomacy and peace-keeping, the traditional balance in Canadian policy has shifted significantly toward the view of Canada's major Arab associates and European allies. To explain this ongoing shift, and its current limits, one need not resort to uncovering powerful domestic organizations subverting the Canadian national interest or parochial officials and ministers in Ottawa insensitive to the true claims of justice in the Middle East. For the answers lie primarily abroad, in the influential views of the much broader array of Arab governments with whom Canada has developed meaningful bilateral relationships, and in the complex calculations with which these governments approach their relationships with their Arab and Israeli neighbors out there.

Policy shifts toward Palestinians

Nowhere has the shift in Canadian policy toward the Middle East during the Trudeau years been more pro-

territory, the West Bank and Gaza Strip," while pointing out that Canada has "never subscribed to the view that the Palestinians already have a homeland of their own, namely Jordan."

In less than a decade then the Canadian government has moved dramatically from acknowledging the necessity of including Palestinian needs in any peace settlement to holding that such a settlement must accede, *at minimum*, to a Palestinian homeland in the Gaza and West Bank, and that the "Jordanian option" is not an acceptable alternative. Among senior Canadian foreign policy advisers, there is little argument over Palestinian rights and the need for a territorial expression. Similarly, they remain firm in their belief that the parties to the dispute should determine the actual form of that territorial expression, just as they remain firm in their support for Israel within adjusted pre-1967 borders.

Policy shifts away from Israel

These far reaching changes in Canada's conception of the Palestinian issue have been accompanied by a much more critical approach to many policies of the government of Israel. Although Ottawa's general sympathy for the people of Israel has remained relatively stable, Israeli occupation of the West Bank, extension of Israeli law to the Golan Heights, incorporation and annexation of Jerusalem into the unified Israeli capital, Israel's "Litani operation" in 1978, bombing of the Iraqi nuclear reactor, the "Peace for Galilee" invasion in the summer of 1982, and the Israeli government's encouragement of new Jewish settlements in occupied territories all provoked direct and strong criticism from the Canadian government. While the government has acknowledged its concern about Israel's security, about a PLO-dominated Palestinian state, and about the broad issue of terrorism, the criticisms of Israel focus on those actions which are seen to hinder progress towards a peace settlement. In contrast, Canada refrained from condemning a number of other situations: Syrian atrocities, such as the massacre of thousands in February 1982 in the town of Hama; the provocative stance of Soviet-supplied Syrian missiles in the Bekaa Valley prior to the June 1982 Israeli invasion of Lebanon; Syrian and PLO involvement in the Lebanese "civil" war of 1975; and Syrian refusal to withdraw from Lebanon as requested by the Gemayel government. Nor did the Canadian government condemn the November 1983 internecine warfare of the PLO which held the Lebanese citizenry of Tripoli hostage. For those who suggest that the Canadian government has a conspiratorial silence for Israel, this record certainly indicates otherwise.

Further evidence of this cumulative shift in Canadian policy comes in the record of Canada's UN votes on Middle East resolutions over the past decade. During the five years following the passage of Security Council Resolution 242 in 1967, Canada's General Assembly votes on Mideast matters coincided with those of the United States about 80 percent of the time, and with those of Canada's European Community allies just over 40 percent of the time. However, 1974 to 1977 brought a dramatic reversal, with Canada's agreement with the United States — still Israel's strongest important defender — plummeting to under 40 percent and Canada's agreement with the European Community skyrocketing to almost 90 percent. On the narrower but more fundamental question of the Arab-Israeli conflict Canada's votes from 1975 through 1979 placed it

midway between the European Community and United States, with a shift back toward the latter in 1980 after Don Jamieson had fully assumed the reins as Secretary of State for External Affairs. From 1980 to 1983 further important shifts away from positions favored by Israel have been strikingly apparent, despite Canada's continuing willingness to vote where necessary with the United States and Israel in minorities as low as three. In 1980 Canada shifted from "no" to "abstention" on resolutions dealing with the Committee on Palestine and assistance to Palestinians. In 1981 it moved from "abstention" to "yes" on condemnations of Israel's behavior in Gaza and extension of Israeli law to the Golan. And in 1982, under the shock of the war in Lebanon, it changed from "no" to "abstention" and "abstention" to "yes" in no fewer than five cases, dealing with the plight of the Palestinians.

Canada cools on peacekeeping

In another traditional UN-related area of Canadian policy — peacekeeping — Canada's attitude and activity also has undergone alteration. Here the new unifying mark has been a growing reluctance to give automatic support and participation to diplomatic and military ventures sponsored by the extra-regional great powers. Canada's diminished enthusiasm for its traditional UN peacekeeping role in the Mideast began as early as 1973 after UNEF and its Canadian contingent were unceremoniously ejected from Israel just prior to the Six Day War.

Canada accepted a UN call for participation in UN DOFI (Golan Heights) and UNEF II (Sinai) following the 1973 war, but it did so only after careful scrutiny of a request against conditions Canada had by then developed regarding the force's mandate, authority, financing, accessibility to all parties, and contribution to an overall comprehensive political settlement based on direct negotiations between the conflicting parties. These stipulations continued until 1978 when, to the surprise of its major allies, Canada hesitated before joining the United Nations Interim Force in Lebanon and withdrew its forces after six months. Despite Canada's support for the Camp David Accords, its by then decade-long attachment to the "made in Canada" conditions also helped induce Ottawa to reject contributing to the resulting US-sponsored and dominated Sinai force — an action which most Arab governments applauded and Washington regretted. Canada also has remained aloof from the four-power Euro-American multinational force deployed around Beirut, largely on the grounds that the force is not under United Nations auspices and does not have the approval of all important parties to the conflict, particularly in the Arab Middle East. Following this logic Ottawa has remained mute on the value of UN schemes for a rapid deployment force for the Persian Gulf and Western mediatory involvement in the Iran-Iraq war.

Policy reversals

These cumulative changes in the Canadian government's views on the Arab-Israeli conflict and on factors affecting the opportunities for peace in the area can be highlighted by three separate policy shifts: (1) UN Crime Congress and Habitat Conference, (2) anti-boycott legislation, and (3) the proposed Jerusalem Embassy move. What is notable is that each represents a counterpoint to the myth that Canada's Mideast policy is fundamentally influenced and oftentimes distorted by active and influential Canadian

single interest groups of ethnic, religious or commercial character. If there is a tilt to be found, it is towards broader Canadian domestic and international interests. The first set of issues was the two UN conferences, the Crime Congress in Toronto in 1975 and the Conference on Human Settlements (Habitat) in Vancouver in 1976. These became matters of concern because the PLO, having attained international recognition in the United Nations as the sole legitimate representative of the Palestinian people, were entitled to attend UN-sponsored conferences as official observers. Nevertheless, as a result of pressure from the Canada-Israel Committee, other sympathetic domestic interest groups, the host municipal government (Toronto), and some parliamentarians, the Canadian government requested and received a postponement. This happened in spite of advice to the contrary from cabinet colleagues and senior public servants. The following year, however, under the same rules of PLO participation and facing similar domestic efforts to have the government renege on Canada's prior commitment, Habitat did take place in Vancouver with PLO representatives in attendance. The government's perceived international obligations, along with a shift in sympathies among some senior cabinet members, mitigated against a repeat of the Crime Congress decision.

A second policy shift can be seen in the as yet unresolved concern with anti-boycott legislation. In response to the post-1973 expansion of economic relations between Western advanced industrialized states (the OECD) and Arab countries, the efforts of the Central Boycott Office in Damascus to increase the discomfort of countries trading with and investing in Israel became more effective, in particular when targetted against countries reliant on Arab oil. This was exacerbated when dramatic oil price increases led to enormous economic opportunities for those Western countries and financial institutions granted access to the Arab world. By early 1976 the cabinet articulated a policy which gave emphasis to the development of "mutually beneficial" bilateral relations with all states in the Middle East, with the new cutting edge being the economic opportunities envisaged. In spite of substantial evidence from within Canada as well as from other OECD members of Arab boycott activities, the federal government repeatedly resisted demands from citizen coalitions and parliamentarians for legislation to counter the secondary and tertiary aspects of the Arab boycott. It did introduce reporting requirements for Canadian firms, and promised to introduce legislation only after facing the considerable pressure of the precedents set by the United States and Ontario governments and of an impending federal election. Prime Minister Trudeau's loss to the Clark Conservatives effectively ended any serious efforts by the Canadian government to introduce anti-boycott legislation. Prime Minister Clark got caught up in other Mideast matters and, upon his return to office, Trudeau made a clear personal decision not to pursue this issue. Although some effort is still made to get the promised legislation re-introduced, not only has this been to no avail but the responsible ministers have not once tabled the data documenting the results of the reporting requirements of firms subjected to boycott conditions.

Unmoved embassy a further shift

The third and most widely known policy shift occurred during the short tenure of the Conservative government of Joe Clark. There has been wide speculation and some

informed discussion concerning why Clark, first during his election campaign and then in the early days of office, declared his intent to move Canada's resident ambassador in Israel from Tel-Aviv to Jerusalem. Recommendations from his senior political advisers during the election campaign and his own belief after attaining office that Canada could contribute to a new momentum in the Camp David peace process were among the more important causes for this declared intent. Although the Canadian Jewish community was divided on this issue, their mainstream organizations had little choice but to support fully the Prime Minister's official pronouncement, in spite of the domestic political costs. The dramatic turnabout by Clark, coming after the tabling of the Stanfield Report which the Prime Minister had commissioned in the wake of vociferous objections from Arab ambassadors to Canada, Canadian pro-Arab lobbies, senior Canadian banking officials, senior officers of leading Canadian business, and a number of parliamentarians, not only damaged Joe Clark and his party but also tempered the political effectiveness of the organized Canadian Jewish community. Clark's decision not to move the embassy to Jerusalem did not return Canada's Middle East policies to the status quo ante but rather indicated a shift in policy dictated by perceived costs and benefits of further development of Canada's bilateral relationships throughout the Arab and Moslem worlds.

From the corridors of government and the halls of academe have come statements implying that Canadian Middle East policy, particularly concerning the Arab-Israeli situation, has not been based on Canada's national interest but rather on the narrow concerns of a few vocal domestic interest groups. Aside from the genuine possibility that such concerns may be identical to or supportive of broader foreign policy interests, what might be the causes of the dramatic shifts in Canadian policy over the last decade, especially in light of the cumulative record of the day which runs counter to the prevalent myth concerning an unreasoned pro-Israel tilt?

Causes of shifts

The most direct cause is the changing realities within the Middle East where economic opportunities within the Arab world are juxtaposed with an Israeli government regarded as intransigent and insensitive to the plight of the Palestinians. In spite of widely understood security concerns and a sympathy for efforts at stemming Soviet influence in the area, the last decade has witnessed an erosion of support for Israel due to the Likud-led government's continued posture on the occupied territories. Although the Camp David peace process gave credence to the Israeli government's position that occupied territory, settlements, and even sophisticated military installations were negotiable for peace and normalization, the Begin government's decisions to annex and unify Jerusalem and to encourage further Jewish settlement in the West Bank areas of Judea and Samaria have placed the Canadian government on record as a consistent critic. In their view, such policies exacerbate tensions, erode support for the emergence of moderate Arab leaders who might be in favor of a negotiated peace with Israel, and reinforce the more extreme positions in the conflict. The 1978 Litani campaign in southern Lebanon and, more dramatically, the 1982 invasion of Lebanon and siege of Beirut confirmed in the minds of a number of Canadian political leaders the Begin government's uncompromising and expansionist tendencies.

Although the Canadian government has continued to support SCRs 242 and 338, the shifting consensus in the United Nations General Assembly, the European Community's Venice Declaration, and the stalling of the Egyptian-Israeli peace process have tended, over time, to encourage and, in some quarters, legitimate, ever more strident anti-Israeli criticism. Prime Minister Trudeau's sharp and direct letters of concern to Prime Minister Begin during the early days of Operation Peace for Galilee reinforced the view of Israel being led by an incalcitrant, insensitive and aggressive government, paranoid to the extreme and unwilling to moderate its use of the military instrument to achieve political goals.

Canadian interests broaden

This emergent reality of the Arab-Israeli conflict, as seen by the Canadian government, provides a partial account of the changes in Canada's Middle East foreign policy. While Israel became, in their view, an aggressor and an impediment to peace, as was the PLO, Canadian Middle East relations broadened, with bilateral diplomatic and economic activity replacing peacekeeping as the dominant Canadian behavior in the region. Since the 1967 experience of the UNEF withdrawal prior to the Six Day War, the Canadian government had become less enamored with their traditional role. Furthermore, the focus of concern had shifted to the francophone countries of Africa in an effort to offset the increasingly assertive foreign policy interests of the Quebec government. The expansion of Canadian aid programs and the development of standard diplomatic and commercial relations, enhanced Canada's emerging bilateral ties with francophone North Africa, providing a new entrée into the Arab world. The 1970 review, *Foreign Policy for Canadians*, gave further legitimacy to bilateral linkages by emphasizing the interconnectedness of foreign policy with domestic interests, especially economic growth. And the changes brought by the dramatic rise in oil prices after the 1973 October War made the Arab world particularly attractive to those Canadian political and governmental leaders most interested in financial, commercial, trade and service opportunities in the lands of newly found wealth.

These changing economic realities of the Middle East encouraged most OECD states to penetrate the Arab marketplace. Canada was no exception. But in addition, the francophone connection with Third World states provided a powerful internal incentive, as did the pro-Palestinian stance taken by the Parti Québécois and the CNTU. The sympathies voiced by Quebec politicians also affected the federal Liberal Party, where a minority in the francophone Quebec caucus consistently prodded the federal government to take a more pro-Palestinian, pro-Arab position. As the fortunes of the Liberal Party have waned over the last few years, and as the need to undermine Quebec's external initiatives has been replaced by the political necessity of protecting its power base among Canada's francophone population, Ottawa has become more willing to incorporate the distinctive pro-Arab and minority Palestinian perspectives that are the hallmark of opinion leaders in Quebec and their anglophone associates elsewhere.

Why Canada didn't shift even more

Despite the cumulatively far reaching shifts in Canadian policy which these forces have engendered, the question remains as to why Canada has not gone farther in

broadening the scope and altering the balance of its policy toward the Middle East, particularly by taking the relatively easy step of giving greater recognition to the Palestinians and their leading organization voice, the Palestine Liberation Organization. Here again the answers lie primarily in the realities of the situation in the Middle East defined by largely local Arab governments and relations transmitted to Ottawa through the latter's now well developed array of bilateral channels with these governments. Beneath the rhetoric of Arab unity on the Palestinian question there lies a range of concerns and commitments from the duly constituted governments in the region. This very disarray among Arab states is reproduced in the PLO — a circumstance which has prevented Canada's commitment to a Palestinian homeland from assuming a practical form. Canada's longstanding refusal to recognize the PLO as the sole legitimate representative of the Palestinian people was based on serious doubts as to the organization's professed moderate tendencies and its ability to speak exclusively for all those it claimed to represent. These doubts were reinforced by a knowledge of the conflicting Arab opinion on the subject, notably a Jordan which continued to be wary of an organization it had expelled in 1970, an Egypt that was prepared in 1977 to make a national accommodation with Israel before PLO demands were met, and a Syria whose loyalties lay with one tightly controlled faction of the PLO. The wisdom of Canadian caution in the face of such disagreement has been dramatically underscored by events in the autumn of 1983 when the self-imposed fragmentation of the PLO into warring factions raised very real questions about which PLO one was being urged to recognize. Increasingly neither an Arafat faction based in North Africa nor a second spokesman for Syrian interests in Lebanon and on the Golan seemed likely to reflect the actual views of Palestinians on the West Bank and the Gaza strip.

In such a situation Canada has a heightened obligation and now strengthened capacity to listen to the views of the inhabitants in these areas. To Canadians who recall their own history such processes of gaining autonomy and nationhood are naturally incremental, lengthy, ambiguous and open-ended and defy attempts by other, particularly extra-regional, powers to impose preconditions.

Arab states content with Canadian stand

A third constraint on further Canadian action comes from the absence of any strong evidence that most Arab governments want a radically altered Canadian approach to the Middle East. At least so far, Arab governments have been unwilling to give up the valuable economic and other links with Canada that would be required in order to pressure Canada on the Arab-Israel dispute. Indeed these links have flourished in proliferating fashion even as Canada has refused to accede to the standard array of rhetorical Arab political demands. Canada's shift to greater balance in its policy toward the region has been a consequence rather than a cause of these intensified economic and functional linkages (for instance, Prime Minister Trudeau's announcement during his late 1983 visit to the United Arab Emirates of the Canadian intention to open an embassy there).

Through such channels Canada has learned not simply that economic bilateralism can flourish unlinked to views on the Arab-Israeli and inter-Arab disputes. More impor-

antly, it has learned that Arab governments have many higher political priorities which motivate economic ties with Canada. The most important is their own third-option-like desire to diversify transactions away from former imperial or currently dominant powers and a recognition that Canada is one of the few states outside this category which can supply high technology goods and services. But other motives include the desirability of doing business with a francophone state, with a generous, relatively non-political aid-giving performance, with an impressive record of sympathy on such broader global issues as the North-South dialogue.

A final constraint on further Canadian action lies within the political consensus back home. For while the government has some duty to withstand the parochial pleas of organized single interest groups of an ethnic, religious or commercial character, it has a greater responsibility to ensure that Canadian policy lies within the general boundaries set by the views of a majority of Canadians from all regions. And here the public opinion polls on the subject are revealing and remarkably consistent. When asked a series of questions about the Middle East shortly after the Israeli invasion of Lebanon in the summer of 1982, almost

half the respondents replied "don't know" or "no opinion," suggesting Ottawa has considerable freedom to calibrate its policy according to the realities of the situation abroad.

More importantly, while a plurality feel the Palestinians have a right to establish a state as envisaged by the UN in 1947, and feel there would be no peace without a Palestinian homeland, a large majority also feel that Canada should not recognize the PLO as the official representative of the Palestinian people. Moreover, a majority reply that their sympathies still lie more with the Israelis than with the Palestinians. To be sure the invasion of Lebanon has generated a shift to greater awareness of Middle East issues and a greater sympathy toward the Palestinians, and indeed Ottawa's policy has tilted in these directions. But its basic posture of holding open the prospect of a Palestinian homeland, but not a state necessarily sponsored by the PLO, reflects the centre of Canadian public opinion on this issue.

In short, since 1968 Ottawa has done a great deal to tilt its policy in the Middle East to reflect better the distribution and diversity of views in the region itself. And by that same criterion, what it already has done is clearly enough to meet the current realities. □

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Greenland home rule and Canada

by Stanley C. Ing

Canadian interest in the affairs of Greenland has always been peripheral with one historical exception. This was in 1903, just after the US gained the Alaska panhandle, and driven by fear of American territorial ambitions, Canada made a concerted effort to preempt the US and to acquire Greenland for herself. In a secret memorandum to the Earl of Minto, Prime Minister Wilfrid Laurier asked the British Foreign Office to take up discreetly "with the Danish government and ascertain its views on a proposal for the acquisition of Greenland by Great Britain for and at the expense of Canada." That came to nothing and since 1903 Greenland's importance to Canada has surfaced only in times of war, when Greenland formed part of the strategic polar route, and in occasional Arctic research.

During these years changes to Greenland's political structure had been moving at an accelerating pace, transforming it from a Danish colony to an integral part of the Danish realm by 1953. This entitled Greenlanders to send two representatives to the Danish parliament. More importantly, Greenland was opened up with the aim of developing a modern society based on cash fishing instead of traditional hunting. To facilitate these goals, the administrative system was centralized and Greenlanders were relocated in a small number of designated towns in West Greenland.

The resulting economic and social upheavals produced an increasingly disaffected Greenlandic populace which viewed itself as a mere spectator in its own country. Resistance to Danish reform policies and persistent attempts at reasserting Greenlandic culture finally convinced Copenhagen to establish a Home Rule Commission. After a referendum in January 1979, confirming a wish for greater autonomy, the Danish Folketing passed the Greenland Home Rule Act. Under its terms, Denmark continues to be responsible for foreign affairs, national defence, courts of law and the police. Denmark is also still required to make transfer payments, but now, in one yearly block grant, it is administered by the new Home Rule government, as the government in Greenland is known. The areas for which the Home Rule government assumes legislative jurisdiction are mainly of internal concern. These include cultural affairs, language, the church, education, social

affairs, the economy, fishing and, in January 1985, part of the Royal Greenland Trade Company.

Paradoxes of Home Rule

Constitutionally, the division in legislative power could not be more precise and clear. Denmark is a sovereign nation, retains control over the conduct of external relations, while Greenland, as part of the Danish Kingdom, is confined to domestic affairs. In practice however, strict constitutional divisions give way to an arrangement whereby the Home Rule government has a determinative influence over Danish foreign affairs in areas that have direct relevance to Greenland. This Greenlandic factor in foreign affairs may be seen, for example, in the Arctic Pilot Project (APP) and in the withdrawal from the EEC. On the surface, this intrusion into foreign affairs by the Home Rule government, points towards a devolution of Danish legislative power that one day might lead to full political independence for Greenland.

Seen within the framework of developmental theory, Home Rule can be considered a belated attempt by Greenland to shed its colonial status. However, caution must be exercised in projecting the future political outcome of home rule. The Greenland case cannot be explained by the rigid application of developmental theories, and it would be prudent for the international community to understand Greenland's peculiar political development in formulating its policies towards Greenland. The policies of the Home Rule government present a complex paradox that at once argues for a greater political and economic independence, which at times, borders on sovereign rights, while at the same time sincerely remaining firmly within the Danish realm.

In external relations, the assertion of Greenlandic independence is most evident in its vehement opposition to the Arctic Pilot Project and its role in Greenland's withdrawal from the EEC. The APP is the scheme of Dome Petroleum and PetroCanada to move liquified natural gas from the western Arctic through Baffin Strait. This provoked an angry and united Greenlandic response, determined to safeguard its Arctic fishing grounds from possible environmental damage caused by the Canadian LNG shipments.

During the January 1982 National Energy Board hearings in Ottawa, Greenlandic representatives, including Finn Lyngé, a member of the ruling Siumut Party, made the most forceful presentation against the APP. It appeared the views of the Greenlandic representatives commanded greater attention and consideration than those of Copenhagen. To further assert its leadership on this issue, and thereby entrench its rights to be involved in relevant

Stanley Ing is a Research Associate in the Research Program in Strategic Studies at York University in Toronto. He visited Greenland in November 1983, and was assisted in preparing this article by colleague Michael Slack and by Tony Washington of the Institute for Research on Public Policy.

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foreign policy issues, the Home Rule government started an internal public debate on the APP. To no one's surprise the opposition to the project was overwhelming.

Pulling out of EEC

On withdrawing from the European Economic Community, the Home Rule government's involvement in what is theoretically foreign policy issues, was even more direct. No longer acting as concerned Greenlandic citizens, as they had done in the APP hearings, representatives from the Home Rule government not only initiated the withdrawal process through a referendum in February 1982, but also participated actively as members of the Danish delegation in negotiations with the EEC. Though the Home Rule Act does provide Greenland with a role in specific international negotiations under Sub Section 10-16, the final authority still rests with the central government in Copenhagen. In this case Greenland was given the right to make the final decision.

What is more astounding in the EEC case is that Greenland has enough political leverage and confidence to actually implement the withdrawal policy, while in every legal sense it remains an integral part of the Danish realm. Thus, despite attempts by Denmark and the Home Rule government to clothe the latter's external forays in some form of legalist interpretation, Greenland enjoys a degree of foreign policy independence that is unprecedented for regional governments. This independence is not unrestricted, but in areas where Greenland has a critical economic or social interest, it is confident that the final course of action will be determined by the Home Rule government. In fisheries, for example, the Home Rule government makes no secret of the fact that it can terminate quotas unilaterally for countries that violate agreed levels, a threat undoubtedly aimed at the recalcitrant West German fishing fleet.

The assertion of greater Greenlandic independence is nevertheless tempered by consideration of Danish interests. Policies that adversely affect third parties such as the Germans, could strain Danish-German relations in other issue areas. The Home Rule government has gone to extremes to avoid placing Denmark in such a predicament, especially in view of the latter's unwavering support of Greenlandic wishes. This significant impediment may constrict the Home Rule government's external policy options but conversely it requires greater political sensitivity on the part of third parties, such as Canada, in their formulation of Danish-Greenlandic policies.

Denmark still needed

From a policy perspective it would be easier if further Greenlandic autonomy were indeed the first step towards full nationhood. But declared policies by the Home Rule government and public opinion make a convincing case to the contrary. Indeed, it could be argued that in agreeing to become an integral part of the Danish realm in 1953, Greenland took a more retrogressive step away from complete sovereignty than would have been the case had it remained a crown colony. Except for the Inuit Atagatigiit party, which at one point advocated full independence, there is no evidence that Greenlanders wish to secede from the Danish nation. There are the historical and cultural bonds with Denmark which even predate British colonial relations and which serve as powerful incentives to maintain the present political status. As well, there is the realistic appraisal, shared by most Greenlanders that severing

ties with Denmark would leave them economically and politically vulnerable to external pressures. A nation of 50,000 without a solid economic infrastructure and capable administrators cannot hope to secure its objectives in international negotiations.

The precarious balance between greater autonomy and continued dependence has so far been successfully managed. The absence of any fundamental jurisdictional or economic conflicts with Copenhagen has undoubtedly made the transition to Home Rule easier to implement. In both the APP and Greenland's withdrawal from the EEC cases, Danish interests were not adversely affected in any significant way.

The ability of the Home Rule government to preserve the current delicate balance or chart a more independent course, may in part depend on the outcome of several economic issues. To date, Greenland continues to receive an annual block grant from Denmark to cover its operating budget. While Denmark attaches no conditions to this grant, which in 1982 totalled \$Cdn253 million, Greenland still feels constrained by this economic umbilical cord to Copenhagen.

Economic prospects

In order to ensure the independence and financial viability of its own policies, the Home Rule government intends, as a matter of priority, to offset the annual grant through its own tax revenues and mineral resources. Presently, the Home Rule government remits annually about \$Cdn7.6 million to Denmark, most of which is collected from the fishing industry. It is not likely that Greenland will be in a position to substantially offset the block grant if it continues to rely primarily on the fishing industry for its revenues. However, once Greenland does manage to reduce its economic dependence on Denmark, it may be tempted to expand its global trade. This is likely to be done with a veneer of Danish collaboration but not necessarily with Copenhagen becoming a direct party to such trade agreements. The implications of treading further into foreign trade are immense and could significantly affect the direction which the Home Rule government could take. Already thoughts have been given in some quarters, albeit not yet seriously, to joining Iceland and the Faeroe Islands in a fishing association for purposes of regulating quality and price on the world market.

The day when Greenland will be able to achieve economic independence may not be too far off. Oil reserves in Jamesonland off east Greenland could provide the critical economic base to enable the Home Rule government not only to match the block grant, but offer the financial flexibility to undertake major economic and social programs. Greenland's freedom to manoeuvre is restricted only by the size of the find (which some have estimated to be as high as Prudhoe Bay), and its energy sharing agreement with Denmark.

Like Canada, energy revenue sharing has become a hotly contentious issue. Although issues relating to non-renewable resources were left ambiguous in negotiations for home rule, it continues to be a source of conflict that often bubbles up to the surface. Many Greenlanders claim full ownership of all non-renewable resources but the majority are content to seek a compromise which nevertheless would entitle them to receive the lion's share of the benefits. Denmark has consistently refused to recognize Greenland's land ownership claims and has moderated its views

Inuit state gets more autonomy

only enough to accept the latter's right of veto of any exploitation of non-renewable resources.

Potentially, differences over revenue-sharing from non-renewable resources could be the catalyst that may force Greenland to reconsider its present status within Denmark. Even if differences could be amicably resolved the immense wealth which Greenland will suddenly find itself in possession of will necessitate new policies very quickly.

Canadian-Greenlandic relations

Sharing a common heritage in the Arctic has not in the past brought Canada and Greenland closer together. This mutual neglect can in part be attributed to two factors: the need to observe proper protocol by constantly deferring to Copenhagen; and the fact that while Greenlanders do not see themselves as part of Europe, they are equally reluctant to look westward towards the North American continent. The consequent effect is that relations between Canada and Greenland remain that of distant neighbors without much direct interchange of trade or people. Thus, when we speak of possible areas of collaboration and conflict between Canada and Greenland, we can speak only in terms of future potential.

The development of Arctic resources over the last decade has forced Canada to seek closer ties with Greenland. Unfortunately, the ill-conceived Arctic Pilot Project became the focus of this relationship. The heated debates over the APP and Denmark/Greenland's refusal to permit the presentation of the Canadian oil companies' views to the Greenlandic public produced an atmosphere of mutual distrust that threatens to spill into other issue areas.

In the area of marine environmental protection on the eastern Arctic, lingering suspicion has produced a vague contingency agreement between Canada and Greenland/Denmark. The feeling in Greenland's capital (Nuuk) is that a more specific disaster contingency plan may set a framework for a renewed attempt at implementing the APP. Yet, a comprehensive environmental protection plan is critical to ensure the proper development of not only non-renewable resources in which Canada has such vital interest, but also the preservation of Arctic fishing grounds on which the Greenland economy is so dependent.

Closer relations between Canada and Greenland could become even more evasive should Ottawa decide to enhance its sovereignty and defence capabilities in the eastern Arctic. An increased Canadian naval presence in the Arctic either through the acquisition of submarines or surface vessels or installations of military electronic stations in the region could antagonize a basically passive Greenlandic society. Although Prime Minister Johnathon Motzfeldt actively supports Western defence, most Greenlanders are opposed to any further militarization of the Arctic. The recent modernization of American military facilities in Greenland has provoked increasing resentment and prompted demands from the Home Rule Assembly, and even members of the ruling Siumut Party, to demand full disclosure of American intentions. The increasing fear of becoming a likely target in the East-West struggle also found expression in the INUIT Circumpolar Conference (ICC) where a resolution calling for the establishment of an Arctic nuclear-free-zone had been passed as far back as 1977, years before the nuclear debate was rekindled in Canada.

Fishery issues could also strain Canadian-Greenlandic

relations but this is predicated on Canada's establishing a commercially viable ocean fleet. A competitive Canadian fishing industry that can rely on US trade preferences and potentially larger catches could squeeze Greenland out of the lucrative American market. Privately, the Home Rule government would prefer to see Canadian fishermen remain disorganized and uncompetitive.

Inuit — an international force

Essentially the growing cultural affinity among Inuits has the best potential of drawing Canada into closer cooperation with Greenland. Institutional arrangements have already been established in the form of the ICC, to promote Inuit economic and social interests. It is interesting to note that while the funding of the ICC has come from both Greenlandic and Alaskan Inuits, the majority of political leadership has been assumed by Greenlandic Inuits. Furthermore, the ICC enjoys strong support from the Home Rule government; ICC president Hans Pavia Rosing is also a member of the Home Rule Assembly and the ruling Siumut party. And Greenland's 50,000 inhabitants are nearly 85 percent Inuit.

The Canadian Inuit involvement in the ICC through the Inuit Tapirisat Canada (ITC) has been more restrained, partly by choice and partly because they have been excluded from influential positions within the organization. Canadian Inuits have shied away from taking positions that might be embarrassing to Ottawa and might therefore jeopardize their own land claims. To the ICC however, influence within the organization must be commensurate with financial commitments. Despite the fact it represents the largest group of Inuits, the ITC is the most poorly funded group within the ICC. ITC credibility was somewhat restored when it sponsored, with the financial help of Ottawa, the most recent ICC conference in Frobisher Bay in July/August 1983. But until the ITC is able to match fundings provided by the other two national Inuit groups, the office of the ICC presidency will continue to elude it.

Identifying the possible areas of collaboration and conflict between Canada and Greenland is a much easier task than having to formulate workable policies. Canada could help itself by first recognizing the important role to be played by Greenland in the politics of the eastern Arctic. Further understanding of Greenland's unique approach to Home Rule, which attempts to reconcile a desire for greater autonomy with continuing loyalty to Denmark, is critical to Canadian public policies. The important lesson to be learned from an analysis of Greenland politics is that on certain issues it has acquired all but in name the instruments of foreign policy-making and the acquiescence of Denmark in actually using them.

In order to obtain a better understanding of the extent to which Greenland could or would be willing to intrude into traditional foreign policy areas, Canada needs to establish direct dialogue with the Home Rule government, and perhaps even to institutionalize a loose structural arrangement to facilitate such occasional discussions. Direct contact between Canada and the Home Rule government, which is essentially regional in nature, is an obvious breach of diplomatic protocol and would require Danish consent. This may be a politically difficult and sensitive undertaking but the degree to which Greenland has ventured into foreign relations is itself hardly within the traditional limits of international practice. □

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Brunei — newest and richest in Asia

by Bruce Burton

In mid-January 1983, just twelve months before Brunei was due to become fully independent from Britain on January 1, 1984, Prime Minister Trudeau became the first Western head of government to visit the Sultanate. While Mr. Trudeau clearly enjoys travelling to places well off the beaten international track and engaging in dialogue with their rulers, a major purpose of this visit was undoubtedly to boost Canada's insignificant share of the foreign trade of the country with the highest per capita income in Asia. His meeting with Sultan Sir Hassanal Bolkiah in Bandar Seri Begawan, the Brunei capital, in fact came in the midst of an intensive three-week tour of Japan and the five ASEAN countries of Malaysia, Singapore, Thailand, Indonesia and the Philippines. This journey was designed to enhance Canada's export performance and political profile within the Asia-Pacific, a region which in recent years has had some of the fastest economic growth rates in the world and which in 1981 actually replaced Europe as Canada's second largest trading partner. Even in times of world depression, the area is still, as the cover story on a recent issue of the *Far Eastern Economic Review* put it, "where it's at."

Small population, big income

While Brunei is tiny in size and population compared with such regional giants as Japan and Indonesia, its economic and strategic importance within Southeast and East Asia is considerable. According to the latest census conducted in 1981, its population was only 193,000. However, Brunei's earnings from the export of crude petroleum and natural gas are substantial. The state is Japan's second largest supplier of liquefied natural gas (Indonesia is the first) and Shell Oil is reputed to derive 20 percent of its worldwide profits from its Brunei operations. In 1981 Brunei's trade surplus was over \$US3 billion and it now has foreign reserves totalling at least \$US10 billion. The interest alone on the national consolidated budget surplus exceeds current government annual expenditures, and, at present rates of production, oil and gas reserves should last at least twenty-five more years. In 1980 the per capita income was generally estimated to be about \$US12,000 but several sources put the 1983 figure in the \$20-25,000 range, which makes it one of the highest in the world. the \$20-25,000 range, which makes it one of the highest in the world.

Because the economy revolves so heavily around the mining sector, there is a shortage of skilled labor in other fields. Little is manufactured locally and many items have to be imported, including about 80 percent of food require-

ments. The approach of independence stimulated an immense construction boom and a consequent influx of foreign workers. A magnificent new royal palace has been erected on a hilltop overlooking the capital, by whose side, according to a correspondent of the *Far Eastern Economic Review*, "Britain's Buckingham Palace would be about as imposing as a maisonette." New schools, roads and government buildings such as the Ministry of Foreign Affairs complex, have all been going up at a rapid pace. There has also been considerable expansion in the telecommunications sector, a field in which Canada has considerable expertise. It was hardly surprising, given all this oil and gas wealth, intensive economic activity and potential for Canadian exports, that Mr. Trudeau and his aides agreed on the desirability of at least a brief stopover in Brunei during the Prime Minister's 1983 journey to Asia.

The significance of the geographic location of the Sultanate probably did not go unnoticed either by the tour planners. Present day Brunei consists of two small enclaves which are situated on the north coast of the island of Kalimantan (formerly Borneo) and face the strategically important South China Sea. These are separated from each other by the Limbang district of the East Malaysian state of Sarawak which entirely surrounds Brunei on the land side. Sabah, another Malaysian state, and Indonesia, also share the island. In its golden age in the early sixteenth century, the Brunei Sultanate dominated the coastal areas of Borneo (a name actually derived from "Brunei") and its influence extended into the southern Philippines. At one point even Manila fell briefly under the control of the Sultan. However, Brunei's power receded in the face of European colonial expansion and by the end of the nineteenth century the Sultanate had become a British protectorate and been reduced to its present size.

Brunei at independence

The Sultan made it clear in his talk with Mr. Trudeau that shortly after Brunei obtained full sovereignty in January 1984, it expected to become the sixth member of ASEAN and also to be joining the United Nations and the Commonwealth. In addition, Brunei will probably seek membership in the Organization of the Islamic Conference. While recognition and acceptance by any of these intergovernmental organizations would help to confer international legitimacy on Brunei's claim to full statehood, it is the ASEAN connection which will likely prove

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Now independent

to be the most important for the Sultanate. Only a few years ago, the legacy of tension and uncertainty left by the alleged Indonesian support of the 1962 Brunei rebellion and by overt Malaysian dissatisfaction with Brunei's failure to join the Federation in 1963, led many to wonder whether the Sultanate could long survive as a separate state. The fact that both Jakarta and Kuala Lumpur are now prepared to endorse Brunei's application for membership of ASEAN marks a significant change in Brunei's favor in the political climate of its regional environment, and the Sultanate is now unlikely to meet with a fate similar to that of the former Portuguese colony of East Timor, which was invaded and annexed by Indonesia in 1975-76.

ASEAN membership should also enhance Brunei's



Brunei and Neighbors

position in the global international system, since within the last few years the ASEAN five have become a major force in world diplomacy and international economics, cultivated by the western states and Japan and by China and other Third World countries. Though Vietnam is by far the strongest military power in Southeast Asia, the ASEAN bloc's greater diplomatic power prevails with the United Nations, and so Hanoi has been thwarted in its attempt to gain international recognition of its client regime in Kampuchea.

Economic base: oil

While Brunei's entry into the ASEAN framework should certainly ease the Sultan's concerns about the se-

curity of the state and increase the diplomatic clout of the government, it will not solve all his problems. Brunei's long-standing claim to the Limbang salient, at present administered by Malaysia, has not been abandoned, and disputes could develop with other neighbors as well as with Malaysia about continental shelf and Exclusive Economic Zone maritime boundaries. So far as its economy is concerned, Brunei is likely to remain heavily dependent on overseas sales of crude oil and liquefied natural gas, which together make up nearly 99 percent of all exports. Commodity export dependence is accompanied by market dependence: about 70 percent of these exports go to Japan. Past attempts at diversification of the economy have not met with much success, and any future efforts could be hampered by feelings of anxiety among the ethnic Chinese minority about their status in post-independent Brunei. According to the 1981 census, they comprise only 20 percent of the total population, but they play a crucial role in the local labor force and in commerce. Very few of them have been, or are likely to be, granted citizenship, and the uncertainties about their long term position has already led some to emigrate to Canada, Australia or Singapore.

Brunei is also greatly reliant on its relationship with a major transnational corporation, Royal Dutch Shell. This has been a dominating force in the local economy since the discovery of the Seria oilfield in 1929, though the Brunei government has been seeking to reduce this dominance by allocating offshore exploration concessions to smaller US companies and by enacting new legislation designed to make it an equal partner in future ventures with foreign oil companies. In fact, Brunei Shell Petroleum is already a fifty-fifty joint venture between Shell and the Brunei government, while ownership of Brunei Liquid Natural Gas is evenly split among the government, Shell and the Mitsubishi Corporation of Japan. This dependent relationship on an oil major is also not without certain security benefits for the Sultan. The British, who maintain a substantial stake in Royal Dutch Shell and whose troops put down the 1962 uprising, have agreed to keep their battalion of Gurkhas in Brunei after independence. However, London is adamant that the battalion should not be used to help maintain internal public order, and the Gurkhas will continue to be based at Seria, with their role limited to the protection of the oil and gas fields.

The state's own armed forces have actually been considerably strengthened since 1962. The Royal Brunei Malay Regiment now has two well-trained army battalions supplied with Scorpion tanks, a naval flotilla with patrol craft equipped with Exocet missiles, and an air wing with at least six helicopter gunships. In addition, there are the Royal Brunei Police, numbering about 1,750, and the Sultan's own 900-strong praetorian guard of retired Gurkhas and British officers. But however well-equipped and numerically strong they are, military and paramilitary forces cannot in the long run successfully defend a regime which lacks popular support.

Democracy still stifled

It is hard to gauge the degree of grassroots support for the Sultan's autocratic rule. Both the present and previous Sultans have taken care since 1962 to share a good portion of their country's oil wealth with their subjects. Not for nothing has Brunei been dubbed the "Shellfare State." Undoubtedly Brunei Malays are materially well-off, with

free schooling, free medical treatment, no taxes, 44,000 private cars, 30,000 television sets, and a generally high standard of living. The Sultan too, has reportedly sought to make himself personally accessible to his subjects.

On the other hand, a State of Emergency has been in force ever since the abortive 1962 uprising that was led by the radical Partai Rakyat Brunei (PRB or Brunei People's Party), which had just won all the elected seats in Legislative Council elections. The PRB is banned, its leaders are in exile, and some of its members are still held in detention. A new Internal Security Act came into effect in 1983 that gives the government the power of renewable preventive detention. The Legislative Council remains but it is nominated by the Sultan. It is not surprising that several com-

mentators have raised the question as to how such a situation can last, and whether absolute monarchy on the Persian Gulf model is an appropriate form of government within the contemporary Southeast Asian setting. Thousands of young Bruneians are now studying abroad and the coming of independence may well bring with it increased political awareness.

However, if the problems arising from the nature of the present political system can be satisfactorily resolved, the long term prospects for Brunei look favorable. It is undeniably a ministate, but there are at present eleven members of the United Nations with populations smaller than that of Brunei, and there are relatively few UN members of any size that can match its financial strength. □



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*Still fighting the invader
And making him pay*

Afghanistan — a visit to the front

by John R. Walker

It is difficult to get a true picture of the unequal war in Afghanistan without visiting its beautiful but unforgiving terrain and watching its courageous and tenacious people under the savage modern war conditions that have persisted now for over three years.

When I last visited Afghanistan in January 1980 it was to listen to the defensive rantings of Babrak Karmal in support of the invasion by 85,000 Soviet troops and to race around what parts of the country the Russians had still left free to visit, to talk to a dismayed people, and to see the vast encampments of arms that Moscow had built up in a couple of weeks to help defend their socialist brothers from their own people.

It had been only just over a year before, in November 1978, that this correspondent in Kabul had asked Hafizulla Amin, then foreign minister, whether he understood what proletarian internationalism or the Brezhnev Doctrine really was. He did not, for he talked of socialist brotherhood and Afghan independence. He died a year later, executed by his socialist brothers when the doctrine was for the first time extended to a non-European country.

The Afghan people now have had three long years to learn how the Brezhnev Doctrine operates to preserve a socialist government and Soviet national interests. As a result, a fifth of the population has abandoned the country and the majority of the rest have settled into a prolonged guerrilla war against the Soviet occupiers.

Russians, meet the mujahideen

During the first two years, the Russians seemed to be attempting to conquer and occupy the country, so they were fighting a largely land-based war against a hit-and-run opponent. They found that increasingly difficult and costly. The best publicized example of this was the mujahideen (as the Afghan fighters are called) action in the Panjsher valley, northeast of Kabul, where guerrillas under a brilliant commander, Ahmed Shah Massoud, defeated six separate Russian efforts with over 20,000 troops to occupy the sixty-mile long valley under the Hindu Kush range.

One of Massoud's chief lieutenants, Abdul Wahid, whom this correspondent met in Peshawar, Pakistan, a year ago where he was getting a new artificial foot, had described how Massoud organized his territory in military districts, each run by political, military and economic com-

mittees, and with his forces divided into local defender commandos, and special strike forces. His organization and military tactics had baffled the better armed and air supported Russians.

This year the Afghan forces, with Russian approval, signed a six-months' truce with Massoud. The Russians could not afford to station 10,000 troops in that valley, even if it was so close to the vital Salang Pass, main route to Russia. Massoud needed the time to get in a harvest for food and to re-stock with weapons. This truce was still holding in late 1983, while his men carried out strikes against Soviet posts outside the valley.

According to Bahouddin Majrooh, respected editor of the Afghan Information Centre bulletin in Peshawar in Pakistan, the most reliable news centre in this politically fractious mujahideen centre, Massoud has become so effective that other guerrilla commanders from around Afghanistan have been going to the Panjsher valley to learn his methods of warfare. Majrooh pointed out that one reason Massoud had had to sign the truce was because another mujahideen group, the ultra fundamentalist Hezbe Islami in two neighboring valleys, had been harassing his arms supply routes and cutting off food supplies. As a result Massoud's men took control of one of these valleys, the Andarab, north of the Hindu Kush which runs out near the northern end of the Salang pass and tunnel.

War grinds on

Elsewhere in Afghanistan the Russians appear to be avoiding ground confrontations where possible but have been increasing their air strikes, their helicopter gunship harassment, and occasional paratrooper attacks to wipe out villages that are rebel centres or food supply centres. This kind of action has been particularly heavy in the provinces around Kabul, because mujahideen activity there has been especially successful in ambushing military convoys and hitting army outposts. Majrooh said there had been fewer reports of straight burning of Afghan crops this year, but the general havoc was such that crops were just rotting in the field, if they had ever gotten planted in the first place.

It is harder to obtain information about the fighting in the northern provinces along the Russian border, because few journalists have been there and mujahideen reports take a month or more to reach Peshawar. Aside from Kunduz, through which the main supply road to the Soviet Union runs, the province of Jozjan to the west is perhaps the most heavily garrisoned by the Russians because this is the site of the natural gas wells, whose gas is piped direct to

John Walker is Foreign Affairs Analyst for Southam News. He made his second visit to occupied Afghanistan in October 1983.

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the Soviet Union at Russian-imposed prices to help finance their war in Afghanistan. Mujahideen are reported to be particularly active in Herat and Kandahar cities in the western borders, making life in these centres continuously hazardous for the Russian occupiers and their puppet government troops.

One of the more unique developments this fall has been taking place in Paktia province, on the Pakistan border southwest of Peshawar, one of the most important supply routes for the mujahideen in various regions of Afghanistan. From August onwards, the Pathan tribesmen have managed to coordinate their activities, move out of their mountain hideouts into the valley plains and organize major sieges of three Soviet military centres. It was this area that I visited at the beginning of October, just after one military base in the Joji area, called Sarai, had fallen to a mujib siege of more than a month. The biggest battle was going on around the base town of Khost (also known as Matun), although a fierce siege was mounted south of there around the military base at Urgun.

A guest in Khost

A couple of days spent under the bombing and shelling in the huge Khost valley gave one a small idea of the conditions under which these fighters, without heavy weapons or tanks, with little air defence, had managed to knock off forty-two government military outposts, and move up the flat plains and dried out river beds to the outskirts of Khost, a town of 15,000. The mujahideen had managed to cut off, with persistent ambushes, all roads to the town, so that the Soviet and Afghan government troops could only be re-supplied by air, landing transport planes on the one gravel runway at the north end of town. This was not the normal hit-and-run attack, but a setpiece battle that has driven about 12,000 people out of the valley, abandoning their devastated villages and their unharvested crops.

Every day, just after dawn, the mujahideen abandon the village mud huts where they spend the night, and head for the caves and foxholes around Khost in anticipation of the arrival of the MIG-23s from Kabul. Anywhere from five to twenty of these jets then bomb the villages and possible mujahideen hiding places, four or five times a day. As soon as the planes depart, the Soviet heavy mortars and artillery open up from inside the besieged town, and the MI-24 helicopter gunships take off to rocket the guerrilla lines, hoping to catch the rebels in the open. Occasionally tanks issue forth, with less successes, against the nearest entrenched positions. Yet the mujahideen continued to probe the town's defences, fighting into the bazaar on the edge of town, harassing the garrison throughout the night, seeking to capture or destroy the runway, armed only with their Lee-Enfield rifles, their captured Kalashnikovs, their Soviet RPG-7 anti-tank missiles, their few grenade launchers and hand-held mortars, and a scattering of heavy machine guns and Dashaka anti-aircraft guns. They are always running short of ammunition and food, and they have little in the way of medical aid.

Soldiering on

As Brig. Rahmatullah Safi, chief military adviser to the mujahideen groups besieging Khost, told this correspondent, "We need mine detectors, radios and walkie-talkies, medicine and medical aid, as well as good ground-to-air heat-seeking missiles for those jets and helicopters." This professional soldier, graduate of Russian, British and

American military schools, was proud of the mujahideen there — fighting as tribal units rather than the political factions of Peshawar — had proved that man-to-man they were as good as the Russians. But the Soviets still controlled the air and had the biggest guns and the sophisticated mines that surrounded the town. The morale of his estimated 5,000 troops was high, even while living on nan, tea and rice most of the time, and often having to ration his ammunition. But as he pointed out, trying to coordinate such an operation in a valley of 150 square miles, it often took a day or more to get messages and orders around the units. And he admitted that if they were able to capture Khost before the winter snows fell, they could only destroy it so the Russians could not use it, because they could never hold it against air attacks.

This is the grim reality behind the war in Afghanistan. Every mujahideen commander that this writer has talked



Afghanistan Fighting Zones

with over the past two years has complained about the shortage of the weaponry that could make their war a more even contest with the Soviet occupiers. Despite the assistance that the Americans are supposed to be supplying through Egypt and that the Chinese are providing, the amounts that actually get through still appear to be minimal and do not include much that these brave people need to battle the modern armory of the Soviet Union. Many of the mujahideen are convinced that the Pakistani military are siphoning off many of the weapons now coming in from abroad. No Afghan is allowed to inspect the clandestine arms pipeline through Pakistan. And as one mujahideen commander told this reporter, "The Pakistanis gave us captured Indian arms and old weapons, not any new ones." Another recounted how even when they went down to Darra, the traditional Pakistani arms factory town near Peshawar, a five-hour drive from the Afghan border, it often took four days to return, because they had to "discuss" their purchases with every Pakistani police control post en route — a costly journey in rupees. Others said they felt sure some of the weaponry was being ripped off in

Still fighting the invader

bazaars just as some of the Afghan refugee relief aid winds up in the markets of Peshawar, Rawalpindi and Karachi.

Pakistan role

The military government of President Zia ul Haq is, of course, in a difficult position. There are nearly three million Afghan refugees in camps all along the border, an economic and political burden on a country already fraught with domestic unrest. While General Zia undoubtedly wants to help the mujahideen fighters, he also wants to maintain some semblance of neutrality, so that the Russians on his border do not complicate his problems by stirring up trouble among the restless Pathans and Baluchs in his tribal areas. He also has to walk a diplomatic line in order to encourage the sputtering peace talks now going on with UN assistance between Pakistan and the Afghan government. A successful conclusion to those talks would mean that those Afghan refugees in Pakistan could return home.

But for any peace talks to be successful the Afghan mujahideen must also be represented, and after three years of war, they still have not been able to unify their various groupings in the political field, the way they are beginning to do on the battlefield. At present there are two alliance groups in Peshawar, the so-called fundamentalist alliance of six traditional Moslem factions and the so-called moderate alliance containing three parties. But the dominant leaders in these alliances will never subordinate themselves to the other, unless some outside leader can be found. The latest effort to solve this problem has been negotiations with former Afghan King Zahir Shah, who has been in exile in Rome since he was ousted in 1973. Despite the fact that he first called on the Soviet Union to train his officer corps, he is still regarded with respect by many Afghans, as was evident during my trip there, and he could, perhaps act as a symbolic leader if all the factions could agree. But at least one, the ultra fundamentalist Hezbe Islami, is opposed, even though the king has pledged not to try to get his throne back. Until the mujahideen can develop a unified political position or a united government in exile, negotiations for peace are unlikely to succeed.

What it takes to win

In the meantime, the war drags on into its fourth year, with the Afghan guerrillas managing to control the countryside, and harass the major cities of Kabul, Herat, Kandahar and Jallalabad, while the Soviet Union and their

puppets hold the big cities and towns and control the air. There are many reports of poor morale among the conscripted Soviet soldiers, highlighted by reports of drug and alcohol abuse among the troops, some desertions and even some selling of weapons to the mujahideens. But the Russians can perhaps afford to be patient, as they decimate the people and devastate the land. Although they have begun to admit in their own press the difficulties and casualties this war is causing, they do not as yet have to bow to domestic pressure against the war. It should be recalled that sixty years ago it took nearly a decade for the new Soviet Union to crush its own Moslem insurgents, the Basmachis, into final submission. Ironically, many of the sons of those Basmachis who fled the Soviet Union, the tough Uzbeks, Tajiks and Turkomen, today are fighting as mujahideen in the Afghan provinces of Herat, Fariab, Balkh and Badakshan, creating constant havoc for Russian troops along the Oxus River border. But the Basmachis were crushed in the 1920s before the invention of the helicopter gunship, the MIG fighter-bomber, the modern sophisticated mine and the heavy tank that the Russians are using today to try to smash opposition in Afghanistan. There is no gainsaying the courage, tenacity and Moslem faith of the Afghan fighters, and their history proves they have always maintained their independence. But the Russians appear now to be counting on time and constant military pressure to make life in the countryside impossible, destroying the food supplies, ruining the villages, driving the families out of the country and thus putting pressure on the menfolk eventually to call a halt. In the very long run that might work.

But right now, the question Canadians, Americans and other Westerners should be asking themselves and their governments is why they are not helping these brave people more, and thereby making the Soviet Union bleed a lot more for its unjustified invasion of an independent, peaceful, non-aligned country. These governments should be putting the pressure on Pakistan to force the political mujahideen to unify their resistance so that real peace negotiations could be held. These governments should be working out some means to ensure the weaponry that is being sent to Pakistan is actually reaching the Afghan fighters. For unless the mujahideen obtain the kind of supplies they need, such as anti-aircraft missiles, mine detectors, radio communications equipment and medical supplies, the present stalemated but unequal war could eventually become a Soviet victory. □

Forgo!

by Gera

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Book Reviews

Forgotten men of World War II

by Gerald Regan

In Enemy Hands: Canadian Prisoners of War, 1939-1945 by Daniel Dancocks. Edmonton: Hurtig Publishers Ltd., 1983, 303 pages, \$19.95.

The cover of Daniel Dancocks's book shows a despondent figure, head in hands, wrists chained together, sitting between two rows of barbed wire fencing. Throughout this very well documented book, one never totally loses sight of that despondency. As one prisoner of war in Germany recounts — "You've probably been at the zoo and seen these animals walking around along the fence. That's exactly what we did. Circuit bashing."

Some of the most tragic accounts were recalled by Canadian soldiers who fought and were subsequently captured at Dieppe. From the detailed statements given here, one senses that many of these soldiers were recalling the event as if it had occurred just yesterday, not thirty-eight years before.

The way in which the book is organized, separating the histories of those POWs in Germany and those held in Hong Kong, leaves the reader with little doubt as to which group received better treatment. While we catch a glimpse of some humor as Canadian prisoners of war try to frustrate the German guards by playing tricks on them, in Hong Kong there are no such humorous interludes in any of the POWs' accounts.

At the mercy of their captors, these extraordinary Canadians were forced to adapt to situations in which many of us today might well imagine impossible. A surprising common thread we find woven throughout many of the POWs' experiences was their immediate determination to escape. Given that many of them were still in their teens, that they were deep in an alien land with little or no knowledge of the language, I feel this demonstrates a remarkable "homing pigeon" instinct, attributable to their strength of character.

The strength of character exhibited by the prisoners of war is revealed throughout the book. The incident I remember most is the one in which the Germans, learning that their German prisoners of war were being treated well in Canada, decided the Canadians should be given somewhat better treatment and offered them their own camp with a few more amenities. The Canadians refused unless

all other POWs were given the same treatment. In a similar episode, the reply was simply, "No. We're Allied prisoners of war."

Mr. Dancocks describes Canadians prisoners of war as "the forgotten men of World War II." If this, in fact, is true, the author goes to great lengths to remedy the oversight by gathering together the personal recollections of more than 160 of the 9,364 Canadians held in captivity during the War. In these recollections lies the strength of the book. The POWs' own personal accounts of their experiences during this period were not only descriptive and informative, but very worthwhile reading for those who know little of this important period in our history.

The only criticism I would have of the book is its fragmented nature which, at times, gives one the impression that it is a series of disjointed recollections. Who was it that said New York has six million stories? By the same token, everyone who became a prisoner of war had an experience worth recounting.

A poignant account, *In Enemy Hands* delves into a wide range of human emotions.

The Hon. Gerald Regan is Minister for International Trade in the Government of Canada.

Mr. Minister and Mr. Secretary

by Robert J. Jackson

Governments Under Stress by Colin Campbell. Toronto: University of Toronto Press, 1983, 388 pages, \$24.95.

Governments Under Stress is a study of executives and decision-making procedures in three countries. It examines American, British and Canadian strategic planning structures, especially the central agencies. There are three quite different approaches in the book, each of which has its own merits and demerits.

The first approach is a theoretical treatise about executive leadership in general. This consists of a discussion about how governments arrange their priorities to make decisions, especially under stress. This discussion is found in Chapter 1 and the conclusion. In these parts of the book Colin Campbell (a Canadian at Georgetown University in

Washington, D.C.) raises interesting points about the styles of chief executives and examines the importance of secular trends, megacycles, termcycles and the partisan situations leading to major decisions. On the whole, the author finds the Canadian system deficient. For example, he gives the British high marks for providing countervailing views to the bureaucracy compared to inadequate efforts by Canada and the United States in this regard.

Most of the book, however, is about the details of making economic and fiscal policy in the three countries. Basically, what Campbell does is to review organization charts or tabulate the structures and personnel which make economic policy. He discusses personnel management, expenditure budgets, accountability, career patterns and so on.

The basic problem is that the fundamental ideas discussed at the outset of the book are not used to organize what follows, so that the volume is somewhat incoherent and lopsided. Much of the remainder of the book is a summary of an earlier volume by the author and George Szablowski, *Superbureaucrats*, which made a distinct and remarkable contribution to the literature on political science in Canada. The trouble is that the data from *Superbureaucrats* has not been revised. The author compares the 1976 data with subsequent studies that he carried out in Britain and the United States. Unfortunately the reader finds there are excellent data from the *Superbureaucrats* (which are out of date) compared with other data from Britain and the United States (which are more recent and to some extent more interesting and novel), but which are based on small samples and are therefore less representative of the higher bureaucracies in Washington and London.

The book lacks both a theoretical basis to appeal to academics and a glossy format for the mass public. It will, however, appeal to insiders in Ottawa, Washington and London who want a snapshot of how their counterparts handle their responsibilities.

Robert J. Jackson is Professor of Political Science at Carleton University in Ottawa.

Defending defence

by Peter Ward

Canada's Maritime Defence, the Report of the Sub-Committee on National Defence of the Senate Standing Committee on Foreign Affairs. Ottawa: Minister of Supply and Services, 1983, 129 pages.
War in the Eighties: Men against High Tech edited by Brian MacDonald. Toronto: Canadian Institute of Strategic Studies, 1983, 162 pages, \$10.90.
The Canadian Strategic Studies Review 1982 edited by R.B. Byers. Toronto: Canadian Institute of Strategic Studies, 1983, 148 pages, \$11.80.

As Prime Minister Pierre Trudeau was beginning the Asian leg of his peace plan promotion travels, some unkind things were said in New York about Canadian efforts in the

field of collective defence. The remarks were attributed to senior US defence officials, who preferred to remain unidentified. Their comments, widely distributed in Canada, the US and Europe, certainly did not please Mr. Trudeau. In Japan and Bangladesh he told reporters that the American officials from the Pentagon were "third rate," and could not be expected to have a very constructive view of efforts to promote peace. The Canadian defence effort was quite sufficient, thank you, he said; and back home, External Affairs Minister Allan MacEachen agreed, pointing out that none of our NATO allies had criticized Canadian defence efforts — at least not publicly. Defence Minister Jean-Jacques Blais was equally quick off the mark to affirm that Canada's contribution to the collective western defence was as it should be, and getting better.

The fact that most of Canada's media left those statements unchallenged demonstrates that few reporters read academic journals about defence, or for that matter, even parliamentary reports on the subject. Within six months previous to the beginning of the Trudeau Peace Push, at least half-a-dozen publications had been produced which condemned Canada's defence contribution as inadequate, and one or two of them even charged that stingy western defence spending on conventional weapons — the Canadian case — is responsible for heightening the danger of nuclear war.

The Senate's Standing Committee on Foreign Affairs has a Sub-Committee investigating the various aspects of Canada's defence policy. The Sub-Committee exploring Canada's Maritime Defence reported in May 1983 with a blockbuster volume chock-a-block with scathing criticism and recommendations. Canada should increase her defence spending from slightly less than 2 percent of the GNP to somewhere between 2.5 and 3 percent of the GNP, said the Senate report. That way we would still be lower than nations such as Sweden (3.1 percent of GNP on defence), Australia (3 percent) and the Netherlands (3.4 percent).

"The current Canadian level of expenditure on defence does little more than buy the country the worst of both worlds," said the Senate report. "While the expenditures are large enough to represent a significant charge on the national exchequer, they are too small to produce worthwhile results."

Perhaps the Americans in New York were quoting from the Senate report on Maritime Defence. Perhaps they missed the section where the Committee explained that Canada was a major offender in the Western syndrome of spending little on conventional weapons, thus allowing the danger of nuclear war to increase. If the West does not have the ability to stop a conventional Warsaw Pact-Soviet attack in Europe, it will be forced to go nuclear or concede defeat. Canada's policy since 1969 has been to reduce the strength of her forces in Europe, and Mr. Trudeau is the author of that policy. Thus to reduce conventional forces in the alliance, and promote nuclear disarmament is "utterly inconsistent," according to the Senate report.

There are many more suggestions, and many more condemnations of government defence policy in the volume, which is available on request from the Clerk of the Sub-Committee on National Defence, The Senate, Ottawa, K1A 0A4. The report is catalogue number YC 23-321/2-02.

Two volumes from the Canadian Institute of Strategic Studies made the same point about Canada's lack-interest

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defence policy this year. The first is called *War in the Eighties: Men against High Tech*, and it is a transcript of the CISS proceedings during two fascinating days in November 1982, when experts got together for a post-mortem on the Falkland Islands war, and combined that with an examination of some of the holes in Canada's defence policy. Coupled with the transcript of proceedings is the companion piece *Canadian Strategic Review 1982*, a collection of papers on Canadian defence, international relations and disarmament. Both can be obtained from the Canadian Institute of Strategic Studies, Suite 100, 175 Bloor Street East, Toronto, Ont. M4W 1E1.

The transcript of CISS proceedings was of great interest, particularly the section on the Falklands war and the lessons apparent for Canada if, or when, she tackles the task of rebuilding her maritime defence force. The contribution of Norman Friedman, deputy director of National Security Studies at the Hudson Institute, was gripping, as were his contributions to the give-and-take among those present. From this volume, too, those American defence experts who so angered Mr. Trudeau could have obtained their Canadian defence facts, mostly from the Canadian authorities who were expressing some pretty critical views. The Defence Department's George Lindsey, for example, told the session that Canada's maritime forces were "pathetically weak in the anti-aircraft area," and although he was speaking before a federal contract had been let for the six new frigates, those ships will not be seeing service until the end of the decade.

The CISS annual review is a document of extreme usefulness because it offers historical contexts for the East-West issues of today, tracing US-Soviet peace talks and their progress, and explaining NATO thinking with clarity. Mr. Trudeau is quoted at some length on the issue of a peace initiative, from the speech on that subject he gave at Notre Dame in May 1982. York University's R.B. Byers has at least as good a grip on the Soviet European arsenal as does Mr. Trudeau, and obviously a much more jaundiced view of how far Moscow can be trusted.

The volume includes a rather harsh but accurate summary of Canada's defence efforts, with demonstrations as to where commitments overlap to impossible degrees. There is a well-reasoned criticism of existing defence policy, concluded with a plea for Canada to return at least to the force levels she maintained in 1967, with appropriate increases in weapons purchasing. Any political defence critic could amass material for an entire parliamentary session of embarrassing questions to the Defence Minister from the two volumes.

***Canada's Northern Security: the Eastern Dimension* by Nils Ørvik. Kingston: Centre for International Relations, 1982, 94 pages.**

***Strategic Implications of the World Oil Glut* (29 pages) and *The Impact of Energy on Strategy: Maintaining the Nuclear Option? Some Strategic Considerations* (23 pages) by the Department of National Defence. Ottawa, 1983.**

Also relevant to the subject of Canadian defence policy is a slim volume from the Queen's University Centre for International Relations by Nils Ørvik, *Canada's Northern Security: The Eastern Dimension*. It is in the Centre's Na-

tional Security series of papers, No. 2/82. The sections dealing with the use of Canada's Arctic waters by nuclear submarines of allied nations — and not-so-friendly nations — are well documented and chilling. As the paper points out, we may lose our control, if not our sovereignty, in the north without ever really grasping it ourselves. There is also a warning to the effect that any Canadian idea about balancing the US influence in the north by making a partner of the Soviet Union is "misperceived" to say the least.

Two slim volumes from the Defence Department's Operational Research and Analysis Establishment (ORAE) Directorate of Strategic Analysis, both by Erik Solem, complete the half dozen in the defence-related stack. Both documents carry the disclaimer that material in the papers was not necessarily the view of the Defence Department, and both were done in January 1983. Paper PR 209 has some extremely interesting things to say about the world oil glut, and the strategic implications of temporarily more available fuel oil. The companion paper, PR 207, addresses the impact of energy — more particularly of nuclear energy — on strategy. Dr. Solem begins his analysis with a quote from Soviet dissident scientist Andrei Sakharov, who advises that the level of a nation's economy is determined by its energy technology, "Therefore the development of nuclear energy is a necessary condition for the preservation of economic and political independence of every country — of those that have already reached a high development stage as well as those that are just developing." Dr. Solem explains the reasons why Sakharov's advice certainly applies to Canada, and we should continue the nuclear energy route, despite the shift of Canadian public opinion towards suspicion of making electricity from nuclear power.

Peter Ward is an Ottawa correspondent who specializes in defence matters.

Joy of budgeting

by Peter J. Armstrong

***Government Budgetary and Expenditure Controls — Theory and Practice* by A. Premchand. Washington: International Monetary Fund, 1983, 530 pages, \$US18.00.**

Budgeting, described as being at the crossroads of economics, politics, science, public administration and a host of other disciplines, is miraculously brought to life by Mr. Premchand. This book, which describes the role and function of budgeting and related expenditure controls, will be of interest not only to practitioners and students of the art, but to the relatively unschooled as well who wish to develop their knowledge of the area.

The topic is dealt with in a multidimensional way — geographically, historically and intergovernmentally within federations. The evolution and development of

structures and systems in various industrial and developing countries is described; contrasts are made and parallels drawn. The selection, juxtaposition and description of seemingly disparate systems has been carefully made and serves to enhance the reader's understanding of this complex subject.

Throughout, the style of writing is lively and lucid; esoteric concepts are explained in terms that are understandable. If the accuracy of the observations made regarding recent innovations in Canada (e.g., establishment of the position of Comptroller General of Canada; initiation of the envelope system) is indicative, then this is a well-researched, accurate and up-to-date work.

The book is divided into three parts. Part I considers the theoretical and practical aspects of budgeting, using a predominantly economic approach. Topics include the role and objectives of fiscal policy, the nature of budgeting, determinants of public expenditures, functional aspects of budgeting, measurement of the impact of budgets, approaches to decision-making, the problem areas of budgeting, development planning and budgetary expenditure

planning and forecasting, and budgeting for inflation. Part II, which deals with structures, systems and financial management, covers budget structure, budget innovation, budget execution and cash management, and government accounting. Part III discusses budgetary relationships between the government and enterprises and between central government and state or local governments.

One of the most valuable attributes of the book is in the examination of the various systems that have evolved over the years, the author's assessment of inherent problems and of the relevance of possible alternatives is made with full recognition of the very real constraints of political influences, of structural inertia and of human frailties and limitations which stand in the way of the processes of rational thinking, decision-making and change.

Peter J. Armstrong is a chartered accountant and Director of Special Projects for the Canadian Comprehensive Auditing Foundation.

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International Perspectives

Contents

March/April 1984

"National Policy" and Canadian trade
by *H.E. English* 3

New ways to trade with the US
by *Fred Harrison* 6

Trade policy-making in the US
by *M.J. Abrams* 9

Declining resources, declining markets
by *Keith A.J. Hay and Robert J. Davies* 13

Countertrade
by *David Goldfield* 19

Accommodating the East Asian NICs
by *Roy A. Matthews* 23

Grappling with international debt
by *Michael G. Kelly* 26

Hurtling Canada's dumping laws
by *Peter Clark* 29

Book Reviews 33

Letters to the Editor 35

International Canada

Centre supplement reference material on Canada's foreign relations presented by the Department of External Affairs.

"National Policy" and Canadian Trade

By H. E. English

In August 1983 the Department of External Affairs issued two related documents, a discussion paper entitled *Canadian Trade Policy in the 1980s* and a background paper *A Review of Canadian Trade Policy*. Nothing similar had been done before. This is distinctive in two ways. First, it attempts to link trade policy with other policies of government: taxation and subsidy policies, other aspects of the "fiscal regime," monetary policies, foreign investment policies, and various "economic development" policies (competition, transport, labor market, industrial incentives to promote research and development, and resource processing). Second, it suggests that Canada should promote both multilateral and regional or bilateral initiatives to achieve the most from its international trade potential.

In particular the review restores to a central place in Canada's trade policy pronouncements its bilateral relations with the United States. The main thrust of this part of the paper is that following the latest GATT round of negotiations, some of the most important remaining trade barriers are non-tariff barriers between Canada and the US whose removal or substantial reduction might be accomplished by bilateral negotiations without involving other trading partners. The papers single out the sector approach as a means of defining these negotiations. It is reported that there is already underway an exploration of the potential for such negotiation in sectors including red meat, specialty steels, petrochemicals, urban transport equipment, and textiles and clothing. It is also reported that the US has shown interest in adding other sectors (e.g., computer software and communications equipment) to the discussion. Both countries also have a continuing interest in modifying the North American auto pact, that major pioneer effort in sectoral deals that needs to accommodate the increased presence of Japanese automobiles in the North American market.

Weaknesses of the trade policy papers

The treatment of links between trade and other policies begs many questions. For example, there is still a tendency in these documents to push for export promotion without reference to costs or import obligations. There is also a recurrence of the argument that the higher Canadian inflation rate reduces our international competitiveness, without reference to the compensating effect of the flexible exchange rate, and more important, without stressing that the relative strength of manufacturing internationally depends fundamentally on its ability to compete for labor and capital with Canada's traditional resource exporting industries. If Canadian exports of manufactures are to become

relatively more important that can only happen if the efficiency of these sectors can improve in relation to the resource sectors, a change that in part may depend on Canada's willingness and ability to expose its manufacturers to international markets and to competition from foreign suppliers to the same degree as the resource-based industries are.

The suggestion that Canada place priority on bilateral sectoral negotiations with the United States has antecedents in the trade policy publications of recent years, notable those of Rodney Grey, formerly principal Canadian trade negotiator in Geneva during the Tokyo round (*Trade Policy in the 1980s, An Agenda for Canadian-U.S. Relations* C. D. Howe Institute, 1982). Both Grey and the External Affairs papers are not entirely explicit about the means of accommodating the GATT obligations of both countries. These obligations require either that all concessions exchanged between two signatories of GATT be extended to other signatories, or that GATT parties agree to a waiver, with or without compensation to affected parties. Some bilateral concessions present no problem, especially if the deal is so defined that only products traded bilaterally are affected. Some non-tariff barriers of a peculiarly North American kind (e.g., state and provincial purchasing policies) may be of little interest to overseas countries. But most sectoral deals, which would have significant effect only if they amounted to removal of both tariff and major non-tariff barriers between Canada and the United States, are likely to have third party consequences. While these agreements could be constructed on a conditional basis, i.e., the same concessions would be extended to other countries on a reciprocal basis, this is not covered by GATT except through waiver.

One sector or many sectors?

The other main difficulty with sectoral arrangements is that no single sector is a logical basis for reciprocal concessions because it would be coincidental if intra-sectoral comparative advantages were evenly balanced, so that both countries achieved equivalent gains. This could be handled within an agreement covering several sectors, e.g., the US might gain somewhat more from free trade in

H.E. English is a member of the Economics Department and of the Norman Paterson School of International Affairs at Carleton University in Ottawa. He is the Canadian member of the Steering Committee of the Pacific Trade and Developing Conference.

Canadian trade policy

textiles and clothing while Canada might gain more in petrochemicals trade.

One interpretation of the process of bargaining on a sectoral basis, especially if a number of sectors are included, is that it might become apparent that both the costs of negotiation and the logic of inter-sectoral links would result in support for more comprehensive free trade between Canada and the US. Unlike sectoral deals this would be acceptable under GATT Article 24, which permits bilateral or regional arrangements encompassing substantially all trade. This is an old option, given serious consideration several times in Canada's history but reappearing in proposals by business and research groups again in the past decade, and most recently in a report by the Senate Committee on Foreign Affairs, in a resolution of the Canadian Chamber of Commerce (1983), and in the Macdonald Commission's deliberations.

The Senate Committee Report deals with most of the familiar arguments in a balanced and convincing manner. Only a few points need be highlighted for the purpose of this paper.

Free Trade and the Provinces

The key question is whether a consensus in Canada is possible in support of negotiations either toward several sectoral deals or a more comprehensive arrangement. The answer is in part an issue of leadership, especially political leadership. It is in part also dependent on the quantity and quality of bureaucratic skills that are devoted to the effort over a period of time sufficient to do justice to the achievement of a reasonable contract, including appropriate transitional arrangements. But underlying these is whether there is a strong political conviction that trade policy pursued systematically can be a more effective foundation to national policy (or industrial strategy). The key to that conviction lies mainly in the acceptability of an essentially free-trade-based strategy to the provinces, as a framework for federal-provincial relations. This was not stressed in the External Affairs discussion paper, presumably because it was considered too sensitive a question on which to speculate in print.

But the greatest difficulty with proposals for systematic "economic strategies" that have been debated in the past decade, especially those based on more interventionist philosophies, seems to be precisely that they have required too great a federal presence and too often federal interventions that served primarily central Canadian interests. Policies for controlling foreign investment, stimulating industrial research and development, building pipelines to central Canada, holding down oil prices, all these have served mainly the heartland. The advantage of substituting for such piecemeal intervention a program for releasing the forces of the international marketplace is that all parts of the country would have an opportunity to participate, to develop their potential for processing and manufacturing to serve adjoining US regions. Success in export to the US could provide an expanded base for overseas exports, especially from Vancouver, and perhaps from the main Maritime cities, as well as from central Canada's established industrial base.

Furthermore, there need be no confrontation between federal and provincial governments in a policy based on

substantially free North American trade since trade policy is an exclusively federal responsibility. It is possible that some non-tariff barriers imposed by provincial governments could come under fire as the result of a commitment to control purchasing policies or other measures that discriminate against US firms. But by and large the outlying provinces have favored the liberal trade option. Even in central Canada it has been increasingly acknowledged that the strengthening of the international competitive capacity of manufacturers can best be achieved by intra-sector specialization with US firms. The reason why petrochemicals, textiles and clothing, specialty steels, and urban transport equipment are being discussed is directly traceable to the interests of central Canada, though the first two of these (and other sectors listed earlier) are also of interest to the western Provinces.

New role for government

Other policies and practices, present and proposed, would have a new and probably more limited role in an economy where industry was assured an opportunity to reach US markets on the terms defined in the Senate Committee report. Under these circumstances some of the direct subsidies could no longer have a role, though others such as subsidies and incentives to "high-tech" industries would continue partly because all countries including the US support enhanced rates of research and development activity, and provide aid to particular industries where private investment is sustained by small-scale or competitive structures. The difference would be that under free trade, the focus of research and development would be much clearer, and would lead to development of export specialties based on confidence that sales in the US would not be hampered by customs administration and other practices so familiar to firms attempting this sort of export development at the present time. There would also still be required some effort to control restrictive use of property rights (patents and trade marks) that even under free trade would give established firms (often multinationals) a considerable advantage over newer or smaller enterprises. However, other explicit policies for preserving competition might be somewhat relaxed, since the strength of import competition could justify permitting those mergers that only in a protected domestic market would lead to control of markets.

This discussion has focused on the benefits of a more rational Canada-US trade policy framework, and the prospects for a more coherent domestic industrial policy. It does not deal directly with the political fears of "continentalism." On this there is a familiar debate. That economic benefits from free trade arrangements can be gained without political union has been demonstrated in Europe. The inevitability of close political association is denied by the history of all economic associations operating at this time. Indeed, all efforts to build larger political units seem in these times destined to run aground on the rocks of intense national and cultural loyalties. The fact that about 70 percent of Canadian trade is with the US now indicates a high degree of interdependence, one that could not be reduced significantly without an unacceptable decline in Canadian living standards. It also seems unlikely that there would be much increase in the percentage of trade "dependency" if

there were free trade because the increased export capability could also encourage Canadian overseas exports.

World beyond North America

This leads to the other question deserving our attention — what about the trade links between Canada and overseas countries? In the past, political leaders in Canada have argued for switching some of our trade from the US to other countries, notably Europe. Diefenbaker talked for a time about shifting 15 percent from the US to Europe, and in 1972 the “third option” was proposed in an *International Perspectives* article appearing over the name of the Minister of External Affairs.

Although the main argument of his article favored an interventionist domestic policy for improving the efficiency of industry rather than a heavier reliance upon the “carrots and sticks” of the international market place, the article was most often interpreted as calling for diversification of Canadian trade, in the sense of greater reliance on markets other than the US. Europe was singled out as a target. The effort to form a contractual link with Europe was largely abortive, measured by trade payoff, since the European Community could not contemplate taking Canada in as an Associate member, and thus discriminating against the US and other non-Europeans. With the oil crisis, and a decline in the dynamism of Europe at the end of the 1970s, this option became even less attractive.

New “third option”

The other main opportunity for a counterweight to the preponderant US role in Canada's foreign economic relations is in the Pacific. Trans-Pacific trade is now about equal to that crossing the Atlantic. More important, the economies of East and South-East Asia are growing more rapidly than Europe's and for that matter of any other substantial region. The most common definition of the Pacific rim group is a core group of eleven countries, including all five developed OECD countries outside Europe (Australia, Canada, Japan, New Zealand and the US) and six developing countries (South Korea, and the five ASEAN countries — Indonesia, Malaysia, Philippines, Singapore and Thailand). These countries participate most actively in Pacific policy discussions. They are the countries with closely parallel commitments to trade and private investment or joint ventures as engines of growth and international cooperation. To date the discussions seem to be searching for regional consensus and initiatives on such widely divergent but complementary issues as a common approach to fisheries resource management and distant water fishing fleet arrangements, indentifying means of reducing agricultural protectionism, reduction of protection on processed natural products (tropical and temperate), achieving complementarity and freer trade in textiles, clothing and automobiles, promoting appropriate transfer of technology through direct investment, and a consultative arrangement on energy, market conditions and policies. There are clear indications that other countries wish to participate at least in task force activity related to the Pacific Economic Cooperation Conference. This Pacific basin cooperation seems likely to include such entities as Hong Kong and Taiwan on an informal basis (since both are in ambiguous categories diplomatically) and in the not-distant future, the

People's Republic of China, Mexico, Peru, Chile and perhaps others from Pacific-rim Latin America and Asia.

Fast growing markets

The advantage to Canada is that the region provides dynamic opportunities for sales of both natural products and specialized manufactures and services, especially those related to resource development projects in South-East Asia and China. There is also some reason to expect joint efforts to accommodate the capacity and desire of the Pacific developing countries to sell labor-intensive manufactures to the Pacific OECD nations. In the past they have relied upon the multi-fibre agreement and on individual bilateral arrangements that too often have tended to reinforce protection by voluntary export restraints.

The common commitment of the Asian developing countries to economic development strategies providing scope for trade and private investment is unusual. North-South negotiations in this region can therefore be exemplary in a world where ideologies of intervention so often obstruct international trade between OECD and developing countries. Canada therefore has good reason to foster Pacific regional consultation, both in its narrow self-interest and in its broader concern for a constructive framework in North-South relations.

The Pacific thus provides a sort of counterweight to the Canada-US relationship, but one which is not a substitute for Canada-US economic interaction. The tendency to narrowness in the continental linkages can, instead, be sublimated to a degree that is important politically and significant commercially. We can together support a Pacific cooperation venture that among other goals could open up better access to the Japanese market, encourage joint ventures and trade with Southern Asia and China, and lay the groundwork for a larger role for Canada in reciprocal trade and investment involving the world's most dynamic developing countries.

Is there the bureaucratic will?

All of these efforts to associate Canadian national economic strategy with a constructive set of international relations can only succeed if substantial bureaucratic and political resources are devoted to the definition of the key agreements required. Now that trade and other economic officers are integrated at the Department responsible for international relations, one should have grounds for hope. Part of the problem will be whether in times of austerity government is willing to mobilize the talent and resources needed. There is probably scope for reduction in the numbers of those administering less essential economic intervention elsewhere in the public service.

But a shift in bureaucratic resources is not enough. It is also necessary to overcome conventional attitudes, both in the bureaucracy and among political decision-makers. The biggest problem with politicians is their desire for a quick fix, something that is unlikely in international affairs, and especially so in international economic relations. Other difficulties for Canadian politicians are associated with the reluctance to exploit the Canada-US relationship fully, even though there is much evidence that we have done well in our bilateral negotiations when our cause was reasonable.

Canadian trade policy

The problem with the bureaucratic attitudes is more subtle. There is a tendency for most bureaucrats to be risk-averse, i.e., not to support proposals that involve substantial change, and particularly not those that substitute *international market* discipline for domestic regulation and incentive systems that are subject to continuing bureaucratic discretion. Canadian bureaucrats similarly have a deep commitment to *multilateral negotiations*. For the most part this is a reasonable commitment. But it can also be a route to a quieter life. Circumstances may require now a more ambitious combination of sustained multilateral commitments, bilateral relationships designed to meet Canada's most important domestic structural needs, and regional

consultation and consensus-forming efforts directed to the service of multilateral and especially North-South ends by regional means.

We have the human resources, but we may not have vision and courage to apply them to a national economic strategy based on more active and comprehensive international economic initiatives. A parallel with Mr. Trudeau's peace initiative is suggested. If we can devote the valuable time of our Prime Minister to so bold and uncertain a venture as the struggle against the arms race, surely the strengthening of our economic capacity and the development of a more viable international economic relationship deserves no less investment. □

Sectoral free trade

Finding the openings

New ways to trade with US

by Fred Harrison

"Despite the hopes and aspirations of its originators, the Auto Pact had failed to provide the stimulus or inspiration to beget similar agreements in its image for the enhancement of international specialization and efficiency in the massive trade between Canada and the USA" — Simon Reisman, Royal Commission on the Auto Industry, 1978.

Simon Reisman's fondest hopes, and some of his critics' darkest fears, have leaped, as if from nowhere, to the top of the Canada-US diplomatic agenda. After decades of often emotional debate within Canada — out of which elections have been won and lost, careers made and unmade — teams of government officials in Ottawa and Washington are currently engaged in a work program on sectoral trade liberalization meant to produce a report by early May, and possibly a full-fledged negotiation by the fall.

It is a breathtaking turn for Canadian trade policy — some would say a desperate one. Just three years ago, then-Industry Minister Herb Gray was urging Canadian officials to patrol every possible inlet of back-channel diplomacy in search of openings for a renegotiation of the Auto Pact. The 1965 Pact — or more formally the Canada-US Automotive Trade Agreement — the negotiators of which included Reisman, seemed in dire straits, its promised advantages to Canada threatened by the growing interna-

tionalization of the auto industry. If Gray did not want completely out, he at least wanted Canada to get more for being in.

One long and painful recession later, Canada's trade balance in autos is doing remarkably well and the rhetoric of trade policy in Canada has turned astonishingly liberal. There may be no truly direct link between these two developments. But it is worth noting that Canadian politicians began lecturing Washington on the perils of protectionism at roughly the same time as Democrats in the US Congress began talking seriously about legislation to limit the foreign content of American car and truck purchases.

Such talk is no longer quite so serious, but other threats, from within Congress and even from within an ostensibly anti-protectionist Republican administration, have produced what amount to intimations of trading mortality within leading business and government circles in Canada.

The dilemma is real enough: even at the current pace of recovery in Canada, few economists expect domestic consumption alone to provide the basis for substantial new industrial investment. And if investment lags, productivity slips, making Canadian products even less internationally-competitive than they were already. On the other hand, firms which are already internationally competitive, especially those with established US markets, now fear curtailment of those markets, and may also be inhibited from committing themselves to major expansion.

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Salvation by sector

It should be noted, of course, that what is being studied at present is, first and foremost, not a customs union, a free-trade area or even a broadly-based free-trade agreement, like say the pact between Australia and New Zealand or the one governing the European Free Trade Association (covering most of the non-EC nations).

What is being discussed is a series of narrowly-drawn agreements, with minimal linkage between them and a variety of economic objectives among them. The sheer diversity of the sectors now on the table — from “smoke-stack” to “high-tech” — suggests selectivity rather than comprehensiveness. In some senses, this should be viewed as a field trial of what remains, for both sides, a highly-experimental concept.

At the same time, it is an idea which is not entirely untested. Even under Herb Gray, Canadian industry policy planners spoke of selective trade initiatives with the US. A confidential mid-1980 discussion paper, prepared for Gray as part of his effort to promote a more active and nationalist developmental role for government, noted:

Particular care will need to be addressed to the management of the Canada/USA relationship and to opportunities for bilateral arrangements such as mutual access for urban transit equipment.

Not surprisingly, transit equipment remains prominent on Ottawa's current “shopping list” in Washington.

Intriguingly, each of the items being examined carries its own special baggage of problems, indicating an effort to use each sector as a kind of test tube sample for a broader negotiation which might occur later.

Special arrangements for services

Mass transit, for instance, is a useful example of how government procurement policies can affect industrial development. The Procurement Code negotiated during the last round of multilateral talks was an earnest start toward bringing the “buy-national” policies of various countries under control, but Ottawa and Washington both seem anxious to take the effort further.

The most adventuresome of the issues is clearly that of “informatics” — the vaguely-defined sector which includes computer services and electronic data. Predominantly a service sector, it is one not now covered by international trade discipline. That could mean two things: first, no “waiver” of existing most-favored-nation commitments, under which bilateral trade concessions are guaranteed to other treaty partners, would be required; and second, a Canada-US pact could set the pace for future international arrangements.

Farm machinery is already supposed to be more or less freely traded across the Canada-US border, but valuation and other largely technical difficulties have arisen. The current discussions suggest an experiment in problem-solving under existing free-trade arrangements, perhaps with an eye to Auto Pact troubles of the future.

Finally, the discussions about steel are probably the clearest example of what some call Canada's “pursuit of exceptionalism,” that is, the use of a “special” affiliation with the US as a shield against domestic US protectionism. The American steel industry, unable to compete with low-

cost imports, is seeking to limit sharply foreign access to the domestic steel market. The more competitive Canadian industry is anxious to escape any Congressional or administration-sponsored restrictions which might result. “An important issue for Canada in the 1980s will be the extent to which the USA will, in response to our industrial and regional development policies, use countervail to limit our market access for specific products or sectors,” a background paper to last fall's Canadian government trade policy initiative states.

Managing protectionism

In truth, of course, little of the protectionist sentiment in Washington is actually directed at Canada. Much of it arises from a series of lingering trade disputes with Japan, Western Europe and, to a lesser extent, the newly-industrialized countries. But whatever the targets, the ever-present danger is that Canadian companies will get caught in the crossfire. Some, like the specialty steel industry, already have been.

There is considerable disagreement, even in the US, over the extent to which the present administration has acted to restrain the protectionist pressures. Its critics point, for example, to Japan's “voluntary” ceilings on auto exports, first pressed on it by the Reagan administration, and the more recent quota protection afforded US-based Harley-Davidson, a once-mighty but now troubled motorcycle maker.

“Regardless of its free trade rhetoric,” Fred Bergsten, director of Washington's Institute for International Economics, recently told a *Financial Post* reporter, “the Reagan administration has allowed more restrictive measures in the past two years than any administration has since the 1930s.” Canadian government analysts tend to be more forgiving, citing protectionist pressures concerning Canadian lumber, potato and fisheries exports, and concluding, as the trade policy background paper does, that the “administration has generally responded to them in a reasonably circumspect manner.”

Whatever the case, the true test of the administration's leanings may only now be at hand — Washington's trade remedy apparatus has been besieged with applications from US interests in the early months of this year, all anxious to have their cases placed on the White House agenda before the presidential election in November.

Flagging multilateral push

Meanwhile, the principal US policy response to these pressures, the promotion of new multilateral negotiations — a “Reagan Round” — has proved disappointing. For various reasons, not least a slower-than-expected recovery outside the US, other trade partners, particularly those in Western Europe, have been reluctant to move as quickly as Washington had hoped.

A major sticking point, for the Europeans especially, is what might be called the ideological tone struck by early US proposals. There is, for instance, a clear link within the Reagan administration's thinking between trade and investment — and thence to the controversial, and distinctively American, concept of “right of establishment.” This is a concept that goes well beyond established views on “national treatment” — the diplomatic shorthand for doing

Sectoral free trade

to foreign-based business what one does to one's own — and envisages a completely open-borders policy for international direct investment. Washington has sought to expand the areas covered by the General Agreement on Tariffs and Trade (GATT) in other directions as well, to include trade in services, to give one increasingly significant example.

Canada, always an enthusiastic backer of multilateral trade liberalizing has brought some of the same cautions as others have to the US-initiated work which is now proceeding. But Ottawa's officials have also been among the stoutest supporters of the US view that the areas of negotiation need to be broadened. Indeed, after the regular yearly meeting of GATT trade ministers late in 1982, a meeting to which Washington's representatives went with high hopes but from which they returned with only minor achievements, the US officials took note of the support they had had from their counterparts from Canada.

In the months that followed (in 1983) as GATT members edged slowly through the studies their trade ministers had agreed to, the US officials found that Canada was virtually the only other nation sharing the American enthusiasm for the exercise. Granted, the Canadian interest was still squarely focused on the studies — not necessarily on a subsequent negotiation. But the fact that Ottawa's people, as one US official put it at the time, "had done their homework" was enough to fashion something of a bond.

Early last year, reports began surfacing in a few US publications indicating the administration's interest in a new approach to trade discussions. Specifically, Washington might be interested in moving first bilaterally on certain issues and then multilaterally. It was a major departure for a nation which had long been the leading defender of most-favored-nation (MFN) treatment. And, in retrospect, while it may not have been meant as an invitation directed specifically at Canada — for of course the first lesson learned by any US trade official is that such explicit overtures would inevitably place Canadians on the defensive — the soundings were picked up with interest in Ottawa.

Canada's new interest in bilateral approach

While all this was quietly proceeding, major changes were taking shape in Ottawa, first among the policy-makers and then among their policies. Herb Gray had been removed from Industry, to be replaced by businessman Ed Lumley, a promoter of much freer trade. Lumley, the former trade minister, had been replaced by Gerald Regan, whose trade leanings were unknown but whose political instincts were demonstrably keen. After the contentiousness of new energy policies and a new constitution, and after the economic misery of 1982, the Liberal government's collective instinct in 1983 was to mend fences wherever possible — with business, for starters, and with Washington.

"We've been told to say we're willing to talk about anything," a Washington-based Canadian official said last summer. Suddenly, there were to be no sacred cows — the border broadcasting question, in which Canadian tax pref-

erences had angered US radio and television concerns in border states, problems with Canada's Foreign Investment Review Agency, Ottawa's limits on foreign bank expansion, even the export pricing of Canadian natural gas — all were up for discussion, if not exactly up for grabs. "We've been told to talk but not necessarily to agree," the Canadian official cautioned.

Finally, the recession itself, and the accompanying decline in the world demand for resource goods, had struck at the core of Ottawa's economic development plans. The massive energy developments — all those "megaprojects" — which were supposed to buy Canada's engines of growth in the 1980s had withered away with the decline in international oil prices. Back in mid-1980, when the newly reinstalled Liberal government was still putting together its plans, inter-departmental studies showed the medium-term economic prospects for the nation to be pinned principally to high investment and net export levels. But in 1983, the former was being flattened by energy's decline and trade was being threatened by protectionism elsewhere, most critically in Washington.

All these elements seemed to coalesce late in 1983 when Gerald Regan, Minister of State for International Trade, introduced his government's trade policy paper, the first major government statement on trade policy since Mitchell Sharp's "third option" proposal of 1972, with its controversial suggestion that ties with the US be de-emphasized. By contrast, Regan's paper paid special attention to the US market and the Canada-US relationship. And it raised the prospect of a sector-by-sector search for freer trade.

It is clear that neither Ottawa nor Washington would claim bilateral, sectoral arrangements as their first or even second choice for trade negotiations. Both would have preferred multilateral talks, The Americans certainly, and even some Canadian officials, would have preferred a more generalized discussion — about services as a whole, for example, and not just one service sector like informatics.

Finding the will

Truth be told, the officials themselves are far from certain about the intentions of their political masters, how fast they want to move and how far. It is an election year in the US and probably also in Canada. There is always the chance that the early momentum of the exercise, fueled as it may be by the electoral demand for symbolic gestures, will give way to other priorities later in the year or alternatively that pre-election fervor will give way to post-election torpor.

It may be worth remembering, however, the important role of political will in the achievement of results in trade negotiations. A former senior US negotiator, now a Washington consultant, recalls the entry of President Jimmy Carter's Special Trade Representative Robert Strauss into the late stages of the Tokyo Round. Strauss was an influential backroom player within the Democratic party. "We were at a standstill," the former Commerce department official recalls. "Then in comes Bob Strauss. He says, 'We've got to get something done here.' And within the year, there's an agreement, signed, sealed and delivered." □

Trade policy-making in the US

by M. J. Abrams

Canadians already know quite a bit about the US executive branch. President Reagan is in the press daily, and Ambassador Brock and Secretaries Baldrige and Reagan are monitored closely, even in the Canadian papers. Major changes in the legislative branch in recent years, however, have gone virtually unnoticed in Canada. Yet institutional reforms have altered radically the nature and structure of the Congress as well as the way that trade issues affecting Canadian interests are handled today in Washington.

Trade policy-making in the postwar years.

Fifteen, twenty and thirty years ago, it was possible to deal effectively with Canada-US trade problems even from outside Washington. For one thing, the issue themselves were more compartmentalized. There was a neater separation between foreign policy and domestic politics. Major trade questions affecting Canada usually were considered to be foreign policy issues and the Canadian desk at the State Department played the central role in coordinating Canada-US economic relations. If Congress considered an issue with trade or tariff implications, the same few committees inevitably were involved: Finance and Foreign Relations in the Senate, and Foreign Affairs and Ways and Means in the House.

At the same time, power in Congress was highly concentrated. For the most part, the Congress was controlled by a few senior members and the Administration usually was able to work out deals with these key leaders on important trade policy matters. Executive-legislative relations never were entirely predictable and always were more fluid than is the case in Canada, but the process was a relatively centralized one.

In the postwar years and through the 1960s, few out-of-town law firms had a need for offices in Washington. If a problem arose on Capitol Hill, the New York or Cleveland lawyer arranged a few meetings, flew to Washington for the day, and flew home, having talked to the right people. Canadian companies with ties to the Boston or New York or Cleveland law firms which did their corporate and securities work thus were covered effectively in Washington.

Trade policy process today

Trade policy-making in the US is considerably more complicated today, as the traditional line between foreign policy and domestic politics largely has been erased. Trade questions no longer are merely tariff questions, but often

concern non-tariff matters that relate directly to domestic issues. Almost every act of government affects imports and exports and raises an international trade issue. As a result, almost all agencies and departments now are active in making trade policy.

As trade matters have come to be considered as questions of domestic policy, a larger universe of domestic forces has become involved more regularly in the trade policy process. Great coalitions of interests are in evidence on major trade issues. Groups that have opposed the Domestic Content Bill, for example, include:

- the League of Women Voters,
- the Imported Auto Dealers' Association,
- the Longshoremens' Union,
- the major US ports — particularly those on the West Coast,
- IBM, Boeing, Xerox and other big exporting companies,
- the National Forest Products Association,
- the US Chamber of Commerce,
- the National Turkey Federation,
- the Aerospace Industries Association, and
- the National Association of Manufacturers.

With the increasing intervention of domestic interests in trade policy-making, a greater number of Congressional Committees has taken to legislating on trade issues. Bills affecting US foreign trade relations are before virtually every committee in the Senate and House.

Changes in Congress

Another factor contributing to the seemingly chaotic state of the US trade policy process is equally significant and largely unappreciated in Canada. In the last fifteen years, the way that the Congress organizes itself and conducts its business has undergone substantial change. Four major developments have brought about this transformation:

1. The breakdown of the seniority system;
2. The shift in power from committees to subcom-

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Getting to the Congress

mittees and the corresponding loss in power of committee chairmen;

3. The great increase in staff and improved access to information; and
4. Important procedural reforms in both chambers.

The growth in subcommittee influence has multiplied the effects of the breakdown of the seniority system, by substantially increasing the opportunities for junior members to participate in the legislative process. The extent to which power is dispersed in today's Congress is readily demonstrable.

At the beginning of the 98th Congress in January 1983, the Senate was composed of fifty-four Republicans and forty-six Democrats. All but one Republican Senator chaired a committee or subcommittee, and all but one Democrat was a ranking minority member.

The diffusion of power is just as marked in the House. Of the 266 Democratic members at the start of the 98th Congress, 134 — or just more than half — chaired at least one committee or subcommittee. Of the 167 Republican members, 107 — or about two-thirds — were ranking members. In total, then, of the 433 seats filled by voting members of the House in January 1983, 241 either chaired a committee or subcommittee or were ranking minority members. In terms of influence, we must add in the Speaker, the Majority Leader, and the Minority Leader — none of whom chair any legislative committees. That brings the total of members in leadership positions to 244 out of 433 — a healthy 56 percent of all members.

Further, one could include in this calculation members (other than chairmen) of the three traditional "exclusive" committees in the House: Appropriations, Ways and Means, and Rules. This would add another 48 to the list, bringing the total of particularly influential members of the House to 292 of the 433, or almost 70 percent. And, if anything, these numbers *understate* the situation, because today's subcommittees are themselves more powerful than those of the past.

Staff = information = power

The explosion in staff assistance also has accelerated the dispersion of power through Congress, for the availability of adequate staff for all members impairs the ability of committee chairmen to monopolize access to information. Even those not on a committee easily can obtain sufficient information to challenge committee bills on the floor. This was a rare occurrence in the past, but such challenges are made today with great frequency.

Congressional staff has grown tremendously over the last three decades. In 1955, the Senate had fifteen standing committees; today it has sixteen, or about the same number. In 1955 the Senate employed 386 staff members for those committees; today, however, Senate committee staff numbers well over 1000. In the House during that span, the staff for standing committees increased from 329 to almost 2000. And that accounts for just committee staff. With the inclusion of personal staff, leadership staff, and support agency employees (including those at the General Accounting Office, Office of Technology Assessment, Congressional Budget Office, and Library of Congress), congressional staff now totals over 30,000!

In addition to increased staff, today's member of Congress enjoys the use of modern telecommunications equipment. Most members' offices have at least one computer terminal with access to internal information systems and to the data base of the Library of Congress. Many office networks access information systems outside the Congress as well. Information from other external sources also is more readily available today. Congressmen always have relied on briefings from lobbyists, law firms and trade associations. These groups have mushroomed in Washington within the last ten years. The ability to acquire information from outside the Congress further reduces the junior member's dependence on the committee chairman and generally adds to his independence from the leadership.

Recent changes in congressional procedures also have worked to distribute power throughout the Congress. Three of these should be noted in particular:

1. The increasing frequency of multiple referrals to committee;
2. New rules mandating open proceedings; and
3. The use of recorded votes on floor amendments in the House.

The referral of bills to more than one committee for approval increases the number of actors in the policy process and adds to the decentralized nature of trade policy-making. New rules — along with increased media coverage following Vietnam and Watergate — have made the conduct of business in Congress more open and less prone to manipulation in secret by senior leaders and committee chairmen. Committee and conference committee meetings now are generally open to the public, including even markup sessions. Various other rules regulating floor procedures have been passed in the last few years — particularly in the House — which establish an open debate and amendment process.

Congressional changes and trade policy

The cumulative effect of these institutional changes has been to decentralize power in Congress and to fragment the legislative process. This has some important consequences for Canada and for trade policy-making.

For one, it means that the Administration now has much less control over Congress than in the past. Congressional support for international agreements concluded by officials of the executive branch can no longer be taken for granted — as indicated by the abortive East Coast Fisheries Treaty. In thinking about negotiating free trade arrangements with US industrial sectors, therefore, the Canadian Government must seek to involve Congress in the process. At the same time, the fragmented nature of today's Congress means that congressional leaders *themselves* have less control over the legislative process. Legislative decision-making is much more difficult to coordinate as a result.

And, as noted above, other major changes have contributed to a less orderly trade policy process. The blurring of the distinction between foreign policy and domestic politics has involved all of the agencies and executive branch departments in trade policy, increased the role of domestic interest groups in the process, and resulted in the

consideration of trade issues by virtually every congressional committee.

Lessons For Canadian business

Some conclusions of interest to Canadian business can be drawn from these developments. First, as all 535 members of Congress are now active in trade policy-making, proposed legislation on trade often emerges from more sources with a primarily domestic orientation. More of these initiatives, therefore, are likely to be protectionist than in the past — when legislative proposals on trade and tariff matters usually were introduced by members with an internationalist perspective. Of course, pending bills do not always become law. But many of them do remain around from session to session and reflect issues and concerns which must be taken into account by Canadians as well as by the Administration.

Second, as decision-making on trade questions is clustered around so many different centres of power — in both executive and legislative branches — effective input into the US decision-making system requires that representatives of Canadian companies be in touch with members and

staff throughout the whole Congress and with officials at almost all of the executive departments and agencies. As a practical matter, that means having some kind of Washington presence. Canadian business should not assume that it is well-represented in the States on the basis of the fact that its access was adequate in the 1950s and '60s.

Finally, given the openness of the US trade policy process, Canadian business *can have influence* on US trade decisions — perhaps more so today than ever before because there are so many points within the present system at which to exert political pressure. Canadians generally will have little effect on the US political process as Canadians. But Canadian firms can work with domestic forces involved on issues and can have additional influence on Congress by activating customers, suppliers, and employees from particular States and districts on specific issues.

To the extent that Canadian business does have vital interests at stake in the US, it should be fully informed and participate actively in US trade policy-making. If it elects to abstain from the process, it always will be reacting to policies not of its own making and not in its best interests. □



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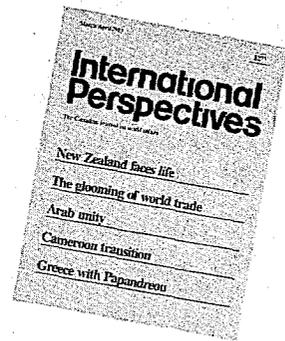
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Declining resources, declining markets

by Keith A.J. Hay and Robert J. Davies

Canada's high standard of living has always depended on exploitation of our abundant and economically valuable natural resources. Indeed, Canada has relied on a comparative advantage in the supply of these resources to compensate for a poor and deteriorating performance in trade of manufactured goods. The desirability of this reliance, as well as the dominance of the US as a market for our primary exports, has long been a source of political unease. Yet, the motivation to tackle the issue with the seriousness it deserves has been dulled by the very success of our traditional strategy. We still enjoy a very high level of prosperity, and so a complacent dependence on the primary sector continues. Historically this was eminently reasonable, because the pattern of world trade was broadly favorable to the furtherance of Canada's exports of resource-based commodities.

Even in the 1960s, however, it was recognized that resource-based trade had a relatively low income elasticity of demand and was thus likely to result in lower than average overall growth for Canadian productivity and incomes. The roller-coaster ride of resource prices in the 1970s fooled many analysts into thinking that Canada's resource future was golden, only to have it turn to dross on the downside price plunge. More recently, trading prospects have been further clouded by technological developments.

In the renewable resource sector improvements elsewhere in agronomy, animal husbandry, forest management and aquaculture have all led to new sources of supply. Moreover, these new techniques have been applied outside traditional production regions, both in the developed (e.g., forests in the southern US) and developing world (e.g., aquaculture in South Korea).

These developments have affected and will continue to affect patterns of international production and consumption, often promoting European, Latin American and Asian intra-regional trade rather than ocean-borne inter-regional commerce. This is clearly detrimental to the future export prospects of Canada.

Declining advantages

In the non-renewable resource sector improved geophysical survey methods and advanced control and process technologies have increased the availability and value of low-grade ore deposits. One consequence has been a

proliferation of milling and smelting operations away from traditional high-income large markets. Further improvements in process technology are to be expected as producers innovate against scarce factors, particularly high-cost inputs such as energy.

More generally, product innovation in the 1970s and early 1980s has involved a general trend towards miniaturization, portability and energy conservation. A whole range of consumer durables and more recently capital goods, has become smaller, lighter, energy- and cost-efficient, with higher value-added per unit volume. This has led manufacturers to economize on the use of raw materials, adversely affecting demand. These trends, which are likely to accelerate during the 1980s, are illustrated by the substitution of synthetic fibres and plastics for more traditional materials in vehicle and aircraft technology, in the use of integrated circuits in audio-visual equipment, and in the use of fibre optic and satellite technology in the communications field.

Rapid changes in the world economy during the later 1970s and early 1980s — in the pattern of trade and consumption and the pace and nature of technical innovation — have dramatically underscored the basic weakness of the resource-based strategy. The Club of Rome was too pessimistic; conservation *could* reduce energy demand. And the hope of salvation through megaprojects was dashed as one-by-one these became worthless in a world of falling real resource prices. Still, the precise nature of these changes and their implications for the future prosperity of Canada's primary resource sector remains poorly understood. We have yet to see a comprehensive test of the assumption that Canada can still count on its primary sector to sustain income, output and jobs through the 1980s and 1990s.

It seems to us a rash assumption. In order to test it we must examine future patterns of production, consumption, technical change and international trade. The prospects for

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Resources aren't enough

a broad range of Canadian resource-based exports will also be assessed. In each sector, the parameters of cost, price and production will be examined. In addition, careful attention must be paid to such key factors as labor-management relations, transport and logistics, exploration and drilling, process technology and input substitution, as well as changing market requirements (tastes, demography) and product substitution. In combination, all of these factors will be evaluated in the light of continuing changes in industrial and international trade policies. This is no easy task. Moreover, it should be recognized that in many sectors, political override may be more important than economic imperatives. Often such motives will be paramount in actually determining the value, salability, and eventual international marketing of Canada's resource-based products.

The traditional comparative advantage of Canada's

resource sectors — minerals, forest products, agriculture and fisheries — is rapidly diminishing. This reflects:

- increasing competition from alternative low cost suppliers in the developed and developing world;
- innovations in product and process technology which reduce or eliminate the demand for several of our staple primary exports.

Without a carefully planned strategic response to these developments the Canadian economy could face a period of absolute as well as relative decline.

The extent of the problem is illustrated by reviewing product, market and technological developments for each of our key primary commodity groups: minerals, forest products, agriculture and fisheries. There will then be a review of major export markets in each category, as well as a look at what is happening to individual export items.

Minerals

Minerals account for nearly one-fifth of Canada's total exports. Though we remain the world's largest exporter, our share of major world markets — particularly in higher value-added processed products — has declined significantly over the past decade. This reflects important structural changes in the world economy. These include changing procurement strategies (such as barter and countertrade, and multiple sourcing); price and income effects on patterns of trade; adjustments in tariffs and protectionism; preferential commodity and project financing arrangements; and environmental and health constraints. Other factors include the further development of low-cost alternative suppliers, technical change in processing aimed at reducing quantum inputs per unit output, use of alternative lightweight materials and product substitution. Nine major Canadian minerals are reviewed in capsule form. All pose a fundamental challenge to Canada's traditional export market shares in this primary sector.

Weak to positive growth

Iron Ore: Canada is a leading supplier to the US, but has relatively high unit costs. Declines in Canadian domestic and US demand, plus increased overseas competition in bulk steel from Brazil, South Korea, Japan and new EC members cloud future prospects.

Copper: Intensified competition from the US, New Guinea and Indonesia (concentrates); Chile, Zambia, Zaire, US, and South Africa (processed); plus technological developments (e.g., fibre optics) have already adversely affected Canada's export market share.

Lead: Product substitution to decrease pollution, and competition from Ireland, Morocco, Sweden, Australia, Peru and North Korea limit future growth prospects for Canadian lead sales.

Tungsten: The US, Peru, Australia, Bolivia, China, Thailand and Portugal offer alternative sources of supply and increasingly competitive prices.

Stable

Zinc: Canada is the primary supplier of ores and concentrates to the EC, and of both processed and unprocessed zinc to the US. Declines in market share, particularly of the processed mineral in non-

US markets, have occurred in the face of mounting competition from within the EC and North Korea, the Republic of Korea, Peru and China.

Asbestos: Health risks associated with end-users, mining and processing are limiting factors. Stiff competition comes from South Africa, Mexico and the USSR, where health regulations are much less stringent, as well as from the EC.

Negative growth

Nickel: Canada is the world's leading producer and a dominant supplier to the US. However, increased competition from low cost producers such as Australia, Indonesia and the Philippines has dramatically reduced its market share in Japan. Competition from the US, Australia and South Africa has similarly reduced Canada's market share in Europe.

Aluminum: Increased EC production from bauxite and alumina imported from developing countries and Australia has substantially reduced Canada's market share in Europe. In the Japanese market, competition from new energy-rich producers such as New Zealand, Bahrain, Venezuela and Australia has been associated with equally disturbing declines. In the US market Ghana, Norway and Surinam have eroded Canada's position.

Major export markets for minerals

European Community

The substantial decline in Canada's market share since the early 1960s is likely to continue in the face of strong competition, particularly from South Africa and Australia, from the further development of tied arrangements with Associated countries. Slow EC overall growth will also limit export prospects.

United States

The US is at the same time a major competitor (being the largest producer of copper and a major producer of zinc, lead, iron ore and aluminum) and our largest export market (accounting for 60 percent of mineral exports). Slower growth, erosion of comparative advantage in traditional manufacturing sectors and significant declines in market share in the face of strong overseas competition all question Canada's future performance. Over the period 1962-79, for example, Canada's share of US imports of the nine key minerals declined from 37 percent to 27 percent.

Japan/Asia

While having the best overall growth prospects, the region is also likely to develop through the further exploitation of intra-regional sources of supply. Within the region, for example, Australia in particular is emerging as a key supplier, partly displacing Canada in many mineral lines. Also countries such as the Philippines, Indonesia, Thailand and Malaysia have many of the same metallic minerals endowments as Canada. From outside the region Brazil has achieved significant increases in market share. Additionally, multiple sourcing strategies adopted by Japan to spread supply risks and depress contract prices limit Canada's scope for profitable market expansion. Similar sourcing practices are being employed by South Korea and Taiwan, and to a lesser extent by China, Hong Kong and Singapore.

Forest products

Forest products generate more income and jobs than any other sector of the Canadian economy. Canada has been a major force in the international forest products market because of readily accessible high quality resources. Poor forest management and a lack of reforestation measures have failed to renew the resource. Consequently, these are now dwindling, thereby exploding the myth of a potentially inexhaustible high grade timber supply. In future reliance will have to be placed increasingly on physically inaccessible forest stands which entail higher costs. In areas already logged over, regeneration will require higher-cost forest practices and significant improvements in process technology. Both of these developments imply adaptation in harvesting techniques and product mix. Meanwhile, fast-growing pine species have been widely planted in the US South, Latin America and New Zealand. Systematic harvesting and homogeneous product poses a cost-price challenge to Canadian forest products in their traditional markets.

Positive growth

Pulp: Cost comparisons with the US are unfavorable, though Canada does have a quality advantage. Moreover, new technology allowing production of pulp from shorter fibre Southern pine is likely to intensify competition. Canada has shifted to thermo-mechanical processes allowing more efficient raw material use to recover a competitive edge.

Stable

Cut Lumber: Over the past ten years exports of softwood lumber have increased. However, supply constraints cloud the longer run picture. While the allowable cut of softwood is used every year, only 50 percent of the hardwood quota is utilized, thus offering scope for some product substitution. Demand, however, remains heavily dependent on the cyclically sensitive housing market.

Newsprint: This is Canada's major forest product. Increasing tariff and non-tariff barriers have contributed to a decline in world market share. The EC, for

example, has cut the quota for total imports to an amount equal to Canada's usual level of trade while allowing free access to Scandinavian producers. Future prospects are likely to depend upon the establishment of an appropriate market niche. US sales are threatened in the long run by video technology.

Negative growth

Paper: Canada is weak in the international market for high quality paper products because of our high costs and trade barriers by others. Competition is likely to intensify as new producers come on stream and traditional suppliers move to higher value-added products. In developing countries a variety of new technologies permit paper to be produced from local agricultural by-products.

Logs: Alternative low cost sources are likely to displace Canada's already limited market. Demand from Japan in particular has virtually disappeared. This is not a trade that Canada would wish to encourage due to the low value-added involved.

Resources aren't enough

Major export markets for forest products

European Community

Increased competition from Scandinavia as well as mounting trade restrictions will limit increasing Canadian access to this important market for anything other than low value-added forest products.

United States

As in other resources, Canada's forest products trade is heavily dependent on the US market. Increased competition from domestic suppliers based in part on the development of new resources in the South are likely to limit our market prospects. Continued trade friction over the role of stumpage rates increases commercial uncertainty in the lumber trade. Changing technology poses a long-term threat.

Japan/Asia

Canada is an important supplier of pulp, paper and lumber to Japan. Growing competition from Australia, New Zealand, Finland and Brazil could nevertheless prejudice our market prospects in the rapidly growing Asian market. The supply of tropical woods from certain intra-regional suppliers, e.g. Indonesia's Kalimantan province, is also growing.

Agriculture

Canada's recent gains in agricultural exports owe much to the mismanagement of centrally-planned economies, to American geopolitical use of trade embargoes, and to vagaries of weather affecting harvests in South America, the US, Australia and the Soviet Russia. This constellation of events cannot be counted on to maintain itself over the long haul. A critical look at Canadian food market developments, quickly reveals over-reliance on fickle markets in the USSR and China. Meanwhile, growth in more traditional markets such as Britain and other EC customers, Japan and the developing world has been weak, especially for wheat, meats and dairy items. Over-supply has led the EC to use its Common Agricultural Policy (CAP) as a defensive mechanism against import growth and as an offensive weapon to spur grain, dairy and meat exports. This is unlikely to change in the near term. Japan, Korea and Taiwan continue to protect struggling livestock sectors with trade barriers, but do require larger feedgrain shipments. Other Asian markets are reaching self-sufficiency in cereals, beginning to export rice, and moving to import large volumes of feedgrains and oilseeds. South America is largely self-sufficient in livestock products, and has considerable grain and oilseed capability.

Positive growth

Feedgrains: Canada is an efficient producer of barley, oats, rye and associated products such as malt. Demand for these products in the USSR will remain strong providing they cling to collective farming. Modernization and greater entrepreneurial freedom in China is likely to reduce gradually their import requirements. Elsewhere in Asia, from Japan to Thailand, there is a trend toward livestock production which will require ever-increasing volumes of imported feedgrains. Similar trends are underway in the subcontinent of Asia. Canada's major competitor is the US, whose export maize will be used to open up livestock industries in the Orient.

Oils and fats: Demand for oils and fats is highly income elastic. Requirements for cooking, seasoning, mayonnaise and salad oils are burgeoning in East Asia, India and Pakistan. Industrial use of linseed and other non-edible oils is growing, but at a lower pace than edible. Rapeseed, flax, mustardseed and soybeans are Canada's principal oilseed crops supplemented by animal fats (tallow). Export growth appears principally constrained by supply capabilities, competition from palm oil, and some leftover tariff and non-tariff problems in Asia. The EC is threaten-

ing to impose quotas on imports, but this strikes at US soybeans more directly than at Canadian. Oilseed meal is a useful animal feedstuff.

Stable to weak growth

Foodgrains: Canadian Red Spring Wheat #1 is the world's top quality hard winter wheat, much in demand for baking. However, substitutes are appearing and bakery technology is allowing flour mixes that reduce hard wheat inputs. Competition in soft wheat and lower grade hard wheat from the US, Australia, and occasionally Argentina, is intensifying. Canadian wheat sales to traditional major markets such as the UK and Japan are holding steady or easing slightly. Recent crop shortfalls in the USSR and China cannot be counted on forever. Changes in the Crow Rate will probably reduce Canadian wheat production and competitiveness. Most Asian developing countries are now self-sufficient in rice and many are beginning to export worldwide, thereby offering competition to wheat. Requirements for wheat food aid are down markedly in Asia and holding up strongly only in Africa.

Negative growth

Meats: Canada is a high-cost producer of beef and lamb. Pork production is of good quality at world prices, with major markets in the US and Japan. EC-CAP policies subsidize pork exports to Asian markets, effectively throttling potential market expansion. Australia and New Zealand have abundant range-fed low cost beef and better quality lamb, imports of which are already restrained in US and Canada. There is little prospect that changing Crow rail rates will reduce Canada's meat production costs,

although it may regionally restructure the industry.

Dairy Products: Dairy products are mainly produced in Canada at artificial prices maintained by dairy marketing boards. Over-production of milk leads to milk powder dumping and use as food aid. Canada cannot compete in a free dairy market with New Zealand, Australia or the US midwest. The EC highly subsidizes milk production, as does Japan and many neighboring Asian countries.

Major export markets for agriculture

European Community

The EC market is highly constrained by the CAP (Common Agricultural Policy) variable levy system. The CAP lets in only modest quantities of foodgrains and feedgrains to traditional buyers. It has shut off much of Canada's food trade with the UK and the Associated countries. There is no hope for meat or dairy trade expansion, but in fact a continuing threat of the dumping of surpluses by the EC in third markets.

United States

The US is the world's largest agricultural producer, and requires only specialized items from Canada. These have some potential for growth in particular product niches, but overall potential is modest. Low-cost meat and dairy items are under quota and mainly captured by imports from Australia and New Zealand.

Japan/Asia

Canada is strong in top quality foodgrains and feedstuffs. However our success could collapse if the US forces Japan to import more meat. This would setback our animal feed exports. Oils and fats markets are attractive and growing. It is evident from changes in Asian dietary patterns, that there is a high income elasticity of demand for oils and fats. A large proportion of household and industrial requirements for cooking oil, vegetable oil and mayonnaise could be met by Canadian rapeseed. Most Asian developing countries are launching livestock industries which will require feedstuffs. Food aid needs are falling.

Fisheries products

Canada is the world's premier exporter of fisheries products by value. This is principally as a result of two factors, first, enclosure of the fisheries commons since the 1976 declarations of 200-mile economic zones (MEZ); and second, contiguity to the US market. Canada has relatively abundant fisheries resources, but since the 200-MEZ it has taken some time to develop a rational fisheries management policy. Up to 1981, the prospect of access to a new resource caused over-capitalization of fleets on both coasts (especially Pacific), over-expansion of fishing effort, and a consequent depredation of much of the highest value resources, e.g., Pacific herring and salmon, Atlantic scallops, lobster and cod. Total allowable catches did not allow maximum sustainable yields. The common property resource was typically over-exploited leading to critical problems with fishing industries on both coasts and the inevitable government bail-out and industrial restructuring. Requirements to maintain the livelihoods of artisanal fishermen and native peoples on both coasts distort efficiency. Thus, Canada uses technology ranging from primitive to state-of-the-art in capture fishing, with a tendency to favor labor-using methods. Consequently, by world standards Canada's unit labor costs in fishing are above average and we are a high cost supplier of uneven quality product. Only low value-added (cod block) exports to the US currently show clear Canadian comparative advantage. In processed fishery products, Canada lags in technology, product development and international marketing. Efforts to move the industry up-market have been frustrated by poor quality and high cost supply conditions and difficulties of obtaining and sustaining market access in the EC and Japan.

Positive growth

Shellfish: Supply constraints circumscribe growth of this sector of the fisheries industry. Relatively high real prices have led to over-harvesting of lobsters and scallops. However, other shellfish can be found in abundance in more northern waters off Canada's At-

lantic coast. Relative to Nordic producers, Canada is still a high-cost producer, but is favored by easy access to the rapidly growing US shellfish market. Competition from Asia in the form of canned shellfish will increase and Canada will eventually be forced to concentrate only on fresh and frozen products.

Resources aren't enough

Weak Growth

Groundfish: These are the mainstays of the East Coast fishery. Species include cod, haddock, pollock, halibut, flatfish, ocean perch and turbot. Cod accounts for approximately 50 percent of Canadian groundfish. Better quality cod is now overpriced in US markets. At the low end of the market, hake from South America is very competitive in the manufacturing grades. Canadians have had few successes signing up fast-food chains or expanding high quality fresh groundfish sales outside the Northeast and Midwest states. Sales of salt cod to traditional Caribbean and South American markets are falling due to high cost/high export prices. Exports to Japan are negligible and to EC circumscribed by trade barriers. Sales to the developing world are modest, and mainly in the form of canned fish food aid.

Pelagics: Species include salmon, herring mackerel, alewife and capelin, which, although often found in both coastal fisheries, are exported principally from the Pacific. Of major significance are salmon and food herring, but both suffered from over-fishing and indifferent resource management up to the early 1980s. Consequently, supplies have been erratic and

quality unpredictable. Prices and sales have varied accordingly. For both salmon and herring, the US Alaska fishery offers stiff and increasing price competition, with improving quality. Canadian salmon sales to the EC have not increased in volume for some years, leaving Japanese demand to drive the market. However, Japan is now enjoying a rebirth of its domestic salmon fishery, through careful husbandry. Herring sales are mainly to the US and the EC. EC purchases have reflected a Common Fisheries Policy ban on herring fishing, gradually relaxing as their stocks rebuild. Herring roe has been a boom and bust business with Japan, and is not expected to regain former heights.

Negative growth

Freshwater: A combination of water-borne pollution and acid rain continues to degrade Canada's freshwater fisheries. Even though smelt are produced from Lake Erie and exported to the US and Japan, this is a modest trade. Whitefish, walleye, trout and other freshwater fish are produced in minor volume and cannot support a major domestic or international marketing effort.

Major export markets for fisheries

European Community

The EC's Common Fisheries Policy (CFP) sets limits on national production and imports. Canada has exchanged 200-MEZ access agreements for apparent fisheries concessions in the EC markets, but these turned out to be low valued. The problem of getting wide and sustained market access for Canadian groundfish still persists, and given EC problems with its own CFP, these are unlikely to be favorably resolved, especially with Spain and Portugal seeking to enter the Community.

United States

The US is Canada's biggest market, but high costs have made fish uncompetitive with hamburger and chicken in the past five years. This cross-elasticity of substitution has shut down growth in both household and fast-food chain demand for processed fish items. Canada has failed to capture the quality fisheries market; it sells low value large volume with a low income elasticity of demand. It is much more difficult to sell high value processed fish to the US, given the industry structure and marketing patterns.

Japan/Asia-Pacific

This is the fastest growing market (especially since end of distant water fishing by Japan, Korea and Taiwan) but it demands consistent quality and special preparations. It is very difficult for Canada to supply high value-added fish items at acceptable prices.

Gloomy conclusion

If this analysis is correct, the years of prosperity for the resource based provinces are numbered. Their ability to extract resource rents will shrink, as will their tax base. The economic, political and social consequences of such developments are enormous. But these are not merely problems for governments. In the private sector both management and trade unions, who have come to expect large

shares of the resource rent pie, will find themselves tussling over a rapidly shrinking portion. As the global pace of demand for resources begins to slacken and the array of new sources and substitutes expands, so the profitability of Canada's resource sector will diminish. Recent events in British Columbia and Newfoundland are but a foretaste of the challenges facing Canadian federalism and the Canadian economy as it is reshaped to meet the needs of the twenty-first century.

The events of December 1983 and January 1984

international canada

Bilateral Relations

| | |
|--------------------------------|---|
| USA | 2 |
| Other countries alphabetically | 6 |

Multilateral Relations

| | |
|---------------------------|----|
| European Communities | 14 |
| European Management Forum | 15 |
| NATO | 15 |
| Stockholm Conference | 16 |
| UNESCO | 17 |

Policy

| | |
|----------------------------------|----|
| Defence | 18 |
| Disarmament | 19 |
| Education | 19 |
| Foreign | 20 |
| Foreign Investment Review Agency | 22 |
| Immigration | 23 |
| Trade | 24 |

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Bilateral Relations

USA

Canadian Bank Caught Between US/Cayman Islands Law

Last fall, Canada's Bank of Nova Scotia found itself caught between two sets of laws in a case involving its branch in the Cayman Islands. A US grand jury investigating the international drug trade had subpoenaed Scotiabank to produce records of specific accounts in the Cayman Islands branch, an act which, if completed, would have been in contradiction to the secrecy laws operating in the Cayman Islands. The bank appealed a US court order which had found Scotiabank in contempt for non-compliance, holding that they (the bank) "should not be coerced by US courts to break the law of a third country," according to a *Globe and Mail* report. The Canadian position (both bank and government) also held that the US courts might have used alternative methods of acquiring the information without resorting to the subpoena and fine. However, the US brief in the appeal case stated that the US court was not required to do so (seek alternatives) and that the subpoena was enforceable. The US brief also stated that US investigations into tax and drug law violations take precedence over secrecy laws in foreign countries, that the Scotiabank was cognizant of the possibility of governments having legal inconsistencies in international banking, and that the Scotiabank failed to make "a good faith effort" to comply with the subpoena (*Globe and Mail*, December 9). The Cayman Islands' government later removed (for this individual case) the restrictions covering the requested documents.

The *Globe and Mail* reported December 30 that the US appeals court had remanded Scotiabank's appeal, referring it back to the Florida District Court while retaining jurisdiction. This would allow the bank to request a hearing whereby it might present additional evidence in support of its attempts to comply with the subpoena. Other parties with interests in the case — the Cayman Islands, Britain, Canada, and the Canadian Bankers Association — would

also be allowed to file petitions (having previously only filed briefs with the appeals court), the report went on to say.

The information ultimately provided by the Scotiabank of the Grand Cayman account records was subsequently used by the US Justice Department in charging twelve people with narcotics offences and with having organized a continuing criminal conspiracy. Mr. Robert Twist of Florida was indicted after a two-and-a-half year grand jury investigation. He was accused also of tax evasion and the laundering of illicit funds both through businesses in Florida and the Bahamas, and secret Scotiabank accounts (*Globe and Mail*, January 11).

The Canadian government, in its support of Scotiabank's appeal of the \$25,000-per-day penalty imposed for non-compliance with the US subpoena, regarded the use of financial records by US prosecutors to trace drug-trafficking dollars as a "prime example of extra-territorial enforcement of US law," according to a *Financial Post* article. The Canadian government had advocated diplomatic procedures in such foreign investigations, having made representations to the US government for bilateral cooperation. The *Financial Post* report mentioned the possibility of a "new criminal assistance treaty with the US," indicating the Canadian view of the value of diplomatic negotiation in international law enforcement. While the US Justice Department had asked that drug prosecutors obtain government clearance before demanding foreign evidence, the trail left by the drug industry in international account records (and especially currency transaction reports) has led to numerous narcotics indictments. Enforcement officers believe that drug organizations take advantage of the same Bahamian bank secrecy statutes that are used by legitimate accounts in order to launder illegal profits. For this reason, investigators and prosecutors are focussing on money (cash surplus) rather than the actual drugs themselves in their search for evidence of narcotics infractions. The report went on to mention the "transnational nature of the allegations" of the case

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and the role of the US grand jury which, because of secrecy legislation, might not always be able to take advantage effectively of existing channels for US-foreign government cooperation. The existence of a secret US/Cayman Islands agreement for assistance in US narcotics investigations (which was not used by the prosecutors when dealing with the Scotiabank accounts) was one aspect of the case which the appeals court felt had been unnecessarily kept from the lower court — use of such an agreement might have obviated the need for fining the Scotiabank for non-compliance with the US subpoena (*Financial Post*, January 13).

CIA Mind-altering Experiments in Canada

The MK-ULTRA mind-control experiments conducted during the late 1950s and early 1960s at the Allan Memorial Institute in Montreal (affiliated with McGill University) and financed by the US Central Intelligence Agency, received a second wave of news coverage during January as nine Canadian victims of the program launched a nine million dollar lawsuit against the US government. An edition of "The Fifth Estate," a CBC current affairs program broadcast January 17, gave the subject national coverage and focused on the disruption of the emotional and physical lives of the unsuspecting men and women used in the secret experimentation.

Tests, conducted at Allan Memorial under the supervision of its director, Dr. Ewen Cameron, involved the administering of hallucinogens (LSD) and a form of brainwashing called "psychic driving" — the continual playing of tapes composed of repeated questions and statements. The CIA channelled financing for the program to the Institute through a New York Association, the Society for the Investigation of Human Ecology, with a view to researching brainwashing techniques. (The CIA was apparently spurred to act by the reported success of the North Korean use of such techniques.) Patients involved in the program assert that they were never notified of participating in experiments and were, in fact, later charged for their "treatment" upon their release from the institution.

One of the victims, Velma Orlikow, wife of MP David Orlikow (NDP, Winnipeg North), having successfully sued the Allan Memorial in 1981, has now joined the eight others in their case against the US government. The group's lawyer, Joseph Raugh of Washington, DC, said during the "Fifth Estate" interview that representations had been made on behalf of his clients to the Canadian government to gain access to records of an apology alleged to have been made by the US government to Canada for having conducted the covert experiments in Canada without the knowledge of the Government of Canada. Responding to a Canadian request for the American view of a proposed release of the apology and related documents, the US State Department asked that "the Canadian Government withhold from public disclosure the documents in question." The Canadian government decided to grant the request (*Globe and Mail*, January 17). However, the litigants see this apology and any accompanying documents as essential to their case. The CIA, in declassified documents, had itself later called the mind-control experiments "inhuman and immoral" and had ordered that all MK-ULTRA files be

destroyed — an additional problem for the collection of evidence.

The Canadian government, having refrained since 1977 (the date of Mr. Orlikow's first request for government assistance) from intervening in the legal question of responsibility for the experiments, indicated in January 1984 that it would apply diplomatic and legal pressure on the US government for expedition in the case (*The Citizen*, January 17). Canada has communicated its intention to press for a quick settlement, mentioning the possibility of direct legal action through the International Court in The Hague and the filing of a supportive brief in the existing lawsuit, according to a *Citizen* report. The Canadian government has expressed its dissatisfaction with a US expression of "deep regret" for having violated Canadian sovereignty. External Affairs Minister Allan MacEachen was said to be in favor of either a settlement through direct compensatory payments to the victims or an end to US government stalling before the existing lawsuit against the CIA and the US attorney general. Mr. Raugh has repeatedly expressed his belief that the release of the documents and correspondence he has requested (both resting in Canadian and American government possession) would resolve the question of legal responsibility (*The Citizen*, January 17).

Mr. Orlikow said in an interview January 18 that Department of External Affairs officials had offered assistance in the form of providing "any documents" that would help his wife's case (*Globe and Mail*, January 19). In the Commons January 24, Mr. MacEachen responded to a question from Mr. Orlikow by saying that representations had been made to the US State Department, including consultations by Canadian ambassador Allan Gotlieb in August 1983. Mr. MacEachen added that the initial objective should be a "bilateral settlement" with the US, failing which resort might be made to the International Court if it was decided that the CIA activity was a violation of International Law. He also mentioned that "certain documents that would be helpful . . . are not available for a number of reasons" (*Hansard*, January 24, *Globe and Mail*, January 25).

Documents obtained under the Access to Information Act purportedly show that the Canadian government was aware of and financially supported the mind experiments at the Allan Memorial under Dr. Cameron, according to the *Globe and Mail* of February 9. It was reported that funds were supplied to the Institute for use in pure experimentation that would not prove of benefit in the treatment of psychiatric patients undergoing care. Dr. Cameron reported to the government on his use of the grants in the area of memory loss and mind control.

Ocean Ranger

A US Coast Guard investigation into the sinking of the oil drilling rig *Ocean Ranger* off the coast of Newfoundland in February 1982 submitted a report of its findings in December. The chain of events which resulted in the deaths of all eighty-four crewmen was determined to have been a combination of leakage through a broken porthole, the short-circuiting of the controls regulating stability of the rig, "poor human response . . . [and a] lack of competent intervention," the *Globe and Mail* reported December 22. ODECO International, owner of the rig, was fined for oper-

ating with an expired inspection certificate, but the Coast Guard inquiry decided that no law had been broken that would have contributed to the accident. The report indicated that better safety gear and adherence to proper safety procedures might have alleviated the disaster. Recommendations included the installation of metal covers on portholes for heavy weather, redesigned pontoon pumping systems and better crew training.

Settlements averaging \$440,000 were ratified out of court for twenty-eight Canadian *Ocean Ranger* victims (with families), and were sanctioned by the Newfoundland Supreme Court on December 28. The determined costs were shared by Mobil Oil and the Ocean Drilling and Exploration Co., and involved agreements that suits against the companies would be dropped in recognition of the settlement. Payments were established on the basis of several factors, including age, the number of dependents and income. Interest to be accrued through the investment of settlements before January 1, 1984, would remain tax-free, it was reported. (Tax changes to be made at that date would alter their status.) Sources also reported that the rig's owner would proceed with a suit against the *Ocean Ranger's* Japanese builder, Mitsubishi Heavy Industries Ltd. (*The Citizen*, December 29).

Acid Rain

Results of a poll conducted by a US public opinion analyst, Louis Harris and Associates Inc., revealed that a majority of the Americans polled felt that the problem of acid rain required strong controls and decisive measures. In a *Globe and Mail* report, it was stated that a majority felt that costs for clearing pollution should be borne by those contributing to the problem, while a smaller majority indicated their readiness to contribute additional taxes to be channelled into efforts at pollution control. Figures revealed that a majority also felt that US industries and the government were not doing enough to enforce standards to combat pollution. The results were in sharp contrast to earlier statements made by Environment Protection Agency (EPA) head William Ruckelshaus that the acid rain issue is extremely divisive and did not hold a majority support for strong and immediate action. Canada has, for several years, been pressing the US for an acid rain control agreement, but the US administration has refused and said that additional research is necessary to determine what action is required — and how urgently — in response to the accumulating scientific evidence (*Globe and Mail*, December 14).

Presidential candidate Walter Mondale (Democrat), speaking at a New Hampshire conference on acid rain January 8 said that he would support tough pollution standards as well as a treaty with Canada designed to reduce sulphur dioxide pollution by 50 percent. Criticizing the Reagan administration's continued reluctance to act, Mr. Mondale said that he would work toward the successful conclusion of negotiations, should he be elected. His claims were echoed by other Democratic hopefuls, including Senator John Glenn and Jesse Jackson. New England states are rapidly becoming conscious of the threat posed by increasing acid rain, something the Canadian federal and provincial governments have recognized as a dangerous problem for several years.

Canada's Environment Minister Charles Caccia, also speaking at the conference, was reported as saying that acidity threatens the forestry, fishing and tourism industries of Canada and expressed Canadian frustration at US delays in carrying forward a "1980 diplomatic understanding to significantly reduce industrial sulphur dioxide emissions." The report noted that the presentation of a control program by the EPA had been postponed by the US administration (*The Citizen, Globe and Mail*, January 9). No representatives of the US administration attended the conference, US officials having said that it would be "inappropriate to send anyone from the Administration until there is a policy to announce." Editorials suggested that, especially in an election year, the Reagan administration should establish a policy that it could announce — one that would make good President Reagan's 1983 declaration to meet the acid rain problem "head-on" (*Globe and Mail*, January 10).

A symposium on acid rain organized by a group of Canadian and US Church representatives ended January 13 with the release of a statement supporting pollution control policies and bilateral Canada/US governmental cooperation in reducing sulphur dioxide and nitrogen oxide emissions. Sponsored by the United Church of Canada and the US National Council of Churches, the symposium stressed the need for a joint endeavor to confront environmental issues. Spokesmen considered a concerted effort to combat acid rain pollution and preserve the environment as an "ethical responsibility," reports said. Consultations during the three-day meeting focused on emission sources, political implications, methods of combatting the problem and the "theological ramifications of environmental degradation." The final statement was a call for an attitudinal change on the part of Canadian and American citizens — a more active participation in efforts at environmental control (*Globe and Mail*, December 27, *The Citizen*, January 14).

Reports in mid-January that the Reagan administration was considering additional research on acid rain before committing itself to action in a control program were confirmed January 24 when US officials announced that a presidential request for increased research funding of about \$55 million was imminent. Research would include investigation into causes and effects, and methods for controlling acid rain, as well as monitoring and neutralizing programs. No mention was made of any plan for either major emission reductions or a joint control program, which had been Canada's objective (*The Citizen*, January 25).

Canadian reaction to the American proposal for continued research was strong, and reflected Canada's regret that a joint control program did not form a part of President Reagan's plans. Ronald Irwin (Lib., Sault Ste. Marie) was quoted as saying that President Reagan was "perpetrating a fraud" by concentrating on further research when the acid rain problem required immediate action to curb emissions. Mr. Irwin noted that even EPA head William Ruckelshaus' August 1983 proposal for financing and modest curbs was rejected by the US Administration — a further indication of the US government's determination to avoid reducing emissions, he said. Reports stated that heavy opposition to the introduction of curbs came from

the US Midwest — location of most major sulphur dioxide-emitting coal-fired industrial and utility plants — and might be a prime consideration in the Administration's reluctance to act in an election year. Mr. Ruckleshaus, whose EPA received a fraction of its requested funding for research, was quoted January 26 as saying that the President was not "persuaded at this point [that] we know enough to implement a major sulphur dioxide emission program" (*The Citizen*, January 26). In the Commons January 27, Stan Darling (PC, Parry Sound-Muskoka) called President Reagan's proposal "foot dragging," saying it was a "token attempt, and . . . only outlined because the Democratic presidential candidates have taken a strong stand" (*Hansard*, January 27).

The official Canadian response to President Reagan's position on trans-border pollution was one of "deep disappointment," and was expressed in a statement issued by the Department of External Affairs. Regret was expressed that Canada's continuing and intense lobbying effort on behalf of the negotiation of a joint control program had not been more effective in altering the US stand. Environment Minister Charles Caccia called the decision a "serious setback to Canada," but indicated that efforts would continue to secure an agreement between the US and Canada. Mr. Caccia said that Canada considered the already accumulated scientific evidence sufficient to warrant action to control emissions. He mentioned the possibility of a meeting with representatives of Western European countries in order to formulate a combined "determination to put into place programs aimed at a reduction of acid rain." The 1980 memorandum of intent between Canada and the US was believed by most environment-conscious Canadians, said Mr. Caccia, to be a "bridge leading to a treaty" and this latest US delay in reaching such an agreement on strengthening controls was seen as a check on forward progress (*Globe and Mail*, January 27). Answering a question by Mr. Darling in the Commons, Mr. Caccia said that Canada's distress was reinforced by that of many concerned Americans. He pointed out that "there are millions of Americans who are affected by acid rain and who are very distressed by the announcement made . . . by their President" (*Hansard*, January 27).

Alcan and State Taxation

Negative US rulings against appeals launched by the Aluminum Company of Canada (Alcan) challenging the controversial "unitary" method of state taxation, have not deterred Alcan and other multinational corporation officials from attempting to lobby for reassessment. The tax is applied by many US states against the earnings of multinationals, whereby corporate tax is based on the international income of parent companies rather than solely on the earnings of state subsidiaries. The Canadian government has made appeals to the Reagan administration to intercede with states collecting the tax, and has encouraged the lobbying of such state governments by Canadian multinational companies (*Financial Post*, January 13).

Two appeals were lodged by Alcan, one in the United States Supreme Court and the other in a regional appeals court in Chicago. The Supreme Court declined to hear the appeal, and according to the *Financial Post*, this was the

third time in recent months that such an appeal by an international company against California's unitary method has been declined. Alcan, following unsuccessful protests by other multinationals (in Britain, West Germany and Japan), directly challenged the California tax legislation by appealing as a parent company rather than as a subsidiary, arguing that its revenues (not itself having US premises) were beyond the state's reach.

The Chicago ruling, on the other hand, while denying the appeal on grounds of timing (terming it "premature"), did acknowledge Alcan's right to appeal an Oregon levy of the unitary tax method. Since this determining of the legal position to appeal was one of the fundamental issues involved in the Supreme Court case, Alcan lawyers have indicated that they will now re-submit that appeal, in their attempt to demonstrate that the unitary tax has damaged its interests (*The Citizen*, January 10, *Financial Post*, January 13).

Steel Trade

The ongoing Canada/US dispute over the specialty steel trade received another twist in January, when the Canadian government raised duties (covering roughly \$15 million) on selected US steel imports. The present action is in retaliation against a similar US move last July, when the US government imposed increased tariffs and quotas on imported specialty steel products. (The US increases had been designed as protective measures against European imports, but included Canadian products as well.) While successfully arranging a quota agreement, the Canadian government was unable to secure an exemption from the tariff (*Globe and Mail*, January 5).

By an Order in Council, the government raised the Canadian tariff effective January 1, 1984, as a stimulant to the stalled negotiations between the two countries in which Canada is seeking "adequate compensation" for losses sustained through the original US action. The raised tariffs will remain in effect (on a diminishing basis) for the next four years, or until the US provides such compensation (which might take the form of easier access to the US market for other Canadian products). Department of External Affairs spokesman John Noble said that the US government recognizes the principle of compensation, and the Canadian action was to act as an indication of Ottawa's concern over a settlement in the steel issue (*Globe and Mail*, January 5).

The US move toward restricting steel importations was described by External Affairs Minister Allan MacEachen in a Conference Board of Canada address as "another illustration of the protectionist trend" and said that the US must remain "very conscious about its access to the Canadian market" when it legislates to counter imports.

The *Financial Post*, in an article dealing with the threat to Canadian exports posed by the growing US protectionist trend, listed several factors leading to the US policy of invoking restrictive measures:

The US protectionist drive is propelled by an overvalued U.S. dollar, a soaring trade deficit . . . several hard-hit "smokestack" industries which are finding it difficult to compete both at home and

abroad, and a "free trade" government in Washington which seems increasingly susceptible to protectionist pressure.

Fred Bergsten, director of Washington's Institute for International Economics, told the *Post* that regardless of "its free trade rhetoric, the Reagan administration has allowed more restrictive measures in the past two years than any administration since the 1930s" (*Financial Post*, February 11).

Further requests for lower imports were made by Bethlehem Steel and the United Steelworkers of America on January 24 (which will require US International Trade Commission recommendations to President Reagan for a decision). Bethlehem holds that imports have seriously injured the domestic industry and seeks a 15 percent import quota. Despite assurances that Canadian steel producers would be protected from the move, the Canadian government plans to make representations, said Mr. MacEachen. While aimed at Third World steel producers, the proposed US action would cover Canadian products automatically (*Globe and Mail*, January 26).

Canadian reaction from the steel industry was negative, with Steelworkers Union (Ontario) representative Dave Patterson calling the action "a real slap in the face." Mr. Patterson, despite US claims that a healthier US steel industry would ultimately benefit that in Canada, felt it probable that Canadian jobs would be lost in order to protect those in the US. And Dofasco Inc. has indicated that it plans on making "strong representations" in opposition to the action (*Globe and Mail*, January 26).

Dofasco Inc. will be joined by Stelco Inc. and Algoma Steel Corp. Ltd., along with smaller firms, in a unified objection to the requested quota imposition. They will make their representations to the US International Trade Commission before it makes its recommendations to the Reagan administration. Although it opposes the Bethlehem petition, the Canadian government will only be able to protest officially should the US Commission decide in favor of the quotas (*The Citizen*, January 27).

Copper Quotas

Canadian copper producers expressed concern over the filing of a petition by eleven US copper producers with the US International Trade Commission. The US producers are seeking increased restrictions on the importation of copper (primarily from Chile and an IMF-supported Third World industry), which would take the form of quotas on refined and blister copper for a period of five years, the *Globe and Mail* reported. They cite as the reason for their petition both low prices and strong import competition.

Like the Bethlehem Steel Corp. petition to the Trade Commission, the US copper producers are filing under Section 201 of the US Trade Act which would cover all imports — including Canadian copper exports. For this reason, Canadian copper producers are (in a move similar to that of their steel-producing counterparts) making representations to be granted exemptions from US restrictions that may be imposed should the Trade Commission rule in the petitioners' favor. The Canadian industry seeks such exemption by claiming that their exports to the US, having

stabilized in recent years, did not upset US consumption patterns, the article continued.

A similar 1978 petition by US copper producers received the recommendation of the Trade Commission but was not acted upon by then-President Carter. The timing of the present US copper petition would coincide closely with the US presidential elections as it reaches the Reagan administration for a final decision, and observers speculate that such a protectionist move (like the steel issue) could be turned to political advantage in areas suffering from heavy importation (*Globe and Mail*, January 27).

Ross Dam Project

Speaking before a joint session of the Washington state legislature January 26, Canadian ambassador to the US Allan Gottlieb called upon the US to pay more attention to Canada when considering policy decisions and their ramifications. While mentioning areas for cooperative action such as trade issues and acid rain, Mr. Gottlieb concentrated on the positive outcome of Canada/US negotiations with regard to the Ross Dam project (*The Citizen*, January 27).

British Columbia had expressed concern about a plan proposed by Washington's Seattle City Light to raise the Ross Dam on the Skagit River, which would result in the flooding of a British Columbia valley. Through negotiation, a treaty between Washington state and the province was successfully developed in which British Columbia would export and sell compensating power to Seattle in return for the latter's agreement to suspend the dam-raising plan. Just prior to Mr. Gottlieb's address, the treaty bill received state senate approval, and was then to be sent for congressional ratification.

Mr. Gottlieb cited the state/province Ross Dam agreement as indicative of the achievements possible through cooperative efforts. Common problems facing the two countries might be alleviated in future through such dialogue and communication. The ambassador concluded,

The essential thing for both of us is to think a little more about our relationship and what we mean to each other, to mix together a little more and to provide opportunities to talk to each other a little more (*The Citizen*, January 27).

AUSTRALIA

Edward Schreyer to be High Commissioner

Prime Minister Pierre Trudeau announced January 13 that Governor General Schreyer had been named as Canada's High Commissioner to Australia. With Mr. Schreyer's term as Governor General expiring, former Commons Speaker Jeanne Sauv  would be replacing him. News reports announcing the appointment mentioned Mr. Schreyer's readiness to open Rideau Hall to a wider social range of Canadians in his attempts to create a more populist image for the office of Governor General. However, a *Globe and Mail* article recalled the criticism drawn from both Liberal and Conservative parties when Mr. Schreyer

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tried to "act independently of the traditional restrictions" placed on the office — once during the Constitutional crisis and once following then-Prime Minister Joe Clark's request for a dissolution of Parliament. It was suggested that the appointment to Australia (a Commonwealth member but not a vital trading partner of Canada) would provide Mr. Schreyer with a respite from the tradition-bound post in Ottawa (*The Citizen*, January 13, *Globe and Mail*, January 14).

In a January interview for *The Citizen*, Mr. Schreyer answered rumors of dissatisfaction with his term at Rideau Hall, saying that his intention upon assuming the office of Governor General had been to speak out on national unity and energy issues. However, he had found that personal views were interpreted as policy statements of a political nature. For this reason, he found himself "pulling back" on such issues and concentrating on the pursuit of a democratization of the office as well as areas of special interest (*The Citizen*, February 1).

CHINA

Visit of Zhao Ziyang

Preceding Premier Zhao's seven-day visit to Canada in January, China's official news agency Xinhua welcomed the trip as marking a new, brighter stage in Sino-Canadian relations, the *Globe and Mail* reported. Noting that Canada and China share common concerns for the promotion of world peace, the agency had expressed a Chinese appreciation of Prime Minister Pierre Trudeau's peace initiative. (Mr. Trudeau had visited China in late November to promote his proposals for nuclear disarmament and an international dialogue.) Despite this mild support, the Chinese have not shown any firm intention of following, in the near future, Mr. Trudeau's suggestion of a summit meeting of the five world nuclear powers (*Globe and Mail*, January 13).

Trade issues tended to predominate in most talks during the visit. While Canada maintains a trade surplus with China (exporting about \$1.5 billion worth of goods and importing about \$250 million), most Canadian exports are not manufactured products, but rather sales of wheat, wood pulp and mineral resources. With China's present development program geared for rapid industrialization, Canada sees expanding trade and investment opportunities and hopes to increase its share of the manufactured goods and technology entering China. One problem facing Canada in any attempt to widen its entry into the Chinese market, trade officials say, is the fierce competition engendered by having to deal with a country such as China with large foreign reserves and a strong bargaining position (since 1981). Gaining a competitive edge is one of Canada's trade goals, and the Canadian government has extended both aid programs and a two billion dollar line of credit (1979) to the Bank of China (most of which remains untouched). One sensitive area in Canada/China bilateral trade relations remains quota restraints placed on the Canadian importation of textiles and clothing (China's principal exports). Canada has, in the past, in order to protect the domestic textile industry, resisted Chinese lobbying to

have these restrictions removed. At the same time, China is presently engaged in expanding its investment role in Canada, looking primarily to the mining and pulp and paper sectors (*Globe and Mail*, January 16).

Against this background of trade issues and disarmament proposals, Premier Zhao arrived in Ottawa January 16 to begin his Canadian tour, travelling from Ottawa, to Montreal, Toronto, Niagara Falls and Vancouver. Having just completed a cross-country US visit, during which he stated that China would "not engage in nuclear proliferation" (a safeguard necessary for the US selling of nuclear technology), Premier Zhao was received with full military honors by a delegation led by External Relations Minister Jean-Luc Pepin. Mr. Pepin made mention of Premier Zhao's reputation for economic reform in his official greeting amidst tight security arrangements at Ottawa's military airport (*Globe and Mail*, January 17).

On January 17, Premier Zhao met for private talks with Prime Minister Trudeau on Parliament Hill, and then proceeded to address a joint session of the Senate and House of Commons — the first Communist leader to speak before Parliament.

Mr. Trudeau introduced the Premier with an outline of the developing relations between Canada and China, including references to his personal fascination with the Far East. The Prime Minister mentioned the growing importance of Canada/Pacific relations in the formation of foreign and economic policies and specifically the "variety [and] depth" of Canada's relations with China. The early, formative stage in bilateral issues involved, the Prime Minister said, the successful implementation of programs for family reunification, and cultural, sporting and academic exchanges. This was the foundation upon which Canada and China must build, and Canada might offer increasing contributions to the modernization of China — especially in the areas of high technology and resource development. The Prime Minister also developed his peace initiative theme and called for a fundamental world attitudinal change, noting China's "responsibilities of leadership in the task of reducing the threat of nuclear war." Stressing that global peace is an ongoing process that must be "continuously constructed, nurtured and maintained," Mr. Trudeau called on China to join with other nations to "demonstrate our [common] stake in their [the superpowers'] deliberations" (*Hansard*, January 17).

Premier Zhao's address to Parliament focused on China's foreign policy, and emphasized his nation's strong will for continued independence. He outlined China's policy of national independence, which includes the following points:

- to develop relations with all countries on the basis of the Five Principles of Peaceful Co-existence;
- to strengthen solidarity with the other Third World countries and friendship with the people of all countries; and
- to oppose hegemonism and safeguard world peace.

China initiated the theory of Five Principles during the 1950s and continues to support it as a workable policy. It involves, according to Premier Zhao, "mutual respect for

territorial integrity and sovereignty, mutual non-aggression, non-interference in each others' internal affairs, equality and mutual benefit and peaceful co-existence." These are the norms guiding China's international relations, said the Premier.

Canada/China relations were cited as an illustration of the ability of "countries with different social systems [to] . . . live together in amity and co-operation," with Sino-Canadian contacts and economic involvement developing steadily. Such relations are the objective of China's long-term policy, said Zhao.

However, several problem areas were mentioned in the address. The issue of Taiwan was raised, with Premier Zhao underlining the official US recognition that the "Government of the People's Republic of China is the sole legal Government of China and that Taiwan is a part of China." As the issue of Taiwan is considered by China to be an internal affair, intervention or infringement of Chinese sovereignty would not be tolerated. Premier Zhao saw the US and China as approaching an understanding on this fundamental issue.

While China seeks a normalization of bilateral relations with both the US and the Soviet Union, several Soviet activities have stalled progress with the latter. For a successful normalization, said Zhao, the Soviet Union must:

- stop supporting Vietnam in its aggression against Kampuchea;
- withdraw its troops from Afghanistan; and
- withdraw its forces from the Sino-Soviet border and Mongolia.

The future of Hong Kong after 1997 was also discussed, with Premier Zhao attempting to allay Western fears by saying that China had faith in the ongoing process of Sino-British negotiations over the resumption of Chinese sovereignty. Hong Kong would become a special administrative region of China. Premier Zhao elaborated:

The current social and economic systems and lifestyle will remain unchanged; Hong Kong will maintain its financial independence and its status as a free port and international financial centre; Hong Kong will maintain and develop its economic and cultural relations with foreign countries; [and] the interests of the residents and foreign investors . . . will be fully protected.

As a developing socialist country itself, China will support Third World nations in their efforts to safeguard national independence and develop their national economics. China favors the establishment of a "new international economic order through global negotiations."

Premier Zhao touched on Prime Minister Trudeau's peace initiative, commending the effort as a necessary call for the world's nations to "safeguard world peace, relax international tension and promote nuclear disarmament." China supports an increased international dialogue that might lead the nations closer to joint nuclear disarmament and an increased respect for the "principles of peaceful co-existence."

The address concluded with a reiteration of China's long-term policy of opening China to the outside world (for both trade and the transfer of technology) and the country's

fundamental opposition to world hegemonism (*Hansard*, January 17).

The theme of hegemony was repeated by Premier Zhao a few days later in Vancouver, when he said that in his view "the root cause of international tension is the attempt of the superpowers to seek superiority over the other in their global rivalry" (*The Citizen*, January 23). The Premier spoke again of Mr. Trudeau's peace initiative, saying that China "will hold continued close consultations with the Canadian Government in search of specific ways to realize these objectives." This reference to a continuing dialogue between China and Canada appeared to be a warmer endorsement of the effort than earlier expressions of circumspect support (*Globe and Mail*, January 18). This stronger support was acknowledged toward the end of the Premier's stay when in Vancouver he said, "I support his efforts to this end [the relaxation of world tension] and will continue to exchange views with him on this question through various channels" (*Globe and Mail*, January 24).

Having met in Ottawa with Energy Minister Jean Chrétien, Agriculture Minister Eugene Whelan, and Communications Minister Francis Fox in addition to the Prime Minister, Premier Zhao held a press conference January 18. Responding to questioning, the Premier said that China was willing to "import the technologies we need," including culture, education and art, but would not willingly allow those influences which it considered harmful to Chinese independence to gain entry. China was not anti-Western, he affirmed, merely selective. Speaking of issues related to human rights, Premier Zhao said that "theoretical and ideological questions" were open to discussion and that there was no intellectual persecution of freely expressed views. Said Premier Zhao, "the kind of thing like the Cultural Revolution is gone forever" (*Globe and Mail*, January 19).

While in Canada, Premier Zhao and his high-level delegation entered bilateral trade talks with Canadian representatives with several major capital projects under consideration, ranging from telecommunications and the hydro sector to petroleum and petrochemicals. The *Financial Post* reported that Export Development Corp. (EDC), Canadian International Development Agency (CIDA) and Canadian Commercial Corp. (CCC), along with industry-oriented federal departments, were working toward a "co-ordinated approach" to the Chinese market — a newly-opening market of great economic possibility for Canadian manufacturing and service industries. EDC will be sending a mission to Peking in the spring of 1984 to continue consultations on new, more flexible financing plan arrangements.

A Canada/China foreign investment insurance guarantee agreement was signed during the Premier's visit (insuring Canadian investment losses resulting from "expropriation, war, revolution and the inability to repatriate profits"), as well as a twenty million dollar contract for Canada's Spar Aerospace to supply twenty-six earth satellite stations and "related telecommunications technology." The Spar contract was characterized by Communications Minister Francis Fox as having "unlimited prospects," since China's modernization plans and general policy of expansion would require additional technology and equipment in future years which Canadian industry might sup-

ply. Said Mr. Fox, "if you can satisfy the requirements . . . [and] deliver a good product . . . chances are you're going to get subsequent orders" (*The Citizen*, January 20). This policy of opening China to the outside world encouraged the Canadian export community, the *Post* report said, and further contracts between Canadian companies and China were being actively pursued (*Financial Post*, January 28).

CUBA

Ministerial Visit to Cuba

On January 3, Fisheries and Oceans Minister Pierre De Bané began an official visit of several days with Jorge Fernandez Cuervo, his Cuban counterpart. Talks would centre on the maintenance of the presently productive fisheries relations between the two countries. Mr. De Bané mentioned the continuing importance of Cuba as a Latin American trade partner for Canada (*Globe and Mail*, January 4).

EAST GERMANY

Return of Canadian Defector

Ralph Bernard Cross, a Canadian soldier with the rank of private who defected to East Germany in May 1955, returned to Canada in late December and faced a charge of desertion. Canadian Forces spokesman Lieut. Kevin Carle said that Mr. Cross had crossed to East Germany in 1955 from his battalion at Fort McLeod in Hemer, West Germany, and had been granted political asylum by Communist authorities. An East German news agency reported at that time that the soldier had been accepted by the East because he believed that "he and his comrades were to be misused for a new world war." Twenty-nine years later, Mr. Cross was expelled and instructed to return to the West, where he was discovered by Canadian authorities in a transit camp for Eastern European refugees. Flown by military aircraft from the Canadian base at Lahr, West Germany, Mr. Cross arrived in Canada December 23 for a court martial (*Globe and Mail*, January 16).

Pleading guilty January 17 before a disciplinary court martial (maximum sentence of which is two years less a day), Mr. Cross said he considered his defection the "biggest mistake" of his life. Citing domestic problems as his reason for crossing to East Germany, Mr. Cross stated that he took no papers with him, provided no information to the East German, and carried out no propaganda, according to a *Globe and Mail* report. Mr. Cross spent thirteen months preceding his expulsion in prison in East Germany, after being convicted of espionage for having been found in too close a proximity to a missile base, the report went on. Lt.-Col. Tony McCormack, president of the court, imposed the maximum two-year sentence for the charge (in addition to time spent in custody), saying that although there were mitigating circumstances, the offense was a serious albeit

a rare one — a fine or reprimand, as Mr. Cross's defence had requested, would not have been sufficient. Mr. Cross will serve his sentence at Canadian Forces Base Edmonton (*Globe and Mail*, January 16 and 18).

GUATEMALA

Plight of Mayan Indians

Guatemalan Mayan Indians were the subject of a joint call sponsored by numerous Canadian native groups to put a stop to the alleged genocidal war waged by Guatemalan military regimes. In a statement issued January 3, the groups asked for protests and contributions for refugee relief in a continuing campaign to publicize human rights violations against aboriginal peoples. The situation in Guatemala was described as an ongoing "selective assassination" of the majority Mayan Indian population, through killings, harassment and expulsions (*Globe and Mail*, January 4).

GUINEA BISSAU

Boarding of Petrocan Drillship

An offshore border dispute between Guinea Bissau and Senegal led to the boarding in January by Guinea Bissau troops of a Petrocan drillship manned by Canadians. The drilling site, one hundred kilometres off the southwest coast of Senegal, had been selected by that country and assurances had been given to Petro-Canada International Assistance Corp. that no problems would arise because of the existing offshore dispute. Following an aerial reconnaissance of the drillship in early January, Guinea Bissau soldiers from two gunboats boarded the ship January 9 and indicated that because of the disputed nature of the waters the Petrocan exploration program for Senegal would have to be discontinued and leave the area (*Globe and Mail*, January 21).

A Department of External Affairs source emphasized Petrocan's neutrality in the dispute, saying that should agreement between the two countries be reached soon, exploration work might continue. (Petrocan, under the Canadian International Development Agency [CIDA], assists developing countries in this program to locate new reserves of crude oil and natural gas.) Officials of Guinea Bissau said that the boarding was in response to a 1977 agreement between the two disputants halting exploratory work in the area.

The situation of the Petrocan drillship (and Petrocan international assistance in general) was criticized in the House of Commons January 25 by Howard Crosby (PC, Halifax West). He questioned the decision to proceed with exploration in disputed sea territory, saying that to trust the assurances of Senegal showed either naive inexperience or reckless ambition on the part of Petrocan (*Hansard*,

January 25). Jean Chrétien, Minister of Energy, Mines and Resources, had earlier defended in the Commons the basic assistance objectives (oil self-sufficiency for the poorer countries) of Petrocan International when questioned by Jean-Robert Gauthier (Lib., Ottawa-Vanier). He said at that time that he considered "intolerable" the attitude of those who considered Petrocan exploration for oil resources within the territorial waters of poor countries as "wasting money" (*Hansard*, December 20).

HONG KONG

Marketing Initiative

Canadexpo 84, to be held in Hong Kong in May, will be an Ottawa-sponsored trade show designed to increase the Canadian sale of goods and services, with a list of seventy-five participant companies already committed. Canadian cultural activities, including the exhibition of experimental photography, the display of Canadian cuisine, and performances by Les Grands Ballets Canadiens, will be coordinated to coincide with the Trade show.

With Canadian exports to Hong Kong down 15 percent in 1983 and imports up 20 percent, Canada currently runs a four-to-one trade deficit. Marketing initiatives such as Canadexpo 84 are an attempt to generate in Hong Kong a greater awareness of Canadian product quality as well as to stimulate in Canadian producers an increased interest in the potential of Pacific Rim markets. Both Canadian trade officials stationed in Hong Kong and the federal government are working to this end, according to the Canadian Business Association of Hong Kong (*Financial Post*, January 14).

In the Commons January 16, Prime Minister Pierre Trudeau, in response to a suggestion by Ian Waddell (NDP, Vancouver-Kingsway) of a mediation role for Canada in assisting the China/Britain negotiations, reaffirmed the government's intention to help ensure "that what happens in Hong Kong is conducive to successful economic trading with Hong Kong by Canadians," but discounted the possibility of a direct mediatory role (*Hansard*, January 16).

ITALY

Visit of Premier Lévesque

Quebec Premier René Lévesque's December visit to Italy ended in harsh criticism from the Canadian press, disconcerted by the Premier's handling of his interview with Italy's President Sandro Pertini. Mr. Lévesque's behavior during his official call at the Quirinale (and later with the press) was described as "embarrassing" both to the Canadian government and to his Italian hosts. Having proffered an invitation for the President to attend the 1984 Quebec celebrations of the 450th anniversary of Jacques Cartier's arrival in New France, Mr. Lévesque proceeded to say that

a visit to Ottawa would be unnecessary. Receiving a tentative acceptance to attend, Mr. Lévesque told reporters in Rome that President Pertini would visit Quebec but not Ottawa (*The Citizen*, December 17).

Since Italian policy has consistently steered clear of any confrontation between Quebec and the federal government, Rome (through its Ottawa ambassador) quickly issued a statement that called Mr. Lévesque's interpretation of the interview a "distortion" of President Pertini's thoughts. Canadian ambassador to Italy Ghirlain Hardy subsequently received from the Quirinale an official rejection of Mr. Lévesque's invitation (*Globe and Mail*, December 19). In the Commons December 15, Jean-Guy Dubois (Lib., Lotbinière) made a statement expressing his "sorrow and surprise at the manner in which the Premier of the Province of Quebec is representing the Province abroad" and said that he considered Mr. Lévesque's behavior harmful to the interests of Quebec (*Hansard*, December 15).

JAPAN

Dome LNG Project

Dome Petroleum Ltd. of Calgary worked through January to salvage a project to ship liquified natural gas (LNG) from Western Canada to Japan. A *Globe and Mail* report said that numerous delays, resulting from Dome's financial problems and opposition from Canadian gas producers, had served both to frustrate Japanese interests that were involved and to set the project more than a year behind schedule. Dome's partners in Japan, including Chubu Electric Power Co. Inc., have threatened to withdraw from the LNG project should further delays occur. (Dome was to send to Japan — over a twenty-year period beginning in 1987 — a yearly supply of liquified natural gas amounting to roughly 2.9 million metric tons.) Critics of the Dome deal have cited several problems, ranging from the prohibitive expense involved to the fact that neither National Energy Board nor provincial approval has been received. Dome executives travelled to Tokyo in late January in an attempt to secure an extension of the general agreement expiry date (January 31) — their fourth extension. However, Japanese utilities officials of Chubu have expressed their desire for "firm assurances the project will clear all regulatory and financial hurdles," within a limited timeframe, the article continued. Dome spokesmen remained optimistic about the LNG project, but say that revenue generated by LNG sales would not be calculated as forming a part of their debt-repayment and refinancing plans (*Globe and Mail*, January 13).

Automotive Trade

The problem of quotas and the Canadian importation of Japanese automobiles continued to receive news coverage through this two-month period, as Canada moved closer to the expiry date (March) of its existing auto agreement with Japan. Eiji Toyoda, Chairman of Japan's Toyota Motor Corp., told a *Globe and Mail* interviewer in Vancouver (where his firm is constructing a plant to man-

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ufacture aluminum wheels) that Canadian auto-import quotas would stifle competitiveness within the domestic industry rather than help it. Mr. Toyoda advocated the stimulus created by free foreign competition in the auto industry, a situation created by the lowering of protective Canadian import barriers. The British Columbia aluminum wheel plant will combine "Japanese aluminum manufacturing technology and the Toyota production system" with "outstanding technology and methods from Canadian companies," the report said. It will be the first-ever effort at joint Canadian/Japanese industrial cooperation (*Globe and Mail*, December 29).

Industry Minister Ed Lumley visited Japan in mid-January with a proposal for an auto agreement to be presented to government and industry officials. Before leaving Canada, Mr. Lumley said in a Government of Canada press release (January 6) that Canada was "actively seeking our fair share of Japanese investment and sourcing in Canada." He also mentioned the necessity of upgrading the technological capability and the international competitiveness of the Canadian auto industry. Speaking in the Commons December 20, Mr. Lumley outlined the major objectives in any Canada/Japan auto negotiations. He mentioned:

- more Japanese investment in assembly operations and parts facilities here in Canada;
- more procurement of parts from domestic manufacturers; and
- joint ventures between Canadian and Japanese businessmen.

The government proposal taken to Japan seeks increased Japanese investment and sourcing as well as the establishment of operations in Canada (an expansion of the British Columbia Toyota plant endeavor). Mr. Lumley said that he would stress "Canada's positive investment climate and efficient workforce," in his efforts to secure a Japanese commitment to increased participation in the Canadian auto industry (*The Citizen*, January 7).

The Japanese auto industry (represented by Nissan Motors and the Japan Automobile Manufacturers Association) greeted Mr. Lumley with a proposal of its own, a plan for a four million dollar investment fund, the Capital Investment Corp.. The proposed joint venture investment corporation would be composed of both automakers (75 percent) and parts manufacturers (25 percent) and would inject new investment into the Canadian auto industry in an effort to "head off protectionism." It would operate primarily as a liaison office, providing technical assistance to Canadian companies and offering counselling and information to potential Japanese investors (*The Citizen*, January 10, 14 and 21).

Mr. Lumley said that the corporation would be a "welcome initiative," but would require "concrete projects" before benefits might accrue to Canada. Reaction to the Japanese proposal on the part of Canadian automotive manufacturers was less sanguine. James Dykes, president of the Motor Vehicle Manufacturers Association, called the fund "peanuts" in comparison with figures involved in Canadian auto industry investment (*Globe and Mail*, January 11).

Mr. Lumley, after meetings with representatives from several other Japanese auto companies, was optimistic that the initial \$4 million investment fund offer might be successfully parleyed into an additional \$200 million in further investment proposals. He said he had been encouraged by a "substantial change in response" on the part of Japanese industry, who have, in the past, been cautious in investing in the Canadian auto sector (*Globe and Mail*, January 14). Mr. Lumley had previously made a request to Japan's Minister of International Trade and Industry Hikosaburo Okonogi that the Japanese auto industry "give equal consideration to Canada when deciding on investment in North America" (*The Citizen*, January 14).

Following Mr. Lumley's return to Canada, Kiyohisa Mikanagi, Japan's ambassador to Canada, cautioned against undue optimism that would anticipate a surge of Japanese auto sector investment. In an Ottawa interview for *The Citizen*, Ambassador Mikanagi questioned the basis of Mr. Lumley's \$200 million figure, saying that Japan must analyze existing US investments (in a market ten times larger than Canada's) before committing itself anew in Canada. Mr. Mikanagi said that Mr. Lumley's promise of free access to the US market (of the products of Japanese investment in Canada) under the Canada/US auto pact, would have to be coupled with additional incentives such as grants, interest-free loans and tax breaks, before Japan would be able to consider heavy investment. The article quoted Mr. Mikanagi as saying that Japanese policy was "not just concerned with short-sighted political effects" — referring to threatened Canadian local content legislation (*The Citizen*, January 21).

Mr. Lumley responded with "surprise" to Ambassador Mikanagi's statements, and reaffirmed his belief in the imminence of Japanese investment. However, he said that there still existed the possibility that Canada would be required to legislate local content restrictions should no investments be forthcoming (*The Citizen*, January 31).

The impending (March 31) expiry of the present Canada/Japan agreement raised questions in the Commons about its renewal and possible alteration. Derek Blackburn (NDP, Brant) asked International Trade Minister Gerald Regan whether Canada would be able to secure an adequate quota or source agreement, and was told that quota negotiation "would certainly be influenced by decisions that they [the Japanese] make on investment in the Canadian market and the utilization of Canadian parts." Mr. Regan said that Canadian workers had already benefited from the fact that Canada had obtained a fixed number rather than a market percentage quota (*Hansard*, January 23).

NICARAGUA

Call for Observer Report

MP Dan Heap (NDP, Spadina), returning from a 10-day visit to Nicaragua and Costa Rica, called for the New Democratic Party to send an observer to Nicaragua to gain "first-hand information on the internal situation" through

direct communication. Mr. Heap criticized the government's policy of serving Nicaragua solely through a Canadian embassy in Costa Rica, saying that additional independent NDP representation was necessary and that Canada should take advantage of Commander Carlos Nunez's offer to observe unhindered all preparations for and voting in the coming 1985 Nicaraguan elections. (Nunez is president of Nicaragua's Council of State.) Mr. Heap said that although counter-revolutionary forces fighting the Sandinista government would not be included in the electoral process, Nicaraguan leaders had expressed faith in the possibility of a negotiated settlement (*Globe and Mail*, January 20).

NIGERIA

Military Coup

The government of Shehu Shagari, elected a short time ago in Nigeria's first civilian-controlled elections in twenty years, was overthrown on December 31 by a group of senior officers who replaced it with a military council led by Maj.-Gen. Muhammed Buhari. Justification for the coup, deemed questionable by most news reports and commentaries, was explained by spokesmen for the new regime as a desire to halt the previous government's corruption and mishandling of the Nigerian economy. Doubt was expressed in the Canadian press that the military would prove any more able to correct Nigeria's economic problems than had Shagari, who had, in fact, recently introduced austerity measures in a new budget designed to appeal to the international financial community. The general consensus expressed concern that such a reversal as the coup raised grave doubt about the survivability of "meaningful democracy" in African states with long histories of military government (*The Citizen*, January 4).

Maj.-Gen. Buhari expressed his intention to "abide by all standing international agreements [and avoid] harsh measures and bloodshed," but his regime would necessarily have to legitimate itself in the eyes of the international community by adhering to its proclaimed policy of combating Nigeria's "unprecedented . . . corruption" (*The Citizen*, January 4, various newspaper reports, January 2-6).

POLAND

NATO Sanctions

External Affairs Minister Allan MacEachen was reported January 26 as saying that Canada and NATO were reviewing sanctions imposed on Poland as a response to its policy of martial law. The rescheduling of Poland's debt and the possibility of extending a new line of credit were also under discussion according to Mr. MacEachen. (Poland had responded to Western sanctions by suspending debt payments.) With Poland's repeal of martial law, it was

possible that NATO might now remove the sanction burden and Canada would stand to recover its outstanding government loans (*The Citizen*, January 26).

Gerald Regan, Minister of State for International Trade, had said in the Commons in December that Canada would endeavor to supply Polish needs, particularly in the area of foodstuffs. Responding to a question by Stan Hovdebo (NDP, Prince Albert), Mr. Regan had said that although he was amenable to a review of the situation, any rescheduling of Poland's debt would have to be undertaken on a "multilateral . . . responsible basis" (*Hansard*, December 15).

ROMANIA

Candu Sale Confusion

Canada's two billion dollar sale of Candu nuclear reactors to Romania, a deal concluded a few years ago, seems mired in confusion that had been avoided in contracts where Atomic Energy of Canada Ltd. (AECL) acted as the contractor issuing sub-contracts to Canadian companies, said a *Globe and Mail* report January 4. Romania was acting as its own contractor, merely buying from AECL its nuclear technology. Italian and US companies would be supplying turbo-generators for non-nuclear use, and Romania would (despite some Canadian criticism of a lack of technical skill) itself be supplying some components.

Romania had demanded that counter-trade form the basis of supply contracts, with Canadian firms being required to trade Candu components for Romanian goods. This raised the prospect of these suppliers having to compete with each other to market Romanian products on the Canadian market, according to Donald Douglas of the Organization of CANDU Industries (OCI). OCI made a proposal whereby a Japanese trading firm would act as a broker to market the Romanian goods on an international scale, but this recommendation was rejected, Romania demanding direct 100 percent counter-trade agreements with Canadian suppliers.

Industry observers noted that Canadian supply firms were critical of the delays and red tape involved when dealing with Romanian bureaucracy in negotiating firm contract decisions. Several contracts originally awarded to Canadian companies had been cancelled by Romania when the Export Development Corporation suspended financing arrangements in 1982. A second round of contract awards continues while Canada and Romania attempt to resolve the counter-trade issues.

Two Canadian contractors successfully negotiated counter-trade supply agreements with Romania during January. Babcock and Wilcox Canada Ltd. (Ontario) secured a \$50 million contract for nuclear steam generators and heat exchangers, while Versatile Vickers Inc. (Quebec) was awarded a \$20 million contract on a calandria (tubing system). Scheduled for completion in 1986, both contracts involved undisclosed counter-trade commitments (*Globe and Mail*, January 4 and 25).

TAIWAN

Trade Mission

On January 6 a delegation of Canadian parliamentarians (both Liberal and Conservative) commenced on a week-long unofficial trade mission for talks with Taiwanese representatives. The mission, along with promotional plans on the part of the Canadian Chamber of Commerce, was an indication of an increased Canadian awareness of trade potential with the Nationalist Chinese. News reports noted the possibility that any strengthening of trade ties between Canada and Taiwan might prove an irritant to Canada's improving relations with the People's Republic of China. (When Canada recognized China in 1970, diplomatic contacts with Taiwan were severed.) At present, Canadian policy endorses trade but no direct Canadian government involvement. The problem arose of whether the present mission of parliamentarians might be construed as a stamp of official support. Gerald Regan, Minister of State for International Trade, in response to questioning in the Commons by Peter Elzinga (PC, Pembina) on December 19, had said at that time that contacts with Taiwan "must be on a non-governmental, unofficial basis." While not maintaining diplomatic relations with Taiwan, the "Government takes every reasonable step to facilitate the exchange of visits between businessmen" the Minister said (*Hansard*, December 19).

Canada's large trade deficit with Taiwan (\$400 million), coupled with market opportunities, has spurred the Canadian Chamber of Commerce to examine the possibility of establishing representation in Taiwan. Cost assessments were in preparation. Otto Jelinek (PC, Halton), a founder-member of the Canada-Taiwan Parliamentary Friendship Committee, has often advocated in the Commons increased involvement with Taiwan. He and his Committee saw the threat of possible mainland Chinese commercial retaliation as minimal in relation to the advantages to be gained from a marketing initiative in Taiwan — especially the expansion of exports in the high technology fields of energy and communication (*Globe and Mail*, January 6).

Member of the delegation Frank Oberle (PC, Prince George) was quoted by the *Globe and Mail* January 12 as saying that Canada should carefully widen trade and cultural contacts with Taiwan and that he doubted "any injury to our relations with the mainland would result." The Canadian government had been cautious in its official attitude toward Premier Sun Yun-hsuan's Taiwanese regime, particularly in the area of selling Candu nuclear reactors to Taiwan, being hesitant to strain the tolerance of mainland China with its lucrative and expanding market.

USSR

Soviet Jews

On December 8, James Peterson (Lib., Willowdale) made a statement to the Commons appealing to the Soviet Union to "alleviate the presently deteriorating condition" of Jews in the USSR. Mr. Peterson spoke against the harass-

ment of Jews seeking to emigrate, noting that the number of Jews who had left the Soviet Union in 1983 had been less than 3 percent of the 1979 figure. Some Jews, having expressed their desire and intention to leave, had been waiting as long as ten years for exits visas, Mr. Peterson said. Criticizing the "campaign of vilification" against the Soviet Jewish community, the MP called upon the Soviet Government to

permit those Jews who wish to emigrate their right to be reunified with their families, as prescribed in the Final Act of the Helsinki Accords, and to be repatriated to their historic homeland as guaranteed by the United Nations Declaration of Human Rights, and urge that the USSR cease its continued harassment of those denied exit visas, and curtail organized programs of anti-Semitism (*Hansard*, December 8).

A three-member parliamentary delegation returned from a Soviet visit in late January, and told of officially-sanctioned mistreatment of and discrimination against Jews who sought to emigrate. Mr. Peterson, Lynn McDonald (NDP, Broadview-Greenwood) and Frederick King (PC, Okanagan-Similkameen) spoke at an Ottawa news conference of "job demotions, internal passports identifying the carriers as Jews, anti-Semitic posters and restrictions on teaching Jewish history and customs," a report stated. During their stay in the Soviet Union, the MPs met with "refuseniks" (Jews seeking to emigrate) in Moscow and Leningrad, but were unable to meet with Soviet officials who declined (*Globe and Mail*, January 23).

Call for Chemical Weapons Ban

The Kremlin presented to representatives of NATO in Moscow January 10 a proposal for a European chemical weapons ban and a call for a meeting between Warsaw Pact and NATO envoys. The proposal said that the present aggravated international situation increased the danger of using chemical weapons, and Europe might be an initial theatre for banning such weapons and eliminating existing stockpiles. It also called for "certain parallel steps" to be undertaken in Europe to strengthen security, before an international ban might be considered. However, the proposal suggested that "complex technical questions" not be included in a ban accord, leaving open the question of verification.

Western reaction, according to a *Globe and Mail* report, was cautious and skeptical, and saw the proposal as timed to coincide with the commencement of the Stockholm Conference in a propaganda move. Western diplomats, the article continued, criticized the Soviet avoidance of the verification issue — the monitoring of any mutual ban or reductions. They compared this partial, regional ban unfavorably with an earlier, more comprehensive NATO call for a global chemical weapons ban (*Globe and Mail*, January 11).

Trade Imbalance

Senator Hazen Argue's recommendation last fall that Canada (especially its Western farmers) buy more Russian manufactured goods (cars and farm machinery) in

order to secure a continuation of Canada's large exports of grain to the USSR met with a cool Canadian response. Senator Argue, the minister responsible for the Canadian Wheat Board, had specifically mentioned Lada automobiles and Belkarus tractors and combines in his suggestion for developing a means to meet growing demands by the Soviet Union for increased Canadian market penetration. (The USSR is presently Western Canada's largest grain customer — 8.2 million tonnes in 1982-83.)

While Senator Argue's proposals were personal views and did not represent government policy, they met with strong criticism from the Progressive Conservative opposition. According to a *Citizen* report, Blaine Thacker (PC, Lethbridge-Foothills) told a Commons committee in November that the Senator was not "fit for public office" after outlining his suggestions (*The Citizen*, December 19).

However, despite a generally luke-warm (and sometimes hostile) Canadian response, Senator Argue was supported in the Commons December 16 by Bill Yurko (Ind., Edmonton East). Mr. Yurko issued a statement observing that Western Canada exports so much more to the USSR than it imports, that this "distorted balance of trade"

will surely be addressed by the Soviet Union "looking to close the vast exchange gap in trade" (*Hansard*, December 16).

Support also came from the US, with planning director James Frahm of the US Wheat Associates saying that the Argue initiative shows up to particular advantage beside the hard-line trade policy of the US. He stated that "restrictive moves . . . are more likely to irritate than resolve foreign policy issues," referring to suggested US restrictive measures following the KAL disaster last fall. Mr. Frahm saw the Argue policy as designed to make of Canada a "preferred supplier of agricultural products and other exports" (*The Citizen*, December 19).

In late January, Soviet vice-minister of trade Boris Gorduv said during a Canadian tour by Soviet agriculture and trade officials that Canada should not expect increased exports to the USSR without, in turn, accepting a greater importation of Soviet products. Announcing an additional purchase of Canadian grain (\$200 million), Mr. Gorduv said that in order "to carry out trade, we must not only be buyers, and likewise you must not only be sellers" (*Globe and Mail*, January 21).

Multilateral Relations

EUROPEAN COMMUNITIES

Long-Term Agreement

Canadian and EC officials reached a negotiated agreement in December on new arrangements designed to overcome administrative problems in implementing the Canada-EC Long-Term Fisheries Agreement (LTA) in force until 1987. The LTA allows EC fishing in Canadian waters (now with more accurately defined conversion factors) while reducing tariffs for Canadian fish products entering EC markets. For Canadian exporters, new arrangements involving tariff reductions will result in improved access to Community markets, particularly the United Kingdom (Canada's largest European cod market). Now at least 53 percent of the total Canadian reduced-tariff quota will be granted access to the UK. At the same time, Canadian products will no longer have to undergo further processing in the EC before entering the catering and retail markets and direct sales under the tariff quotas would be permitted. Gerald Regan, Minister of International Trade, advocated increased aggressiveness in marketing to consolidate sales benefits achieved through these changes to the LTA (Fisheries and Oceans, and European Community press releases, December 19 and 22).

Restricted Access for Canadian Newsprint

In January the ten-member European Community (EC) joined with seven European neighbors to remove remaining industrial tariff barriers and form an expanded free-trading zone. Unfortunately for Canada and its newsprint export industry, a series of restrictive trade measures forms a part of the new combination. Non-EC Scandinavian paper manufacturers, under the newly-formed tariff-free zone, will have acquired an unrestricted access to the Commons Market (both duty-free and unlimited in quantity) — something Canadian producers had previously enjoyed under earlier "duty-free and autonomous quota arrangements" which provided for yearly shipments of 700,000 metric tonnes (*Globe and Mail*, December 22). Canada had been lobbying for a new yearly quota (with incremental adjustment for market growth) whereby it might continue exporting at current levels, rather than be restricted by the proposed non-EC 500,000 tariff-free quota which would be a sharp reduction for Canada.

Canadian reaction was strong, with a protest note being delivered December 22 to the EC delegation in Ottawa from the Ministers for External Affairs and Interna-

tional Trade. Canada had indicated that it was prepared to carry its case to the General Agreement on Tariffs and Trade (GATT) in Geneva, should ongoing negotiations between Canada and the EC fail to result in a more favorable access to EC markets for Canadian newsprint. Canada holds that the proposed quotas contravene a 1974 agreement to whose terms the EC should adhere, and were therefore unacceptable. The protest note was accompanied by a public statement which called the EC decision with regard to Canadian newsprint "particularly regrettable," such "unilateral action" allowing no recourse but an appeal to GATT (*The Citizen*, January 5).

Nelson A. Riis (NDP, Kamloops-Shuswap) issued a statement in the Commons January 19, appealing to the government to "pursue vigorously" action against the EC because of its "blatant attempt to discriminate against the Canadian forest industry." Mr. Riis saw the quota changes made by the EC as having "violated those GATT provisions which specifically prohibit the reduction of export concessions" (*Hansard*, January 19).

EUROPEAN MANAGEMENT FORUM

Canada's International Rating

The European Management Forum (EMF) of Geneva released its annual study of international competitiveness January 9, and Canada's performance position was seen to have slipped from sixth to eleventh in the top twelve in industrial competitiveness. (A separate EMF business confidence study also showed a similar erosion of Canada's standing.) EMF spokesman and study director, Thom Rauschenbach, said in a *Globe and Mail* interview that several factors were responsible for Canada's slide, including "the recession, a lack of industrial efficiency and a poor record on innovation and research and development." Mr. Rauschenbach stated that through both statistical evaluation and the interview of businesspeople, the conclusion was reached that Canada had lost competitiveness and confidence. It was noted that this year's study placed less emphasis on resources (a Canadian strong point) and more on such areas as "economic dynamism, productivity, labor costs and profitability." The four leading nations — Japan, Switzerland, USA and West Germany — remained stationary in position. The results indicated that Canada had not been as "adept at adjusting to the pressures of recent years" as several smaller European nations, according to Mr. Rauschenbach. Mention was made of the fact that the study included much statistical material generated during the recession, before Canada experienced an economic recovery of "strong non-inflationary growth and impressive productivity gains" (*Globe and Mail*, January 9).

The *Financial Post* for January 13 outlined Canada's positioning according to the criteria used in ten "principal factors":

- dynamism of the economy (11);
- industrial efficacy (15);
- dynamics of the market (9);

- financial dynamism (6);
- human resources (4);
- impact of the state (11);
- natural resources endowment (4);
- outward orientation (14);
- innovative forward orientation (15); and
- socio-political consensus and stability (14).

An accompanying editorial pointed out the need for Canada to capitalize on the recent economic recovery, to "adjust more quickly to the realities of a convulsively competitive trading world." Canada needed an outward-looking industrial sector; a government less "meddlesome," and a more close and cooperative management/labor workforce, the article said (*Financial Post*, January 13).

NATO

Prime Minister's Remarks at Davos Symposium

During a question-and-answer session January 28 at the Davos Symposium on international security, Prime Minister Pierre Trudeau made several remarks which raised concerns by NATO allies that divisions within the alliance on defence priorities were being unnecessarily exposed. Mr. Trudeau had openly questioned whether the United States would carry through with a NATO nuclear first-strike policy against a Soviet conventional force invasion of Western Europe. According to a *Globe and Mail* report of February 1, the Prime Minister saw the "credibility of NATO's nuclear strategy for Europe [as resting] on whether the United States would really risk a third world war by using nuclear weapons to defend its European allies."

Mr. Trudeau had been speaking about the increase in nuclear weapon effectiveness and the retirement of weapons whose usefulness had ended. Obsolete weapons were being withdrawn from NATO defences, since by their very nature (i.e., land mine atomic weapons situated on NATO eastern frontiers) they deprived NATO of its option of a flexible response. Their withdrawal provided an alternative to early first use, which Mr. Trudeau saw as a "sensible and important decision" according to a *Citizen* transcript of Mr. Trudeau's remarks. The question of the correctness of NATO's overall strategy was raised in an exchange between the Prime Minister and Raymond Barre, a former Premier of France.

According to Mr. Trudeau the question that was being increasingly asked was:

Will the US president really order a use of an atomic weapon, even in Europe, if he knows it is going to result in World War III. I don't know the answer of the president, but I guess one can speculate as to whether he would want to start World War III through INF [intermediate nuclear force] anymore than he would through START weapons.

Mr. Barre responded that European neutralism and pacifism would be the result of any "incredibility in the solidarity of the alliance in all respects." While not advocating such a course, Mr. Trudeau pointed out that current

strategy did not necessarily lead us away from that course. Mr. Barre said that Europe's situation would indeed be unfortunate, should a credibility gap develop. Mr. Trudeau answered:

Mr. Trudeau: Do you think the president of the United States, in answer to an over-running of Europe by conventional Soviet forces, will want to start World War III, an atomic war? You have to believe that in order to not have a credibility gap.

Mr. Barre: I will never put the question because if I put the question, there is no longer credibility (*The Citizen*, January 31).

In the Commons January 30, Sinclair Stevens (PC, York-Peel) questioned Acting Prime Minister Jean-Luc Pepin as to whether the Prime Minister's Davos remarks were a "public expression [of] views held in NATO councils by the Canadian government and asked what steps were planned by the Government to "reassure the world publicly of our commitment to NATO and our allies." Mr. Stevens stated that Mr. Trudeau appeared to be "failing to recognize that, as a head of state, the Prime Minister is speaking for a country that is an ally within the NATO alliance. How can we expect our allies to trust Canada, and the Government of Canada as an ally, when the Prime Minister publicly questions NATO and NATO's deterrent position in NATO itself?" Mr. Pepin responded that the Davos symposium was a suitable forum for examining "the intricacies of even our NATO policies and was not an indication of a change in policy with regard to NATO." He also recalled a December 4 speech by Leader of the Opposition Brian Mulroney which called for a consideration of a no-first strike policy at the upcoming NATO ministers' meeting. Mr. Pepin, answering a query of Erik Nielsen (PC, Yukon) about the possible effects of the Davos remarks on the Prime Minister's peace initiative, added that he regarded such vital discussion as had occurred at the Davos symposium as part of the democratic reliance upon debate in resolving disagreements between nations. According to Mr. Pepin, the Prime Minister had "simply elevated to the public political level discussions that are taking place in public by a number of specialists and non specialists" (*Hansard*, January 30).

Answering criticism from the Conservative Opposition in the Commons for his expression of doubts about NATO strategy, Mr. Trudeau suggested that any denial of doubt would be hypocritical and felt, as had Mr. Pepin, that the Conservatives had expressed a similar need to question NATO's flexible response-first strike policy in the proposal issued last December (*Globe and Mail*, February 1).

In a statement released February 1, Mr. Mulroney responded that his proposal had been for Canada to raise the issue of a "no-first strike policy" at the December meeting of NATO ministers. The statement continued, "It is quite another matter however — in the course of a tour of Warsaw Pact countries — to call into question the determination of NATO allies to carry out existing policies of the alliance." Mr. Mulroney agreed with Mr. Barre in seeing Mr. Trudeau's Davos remarks as undermining the foundation of security in Europe (Office of the Leader of the Opposition news release, February 1).

The Prime Minister had countered Raymond Barre's criticism of his questioning of the credibility of NATO's first-

use strategy by saying that the "whole Gaullist theory of *force de frappe* [France's independent nuclear forces] was that we cannot be absolutely sure that the Americans will defend us," according to a *Citizen* report of February 1. However, a ripple from the issue showed up in Washington February 3, when Canadian ambassador to the US Allan Gotlieb was asked by the US State Department to provide some "clarification" of the Prime Minister's remarks about American commitment (*The Citizen*, February 4).

Receiving a degree of support in the Commons from Paul E. McRae (Lib., Thunder Bay-Atikokan), Mr. Trudeau repeated his theme of opening channels of East-West dialogue and stated that he felt "the importance of establishing contact with Warsaw Pact countries [to be] self evident" (*Hansard*, February 3).

STOCKHOLM CONFERENCE

Dialogue or Rhetoric?

While most predictions in the Canadian press about the achievements likely to emerge from the first session of the Stockholm Conference on Disarmament in Europe were roundly pessimistic, the invective traditional to most East-West discussion proved, for the most part, less virulent than had been anticipated. Most editorials noted that while the Conference was designed to develop, if possible, "confidence-building measures," it would likely have to undergo an initial process of clearing the air. The Conference was seen as forming a parallax to the Prime Minister's peace initiative — by establishing and nurturing international dialogue, we move in the direction of world security (*The Citizen*, January 10).

Canada's delegation to the conference — led by External Affairs Minister Allan MacEachen, and accompanied by Joe Clark (PC, Yellowhead) and Pauline Jewett (NDP, New Westminster-Coquitlam) as opposition members — joined with other signers of the 1975 Helsinki accords for talks. The conference was elevated to the level of foreign ministers after NATO determined to stress the importance it attached to the meeting by having political leaders attend who were involved in security negotiations. This was one of the considerations stressed by the Prime Minister in his peace effort (*Globe and Mail*, January 13).

NATO presented a six-point proposal to the Soviet bloc aimed at reducing the risk of an East-West confrontation in Europe by making military activities "more observable, more predictable and more subject to verification" and included measures for avoiding both miscalculation and surprise attack (*The Citizen*, January 16).

External Affairs Minister Allan MacEachen called the conference a "significant political event" in which an East-West dialogue, should it emerge, might facilitate the easing of international tension. However, his speech appealing to the member countries for a consensus on the "futility of acrimonious debate" and a denunciation of "inflamed . . . recriminations" unfortunately followed rather than preceded Soviet Foreign Minister Andrei Gromyko's tough attack on the United States (*Globe and Mail*, January 19).

Despite the harsh Soviet accusations, it was acknowledged that Mr. Gromyko's speech did not go so far as to deny the possibility of a continuation of Soviet-US negotiations. But Mr. MacEachen did point out that Soviet agreement proposals were primarily of a declamatory cast, whereas the alliance has consistently advocated the necessity of specific verifiable measures with minimal mutual trust (*Globe and Mail*, January 20). Mr. MacEachen, after meeting personally with Mr. Gromyko, stated that the Soviet Union remained unwilling to resume the Geneva intermediate-range and strategic nuclear arms talks (a lynchpin in Mr. Trudeau's peace initiative). The Mutual and Balanced Force Reduction (conventional force) talks in Vienna would be resumed this spring with Soviet participation, but they were considered to be of secondary importance in the issue of superpower arms control (*The Citizen*, January 20).

UNESCO

Canadian Reaction to US Pullout

The United Nations Educational, Scientific and Cultural Organization (UNESCO) was officially informed December 28 that the United States would be withdrawing from the agency effective January 1985, although the US would retain the right to rejoin at a future date should UNESCO make stipulated fundamental changes. (Agency rules require one year's notice be given for withdrawal by members.) The withdrawal by the US was in response to perceived trends in UNESCO which the US found objectionable — an increasingly anti-Western policy tilt, the propagation of a New World Information Order (with restrictions on press freedom), and poor economic management.

A *Globe and Mail* report noted that while most other Western nations (including Canada) had, like the US administration, been concerned about the growing radicalization and politicization of UNESCO, they were of the opinion that a reorientation of the agency might be more readily achieved by having all powerful Western nations remain within the UNESCO framework. Canada had joined with these nations in making several attempts to dissuade the US from fulfilling its intention to resign.

Despite these representations, the US remained adamant that under Director General Amadou-Mahtar M'Bow of Senegal UNESCO had acquired, through the manipulation of Third World developing nations (along with Soviet encouragement), a strong ideological tilt that had carried it away from its original mandate to promote world education, literacy and the transfer of ideas (*Globe and Mail*, December 29).

Canada and the Western nations expressed their concern that the US pullout (the US supplying 25 percent of UNESCO's budget) might jeopardize future activities of the agency. Canada officially notified the US of its concern, saying that it regretted the US decision. Internal modification of UNESCO policy excesses was described as possible, and Canada indicated that it had no intention of

withdrawing its support from UNESCO (*The Citizen*, December 30).

However, Canadian editorials remained critical of UNESCO's politicization, especially in its advocacy of the new information order — a sensitive issue with any free press. Many of the Third World countries of UNESCO (now a large majority) had expressed fears that their independence of development was being threatened by Western exploitation through cultural and economic dominance in the field of informatics (news and information processing). The concept of what had been denigratively termed "guided journalism" had been developed in recent years by groups operating within UNESCO, and was aimed at averting just such an exploitative use of information. The proposed rules or conduct code for guiding (through the state) the dissemination of news and reports, had been criticized in the Canadian press for their potential curtailment of the people's "right to know." Such resolutions would impose unacceptable restrictions on access to information, the Canadian press said, with Third World governments gaining a right to control information for their own ends (*The Citizen*, December 30 and 31). It had been this threat to traditional Western press freedom emanating from the coalition of developing nations within UNESCO, along with the issues of "collective" rights and the vaguely-defined new economic order, that was seen by Canada as responsible for US misgivings about the continued role of UNESCO.

Growing support for the US decision in the Canadian press was reflected in a *Globe and Mail* editorial of January 2, which said that while abandoning the UN would be "unthinkable," withdrawing from a UN agency could be legitimated. Agencies such as UNESCO were "set up to perform particular functions and when they fail to perform those functions, or subvert them to ideological extremism, they don't deserve the dollars they demand from unwilling partners," the article continued. Another national press article, considering director-General M'Bow's radical politicizing of UNESCO programs, described his "blatantly partisan stance" as having driven his agency's largest financial supporter to withdraw (*The Citizen*, January 13). An editorial in *The Citizen* January 14 called for the West to throw off its passivity when faced with such unwelcome changes in UN agencies. The "authoritarian majority [of UNESCO] have gone through the motions of moderating their language but not their intent in response to Western sensitivity" in their attempt to introduce the new order, the article went on. Canada should be in the vanguard supporting efforts to stem this shift toward coercion and intimidation of the international press.

Official comment from UNESCO appeared January 10 with a dismissal of criticism of mismanagement and politicization. No mention was made of requesting that the United States reconsider its decision, but Assistant Director General Henri Lopes called the reporting of presumed US complaints (not given in the notice of withdrawal) a "tissue of lies, often tendentious and sometimes slanderous." He stated that although the withdrawal would undermine the universality of the agency, UNESCO did not anticipate making any changes in its methods of operation (*The Citizen*, January 11).

Policy

DEFENCE

Canadian Troop Strength

Resolutions calling for increased troop strength — more manpower, and more efficient deployment of personnel — emerged from the 47th Conference of Defence Associations held in Ottawa January 12 to 14 and would be presented to Defence Minister Jean-Jacques Blais. War readiness seemed to be the main note of the conference, with requests that Canadian forces directed to the European theatre be increased to 90 percent of wartime strength (presently at 58 percent). The Conference said that 40,000 additional troops (out of a total 80,000) would be required to meet fully Canada's defence commitments. It was also suggested that defence spending be increased to 2.7 percent of GNP, more in line with other middle powers. (Our present figure is 1.9 percent of GNP.) An extension of the Youth Training and Employment Program — giving military training to unemployed youth — was seen as one method of lowering Canada's armed forces shortage of manpower. Mr. Blais, speaking to the Conference, said that the government would meet the NATO target of a 3 percent annual increase in defence spending, but this was followed by conference participants saying that what was urgently required was a new white paper on defence policy that would address changed global defence issues. Brig.-Gen. George Bell, president of the Canadian Institute of Strategic Studies, called for a tentative Canadian response to "the increased need for a Canadian naval presence in the Pacific, requirements for defence of territorial claims in the Arctic and the advent of space weaponry" (*The Citizen*, January 13 and 16).

Cruise Testing

Chief Justice Bora Laskin granted in late December that Operation Dismantle (an anti-missile coalition) be permitted an appeal to the Supreme Court to halt the federal government's plan to test the US Cruise missile in Canada. Five judges of the Federal Court of Appeal had earlier been unable to reach a consensus on whether the Charter limited the decisions of Cabinet, leaving the issue in some confusion. The appeal contended both that the Cabinet decision to permit the testing threatened the personal security of Canadians and that the Charter of Rights and Freedoms could be applied to such Cabinet decisions.

Operation Dismantle would have to prove that the Charter "limits the Cabinet's scope for unilateral executive action." Judge Laskin said the case, while politically charged, raised important legal issues which required clarification. The appeal, scheduled for February 14, while determining whether or not guarantees in the Charter of Rights on the liberty and security of the person were being infringed would also examine the degree to which judges might review political decisions.

Speaking at the Conference for Defence Associations, Defence Minister Jean-Jacques Blais minimized the direct dangers involved in Cruise testing, saying that the chances of an accident posed no more of a threat than "that posed by small planes and lightning strikes in the areas concerned" (*The Citizen*, January 13).

Justice Minister Mark MacGuigan said that the federal government need not necessarily wait for a resolution to the constitutional challenge to the testing before the Supreme Court before proceeding with the tests on schedule. While the first round of tests was set for early March of 1984, it was unlikely, despite Supreme Court agreement to expedite the case, that there would remain sufficient time to both hear the case and produce the type of written decision demanded by the breadth of the constitutional issues involved (*Globe and Mail*, January 17).

Findings released January 23 from a Gallup Poll show that Canadians were now almost evenly divided on the issue of whether Canada should permit the United States government to test Cruise missiles in Canadian territories. The poll also revealed that a much larger percentage (over 1982) were aware of the Cruise issue — 88 percent by the time of the December 1983 polling. Those with previous knowledge of the issue showed a steady yet marginal reversal toward a more favorable opinion of the testing, while those just learning of the Cruise controversy showed a clear negativity toward the agreement (*Globe and Mail*, January 23).

Doug Anguish (NDP, the Battlefords-Meadow Lake) presented in the Commons January 24 a petition with some 15,000 names (primarily from the province of Quebec) objecting to the Cruise testing over Canadian territory and requesting the withdrawal of Canada from involvement or participation in the arms race confrontation between East and West (*Hansard*, January 24).

DISARMAMENT

PC Arms Control Study

Progressive Conservative leader Brian Mulroney appointed Joe Clark to conduct a study for the Conservative party of arms control and disarmament. Not designed as competition for Prime Minister Trudeau's peace initiative, said party spokesmen, Mr. Clark's study would involve both domestic and foreign consultation with experts in all areas of arms control. Mr. Clark said he anticipated the "full cooperation" of public servants in accomplishing his task. Mr. Mulroney's belief that Canada should be at the forefront of the promotion of non-proliferation and no-first strike policy, seeing the crucial role arms control played "in the very survival of our society," prompted the study and the appointment.

By the end of December, Mr. Clark had met in London with Lord Carrington, secretary-general designate of NATO, and officials of the International Institute of Strategic Studies. He later travelled to the continent for talks with Canada's ambassador to the United Nations in Geneva, Alan Beesley (*The Citizen*, December 5, *Globe and Mail*, December 22).

NATO Endorsement

NATO issued a special declaration after ministerial meetings in early December, which was similar to the call for renewed East-West dialogue basic to Prime Minister Trudeau's peace initiative. It emphasized the NATO commitment, as a political alliance, to world peace. However, NATO stressed its continued adherence to the "two-track policy," whereby European deployment of US missiles to counter a Soviet buildup would be accompanied by arms reduction negotiations. Despite a Soviet decision to discontinue talks, NATO, while remaining firm would "maintain a readiness to dialogue," Minister for External Affairs Allan MacEachen said December 8 (*The Citizen*, December 9).

EDUCATION

Foreign University Faculty

A report entitled *Some Questions of Balance*, prepared by Commission on Canadian Studies members Thomas Symons and James E. Page for the Association of Universities and Colleges of Canada, recommended the development of a national strategy for higher education after noting the large percentage of foreign professors among Canadian university faculties. The commission found that 7.6 percent of faculty members (40 percent of full professorships) were foreign citizens, although Canadian universities were themselves producing a supply of qualified graduates that outstripped the demand offered by open teaching positions, according to a *Globe and Mail* report. Mr. Symons and Mr. Page suggested in their report that this present surplus of Canadian academics might be lost through employment in other fields if efforts were not made to secure them teaching positions in Canada. This would, foreseeably, result in another wave of imported uni-

versity staff to augment shortages such as the one criticized in an earlier analysis of post-secondary education in Canada released in 1976 by the Association.

The report regarded the appointment of foreign faculty as detrimental to the development of Canadian studies, and among their recommendations were the creation of both a search committee for Canadian professors and a Canadian centre for educational statistics. According to the authors,

The Canadian community cannot be well served if it is dominated by academics who base their teaching and research on assumptions, priorities and orthodoxies developed in an alien educational system.

Without advocating anti-foreign measures, the report called for Canadian academics to be given a fair chance to obtain appointments at Canadian universities, as well as a greater degree of reciprocity with US universities. Canada must continue to train qualified graduates in expectation of increased enrollment and retirement during the 1990s, the report continued (*Globe and Mail*, January 12).

Employment and Immigration Minister John Roberts said in an interview January 13 that he was in agreement with the views expressed in the report about the high percentage of non-Canadians. Noting that universities had a "formative influence" on the way students think about Canada, the minister said that they should be staffed predominantly by Canadians who would have a greater sympathetic understanding of the country's needs (*Globe and Mail*, January 13).

Speaking in the Commons January 17, Mr. Roberts, in answer to questioning by Jim Hawkes (PC, Calgary West), said that the high foreign percentage was more a problem of the past than of the present. Attempts at rectification had, in the main, been successful. He stated that "the problem . . . which exists today, is one which has been created by the past to a considerable extent. We have brought forward immigration criteria in an attempt to respond to this problem and are insisting that positions be well advertised in Canada before they are offered abroad (*Hansard*, January 17). Tom McMillan (PC, Hillsborough), in a statement in the Commons January 18, urged the minister to "examine the relevant regulations in light of the Symons-Page report," claiming that "something is seriously wrong when Canadians cannot get positions in their own universities for which they are eminently qualified" (*Hansard*, January 18).

Criticism of the report came from the Council of Ontario Universities, with president Alvin Lee saying that the statistics presented were distorted by having included landed immigrants as foreigners in the analysis. Mr. Lee claimed figures as high as 86 to 92 percent Canadian faculty for Ontario universities (using his appellation of "Canadian" for landed immigrants). Mr. Page told the *Globe and Mail* that he considered citizenship of importance, since the inclusion of landed immigrants would affect the relative competitiveness in faculty searches (*Globe and Mail*, January 18).

An editorial in the *Financial Post* also found fault with the report's recommendations, calling them an appeal for increased "protectionist employment regulations" that

would effectively proscribe foreign applications. Current restrictions allowed foreigners to be hired where no qualified Canadians were available. This presents universities with the difficulty of having to submit to the Ministry of Manpower and Immigration evidence of having conducted a proper search and with the inevitable problem of delay. As an "institution dedicated to the pursuit of excellence," universities should be free to hire the most qualified, the answer continued. To develop an international reputation, Canadian universities would have to hire the "best candidate," whatever his or her nationality. The piece concluded with a warning against "cultural protectionism," since "only the second-rate . . . has to be protected" (*Financial Post*, January 28).

FOREIGN

Throne Speech

The Throne Speech delivered in the Canadian Parliament on December 7, 1983, contained a section devoted to foreign affairs which was reproduced in the January/February 1984 issue of *International Perspectives*.

Prime Minister's Peace Initiative

Prime Minister Pierre Trudeau continued his world travels through December and January in order to promote his peace initiative, but foreign reception (both press and government) of his proposals for lessening international tension remained subdued. As reported in the January/February *International Perspectives*, the peace initiative, besides the general impetus it gave toward an increased international dialogue among world leaders, rested upon several key issues outlined by the Prime Minister in addresses delivered last fall designed to strengthen the stability of world security through confidence-building measures. At that time, Mr. Trudeau had mentioned his five-point peace plan with its list of top priorities for carrying forward disarmament:

- a conference of nuclear states within the near future, including the US, the Soviet Union, China, Britain and France;
- a strengthening of the nuclear non-proliferation treaty;
- a stimulation of stalled East-West talks on mutual and balanced force reduction.
- a ban on testing and deployment of high altitude anti-satellite weapons systems; and
- restriction of "excessive mobility" of intercontinental ballistic missiles.

The Prime Minister carried his peace plan to the US for a meeting with President Reagan December 15, but Mr. Trudeau did not press the President on the issue of his key proposal — the five-power conference of nuclear states — in order to avoid the possibility of a firmly negative response on President Reagan's part. The meeting with the President — attended also by Vice-President George

Bush, Secretary of State George Shultz and Defense Secretary Caspar Weinberger — produced a mild endorsement of the Prime Minister's initiative with a general expression of support. According to a report in *Le Devoir*, President Reagan had praised the Prime Minister's efforts to "construct a durable peace [batir une paix durable]." Mr. Trudeau acknowledged to reporters after the meeting that world peace issues would probably never achieve a "final successful breakthrough," but he would continue to push nevertheless for increased international political dialogue (*Le Devoir, Globe and Mail*, December 17).

Canada's ambassador to the US, Allan Gotlieb, reminded Canadians that the Prime Minister's peace initiative dealt with diplomacy, and "diplomacy deals with nuances." Rather than expect immediate results, supporters of the effort should recognize that changes will come about through a slow, step-by-step process of incremental growth. Mr. Gotlieb pointed to promising developments, such as the NATO decisions both to review its position in MBFR negotiations and to upgrade the Stockholm Conference to the ministers' level. He praised the Prime Minister's high profile effort at direct dialogue among world leaders, according to a *Citizen* report December 21.

The relative lack of US media attention to the meeting reflected the difference between foreign and domestic response to the Prime Minister's peace effort. While Canadian support for Mr. Trudeau's initiative has even been carried across political lines (despite NDP Leader Ed Broadbent's criticism that no concrete action had been achieved and no real progress or changes made), the international response on the part of both press and government had been decidedly lukewarm. However, even though the support offered by the US administration was minimal, the President's endorsement was seen as a necessary step in legitimating the initiative on the world stage as Mr. Trudeau planned his next step — the Soviet Union (*The Citizen*, December 20).

While the Prime Minister waited for confirmation from the Soviet Premier on the possibility of a meeting with leader Yuri Andropov (a meeting postponed because of Mr. Andropov's continued ill-health), press reports (including Canadian) began to express the opinion that the initiative had been "stalled." With the American reception of the five-point plan (other than on the issue of an initiative to spur talks) essentially noncommittal (like that of the other countries visited by the Prime Minister), Mr. Trudeau began to shift his emphasis to the international dialogue side of his peace initiative from the necessity (and urgency) of a five-power conference. Reports indicated that Mr. Trudeau was looking toward the January Stockholm Conference, with its gathering of foreign ministers, to act as a politicized arena for increased international communication in the search for confidence (*The Citizen*, December 20).

While Soviet Premier Andropov's continuing illness prevented the Prime Minister from completing the last leg of his peace initiative with a meeting in Moscow, Mr. Trudeau kept the effort alive in his New Year's address which dealt with world peace. He spoke of the absolute necessity for the world's nations, both East and West, to establish and maintain a peaceful coexistence. The address called for a renunciation of violence in the settling of international

disputes and for Communist countries and Western democracies to develop a healthy "respect" for one another. The Prime Minister noted that an escalation in the accumulation of nuclear arsenals led not to an increased sense of security, but rather to an increase in the danger of detonation. He continued, "In a sense, we live a contradiction. We desire peace, but we also recognize in ourselves, as in every human being, a propensity toward that very violence which frightens us." If conflict could never be eliminated, it could be reduced through an effort of common will (*Globe and Mail, The Citizen, December 30*).

After receiving a measure of support for the initiative from Chinese Premier Zhao Ziyang, which later would be reinforced during his Canadian visit in January (see Bilateral — CHINA — Premier's Visit), the Prime Minister travelled to New York to meet with UN Secretary-General Javier Perez de Cuellar. After the meeting, Mr. Perez de Cuellar expressed full support for the Prime Minister's effort to restore trust between the superpowers, a *Citizen* report stated. Speaking of Mr. Trudeau's role as global mediator, the Secretary-General spoke of his being the "representative of the concern of the international community." The Prime Minister continued to press for the five-member nuclear state conference, and requested the Secretary-General to convene a meeting (*The Citizen, January 12, Globe and Mail, January 12*).

The Prime Minister received a letter from Soviet Premier Andropov in mid-January inviting him to Moscow for talks, but no specific dates were given because of the Premier's continuing ill-health. Department of External Affairs officials had made representations to the Soviet Union for a meeting between Mr. Trudeau and the Soviet leader as the "preferred interlocutor," but had indicated that appropriate senior Soviet officials might provide an alternative. Mr. Andropov replied that he himself would prefer to meet personally with the Prime Minister on the issue of the peace initiative, but at a later date (*Globe and Mail, January 13 and 19*).

In the interim, Mr. Trudeau announced that he would be travelling to three East European Communist countries — Czechoslovakia, East Germany and Romania (with a sidetrip to the Davos Symposium) — to continue his call for international dialogue. Canadian officials saw the three-country tour as a possible reinforcement of support for the peace effort that might be used to advantage should a Moscow meeting be arranged successfully (*Globe and Mail, January 24*).

As the Prime Minister was to arrive in Czechoslovakia, a Czech government official, Richard Dvorak, expressed agreement January 24 with Mr. Trudeau's call for reasoned dialogue in reducing tension, but cautioned that time would be a major element in any successful thawing of East-West relations. While Czech Premier Lubomir Strougal called the initiative "useful and correct" and gave it his support, he also lashed out at the US policies of the Reagan administration. Mr. Strougal suggested the need for a concretization of the Prime Minister's plans, and hoped "that they might become realistic." This combination of anti-US rhetoric and support for the initiative was repeated in the Prime Minister's subsequent meeting with President Gustav Husak. Mr. Trudeau acknowledged that "sharp language now dominates but the will for peace is in the heads of the

leading statesmen." He later added, "I think we are in a period of cautious hope where trust can begin to be built. The language is slightly less sharp, but still ambiguous" (*Globe and Mail, January 25, 26 and 27, The Citizen, January 26*).

The Prime Minister's theoretical musings on the credibility of the US commitment to NATO's Western European nuclear deterrent policy at the Davos Symposium (see Multilateral — NATO — Davos Symposium) drew strong criticism from NATO allies and suggestions from the Canadian press that his peace initiative might have been negatively affected. There was some press criticism that the remarks brought into question NATO's entire two-track policy of deterrence, and might have been used to increase the appeal of the Prime Minister's peace plans to the East European countries (and Moscow) by further distancing himself from the rhetoric of the Reagan administration. However, the Prime Minister and Canadian officials indicated that they were not concerned about adverse reaction to the Davos comments, but felt that the remarks would be interpreted by the international community in the spirit of democratic debate in which they were given. Indeed, former President Jimmy Carter expressed his support for the Prime Minister, saying that he did not believe Mr. Trudeau "was insinuating that the United States was an undependable ally or that the NATO strategic policies needed to be modified or were ill-advised . . . I don't think Pierre Trudeau's comments were intended to fragment the NATO alliance and I don't think they were interpreted that way by people in my country" (*Globe and Mail, January 30 and 31*).

A meeting between the Prime Minister and East German leader Erich Honecker February 1 produced what many saw as the first concrete step in his East European visit. East Germany had expressed agreement to establish talks with Canada on disarmament issues and areas of common concern in the arms race between official representatives of the two countries, it was reported. The proposed meetings would proceed on a bilateral basis, with East Germany reporting back to the Warsaw Pact and Canada carrying suggestions to NATO allies (*Globe and Mail, February 2*).

The three-country tour ended in Romania, where Mr. Trudeau met with President Nicolae Ceaușescu (himself a leader with ambitions to a peace initiative). In talks with Mr. Ceaușescu, the Prime Minister made an appeal for a new approach to arms control and typified nuclear deterrence as an "absurdity" — an outdated policy belonging to the "logic of another age." The Romanian President endorsed the call and added that "peace would not result from the old theory that an equilibrium of forces is the answer." Mr. Ceaușescu stated that he shared with Mr. Trudeau the common objective of world peace, and advocated a return on the part of the superpowers to the suspended Geneva talks. Any nuclear response in an international dispute would be "global suicide" (*The Citizen, February 2*).

KAL Aftermath

The report on the September downing of South Korean Airlines flight 007 prepared by the International Civil Aviation Organization (ICAO) was released December 13 and found neither that the crew were aware of being

pursued by Soviet fighter jets, nor were they aware of straying over restricted territory. The report also concluded that the Soviet Union failed to make "adequate efforts to visually identify the aircraft," a necessary requirement of ICAO rules and regulations for member nations. The ICAO determined that flight 007 was neither an intelligence aircraft nor attempting to save fuel by taking a shorter route by flying over Sakhalin Island (a Soviet military installation). It was believed that navigational error, through faulty computer programming, was responsible for the accident (*Le Devoir*, December 9, *Globe and Mail*, December 14).

Following the ICAO report, the Canadian government requested from the Soviet Union a payment of \$2.1 million for damages to the families of the eight Canadians aboard flight 007. (Any claims on behalf of the two landed immigrants killed in the attack would be handled by the British government.) The claim was formally presented December 21 by de Montigny Marchand, Deputy Minister of External Affairs, to Soviet Ambassador Alexei Rodionov who claimed to lack the authority to accept the claim. It was reported that this claim was to be considered separately from claims made directly by families against KAL (*Globe and Mail*, December 22).

In the Commons, Allan MacEachen, Minister for External Affairs, acknowledged the reluctance of the Soviet Foreign Minister Andrei Gromyko in Stockholm to accept the claim. The Canadian government would not directly pay the compensation in anticipation of a settlement but would "put pressure" on the Soviet Union to settle the claim, according to Mr. MacEachen when speaking in the Commons January 23. The Minister reaffirmed Canada's intention to pursue this objective (*Hansard*, January 23, *Globe and Mail*, January 24).

An article by Col. Gen. Sergei Golubev (deputy commander in chief of the Soviet Air Force for combat training), appearing in the January issue of the Soviet Air Force magazine *Aviatsilfa i Kosmonavtika*, contained an implicit criticism of the Soviet fighter pilot who downed flight 007 as well as of local ground commanders who acted on standing orders for the attack of intruder planes. The pilot, according to the article (the conclusions of which were not directly tied to the South Korean airliner incident), was, by necessity, responsible for any "final decision" in a combat engagement. Establishing the identity of targets is essential (*The Citizen*, January 10).

Jerusalem PLO Terrorist Attack

David Berger (Lib., Laurier), in the Commons December 9, made a statement denouncing the terrorist attack on civilians in Jerusalem on December 6 that killed five and injured forty-eight. The PLO claimed responsibility. Mr. Berger proceeded to say that, in his view, the PLO, because of its betrayal of moderation, "could not claim to represent the Palestinian people." Noting that several Palestinian leaders had also denounced this "outrage," Mr. Berger called for moderation in the advocacy of the Palestinian cause and for a shift away from the perceived present international indifference to terrorist activity (*Hansard*, December 9).

Sinclair Stevens (PC, York-Peel) asked in the Commons December 12 whether the government had filed a

protest over the PLO attack, and was told by the acting Minister of External Affairs Gerald Regan that the Government's response had been one "which is consistent with our established policy." Asked again whether the Government had, in fact, made an official protest, Mr. Regan responded that Canada "does not have official diplomatic relations with the PLO" (*Hansard*, December 12).

FIRA

GATT Report

A report prepared by an arbitration panel for the General Agreement on Tariffs and Trade (GATT) concluded that Canada's Foreign Investment Review Agency (FIRA) violated international trade rules by requiring foreign firms submitting investment proposals to favor Canadian suppliers in order to secure FIRA approval. However, the report, resulting from a complaint against FIRA lodged with GATT by the US, does not deny Canada's right to maintain an organization such as FIRA to screen foreign investment. The panel did find that Canada, by enforcing domestic purchase requirements, had broken a GATT ruling which demands that domestic and imported goods receive equal treatment. It was decided that requesting foreign companies to make promises of export performance did not infringe GATT rules. FIRA would be able to comply with the report decision without an alteration of existing legislation, it was reported, merely by ceasing to make such commitment demands in future (*Globe and Mail*, January 21).

While the Canadian government had requested a GATT delay in tabling the report in order to prepare its response, Gerald Regan, Minister for International Trade, said that wording in the FIRA act would be altered to remove any ambivalence with regard to its non-discriminatory policy. Canadian compliance with GATT rules could be achieved by having foreign investors give "full and equal opportunities" to Canadian suppliers when competing with imports (*Globe and Mail*, January 21).

Commissioner at Davos Symposium

At January's Davos Symposium (with Canada a featured country for 1984) in Switzerland, a gathering of political and financial leaders organized by the EMF Foundation, FIRA Commissioner Robert Richardson made an attempt to allay fears expressed by the international financial community with regard to the procedures of FIRA. Mr. Richardson, agency head since 1982, was in Davos to convince world businessmen that the Canadian government had altered its line on foreign investment, making it more attractive. In response to complaints that Canada had been an extremely expensive country to invest in because of legal fees resulting from dealing with FIRA, Mr. Richardson indicated that procedures had been streamlined and many frustrations previously experienced by applicants had been removed. Under consideration was a proposal to contact previous investment applicants who received, what they then considered to be, unfair treatment and ask them to re-submit proposals.

When asked about the situation of foreign companies which found themselves altering FIRA-approved plans mid-stream, Mr. Richardson responded that the possibility existed of that company being prosecuted, but could not recall that this had ever occurred. The Commissioner offered no argument when Petro-Canada executive officer W.H. Hopper added, "Nothing really happens. That's the reality. Any reasonably innovative businessman can move around the bureaucrats" (*Globe and Mail*, January 31).

A report in the *Financial Post* from the Davos Symposium noted that response to the Canadian presentations was subdued, with many international businessmen remaining "irritated at the imposition of FIRA on what they consider to be many cases of investments that are not of 'national' importance in public-policy terms. And saying that 95 percent of applications to FIRA are approved doesn't impress them. It's the 5 percent that are rejected that concerns them, because they are never certain what category their ambitions for Canada might be in." The article continued, "Many of the Canadian presentations at Davos fell flat because our posture is now forced to be largely defensive. Government officials and businessmen have to give dispirited explanations of why Canada isn't as bad as it seems as a place where outside money, management, and expertise is welcome." It was suggested that the Canadian presentations at this year's Symposium provided a good beginning in our continuing effort to let the international business and economic community know that Canada is "open for business" (*Financial Post*, February 11).

IMMIGRATION

Guatemala

Appeals by the Inter-Church Committee for Refugees for a permanent ban on the deportation of Guatemalan refugees in Canada were under review by Mr. Roberts while the federal government imposed a moratorium on the deportations. In December, Mr. Roberts had said in the Commons, responding to a question by Dan Heap (NDP, Spadina), that the government had embarked on a review of the situation, including consultation with the United Nations in Geneva and with diplomatic representatives in Central America (*Hansard*, December 14). The Church group had asked that those Guatemalans refused refugee status by Canada not be deported and that the imposition of visa requirements be waived. Ralph Girard, Department director of refugee affairs, said that while status criteria could not be changed for a particular case, a special case might be made whereby deportations would be delayed until the danger of the Guatemalan situation had subsided (*The Citizen*, January 6).

Church representatives had indicated their intention to continue offering sanctuary to Guatemalan refugees in Canada who faced deportation to their homeland, saying that they will do so until the federal government guaranteed the safety of the refugees by putting a halt rather than a

suspension to the deportations. Spokesperson Sylvie Gagnon, of the church-supported Committee Against Forced Repatriation to Guatemala, cited gross human rights violations in Guatemala as the reason for the offer of sanctuary — "God's law coming before the government's" (*Globe and Mail*, January 21).

Amnesty Program

The federal special and temporary amnesty program for illegal immigrants was faced with a dilemma when one immigrant came forward for application, Ms. Merlene McKenzie of Jamaica, who did not qualify under the terms of the program. Ms. McKenzie, though a long-term illegal, had failed to remain underground for the necessary five-year uninterrupted period because of a 1980 deportation order. For this reason, officials had her arrested and retained. But public criticism of the case was followed by Immigration Minister John Roberts's granting of special permission for Ms. McKenzie to remain in Canada. With the cooperation of the Immigration Department, Ms. McKenzie would leave the country to be subsequently readmitted. Ms. McKenzie must first comply with the original deportation order, and then subsequently re-enter Canada under a Minister's Permit. Mr. Roberts has said that he would recommend that she be granted permanent resident status by Order-in-Council (Employment and Immigration press release, January 12).

While Medel Green, defense counsel for Ms. McKenzie, praised the Minister's humanitarian decision, Mr. Roberts stressed that this particular resolution would not set a precedent. However, immigration lawyers and community workers continued to criticize the strict governmental interpretation of criteria for "underground," claiming that rigid enforcement led to the unfortunate confusion of program applicants receiving poor advice and misunderstanding the terms of eligibility. This group was concerned that a purely technical interpretation (such as resulted in Ms. McKenzie's initial arrest) would strengthen reluctance on the part of illegals to come forward, but were heartened by Mr. Roberts's subsequent decision. A *Globe and Mail* editorial, while acknowledging the humanitarian aspects of the special case, noted that under Canada's Immigration Act visitors and immigrants required visas for admission to Canada. Certain exemptions for specific countries were made from time to time, but illegal immigrants were, in fact, abusing the privilege extended to them. It was suggested that, upon review of repeated immigration offences, the Department of Immigration should reinstate the strict enforcement of visa regulations for those nations showing the greatest numbers of entry violations (*Globe and Mail*, January 13 and 18).

In the House of Commons January 23, Dan Heap (NDP, Spadina) criticized the rigidity of rules restricting application of the illegal immigrant program. Mr. Heap called for an internal review of the program to insure that its objective of aiding long-term illegals to become legitimized was being met successfully and for the employment of "knowledgeable individuals and non-profit community" organizations to assist in the program's implementation (*Hansard*, January 23).

TRADE

Export Insurance Costs

The Export Development Corporation (EDC) had indicated that export insurance costs for Canadian exporters were likely to rise in 1984, considering the large increase in claims the EDC had paid out in 1983. The EDC, a federal Crown corporation, covers up to 90 percent of losses incurred by Canadian exporters when foreign customers default. Both commercial and political risks (including debtor insolvency, "blockage of funds, war and rebellion") might be insured for export transactions. James Moore, secretary of the Canadian Export Association, said that any EDC rate increase should take into account ultimate claim recovery, which stands at roughly 70 percent. EDC vice-president of insurance Donald Keill noted a shift toward a higher percentage of commercial (bankruptcy/default) rather than political (foreign currency shortage) claims. These commercial claims, according to Mr. Keill, entailed a lower recovery rate — hence the need for an insurance cost increase. Rather than severely restrict, or remove entirely, coverage for specific markets, the EDC had tended to extend insurance to "long-time participants" while refusing "new business." Export representatives agreed with the EDC policy, according to Mr. Moore, recognizing that once the recent economic downturn had reversed, satisfied foreign customers (supported with insurance through the economic crunch) would be more than ever ready to generate new business (*Globe and Mail*, January 16).

Duty Free Export Zones

December's Throne Speech included mention of a plan for establishing duty-free export zones in Canada, but the response on the part of import industry spokesmen had been dampened by a belief that the plan, unlike the flexible US regulatory pattern, would amount "to little more than an extension of the inward processing remission order" currently in use. The government hoped to couple new incentives with this remission order (whereby parts were imported through posting a bond and subsequently being reexported when completed), in order to extend the order's use among Canadian companies. The Department of National Revenue saw this combination as encouraging the development of export-oriented industrial parks (*Globe and Mail*, December 17).

Agricultural Export Outlook

Canadian agricultural exporters faced a decline (5 percent from 7.5 percent 1983) in growth of export trade in 1984, according to commodity markets analysts. Department of Agriculture's Bruce Huff, speaking at the Canadian Agricultural Outlook Conference in December, outlined several factors contributing to the expected drop in the growth rate. Primary among them were the continuing rise in world production of agricultural commodities (especially grain) and the after-effects of the recession on Canada's export buyers (many of whom trail behind Canada in economic recovery). An increase in Third World production, coupled with a decline in purchasing power and the spectre

of protectionist measures, could alter significantly the traditional import patterns of Canada's foreign markets. Foreign exchange fluctuations and the relative value of the Canadian dollar on the international exchange would also work as contributing factors (*Globe and Mail*, December 19).

European Protectionism

At an Ottawa seminar sponsored by the Institute for Research on Public Policy, Sylvia Ostry, deputy minister for International Trade, spoke out against Europe's "short-sighted policies" which were, she claimed, heading the world economy toward a "systematic deterioration of the open trading system." Noting that European measures had gone beyond mere limitations on the volume of imports, Ms. Ostry said that measures were being made to establish home product market share. Rather than simply resort to such protectionism, Europe should "adapt to structural changes in the global economy." Ms. Ostry, in order to assist Third World economies in handling their foreign debts, advocated, on the part of industrialized nations, more open and internationally competitive markets. Should developing countries prove able to diminish their foreign debt load, they would then be in a better position to import manufactured goods — thus stimulating world economic growth. Ms. Ostry discounted the role played by large US budget deficits and the high value of the US dollar in the slow growth of European economic recovery. European hesitancy to risk more currency devaluations should not bind them to protectionism, but rather should lead them toward a greater degree of international "coordination of economic policy-making" Ms. Ostry said (*Globe and Mail*, December 17).

Macdonald Royal Commission (Toronto Hearings)

The December hearings of the Toronto seven-day session of the Macdonald Commission on Canada's prospects for growth and development revealed a strong "national slant" in the numerous submissions presented. A *Montreal Post* article of December 17 quoted a Bank of Montreal representative giving testimony as saying that what was needed most was an initiative to stem "the rising tide of world protectionism" through reform. This call for freer trade was echoed in various submissions, with recommendations stressing the desirability of a more open trade policy with relation to Japan. Economist Robert Mundell stressed the benefits to Canada of such a policy — namely, increased trade and the provision of "quicker access to new technology." Along with this negativity toward the imposition of harsh protectionist measures, there was evidence on the part of business of a dissatisfaction with the degree of government intervention and regulation — often seen as a barrier to trade expansion. Recommendations included tax rate reductions, the elimination of tax loopholes, a more flexible economic policy, and the extension of targets for unemployment and productivity as well as inflation. While labor presentations were more pessimistic, industry was conditionally "optimistic" that Canada would resume a steady growth path (*Financial Post*, December 17).

Countertrade

by David Goldfield

One of the consequences of present worldwide economic and financial difficulties has been an enormous increase in the frequency of countertrade demands in international trade. Until a few years ago countertrade transactions were considered a phenomenon restricted mainly to the planned economies of Soviet bloc countries. The US Department of Commerce has estimated that in 1976 Countertrade accounted for 2 to 3 percent of international trade. By 1983 this figure had jumped to between 25 and 30 percent of the world's \$2.13 trillion of international commerce. Of trade between the industrialized West and East bloc countries about 50 percent is tied to some form of countertrade. The most startling trend, however, has been the rapidly growing number of developing countries that now use countertrade demands in one form or another.

The principal factor underlying the growing use of countertrade by many third world countries is the shortage of convertible currency. Many developing countries with chronic foreign debt conditions have been forced to make countertrade demands in order to conserve hard currency and in some cases to improve their bilateral balance of trade. If sellers of commodities and equipment to these countries wish to maintain their customers or develop new markets they are often compelled to accept a countertrade requirement as a condition of sale. In the short and medium term, until the worldwide liquidity problems ease, exporters must be well armed to handle various types of non-traditional trade techniques. The conditions under which certain countries demand countertrade are such that companies unwilling to do business in this form will find themselves excluded from an increasing area of international trade.

Types of Countertrade

Countertrade, simply defined, is the term applied to transactions in which the importer (purchaser) in international trade requires a reciprocal purchase by the exporter. Types of transactions include pure barter arrangements, bilateral clearing accounts, switch trading and compensation (or buy-back), but reciprocal sales and counterpurchase arrangements are the more common forms of countertrade.

In a counterpurchase agreement, for example, as partial payment for the sale of goods or services, the exporter may agree to accept a given percentage of the contract value in counter deliveries of goods and/or services. The transactions are usually separated into two contracts, linked by a protocol of intent. The supplier receives full cash payment for the original contract but must, within a

certain period, purchase (again for cash) the requisite amount of goods from the original importing country. Counterpurchase obligations are often negotiable and the obligations can be transferred to a third party (i.e., trading house).

Compensation, often also called "buy-back," is related to the sale of technology, equipment or plant where part of the transaction requires a contractual commitment on the part of the seller to purchase a certain quantity of products that are produced by or derived from the original sale. Because these transactions involve setting up entire production facilities, their values can run into the hundreds of millions of dollars. At a minimum, the period of the buy-back obligation runs three to four years. It is not unknown for a compensation arrangement to last twenty-five years or longer.

Such complex transactions place an added burden on the exporter. In addition to the inherent difficulties of negotiating, drafting contracts, financing, risk management, and in some instances disposing of the counterpurchased goods, firms are hesitant to purchase goods that are different from (or inferior to) those they would normally deal in. Furthermore, the goods obtained by the companies often have inflated prices. In other cases, the goods obtained possess prices lower than market value, and may saturate and disrupt markets. Nevertheless businessmen are overcoming their distaste for countertrade simply because they cannot afford to ignore the enormous markets in which this mode of trade has become a fact of life.

Why countertrade?

Countertrade in East/West trade since the late 1960s stems from two related factors. The first is a result of the desire of East European countries to increase their exports of products whose level of marketability and acceptance is low due mainly to quality considerations and "image" problems in Western markets. Secondly, the shortage of hard currency in many of these countries has led them to revert increasingly to countertrade to pay for needed Western commodities or capital goods.

Countertrade requirements of the East European countries vary from country to country, with the strongest proponents being Albania, Bulgaria, East Germany, Poland and Romania. With the exception of Romania, most

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New ways of selling to the Third World

East European countries publish legislation or a clearly defined set of guidelines governing countertrade. However, experts tend to dismiss the relevance of country-specific countertrade generalizations and underline that each countertrade deal has its own unique characteristics and has to be dealt with on that basis.

The complexity in demands and variety of countertraded products forces most exporters to use a trading house as a third party intermediary to facilitate the successful completion of an export deal conditional on a countertrade requirement. Numerous trading houses with expertise in countertrade have developed in Europe, centred in Vienna, Zurich, London and Paris. In the United States a number of well established trading companies with countertrade experience have been joined in recent years with the establishment by several US companies of corporate subsidiaries to handle countertrade products. Among the more notable are General Motors, Control Data, General Electric and Sears Roebuck. In Canada there are few trading houses with the size and expertise to handle countertrade requirements for an exporter. However, with increasing demand in the last few years for these services there has been a limited trend similar to that in the US of large corporations forming trading subsidiaries to deal with countertrade. Also a number of large international trading companies from the US, Europe and Japan offer countertrade services in Canada. In addition, some banks in Canada have set up countertrade financing departments, and there has been a recent expression of interest from the banking community in being allowed to take title to goods in order to facilitate countertrade transactions for their clients. This has been argued as an area of disadvantage for our banks vis-à-vis European and US banks which are permitted more leeway and in some cases operate trading subsidiaries.

From East bloc to Third World

The same factors motivating East European countries to include countertrade requirements in many of their import transactions have affected an increasing number of Third World countries. Many developing countries, including oil producing ones, are subject to similar financial constraints due to drastic aggravation of their foreign debt position. They are reverting increasingly to countertrade in order to fill in part their import requirements. Furthermore, in developing countries, countertrade is more and more part of a deliberate strategy of development, whereby the practice is conceived as a means to speed up the economic development process by using foreign technology and capital to build extraction and production facilities, to be paid for at a later date with output of these facilities.

The long list of Third World countries practising countertrade includes Brazil, Iran, Venezuela, Malaysia, Kenya, Ethiopia, South Korea and India. Most of these countries have taken a fairly ad hoc approach to their countertrade requirements with few formalized procedures. Indonesia and China, however, have vigorously institutionalized their demands with carefully structured plans and rules. In late 1981 the Indonesian government introduced regulations that all government purchases funded by the state over \$750,000 must have a 100 percent

countertrade agreement. To further complicate the problem, Indonesia will not allow Western exporters to accept oil or gas, because they are its two most saleable commodities. In practice the requirements have proved to be a good deal less stringent as a result of protests from main suppliers to Indonesia.

Canadian companies have experienced the effects of these Indonesian rules. They have, for instance, resulted in unexpected obligations that added substantially to the costs for Canadian companies bidding on equipment contracts for the huge Bukit Asam project. In another case a Canadian company has supplied a quantity of steel rail to Indonesia and to fulfill its part of the deal must take back the equivalent value of Indonesian products and sell them within nine months or face a 50 percent penalty on the unsold portion. The company has had to choose from the Indonesian government's list of such commodities as palm oil, timber, rattan furniture and coffee.

China's approach has been somewhat different in that the lack of foreign change has not been a factor. Rather China is counting in a massive way on compensation deals to accelerate its modernization process. With a desire not to borrow excessively to pay for high-tech capital equipment and priority imports, China's adaptation of the countertrade principle has taken three basic forms. First, to pay for the import of raw materials with finished goods; second, to pay for the import of the capital equipment with coal; and third, to buy turnkey plants in return for the finished product. An illustration of the magnitude of this process is a recent \$500 million compensation agreement signed by an Italian consortium to expand coal mines and modernize a railroad and port facility in China.

How firms handle countertrade

The proliferation of countertrade in the developing world is of tremendous importance to the industrialized countries since almost 40 percent of their total trade is done with LDCs. To ensure the maintenance of these markets and future economic growth, firms must be prepared to deal with countertrade.

There are fundamental differences between dealing with the governments of the planned economies of the East bloc and China, and those of the Third World. In the 1960s and the 1970s when countertrade was concentrated in Eastern Europe, everyone knew the rules of the game — the framework within which business was conducted. Also, dealing with a centralized economy of, say Poland, you knew who was the ultimate authority. On the other hand, with few exceptions, the goods available in deals with developing countries are commodities and raw materials which are much easier to value and resell on world markets than the manufactured products which are generally offered from Eastern Europe.

Canadian exports to the countries of East Europe have grown substantially since 1970 — from \$170 million to \$2.3 billion in 1981. Grains represent the overwhelming majority of these exports, 87 percent in 1981. Relatively few demands for countertrade have thus resulted from the preponderance of exports of food commodities, since they are not generally subject to countertrade demands. However, a number of well publicized countertrade related requirements have surrounded Canadian negotiations to

sell Candu reactors in Romania, underlining the difficulty of selling manufactured capital goods into these markets.

Canadian exports to developing countries have been more diversified than those to Eastern Europe, with a much higher proportion of manufactured or semi-manufactured products. As a result the future potential for developing Canadian markets, especially those in manufactured products and capital projects, in the Third World will depend in part on our ability to deal with countertrade.

Countertrade: good or bad?

The countertrade phenomenon represents a retrograde step in world trading. Countertrade fosters a return to bilateral trade arrangements away from multilateralism and distorts normal trade patterns. From an economic perspective countertrade arrangements shift production to facilities and labor pools which do not operate on the basis of economic comparative advantage.

While in the short-term countertrade may often help developing countries caught in the foreign exchange squeeze, the longer term effects will only defer true development objectives as marketing skills and product quality improvements may be retarded. Furthermore, the practice will also lead to an increase in the price of products imported from the industrialized world since the exporter often must inflate his prices to offset the costs of distribu-

tion and the risk of taking on poor quality countertrade products. Also, the discounted products received from the developing or East bloc country can eventually displace the supplying country's traditional markets.

For the exporter, countertrade has become a necessary evil. During a period when world markets are depressed countertrade can provide the only real means of maintaining and developing new markets. On the negative side though, these transactions are usually cumbersome, more costly and riskier than straight cash transactions.

Although an increasing body of knowledge and expertise is available to Canadian exporters, who may be faced with countertrade, there is a growing consensus that we may be missing opportunities because of a limited capacity to handle countertrade transactions. Canadian exporters, when faced with countertrade demands, need to seek out specialized intermediary companies to assist them in these transactions and to take over the countertrade administration. In a world filled with economic uncertainty exporters need access to all of the marketing tools available in order to survive in such a competitive trading environment. In times of less severe debt difficulties international trade will probably return to more normal cash transactions, as suppliers acquire increased leverage and importers more cash. However, the depth of the present economic malaise indicates a protracted period of difficulty in international trade.



It is therefore imperative that exporters be aware of the rules of the game and how to cope with the complexity of countertrade requirements.

Generally, governments of the industrialized countries have been put in a difficult position with respect to the growth of countertrade. On one hand official policy usually

expresses a condemnation of the disruptive effects of this phenomenon on world trade patterns. At the same time, however, most countries quietly support efforts by their export communities to learn how to cope with the variety of forms of countertrade in order not to lose existing or new market opportunities. □

REASONS FOR COUNTERTRADE

The developing and nonmarket (i.e., East bloc) countries impose countertrade obligations for similar reasons. Among those reasons, are the following:

- **To preserve hard currency.** Countries with nonconvertible currencies look to countertrade as a way of guaranteeing that expenditures of hard currency for foreign imports are offset by hard currency earnings generated by the foreign party's obligation to purchase domestic goods.
- **To improve balance of trade.** Nations whose exports have not kept pace with imports and who are concerned with both the reality and appearance of trade deficits, increasingly rely on countertrade as a means to balance bilateral trade ledgers.
- **To take advantage of marketing facilities.** As a nonmarket or developing country increases its production of exportable goods, it often does not have a sophisticated marketing channel to sell the goods for hard currency. By imposing countertrade demands, foreign trade organizations utilize the marketing organizations and expertise of Western companies to market their goods for them.
- **To upgrade manufacturing capabilities.** By entering compensation arrangements, under which foreign (usually Western) firms provide plant and equipment and buy back resultant products, the trade organizations of less developed countries can enlist technical cooperation in upgrading industrial facilities.
- **To undercut cartel prices.** Countertrade can be used as a means to dispose of goods at prices that the market would not bear under cash-for-goods terms. Although the Western seller absorbs the added cost by inflating the price of the original sale, the nominal price of the counterpurchased goods is maintained, and the seller need not concede what the value of the goods would be in the world supply and demand market. Thus, if the world price for a commodity is artificially high, such as the price for crude oil, a country could barter its oil for goods so that the real "price" the Western partner was paying was below the world price. (In this way a country could dispose of its oil at a lower price than the official OPEC one without officially violating price guidelines.)

Although Western companies generally prefer straight cash transactions that are simpler and involve fewer risks, they have been willing to concede to countertrade demands for these reasons:

- **To take advantage of sales opportunities.** In order to make a sale in the markets of the nonmarket and developing world, it is often necessary to concede to countertrade demands. A company that is willing to engage in countertrade may gain a competitive edge over one that is not.
- **To gain a source of supply.** In some cases, particularly in compensation transactions, countertrade can be used by a company to obtain a long term, reliable supply of raw materials, component parts or finished products that may be inexpensive because of decreased labor costs and lower transportation expenses.
- **To gain prominence in new markets.** Companies sometimes employ countertrade as a way to show good faith in certain markets, and to establish themselves as reliable trading partners. By displaying a willingness to purchase domestically produced goods from a country, a firm may enhance its opportunities to gain major sales there in the future.

(Source: *Countertrade, Business Practices for Today's World Market*, Leo G.B. Welt, AMA Management Briefings, New York, 1982.)

Accommodating the East Asian “NICs”

by Roy A. Matthews

One of the most remarkable — and, in terms of international economic development, most encouraging — phenomena of the past ten years or so has been the appearance on the world stage of several important new producing and trading countries. A number of hitherto minor states, either backward agricultural societies, colonial outposts, or semi-industrialized nations of no great consequence in global terms, have learned the trick of rapid economic advancement through export-led growth. The four most successful members of this group of “NICs” (newly industrializing countries) are the Asian “gang of four”: South Korea, Taiwan, Hong Kong, and Singapore. Following roughly the path blazed by Japan in an earlier period (interrupted by the Second World War), the dynamic Far Eastern four have managed to penetrate foreign markets for certain labor-intensive manufactured goods very successfully. And, as their requirements for resource inputs have increased and their consuming potential has risen, they are in turn becoming significant markets for other countries’ goods and services.

These four states are the standout growth champions among developing countries. In 1970 the gross national product per capita in South Korea was some US\$300 annually, and today it is pushing \$2,000. Taiwan’s annual per capita GNP has climbed from less than US\$500 in 1970 to about \$2,500 now. Hong Kong and Singapore were more prosperous ten years or so ago than the other two, and they remain ahead still: their respective per capita GNP advances have been from under US\$1,000 to more than \$4,000 and from around US\$1,300 to close to \$4,500 over the period.

Other indices of economic and social progress reflect the expansion in production. Thus the life expectancy of a Korean infant at birth in 1980 was sixty-five years, compared with fifty-four years two decades earlier, while in Hong Kong the 1980 figure (seventy-four years) was the same as that in Canada. Adult literacy levels exceed 90 percent in all four countries.

Industrialization and exports

The basis of this enhancement of living standards and general wellbeing has in each case been industrialization based on export trade. The four made the standard decision to foster manufacturing through import substitution in their initial development periods. However, unlike the majority of struggling new industrializing societies they took the crucial step — now widely considered a key to sustained economic advance — of switching to export promotion before the small-scale factories built for their limited do-

mestic markets became locked into a pattern of tariff-protected inefficiency. In consequence they rapidly began to shift the structure of industry toward specialized output of consumer goods for shipment overseas. During the phase of maximum expansion from the mid-1960s to the mid-1970s South Korea’s exports were increasing in current value terms at an average of 36 percent a year, Taiwan’s at 29 percent, Singapore’s at 15 percent, and Hong Kong’s at 12 percent. By the end of the 1970s these four territories, whose combined populations represent less than 2 percent of the inhabitants of the developing world, accounted for more than one-tenth of the industrial production and over half the manufactured goods exports of all the poorer countries.

From the Canadian point of view, the first three of the four are much more substantial trading partners than is Singapore. Our imports from South Korea, Taiwan and Hong Kong in 1983 were worth over three quarters of a billion dollars in each case, whereas those from Singapore were valued at under \$200 million. On the export side the difference was less pronounced, but Canada’s shipments to Singapore, at slightly above \$125 million, were well below the approximately \$220 million worth of goods exported to Hong Kong, \$340 million worth to Taiwan, and \$550 million worth to South Korea.

Nevertheless, it is clear that there is no justification in principle for Canadians to overlook Singapore — or indeed such other budding centres of industrial competence as Malaysia, Thailand, the Philippines, and Indonesia — from any appraisal of this intriguing and challenging new feature of the international economic scene. These countries are all proof of the capacity of at least some underdeveloped societies to escape from poverty and stagnation into self-sustaining expansion. Their transformation poses some challenges for other nations, including Canada, as well as offering exciting opportunities if we can organize ourselves appropriately. There is, however, disturbing evidence of a reluctance to face up to the need for the changes in our own economies that the growth of these countries necessitates, with the result that trade barriers against their goods are proliferating. If this trend continues, it could abort the advance of some of the most energetic and

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The New Japans

resourceful people on earth, dashing the hopes of other poorer nations and setting back the struggle for international development for a generation.

Four different economies

Although for many purposes the four East Asian states, with their emphasis on exports of standard-technology, labor-intensive products like clothing, footwear, sporting goods, toys and games, and consumer electronic products, can be considered as rather similar economic entities, in many ways they differ sharply. Moreover the differences, reflecting their particular circumstances and separate histories, are likely to increase henceforth. Therefore, it is worth looking at each of them individually to see what directions their evolution may be expected to take as they go forward.

South Korea (or the Republic of Korea, to give it its rightful title) is the largest of the four countries, with a population approaching forty million. Because of its size, it is the one most capable of establishing a broadly-based industrial complex and of becoming a veritable "new Japan," which clearly is its goal. Korea has embraced the concept of central economic planning to a degree perhaps even more marked than Japan itself; the military government, advised by a cadre of impressively-trained technocrats, has orchestrated the nation's development in great detail. As a result of officially sponsored mergers, a number of huge conglomerates dominate Korean business life, and in coordination with the planners they embarked in the 1970s on a policy of moving away from dependence on exports of light manufactures (though without giving up the production and sales abroad of those items) in favor of a massive buildup of heavy industry. Some of this planning proved to be ill considered, especially after the second oil shock when energy-intensive activities were shown as obviously unsuitable to a country with very few domestic sources of fuels. Even so, recent reappraisal of Korean industrial strategy in light of these realizations has by no means jettisoned the idea of developing a range of heavy industry as well as the light industry that had been promoted at an earlier stage.

In consequence, Korea's future industrial path will diverge significantly from that of Taiwan and be of an almost totally different nature from those of Hong Kong and Singapore in the future. The Koreans are becoming major producers of ships and steel, heavy machinery, electrical goods and a wide variety of industrial manufactures of practically every description. Perhaps the most striking evidence for Canadians of Korea's industrial scope was the opening this January of the first dealerships in Canada selling the Hyundai "Pony," an automobile of entirely Korean design and construction save for its Mitsubishi engine.

Taiwan

Taiwan (officially known as the Republic of China, as distinct from the People's Republic on the mainland), has a population only about half that of South Korea and therefore has had to limit its ambitions in respect of heavy industry. Although it produces some steel, the output is seen at present as essentially confined to a partial satisfac-

tion of the domestic market. Automobiles are assembled and exported, but they are of Japanese design, built under licence. The greatest emphasis in Taiwanese planning — which is elaborate and highly regarded, but less coercive than the Korean — has in recent years been on encouraging the growth of electronics. Taiwan has developed a television industry able to supply world markets, and in the late 1970s one of its largest electronics firms bought out the television production facility of Decca in Britain, a prominent name throughout Europe, thus acquiring the capability to launch a high-profile international business. Taiwanese engineers have mastered the skills necessary to secure at least a marginal position in the rapidly expanding field of microprocessor technology, which they show every sign of exploiting effectively as their competence grows.

In addition, Taiwan produces a fairly broad spectrum of other consumer and capital goods. These range from apparel and shoes, sporting equipment, toys and games, and such products, similar to those that have formed the background of Korea's economic "takeoff," to many kinds of light machinery, both electrical and non-electrical, precision tools, chemicals and pharmaceuticals, and other more sophisticated manufactures. In the development of higher-skill industries, the Taiwanese are assisted by the excellence of their educational system which turns out a flow of young people well qualified in many spheres of intellectual and practical importance.

Two city states

Hong Kong and Singapore are in a different category again, since they have very small populations and constricted land area. They are both true city states, Hong Kong with five million inhabitants, Singapore with half that, possessed of virtually no agricultural base and no indigenous resources except human effort and ingenuity. Thus their potential for heavy industrial development is nil, and indeed they are not even able to contemplate very much more manufacturing expansion of any kind. For these places, service activity is becoming increasingly significant, and they are emerging as major commercial and financial centres for the whole East Asian region.

Nonetheless, Hong Kong and Singapore do retain a substantial capacity in light manufacturing in "traditional" areas such as clothing and electronics. They also act as export conduits and in some respects processing stages for goods originating in their hinterlands: that is, Hong Kong helps to put Chinese products into world markets, often with the addition of content provided in the colony, and Singapore performs a not dissimilar function for Malaysia and others of its ASEAN partners. The problems posed and opportunities presented for other countries by the transformation of these two states are indeed of a peculiarly complex and interesting sort, since their position in global commerce is unusual if not unique. Nor are they by any means identical to each other. While they share certain characteristics, as the preceding paragraph suggests, there are profound differences between them. For example, except for the features described above, the special quality of the Hong Kong situation vis-à-vis the giant Chinese economy has no real parallel in Singapore; and there is a sharp

divergence on the value of government economic planning, which is earnestly endorsed in Singapore but abhorred in the *laissez-faire* paradise of Hong Kong.

Political problems

One cannot overlook the fact that some large political questions hang over the future of these countries. South Korea is still at risk of attack by the communist North, the two halves of the former nation maintaining very large standing armies that are constantly on the alert at a boundary barely fifty kilometres from the northern outskirts of Seoul. The social stability of South Korea is also far from assured; although things are tranquil at present, it was only a few years ago that a president was assassinated, rioting was occurring in the major cities, and curfews, press censorship and martial law were ruthlessly enforced. Taiwan seems less subject to the sabre-rattling of Peking than it used to be, and indeed the Chinese communists have been wooing their capitalist cousins with talk of a scheme for reunification between the island and the mainland without loss of Taiwanese economic autonomy. But this new friendliness (which is largely one-sided) may not prevail. As to Hong Kong, the negotiations over what happens on expiry in 1997 of the British lease of most of the colony from China, still unsettled as of this date, is creating great nervousness among businessmen and causing some of them to pull out their capital while there is time. Only Singapore appears to be stable and unthreatened, without potentially serious political difficulties so far as one can see.

If the various possible crises can be averted, there is little doubt that these countries will retain their extraordinary forcefulness and creative energy. The distinctions among them in respect to economic planning or unfettered free enterprise, although fascinating to outside analysts, are probably of less consequence than their common determination to become advanced modern societies taking their place in the world beside the rich nations. Such an outlook will only be in jeopardy if the developed countries that now provide markets for so much of their industrial production decide to move even more deliberately toward protectionist policies than they have done already. They regard with understandable misgiving the tightening quotas on imports of clothing into most advanced nations, the ingenious barriers against shipments of electronic products into the European Community, the curbs on sales of certain types of steel in the United States, the obstacles that are part of growing "car wars" around the world, and so on.

Implications for Canada

To see the dimensions of what is involved for Canada, it should be remarked that our imports from each of the three most important of these four countries represent about 1 percent of Canada's total purchases from abroad, while those from Singapore are (as already noted) a much lower proportion. Thus imports from all four represent something over 3 percent of Canadian acquisitions of goods from foreign countries.

The trouble is that the items coming from these four NICs fall into a relatively small number of categories, and in some of those categories they penetrate Canadian mar-

kets deeply. The outstanding case is clothing, where imports of certain lines (usually the less expensive) account for 25 percent or more of all Canadians' retail purchases. In such instances they represent a large and worrying element of competition that can have a major impact on output and employment in the domestic garment and textile industries. This familiar story is tending to be repeated in other industries such as electronics, where imports from the Asian NICs can be a factor of some consequence. And as the range of actual or potential competition spreads, the pressure for protection of Canadian industries strengthens, often yielding results such as reduced quotas on imports of apparel or effective restraints on sales in Canada of foreign automobiles.

Export opportunities

What is less well recognized is that countries like the Far Eastern four provide interesting markets for a growing range of products that nations like Canada are well placed to supply. Most of these, admittedly, are primary commodities. Korea and Taiwan, in particular, offer great scope for exports of metallic and other mineral ores and concentrates, forest products, fuels (especially coal, for which there is rapidly rising demand), and some agricultural and fishery products. But openings are developing for all manner of manufactured goods, including some high-technology items and a wide spectrum of services. Canada has sold a CANDU nuclear reactor to Korea and is hoping for a repeat order; Northern Telecom has secured a huge contract, also in Korea, to modernize the national telephone system; most of the big Canadian banks are doing excellent business out of Hong Kong; specialist firms in frontier areas of electronics and telecommunications technology, both hardware and software, have found that the expertise derived from their Canadian head offices is saleable in the new Asian markets; and there is a respectable presence in the territories concerned of Canadian consulting operations of almost all kinds. Most of the enterprises that have been active in these areas from a Canadian base are enthusiastic about the prospects, noting that the countries are a lot more open than Japan to foreign manufactured goods and services. But they add that this openness may not last if Canada closes its doors to exports from East Asia.

Thus, the picture is one of actual or impending difficulty for some Canadian industries and their workers by virtue of the growth of these countries. This is coupled with new opportunities for others, frequently in different sectors and regions of Canada. It is the problem of change and adjustment, which is always hard but nonetheless crucial to continued economic health and rising living standards. Are we in Canada and other advanced industrial nations embarking on a policy of arresting this necessary process of change in the hope that we can freeze the status quo? Or can we contrive by imaginative programs to ease the re-deployment of our economic resources, our firms, our industries and our manpower? If we adopt the latter more positive and courageous approach, we must eventually benefit from the stimulus to international economic wealth that the rising Asian NICs — and those other emerging countries that will follow them if we allow it — can bring to a world economy sorely in need of new energizing influences. □

*I lend, you borrow, we lose
Just banking on the future*

Grappling with international debt

by Michael G. Kelly

The emergence of widespread and large-scale financial difficulties for the developing countries as a group over the past two years inevitably came as a surprise. The debt problem, by its very nature, involved past misapprehensions and miscalculations, which in the course of events led to a severe and unforeseen squeeze on the resources of many developing countries, and which in turn imposed serious strains on the functioning of the international monetary and financial system. This situation also forced the international community to grapple with a set of problems with which it had only limited experience and for which there was little time for careful analysis and reflection.

The issues and questions this chain of events raises are many and complex. The following elements however would seem to be of particular interest. First, one needs to identify some of the misperceptions that brought on the problem and to establish its origins. Second, it seems useful to trace the immediate developments that sparked the initial crisis. A third important element is the response of the major players involved and the extent of its effectiveness. Finally, some of the longer-term aspects and consequences of the debt problem are worth considering.

Origins of the debt problem

In the normal ebb and flow of market lending transactions, there is a mutual reinforcement of interests which guards against potential excesses. On one side, creditors are anxious that their repayment stream be secure. On the other side, borrowers want to ensure that loans enhance their long-term income prospects or at least improve the time profile of their cash-flow. Nonetheless, given general uncertainty about the future, there is always an element of risk in individual instances that inappropriate financing decisions may be made.

When the lending and borrowing policies of multinational financial institutions, nation entities, and large domestic enterprises give rise to a severe debt-servicing burden for the developing countries, it is clear that there must have been some fundamental misconceptions about the environment. However, in analyzing developments in the recent period, with the benefit of hindsight, it also becomes apparent that there was no single factor which led to this situation. Instead, it was the confluence of many separate forces which, by all working in a similar direction, transformed a normally desirable channelling of global

savings into a worrisome debt load for the Less Developed Countries (LDCs).

The seeds of the debt problem were sown in the wake of the first oil price shock in 1973-74. This initially gave rise to acute payments imbalances, provided added impetus to inflationary forces, and touched off a major recession in the industrial countries. However, despite these initial strains, the situation was turned around in the span of a few years. The vastly increased revenues of the oil producers created a large pool of savings, much of which was channeled into Eurocurrency markets. The banking system looking for commercial lending opportunities was attracted to the resource wealth and population base of the developing world and reinvested much of this money in this area's most promising regions and activities. At the same time, this helped ease the financing requirements of many LDCs confronted with increased current account deficits stemming from their higher oil import bills and allowed them to sustain economic growth.

Concurrently the recession in the industrial countries turned out to be relatively short-lived. The recovery in economic activity during the second half of the 1970s led to renewed demand for the exports of the developing countries. As well, since inflation was generally high and interest rates did not rise in step, the real value of outstanding debt was eroding while the incentive to borrow against future earnings was compelling.

When the second round of oil-price increases occurred in 1979-80, a similar sequence of events appeared to be unfolding. Oil producers once again built up large financial surpluses, inflation was given another boost, and economic activity in the industrial countries slumped. As before, the developing countries turned to financial markets and commercial banks in search of financing, which was forthcoming on the same premises as in the earlier period. New lending to developing countries by banks in the industrial world rose to a peak of some fifty billion dollars in 1981.

Catastrophe after 1979

On this occasion, however, the underlying economic outcome was very different. The industrial countries, rather than accommodating a new wave of inflation, tightened monetary and fiscal policies. As a result, the cost of credit soared and economic activity remained weak. The export earnings of the LDCs suffered repeated setbacks as export growth decelerated and commodity prices tumbled. While foreign exchange revenues stagnated, oil-import bills and interest payments reached unprecedented heights. The current account deficits of the non-oil LDCs escalated, reaching \$108 billion in 1981 compared to \$41

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billion in 1978. Financing deficits of this magnitude exacerbated the indebtedness problem and in some cases this was compounded by large-scale capital flight.

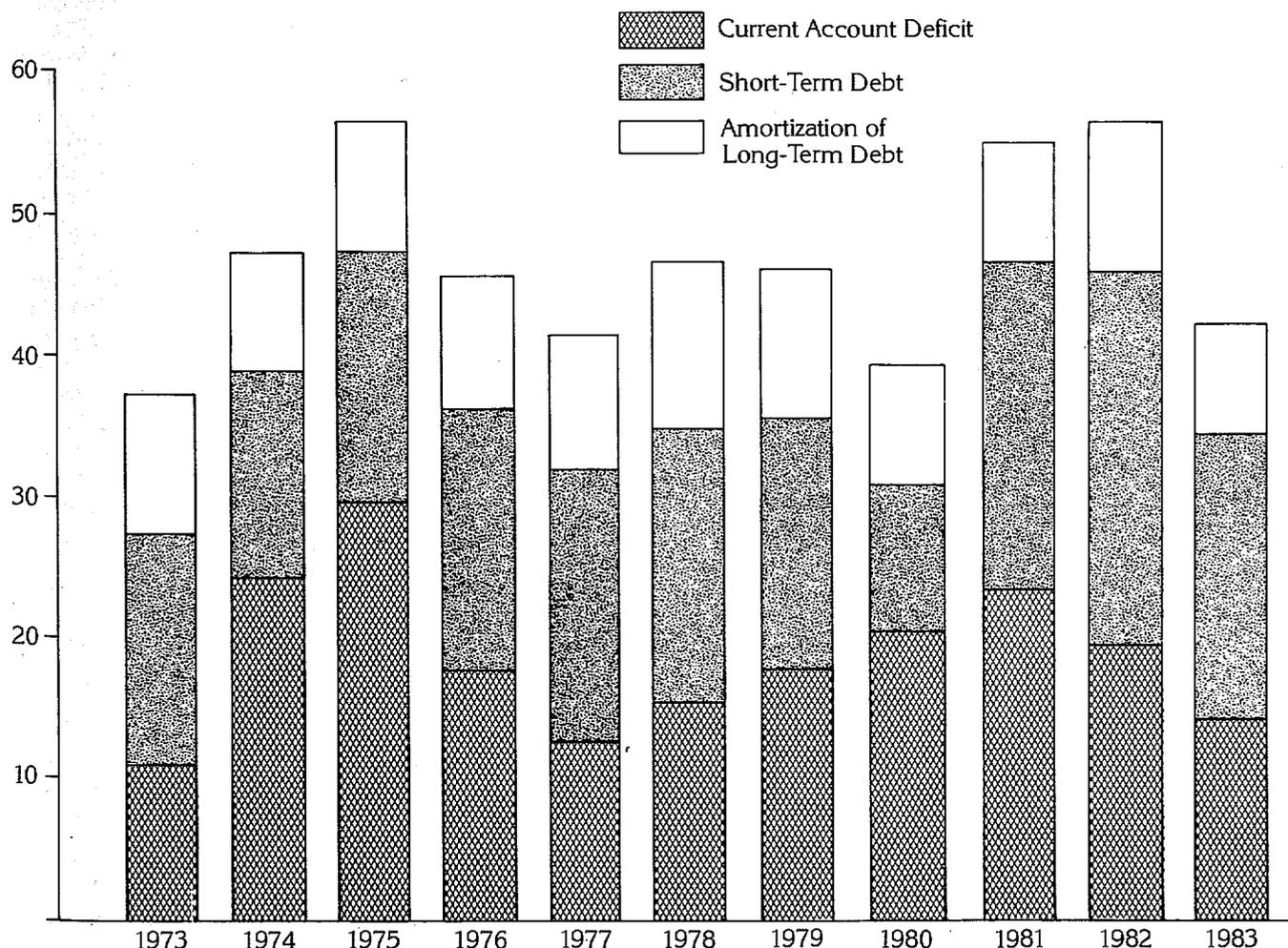
By the end of 1982, the total outstanding debt of the non-oil LDCs had cumulated to over \$600 billion, representing close to a five-fold increase from \$130 billion in 1973. The debt-to-exports ratio stood at 143 percent compared to 115 percent in 1973; the debt-to-gross-domestic-product ratio was 35 percent compared to 22 percent. The debt-service ratio (interest and amortization on short- and long-term debt as a percentage of exports of goods and services) rose to 22 percent in 1981-82 compared to 15 percent in 1973-77.

In the initial stages, the extent of indebtedness and the magnitude of its costs relative to foreign exchange earnings were not fully appreciated by the international financial community. Although each individual bank was quite aware of its own operations and exposure, little thought had been given to the aggregate amounts involved. At the same time, the uses of borrowed funds also entailed a

number of miscalculations. Since large proportions were loaned to governments or state-owned enterprises, repayment to the creditor was thought to be assured by the full taxation and spending powers of the national authorities. With that type of backing, the targeted expenditures of the loans seemed almost irrelevant.

On the other side of the coin the recession revealed some structural weaknesses, which had been evolving over a longer period. This meant that many investments would not be yielding a profitable return. Even investments in crude petroleum production were in some instances based on expectations that were overly optimistic about continuing real price increases. Compounding these problems was the fact most governments — encouraged by the widely-shared view that the recession would again be short-lived — sought to delay the adjustment measures that were necessary to place their economies on a sounder financial footing and secure a longer-term creditworthiness which would encourage stable capital inflows in the medium term. Many countries increased the volume of their bor-

Developing Countries External Financial Requirements
(as percent of exports of goods and services)



Source: International Monetary Fund, World Economic Outlook, May 1983.

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rowings to avoid or postpone the necessary restraint measures. One symptom of this was excessive short-term borrowing, which radically altered the maturity structure of the debt load for many countries and made their financial situation even more precarious.

First casualty — Mexico

In August of 1982 it became apparent that one of the biggest debtor countries, Mexico, would have insufficient foreign exchange to service its external debt (some eighty billion dollars) over the following months. This discovery provoked a thorough reappraisal of the lending policies of the commercial banking system. It also set in motion the first major international rescue package to contain and limit the potential damage that would be caused by a technical default on repayment of outstanding obligations. To provide Mexico with the immediate cash needed to meet its debt-servicing costs, the Bank for International Settlements (BIS) advanced close to two billion dollars in short-term financing. Additional funds were provided by the United States. An understanding was also reached that the Mexican government would negotiate a stabilization program with the International Monetary Fund (IMF).

The program arranged with the IMF called for stringent measures to curtail public sector spending and to limit the rate of credit creation by the central bank. As well, exchange rate policy was modified to permit continued depreciation of the peso to match domestic inflation rates in excess of the global average. Finally, other price incentives were allowed to exert a greater influence on consumption and production decisions. In addition to IMF financing, official assistance was also provided through swap arrangements and a new infusion of guaranteed export credits. As well, private creditors rescheduled much of the maturing principal coming due at that time and extended new loans.

The Mexican case was the forerunner of a series of financial packages designed to contain the debt problem, although major rescheduling packages had been negotiated earlier with the centrally planned economies of Poland and Romania. Among the major debtor countries similar schemes were drawn up for Brazil, Argentina and Yugoslavia. In addition, a host of other countries plagued by the same difficulties but on a smaller scale, sought IMF assistance and debt-rescheduling arrangements. In all some forty countries have instituted financial restructuring programs since August 1982. The major rescue operations contained a number of common elements: an economic stabilization program sanctioned by the IMF; a restructuring of commercial debt and debt-service payments; "Paris Club" negotiations to reschedule official or officially guaranteed credits; BIS bridging loans to meet immediate obligations; and new commercial and official credits to facilitate the transition period.

Measures were also taken to bolster the resources of the IMF and ensure that sufficient funding would be available to meet any new threats to the international financial system. The eighth general quota review was advanced so

that increased subscriptions to the IMF could be effected at an early date. The General Arrangements to Borrow were expanded to deal with the possibility of future systemic threats and the Fund also entered into new borrowing arrangements to help finance its programs.

Painful consequences

The initial consequences of the financial crisis for the affected debtor countries were harsh. Their precarious financial positions required an abrupt turnaround in their balance of payments, which in the early stages involved a sharp compression of imports. At the same time, government spending had to be drastically curtailed, subsidies abandoned, and exchange rates and domestic prices adjusted to more realistic levels. These actions necessarily lowered aggregate demand, cut real incomes and wages, and accelerated domestic inflation rates. As is generally the case with stabilization programs, the negative effect on demand and incomes initially exceed the beneficial effects of improved price incentives, more efficient sectoral performance, and better resource allocation. Only after a transitional phase do these more positive elements reassert themselves.

In a longer term perspective, there seems little doubt that the accumulation of indebtedness will exact a heavy toll. Real interest rates are not likely to turn negative as they did in the 1970s; inflation will thus not erode the real value of these obligations. In planning their current account positions, the developing countries will have to allow for a substantial outflow of foreign exchange devoted simply to debt-servicing. Moreover, new financial flows in the future are likely to be tightly constrained. The commercial banks will be more cautious in their approach to international lending, and official export credit and guarantee agencies are exercising more caution in trade financing. Official development assistance is not expected to expand on a major scale and may even decline in real terms in the next few years. Direct investment is a promising channel of funding but is unlikely to be major factor for some time to come. In sum, the developing countries have to husband carefully their scarce resources, create greater internal efficiencies, and rely more extensively on their own initiatives and domestic savings to develop their economies.

Noneetheless a good deal has been achieved in adapting the financial system to deal with problem cases in a cooperative manner. There now exists a better understanding of the dynamics and dimensions of the debt problem, questions of responsibility, the technicalities of rescheduling/refinancing, and the limits of potential economic and social tolerance. As well, the international financial institutions have demonstrated their strength and resilience in dealing with unexpected occurrences and containing potentially disruptive economic forces. Finally, if the industrial countries can succeed in building a sustained, non-inflationary recovery and growth path, and if protectionist pressures are contained, the outlook for the developing and debtor countries promises to be a lot brighter than the dismal experience of the past two years. □

Hurtling Canada's dumping laws

by Peter Clark

Protection, whether it is a response to a need to protect sensitive industries, or whether to devise content requirements to encourage offshore automobile manufacturers to produce or purchase content in Canada; whether Canada can open her market to the manufactured products of developing countries, these are intellectually simple issues which are treated as such by Canadian commentators outside government. However, in terms of administrative detail they are complicated and likely to be highly politicized, because of regional or constituency pressures. The complexity of the relevant legislation and procedures has caused Canada's trading partners to complain about a lack of equity in the system.

Canada is not unique in this regard. Since the end of the Tokyo Round of Multilateral Trade Negotiations, most industrialized countries have become increasingly dependent on protective measures over and above the normal rates of customs duties to regulate or reduce import competition in response to demands of local producers.

Recourse to trade regulating legislation has increased as Canadian tariffs, particularly on manufactured goods, have been reduced. The value of tariff protection will be further reduced on January 1, 1985, when Canada adopts a transaction system of customs valuation. This will mean that for sales between unrelated traders, the sale price will be accepted for the assessment of duty. Foreign exporters should expect that when the new law becomes effective Canadian producers will increase their recourse to anti-dumping relief. The Special Import Measures Act, now before Parliament, will make it easier for Canadian producers to seek protection from dumped or subsidized imports. The proposed countervailing duty legislation will be far more effective than the existing law. This will have important implications for developing countries.

Anti-dumping hurts developing nations

In Canada, a determination that import competition is causing or threatening injury to production in Canada is a normal precondition for protective action. Inquiries into the injurious impact of import competition are generally undertaken by independent Boards or Tribunals. Their relatively open procedures, which invite involvement by all interested parties, can safeguard the interests of importers and exporters against unwarranted or arbitrary action. Canadian legislation and practice is generally in conformity with Canada's international obligations under the General Agreement on Tariffs and Trade (GATT) and the Arrangement Regarding International Trade in Textiles

(MFA). Nonetheless, there are aspects of Canadian practice which discriminate against exporters, particularly those from developing countries. The Anti-dumping Act is the most frequently used trade regulating mechanism, and the most frequent cause of complaints by Canada's trading partners.

Generally, Canada has taken very seriously its GATT and other international obligations in respect of injury determination. Public injury determination procedures are required by Canadian statute, even when these are not required by GATT or the MFA. The copy book is not without blemishes. Canada has introduced protective measures outside the GATT system. The "Voluntary Export Restraint" on Japanese autos is an example. Too, the importation of a number of agricultural products is regulated under the Export and Import Permits Act. These restrictions have been justified under GATT Article XI 2(c)1, as measures in support of marketing boards.

Determining injury to Canadian firms

After Canada signed the Kennedy Round Anti-dumping Code, injury test and public injury determination procedures were introduced as a precondition for the application of anti-dumping duties. An Anti-dumping Tribunal (ADT) was established to undertake inquiries into injury. The best defined and developed procedures for determining injury, notwithstanding the absence of statutory criteria, are those of the ADT. Since the Tribunal was established it has undertaken more than 100 inquiries into injury from dumping. Its procedures encourage thorough inquiry, and its statements of reasons generally indicate, with an acceptable degree of clarity, how it arrives at its findings.

The Anti-dumping Act has a great deal more to say about how to determine dumping than it does about how to determine whether or not dumping is causing or threatening material injury to production in Canada. This concentration of attention on the mechanics of detecting and calculating dumping margins may have been due to the fact that Canadian officials in 1968-69 knew more about customs procedures than they did about determining injury. The GATT Code, too, focuses more attention on

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dumping than on injury. This situation has not been changed by the Tokyo Round revisions to the GATT Code, nor does the draft Special Import Measures Act (SIMA) provide much additional guidance about injury determination.

The Anti-dumping Code (and Canadian and US laws) are designed to deal with North American marketing systems and accounting practices and records available to North American companies. Those companies and countries which do not fit the mold for which the Act is designed must fight an uphill battle. This and other factors create serious difficulties for Japanese and many developing countries' exporters who find themselves enmeshed in the Canadian anti-dumping system.

The most frequent complaints about Canadian administration and practice are:

1. *Revenue Canada does not examine with sufficient rigor a complainant's evidence of dumping and material injury before initiating investigations.*

Exporting countries have argued in the GATT Anti-dumping Practices Committee that Revenue Canada has started many investigations that would never have been initiated if the *prima facie* evidence submitted by the complainant had been tested. There is a view among importers and exporters that any inquiry which results in a "no injury" finding should not have been started. It has been my experience acting as Counsel for both complainants and for exporters that this position is not a totally objective one. I have not had an easy time convincing Customs to initiate investigations. On the other hand, when representing exporters, I have often wondered how Customs could have started that specific investigation.

Foreign exporters' concerns must be examined in the light of the following considerations:

- If the case has gone to the Tribunal for an inquiry into injury, the Deputy Minister has already determined through investigation that dumping has occurred and that the dumping is not negligible.
- The Tribunal's inquiry into injury is much more thorough than the Deputy Minister's assessment. Tribunal inquiries involve an adversarial approach where evidence submitted by either side may be and is tested, through questioning and cross-examination. The Tribunal must be satisfied that the injury caused or threatened to production in Canada is sufficient to be considered "material." It must also be satisfied that the "material" injury was caused or threatened by the dumped imports in question. Numerous "no injury" findings attest to the Tribunal's independence and objectivity and to the efficiency of the checks and balances in the Canadian law.

However, exporting countries have a valid concern about the inadequacy of access to Canadian procedures at the initiation stage. SIMA envisages that importers and exporters will be able to seek a second opinion from the Import Tribunal (which will replace the Anti-dumping Tribunal under the legislation) as to whether there is a "reasonable indication" that dumping or subsidization has caused, is causing or is likely to cause, material injury or retardation. However, it is not envisaged that this "second-opinion" inquiry will enable the importer or exporter to

test the complainant's evidence. It will not involve public hearings. It will be based on the Deputy Minister's file. Whether or not this will provide greater protection for export interests will depend on the threshold of the injury test applied by the Tribunal in these reviews.

Revenue Canada has indicated that it intends to meet some of these criticisms by amending its own practices when the new legislation is promulgated. A recent communiqué notes, for example, that "in considering evidence of dumping it is not adequate merely to demonstrate that the price of imports is lower than Canadian manufacturers' prices by a significant margin." Often, Canadian producers have been able to meet the test of *prima facie* evidence of dumping by constructing hypothetical costs for exporters or using Canadian costs as compared to export prices to claim sales below cost. The Department notes further that in considering a complaint it will give close consideration to the question of whether the dumping or subsidization is a cause of the alleged "injury." These stated intentions are consistent with Canada's GATT obligations. However, the fact remains that the Department's decisions will be made on the basis of evidence submitted by the complainant. We also wonder whether the rigor of the tests imposed by the Department will be relaxed if their caseload declines to the point where staffing levels are jeopardized.

2. *Procedures are too complex and preliminary determinations of dumping may be made on the basis of inadequate information.*

The Customs anti-dumping questionnaire is very extensive, seeking detailed information on the exporter's domestic and export marketing practices. Cost of production data is routinely sought for a range of products sold in the country of manufacture and exported to Canada. Under the law an exporter should be able to justify its pricing in Canada by reference to selling prices in its home market. However, Revenue Canada holds that such sales in the home market must be "in the normal course of trade." Revenue's current interpretation is that sales must have been made at prices which reflect full cost of production plus all general and administrative expenses to be considered "in the ordinary course of trade." Several years ago, the auto industry and steel producers in many countries could readily have testified that failure to recover all costs on many of their sales was very much "in the ordinary course of trade." Revenue Canada however, sticks to its rather unique view and routinely seeks cost of production information.

US exporters whose information systems are computerized and who have detailed cost accounting records can comply with Revenue Canada's inquiries without too much difficulty. However, in Japan and in developing countries where computerization may not be as extensive and where accounting systems are different, it is more difficult for exporters to comply. Language differences and the need for translation add to these problems.

3. *Inquiries are costly in time and money.*

It requires a great deal of time and effort to answer Revenue Canada's questions. Costs for counsel and specialist advisers may be significant (but are generally much lower than in the USA). For many developing country

exporters, sales to Canada are small in comparison to the business they do in the much larger US market. They sometimes decide not to spend the time and effort to answer Revenue Canada or to defend their interests before the Tribunal. In the circumstances, findings of dumping and injury are virtually inevitable.

4. *Sales proportion in home market and interest rates complicate finding of dumping.*

A number of export oriented countries and developing countries have considered that the very detailed regulations under the Anti-dumping Act worked against their interests. And their concerns have not been without foundation.

The Anti-dumping Code and the Canadian Anti-dumping Act envisages that home market sales experience of an exporter may be disregarded if it is not deemed to be adequate. However, the Canadian regulation sets the threshold of adequacy of sales for consumption in the country of export at 25 percent of total shipments excluding exports to Canada. The threshold in the USA is 5 percent. Failure to meet the test (Canadian Anti-dumping regulation No. 14) generally results in determinations of normal values based on constructed costs. Under the SIMA there is no mention of a specific threshold. However, what is adequate will be a matter of administrative discretion. Concerns about the 25 percent threshold have been addressed but the problem has not disappeared.

A very serious problem for a number of South American countries which experience high rates of inflation, rapid currency devaluations and high interest rates is the impact of Canadian Regulation No. 21 on the calculation of dumping margins due to concessional financing. Generally, "concessional financing" (or export assistance by the government of the producing country) is provided through hard currency (US dollar) loans. Currently, the value of concession is calculated on a present value basis against a "normal" rate for local currency loans. In a recent case US dollar financing at 7.5 percent was compared with a local currency interest rate at 160 percent. The impact on the normal value calculation was horrendous. This aspect of the Canadian law is to be changed by the SIMA to require calculation of the financing benefit by comparing the concessional rate and the local rate for loans in the currency of the concessional loan.

The concerns of exporting companies and countries about Canadian Customs practices cannot be ignored. The complexity of the rules gives those who are determined to find dumping the scope to do so. Investigators are human and motivation can vary from one official to another. To the extent that Customs practices result in high margins of dumping, it may be easier for the complainant in the next phase of the investigation to prove the price- and profit-suppressing effects of the dumping, and to obtain a finding of material injury.

When dumping has been determined the Anti-dumping Tribunal takes over. The Tribunal has statutory authority to conduct inquiries into the question of material injury or material retardation from dumped or subsidized imports. In carrying out its task the Tribunal pays very careful attention to the confidentiality of information submitted by both sides. Detailed procedures have been established to give independent advisers or counsel access to this infor-

mation so they can defend the interest of their clients, subject to rigorous undertakings to protect the confidentiality of the information.

What constitutes material injury is resolved by the Tribunal's judgment in the light of the circumstances in each individual case. In *Isocotonol* the Tribunal stated: "Some positive showing of deleterious consequences is required to establish material injury." While not specifically required to do so, the Tribunal considers the factors set out in Article 3(b) of the Anti-dumping Code. A current Tribunal member explains about injury determination, "in sum, it is a question of degree and highly judgmental. Closely related to this difficulty is the issue of causality. Is it the dumping which is causing the injury? It need not be the only cause or indeed the most important or principal cause. Here again we are in a judgmental area. Our concern for causality and our attention as to the weight to be given to factors other than dumping which may account for the depressed state of an industry are best illustrated by a review of our negative findings." Indeed the Tribunal has refused to find injury when it has concluded that injury is not sufficiently serious to be considered "material" or that the injury being experienced by Canadian producers was due to factors other than dumping.

Textile trade and quota protection.

Until 1970 Canada's negotiated trade restrictions on textiles and clothing were not based on formal injury tests. Officials conducted informal examinations of markets to determine the extent to which import competition was injuring domestic production. In deciding whether to seek "voluntary" export restraints from "low-cost" or state-trading countries the officials generally received input only from those industries seeking protection. Clothing manufacturers frequently objected to the introduction of quotas on textile fabrics, but their success in preventing restrictions on their fabric and yarn imports was limited.

Recommendations to introduce or to deny protection on textiles and textile products were made at the level of officials. The system was not quite as protectionist as it might seem. The officials concerned were members of the Interdepartmental Committee on Low-Cost Import Policy. The ICLCIP represented a wide range of interests including External Affairs, Industry, Trade and Commerce, Finance, Labour and Consumer and Corporate Affairs. Officials had been directed by Ministers to follow a selective (product-by-product and country-by-country) approach to import regulation. Requests for protection were not accepted automatically. Producer complaints were analyzed to ensure that a credible case could be made under the Long Term Arrangement Regarding International Trade in Cotton Textiles. Important sectors of the industry including cotton yarn and knitted outerwear were denied the full protection they sought because they could not demonstrate to the satisfaction of the ICLCIP and Ministers that "low-cost" imports were causing or threatening the necessary degree of injury. Indeed, Canadian producers were not happy with a system they considered to be non-transparent and unresponsive. Industry was in general agreement with the creation of an independent review body to issue non-appealable findings of injury (or non-injury) in respect of requests for special measures of protection. They consid-

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ered this would be preferable to the confidential deliberations of public servants they believed to be unsympathetic to industry problems.

In 1970 Canada established the Textile and Clothing Board (TCB) and public injury determination procedures as an integral part of the National Textile Policy. The TCB process is relatively open one. No public process is required by the Arrangement Regarding International Trade in Textiles (MFA). Importers and exporters have access to the procedures and can make their views known. Recent experience suggests that the TCB is taking a hard look at claims of serious injury.

The TCB has been criticized by Canadian importers and by exporting countries for being too responsive to the demands of the textile and clothing industries. However, their procedures are public, and the participation of exporting countries is welcome. These complaints must be analyzed in the light of the situation of the Canadian textile and apparel industries. The general poor health of these industries may help explain the frequency of TCB injury findings.

Tariff Board and GPT safeguard procedures.

The injury determining role of the Tariff Board is currently limited to petitions for removal of the benefits of the General Preferential Tariff (GPT, a system of special tariff reductions for developing countries). The Tariff Board's GPT reports are not quite so detailed as those of the Anti-dumping Tribunal. However, the reports clearly indicate the reasons for their findings. The Board has only accepted producer demands in two GPT removal applications to date. At least three applications were turned down because the Board did not consider that there was *prima facie* evidence of injury. Three other petitions were denied after the evidence was heard. The Tariff Board's record does not suggest a protectionist approach.

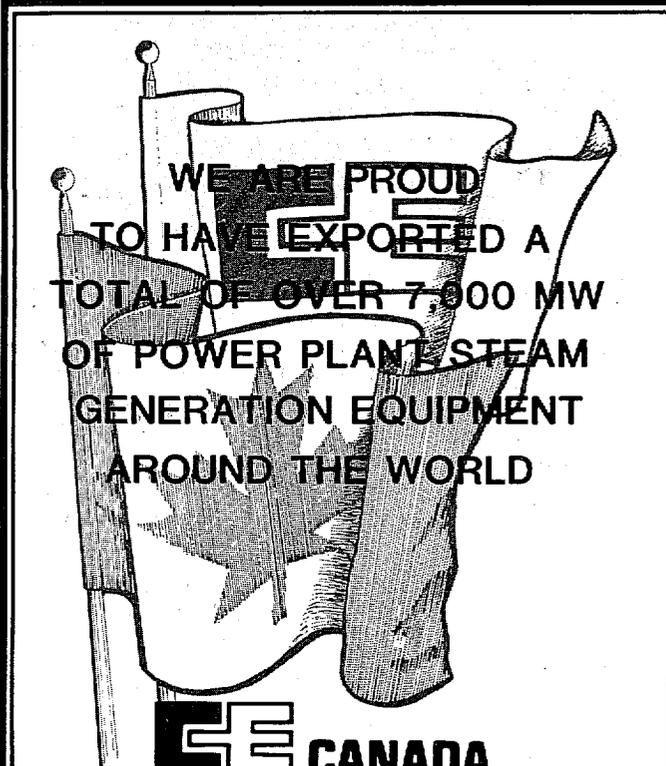
Conclusions

Exporting countries may find that the Canadian Anti-dumping Act and regulations, indeed to some extent the GATT Code, discriminates against their interests. This is not a deficiency of the injury determination process. However, the method of determining dumping can result in an exporter's becoming involved in Tribunal proceedings. To the extent that preliminary dumping margins may be higher than necessary, the prospects of an affirmative injury finding are increased.

It has been my experience that there are aspects of Customs practices and interpretations which are not neutral in their effect. Customs is trying to change this but it will be difficult for them to move far in this direction — indeed this legislation is designed to protect Canadian producers from practices which have been condemned by GATT. Notwithstanding GATT condemnation, differential export pricing is widely practised. This can be the unconscious result of meeting world prices in export markets while tariffs enable the exporter to maintain prices in his home market. This makes it important that an injury test be a precondition for the introduction of anti-dumping duties.

Some problems may have occurred because developing countries have not taken full advantage of available opportunities to plead their cases before Canadian Boards and Tribunals. Greater exercise of the right to appear and argue their cases would provide Board or Tribunal members with a more complete information base for their deliberations. This should assist the developing countries involved.

It is difficult to expect exporters to express satisfaction with Canadian attempts to regulate unfair or uncomfortable competition. However the GATT Code as well as Canadian law and practice provide opportunities for importers and exporters to challenge allegations of unfair practices and injury as well as the imposition of duties. These checks and balances do not and cannot offset all of the deficiencies and biases of a system which is becoming increasingly important in regulating trade. What is clear, however, is that if the defence mechanisms available to exporters are not employed, the checks and balances will be of little use. □



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Book Reviews

Escott Reid and the rest of us

by John W. Holmes

On Duty: a Canadian at the Making of the United Nations, 1945-1946 by Escott Reid. Toronto: McClelland and Stewart, 1983, 181 pages, \$16.95.

"For nothing can be accomplished without fanaticism, and without serenity nothing can be enjoyed." In these memoirs of his time as a major architect of the United Nations Escott Reid quotes Palinurus, noting that each virtue taken alone was disastrous. It is the clue perhaps to his remarkable accomplishment as the most dedicated, though not the most senior, Canadian at San Francisco and at the First Session of the General Assembly, and most particularly as the essential Canadian on the Executive Committee and the Preparatory Commission that through the latter half of 1945 transformed the UN Charter into workable machinery. His indomitable persistence, his fanatical attention to the details of language made him and his country one of the major powers in this preliminary exercise in London. The United Nations became a vessel that could be launched and much better able to steer a course through the trials to come.

In a Canadian team dominated by functionalists and pragmatists, serving a Prime Minister wary of crusades, this fanaticism was indispensable. Those who judged more cannily the art of the possible were not dispensable either, but they needed the spur of Escott's idealism, for pragmatism becomes too easily complacency. As the historians now delve into the different approaches to world order of Hume Wrong and Escott Reid, it is to be hoped that this debate will not be entrenched in legend as regrettable disunity on the team. For those juniors who served under both of them, the argument had Hegelian virtue. It kept us alive, sprinting to keep up with insights sometimes contrary and sometimes complementary, none of which we could discard. Those who clamor now for the instant revelation or encourage the clandestine revelation of internal memoranda might well consider the effect of such practice on the free spirits who know they can dare to think boldly. Civil servants can become listless bureaucrats for lack of scrutiny, but they are more likely to be conformist and unimaginative if they are discouraged from private thought and private debate. Do we really want to squelch the likes of Escott Reid as here revealed?

It is one of many thoughts to ponder in reading this extraordinarily lively account, mostly in letters written at the time but also in recollection, checked with the records of this splendid fanatic. It complements well his record of the birth of NATO, of which he was also an architect, and of his years in India. Much is added to the official records, important glosses and footnotes for the historian, but enlivened for even the casual reader by amusing incident, of which the author is often himself the butt, and the warmth of an ebullient and sensitive man. His quality is in that constant search for serenity in fanaticism. He reveals it in his capacity for seeing himself as part of the human comedy and in his serenity towards those who differed from him. As he gets serener, his fanatical devotion to the well written word is happily undiminished and he promises us more of the same. All his oeuvre (a smarmy term that would attract his vehement blue pencil) is essential reading for those who want to understand better how our foreign policy is actually made — or not made. Scholars can wish him long life and a word processor.

John Holmes is an author, scholar and former diplomat who has been associated with the Canadian Institute of International Affairs for many years.

Thoughts for a trading nation

by Don McGillivray

The Bottom Line — Technology, Trade and Income Growth by The Economic Council of Canada. Ottawa: Canadian Government Publishing Centre, 1983, 169 pages, \$8.95. *United States Trade Policy Legislation: A Canadian View* by Rodney de C. Grey. Halifax: The Institute for Research on Public Policy, 1982, 130 pages, \$7.95.

It's a painful to adjust to new economic realities. No one does it by choice, only by necessity. But the need for adjustment is stated in one sentence of the Economic Council's report on technology and trade: "In the past decade, Canada has encountered ferocious economic problems." Unemployment at levels unreached since the

Book Reviews

Great Depression, inflation at heights previously met only in wartime, productivity growth so low that no historical parallels exist — these are the signs that Canada has no choice about adjusting.

But we do have a choice about how we adjust. One way is to try to build fences around Canada to preserve present jobs and markets. Such an effort would almost certainly be self-defeating, as the Economic Council points out. The other way is to continue to reduce trade barriers and take a chance on Canada's potential to adapt and grow in new economic conditions.

The Economic Council makes a persuasive case for holding the line against protectionism when times are bad and for faster reduction in trade barriers when times turn better. The problem, of course, is to know when to make the switch. A year after starting the recovery from the Great Recession of 1981-82, Canada's economy could not find jobs for 1.4 million workers. Is that bad times or good?

There is good reason to argue at any time, and especially when unemployment is so high, that individual Canadians should not have to pay heavily in hardship and want for policies that will make Canada more competitive and prosperous in the longer run. In other words, there should be a system of adjustment assistance. But how much? On this question the Economic Council split. Some members felt there should be a system of retraining, mobility grants, alternative job opportunities and consultation with the groups involved. Others thought an imprecise program of income, training and placement for people losing their jobs because of imports allowed an idea that jobs could be guaranteed to all. If people were displaced by import competition from outside the country, why not people displaced by technological change inside the country? Why not everyone who loses or fails to get a job for whatever reason? The end result might be an economy, top heavy with government spending and a tax (or borrowing) burden that would cancel out any advantage of a leaner, more competitive industry.

These are not easy problems to resolve and the Economic Council does not have the last word on them. But is it time we had more debate on such matters and *The Bottom Line* is an excellent handbook for the debaters.

Rodney Grey has had long experience — in and out of the public service — in the trade field. As Assistant Deputy Minister of Finance in charge of trade, and later as chief Canadian negotiator in the Tokyo Round of talks under the General Agreement on Tariffs and Trade, he knew firsthand the labyrinth of trade barriers in the world. And he is prepared to share this knowledge as an expert guide.

The main conclusion from his study for The Institute for Research on Public Policy is that the United States is far from the free-trading nation it is sometimes pictured as being. As tariff barriers have come down as a result of successive rounds of GATT negotiations, the United States has evolved a pervasive "contingency" protection system to deal with "unfair" imports. Because Canada is the largest trading partner of the United States, this system has its greatest impact here. And Canada has responded by developing an extensive contingency system of its own.

Mr. Grey has provided a handbook for Canadian exporters to the US market. But he has done more. He has raised the question of whether the celebrated triumphs of

GATT have been more apparent than real and speculated that protectionism has been neither scotched nor weakened but simply driven underground.

Don McGillivray is National Economics Editor for Southam newspapers in Ottawa.

Energy self-sufficiency at last

by Jennifer Lewington

Life after Oil: a Renewable Energy Policy for Canada by Robert Bott, David Brooks and John Robinson. Edmonton: Hurtig Publishers Ltd., 1983, 203 pages, \$24.95 (cloth) and \$12.95 (paper).

Twenty years from now, Canadian homes could be heated with pelletized wood instead of oil.

It's not such an outlandish idea: the technology exists today and wood is a plentiful supply source for biomass energy of the future. But you don't have to accept this prospect to enjoy *Life After Oil*. The authors, true believers in a "soft" energy option of conservation and renewable energy for Canada, offer a refreshing approach to the often confusing debate about energy alternatives. They look into the future to project not what will be, necessarily, but what could be possible.

The distinction is important. Canadians could heat their homes for days with Government and industry forecasts which — consistent only in being wrong — told consumers what energy prices, supply and demand would be in the year 2000. The thesis of Ottawa's National Energy Program rested, faultily, on ever-rising oil prices through this decade. When prices dropped, the multibillion tar sands evaporated and frontier petroleum development looked an even more distant proposition.

In *Life After Oil* the authors look to what energy alternatives could emerge over the next forty years, even without technological breakthroughs, as conventional supplies of oil and natural gas run out. Their work is based on regional analysis conducted by the environmental group "Friends of the Earth" in a project financed by the federal energy department. The authors take a fairly conservative "bottoms-up" approach to the problem. In other words, they assess each province's supply-demand picture before making conclusions about the country as a whole. They also examine what consumers and industry could — not necessarily will — achieve through conservation and renewable energy options.

The results make stimulating reading. The authors argue against becoming hostage to expensive Arctic oil or nuclear power, and make the case for smaller-scale development of local energy supplies, such as wood.

One of the myths about Canada is that it is a resource-rich nation. Rich, in reality, only at a price. Canada needs a blow-up in the Middle East, and an explosion in world oil

prices to make Arctic oil and gas development an economic proposition in the short-term. But with soft prices expected for the rest of the decade, Ottawa's expensive frontier gamble looks like a losing deal for Canadians.

The value of *Life After Oil* is that it offers another way to think about energy alternatives. One doesn't have to believe that oil will price itself out of the market in fifteen years, or that wood could once again be a major home fuel

— as the authors do — to accept their conclusions.

It would mark a new start for Canadian policy-makers to recognize that energy problems do not necessarily need big-ticket answers.

Jennifer Lewington writes on energy and business topics in Ottawa for The Globe and Mail's "Report on Business."

Letters to the Editor

Canada and East Timor

Sir,

Your November/December article "The Canadian Government and human rights abroad" was certainly a welcome start to publicizing the gap between the reality of Canada's policy regarding human rights abroad and statements that have been made by Mr. MacEachen (e.g., "Canada is determined to play an effective, responsible role in international human rights"; "Our policies are rooted in the values of compassion and concern which all Canadians share," or "[Our] development assistance tends to be concentrated in countries whose governments pursue external and internal policies that are broadly consistent with Canadian values and attitudes," or even "The [Canadian] Government firmly believes in the international rule of law"). However, Sheldon Gordon, in attempting to give balance to his article has ignored the extreme hypocrisy our government practises in this regard. An excellent example has been Canada's reaction to the brutal Indonesian "grab" of East Timor. A force of 20,000 Indonesian military invaded East Timor on December 5, 1975, after an aerial and naval bombardment of the capital, Dili. This was in response to a declaration of independence for the Portuguese province by FRETILIN, an organization considered at the time to have the support of 90 percent of the population. FRETILIN had been effectively administering the country for several months after defeating a rival group (UDT) which had staged a coup d'état against the Portuguese. Popular support for a third group (APODETI) which supported integration with Indonesia had earlier been estimated at 10 percent, though many of their supporters were inadver-

tently machine-gunned by the Indonesians at the time of the invasion.

Though the past politics are of concern, it is the continuing massive loss of lives which now shocks the world community. Prior to 1975 the population of East Timor was estimated at 650,000 to 670,000. The most recent estimate is 425,000. During this period the East Timorese have suffered from Indonesian military assaults, atrocities such as random killings, disappearances, torture and incarcerations - all convincingly documented at the United Nations and elsewhere, and aptly described in a *Times* editorial of 1980 as "Horror in East Timor." "No mercy" attacks on East Timorese by Indonesian military have also been reported in the *Globe & Mail* as recently as September 1983. In November the International Red Cross once more withdrew from the country because of refusal by the Indonesians to permit them to operate outside of the capital.

What has been Canada's reaction? Indonesia, currently Canada's largest non-Commonwealth recipient of foreign aid, has received over \$180 million from Canada since 1975. Though the UN recommended self-determination for the East Timorese in 1979 and 1982. Canada voted against these motions; yet self-determination is a cornerstone of human rights. Consider then, Mr. MacEachen's statement, Canada "has stood firmly in defence of the Universal Declaration of Human Rights."

Among the fatuous reasons Mr. MacEachen gives for Canadian support of Indonesia's actions is that "Indonesia has clearly demonstrated its commitment to bettering the conditions of its citizens including those of East Timor." This is despite continuing reports of death squad killings in Indonesia (more than 4000 deaths in the last nine months), and the recent slaughter of 200 East Timorese. Mr. Mac-

Letters to the Editor

Eachen recently cited an Australian Senate report noting Indonesian expenditures in East Timor as support for the concern of Indonesia for the East Timorese, but Senator MacIntosh, a member of the mission to East Timor, has publicly stated that many of these expenditures were to facilitate Indonesian military operations. Mr. A.G. Vincent, Director of the Asia and S.E. Asia Bureau at External Affairs, has gratuitously claimed that Indonesia has spent \$175 million in East Timor for roads, schools and hospitals etc. Such information can come only from the Indonesian Department of Information. He ignores the fact that the hospital in Dili, prior to 1975 the best in the region, was dismantled and shipped back to Java. Other development programs were destroyed or halted, and important sources of wealth, such as coffee plantations, are now owned by Indonesian generals. When the International Committee of the Red Cross made six million dollars available for relief services in East Timor, over half of the funds ended up in military accounts for "distribution costs."

Statements by our government on the East Timor situation bear no relation to the reality. The response of Mr. Vincent to reports of the recent killing (1983) of 200 East Timorese by Indonesian military was that there was "an increase [in] the number of their military personnel in

Timor." Despite the genocide occurring in East Timor, Mr. MacEachen continues to assert that "a significant number of East Timorese requested the Indonesian authorities to intervene in the Portuguese province". This is not true. Ample evidence for this is that two years after the invasion, Indonesian troops still could only control the area around the capital and border areas. Equally false is Mr. MacEachen's assertion that "significant numbers of East Timorese are related by culture, language and family to the [Indonesian] West Timorese." Even the Indonesians acknowledge that twelve different languages are spoken in East Timor alone. Furthermore East Timor is predominantly Roman Catholic; Indonesia is the most populous Islamic country in the world!

The massive trade balance Canada enjoys with Indonesia and Canada's position as third largest foreign investor in Indonesia quickly explains Mr. MacEachen's stand, a position which sickens decent Canadians knowledgeable about the East Timor tragedy. It is clearly apparent that the assertions of Mr. MacEachen and the Asia and S.E. Asia Bureau of External Affairs have been either fatuous, gratuitous, devious or simply wrong.

R. Shotton
Halifax, N.S.



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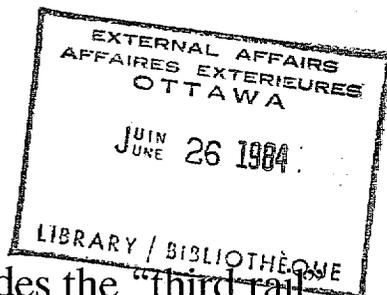
Freeing trade with the US

Still losing in Central America

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May/June 1984

Contents

- Trudeau rides the "third rail"
by Adam Bromke and Kim Richard Nossal 3
-
- Trudeau and the politics of peace
by Michael Tucker 7
-
- Inside the Soviet Union
by John M. Battle 11
-
- Sectoral free trade with the US
by Gerald Regan 15
-
- Sectoral free trade with Canada
by Michael B. Smith 17
-
- Chernenko in office
by John Halstead 19
-
- Détente or "Nuclear Winter?"
by Carl G. Jacobsen 23
-
- Squaring the error in Central America
by Richard Stubbs 26
-
- Book Reviews 30

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Editor's Note:

Canada's foreign interests this year have included two new concerns — or "initiatives." One is the push to interest the United States in developing unimpeded trade with Canada in certain sectors, the other was Prime Minister Trudeau's peace mission, which rose meteorically late last year, seared us for the first few months of 1984, and now lies twitching on the dissection table. That peace offensive is examined and evaluated from different perspectives in two articles. Neither finds it a great success. Two pieces on sectoral free trade between Canada and the US keep us abreast of the official views of both countries on that subject. It is still a waltz, but the tempo may pick up.

It is an important event — despite its increasing frequency — when the Soviet Union gets a new leader. Mr. Chernenko has his policy problems scrutinized here, and in a related article a former Canadian student at the University of Leningrad offers some observations on what it is like to live a life of total immersion in Soviet society. In other articles we look at the consequences of striving to achieve nuclear balance (or is it nuclear imbalance?) and the United States is offered some lessons on how get lucky in Central America.

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Trudeau rides the "third rail"

by Adam Bromke and Kim Richard Nossal

*This is the first of two articles on Pierre Elliott Trudeau's "peace initiative." It was such a large and well publicized undertaking that it begs evaluation. In this article and the next **International Perspectives** presents two commentaries by Canadian scholars on the Prime Minister's mission.*

Pierre Elliott Trudeau's "peace initiative" — his announcement at the University of Guelph in October 1983 that he was going to establish a "third rail" of "political energy" to speed an agreement between East and West, and the subsequent four months of shuttle diplomacy — was much like the Prime Minister's other sporadic forays into diplomacy in his long term as prime minister. It was a well-meant idea poorly executed.

Some have claimed that the peace mission was a "phony" exercise, that it was never intended to succeed, or that it was prompted by parochial or personal concerns. It has been derided as an eleventh-hour attempt to resuscitate the Liberal Party's flagging health in the polls, or as a bid for the Nobel Prize as a fitting cap to his years as prime minister. However, most Canadians, including even the Progressive Conservatives, agree that the peace initiative was motivated by genuine concern.

There can be little doubt that Mr. Trudeau regarded with growing apprehension the deteriorating course of Soviet-American relations during 1983, and in particular President Ronald Reagan's role in that process. The fundamental differences in approach to East-West relations between Mr. Trudeau and Mr. Reagan became increasingly evident over the summer of 1983. Two events seemed to have catalyzed the Prime Minister. First, Mr. Trudeau was concerned at the lack of progress at the summit in Williamsburg in healing the divisions within the western alliance over the most appropriate posture towards the Soviet Union. Second, the Prime Minister was alarmed at the deterioration in East-West relations caused by the shooting down of the Korean Airlines 747 in September. But he also appears to have been responding to the widespread concern on the part of the Canadian public about the sorry shape of East-West relations. It was, after all, the unexpectedly strong domestic opposition to the testing of the Cruise missile which had prompted the Prime Minister to abandon his diffident stand on East-West issues in the first place.

The world awaits

There was, thus, an evident need for an initiative to dampen the growing bellicosity of the superpowers, to encourage dialogue between Moscow and Washington, to alter what the Prime Minister called in his Guelph speech the "ominous rhythm of crisis" in East-West relations. And on the surface, it appeared that Mr. Trudeau would be exceptionally well-placed to undertake such a mission. Not only was he NATO's senior statesman; he is also endowed with the personal skills required for the exercise of influence: intellectual capacity and, when he wishes to use it, persuasive personal charm.

But in the four months of shuttle diplomacy that came to an end when Mr. Trudeau eventually visited Moscow and met with the Soviet leader — although it was Konstantin Chernenko and not Yuri Andropov — little was achieved. The Prime Minister's major proposal for a five-power nuclear summit was rejected by all the major powers; leaders in both East and West greeted his broader objectives with effusive pleasantries, but no concrete support. It appeared simply that he was not taken seriously by them. Several interrelated factors were responsible for Mr. Trudeau's lack of success.

Short on specifics

First, the bland reception given the Prime Minister by the great powers was invited by the very goals he laid out in October. The objectives of the peace initiative lacked specificity. There was no central, imaginative proposal which would capture world attention. Instead, there was a long list of suggestions, helpful but not original. And, unfortunately, they were couched in vague generalities. The proposal for a five-power nuclear summit was a non-starter: after years of being pressed to hold such a summit by the international community, the great powers were unlikely to move in this direction suddenly at Canada's urging. And the proposal was first made in public without, it seems, any testing of the waters in the capitals concerned.

The proposals to launch the Stockholm Conference on Confidence-Building Measures at the foreign minister level, and another to resume the Mutual and Balanced Force Reduction (MBFR) negotiations in Vienna were not uniquely Canadian — they had also been suggested by other nations. The other objectives were cast at such a level

Adam Bromke and Kim Richard Nossal are Professors of Political Science at McMaster University in Hamilton.

Harnessing the political energy of peace

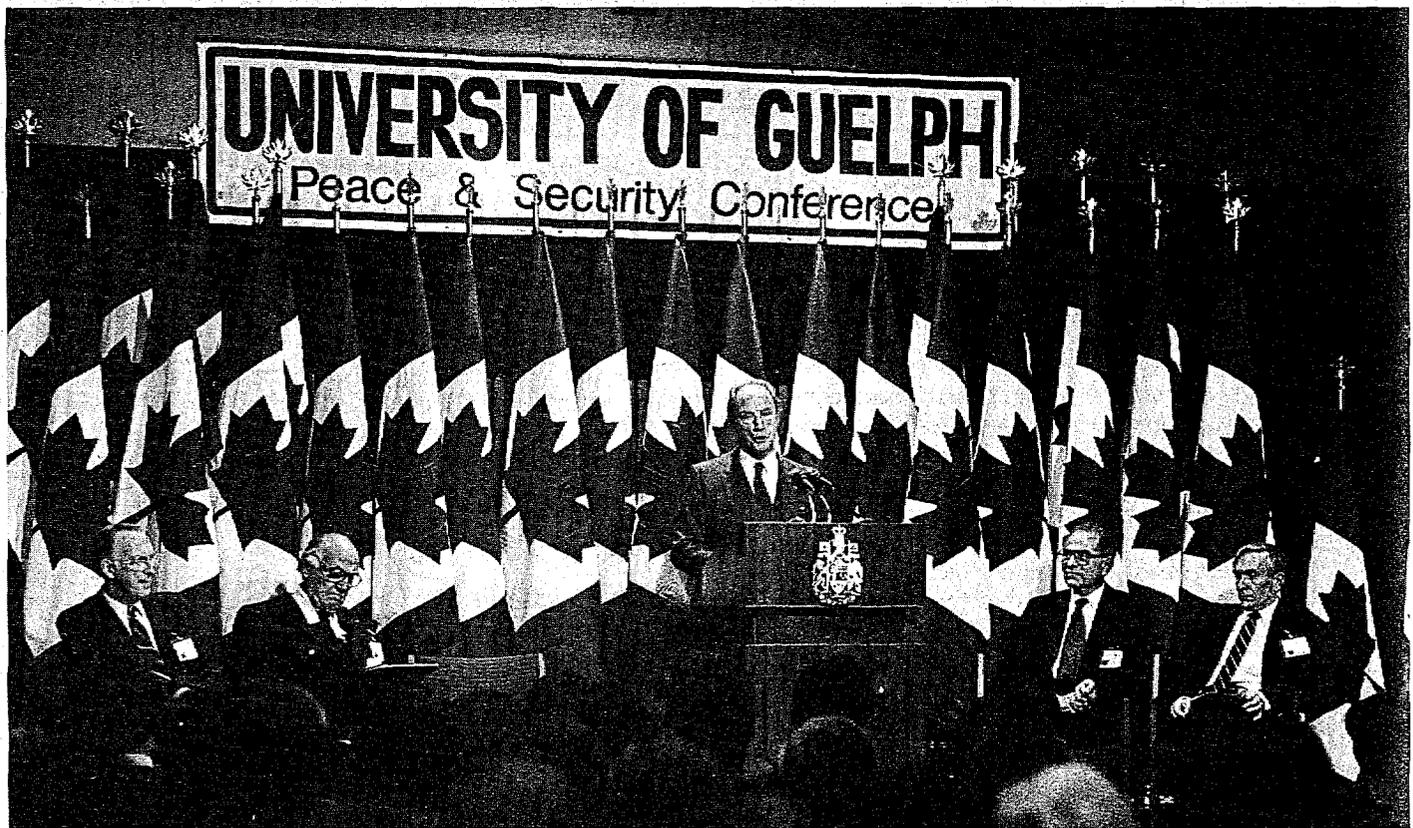
of abstraction that it was difficult to disagree with them. But therein lay the problem: without a Canadian agenda identifying specific, tangible and constructive suggestions, leaders in other capitals were disinclined to do more than receive Mr. Trudeau politely and wish him well. It is indicative that the meeting between Mr. Reagan and Mr. Trudeau was characterized by a "philosophic discussion," and not by a substantive exchange on any concrete measures that the United States could take to reduce global tensions.

Similarly, Mr. Trudeau made a serious tactical error in assuming that the cause of the increased tension between the two superpowers was the renewed arms race, and positing objectives that primarily dealt with the question of arms control and limitation. The escalation in arms is, however, a symptom, not a cause, of increased East-West tensions, and the Prime Minister made little effort to address in a concrete way the causes of the acrimony that so troubled

sonal political agenda tended to appear, be dealt with, and then, settled or not, be discarded for new ones. The foreign policy review, the quest for a contractual link with Europe, the Mansion House speech on assistance to the developing world, the nuclear "suffocation" address to the United Nations, the North-South initiative of 1980-81 — such brief periods of activism in foreign policy were interspersed with longer periods of disinterest and consuming involvement with domestic issues.

The sporadic nature of Mr. Trudeau's attention to foreign policy issues prevented him from developing the influence that may come with seniority. But that influence, particularly for a small state like Canada, is not automatic. It requires the sustained efforts of the political leadership over an extended period of time. When he discovered in 1983 that he was sufficiently "deeply troubled" by East-West issues to warrant activity, Mr. Trudeau failed to see that his inattention to foreign policy over the course of the

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Mr. Trudeau announces his peace initiative in Guelph, Ontario, in October 1983

him. This would have involved taking concrete diplomatic steps to advance their dialogue (including a summit meeting between the US and Soviet leaders). The climate would likewise be improved if various local conflicts which aggravate US-USSR relations, such as those in Lebanon, Central America, Afghanistan or Poland, were defused.

Ominous rhythm of enthusiasm

The peace mission, moreover, was undertaken by a leader who had not devoted much time or attention to international politics over his long term of office. Rather, the genesis of the peace initiative was typical of Mr. Trudeau's sequential approach to politics. Issues on his per-

1970s would pose serious obstacles to the successful exercise of Canadian influence in the rarified atmosphere of great power rivalry. His sudden intrusion was thus received by world leaders with surprise, if not incredulity.

Going it alone

The peace initiative also failed because of its unilateralism. No attempt was made to frame the "third rail" within a multilateral context, drawing on and utilizing the dissatisfaction and alarm over deteriorating US-USSR relations of other small powers in the West, the East and the South. There were a number of other "like-minded" countries — Australia, Greece, Spain or Sweden — which were

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Harnessing the political energy of peace

as concerned about the acrimony between the United States and the Soviet Union as Canada, but no attempt was made to present Moscow and Washington with a multi-lateral effort to encourage peace. Indeed, the Commonwealth heads of government meetings in New Delhi provided Mr. Trudeau with a good opportunity to expand the initiative to embrace other Commonwealth states; but

SIMON ALVES



he chose to present his proposals as a unilateral Canadian initiative, satisfying himself merely with a general endorsement in the final communiqué. Clearly, the resources which were available in the international community to support the peace initiative were not employed to their fullest.

But not only were other states excluded from the process; resources within Canada were overlooked. The peace initiative was very much a solo performance by the Prime Minister while the diplomatic establishment was underutilized. Canada's envoys abroad were not mobilized beforehand to prepare the way, to sound out other governments, to explore carefully what could or could not be done. Instead, responsibility for fleshing out the initiative announced by the Prime Minister in October fell to an Ottawa-based interdepartmental task force with little forewarning of his awakened interest in East-West relations and virtually no time to acquire the competence required to back up Mr. Trudeau's initiative.

Diplomacy without diplomats

Mr. Trudeau's views of diplomats and diplomacy — views which remained remarkably constant since the days in the late 1960s when he openly derided the Department of External Affairs — are well known. But the denigration of the diplomats, and the persistent attempts to restructure

the Department of External Affairs to make it "more relevant" to the economic priorities of his government, eventually robbed the Prime Minister of a potent resource: a bureaucratic infrastructure which could be called upon to aid in such diplomatic ventures.

Nor did the Prime Minister take full advantage of resources beyond the state apparatus in planning or conducting his mission. Canadian groups or individuals with an expertise in East-West relations — particularly those in the universities — were involved only peripherally in the initiative. Three Canadian academics had been invited to a government-sponsored conference on foreign policy at Val Morin in Quebec in August 1983, where some initial ideas pertaining to the mission were broached. The sessions were attended by several cabinet ministers, though not by the Prime Minister. Instead, Mr. Trudeau chose to turn to the United States, and a group of American experts, for advice.

Part of the reason for such indifference to the views of the academic community was that the Trudeau government had paid little attention to cultivating expertise in East-West relations at Canadian universities. Unlike the United States, Eastern Europe, and increasingly the USSR, where governments frequently rely on outside experts, there was little effort to tap this resource in support of the craft of state in Canada. But another part of the reason lies in the statist assumptions of the Prime Minister and his senior advisers, who apparently believed that the foreign policy process should remain essentially closed to direct societal input. The Prime Minister's desire to retain personal charge of Canada's initiative and the lack of a well-developed infrastructure for the conduct of diplomacy in the East-West sphere, in both government and academe, are of course interrelated.

No peace from the podium

If the process of its preparation was too closed, the execution of the peace initiative suffered from being too open. For it was played out entirely in public. From the speech in Guelph to his Moscow news conference, every step in the peace initiative was carefully orchestrated for maximum publicity and public exposure; the process was subjected to public scrutiny, discussion and speculation. The effect of this was immediate and negative.

Diplomacy is rarely successful when conducted at a public podium or in a media scrum. There are good reasons for a small state to engage in "quiet diplomacy," conducted under a veil of secrecy. The leaders of great powers will be more disinclined to shift ground if they have been urged to do so in public by a smaller state. They remain ever sensitive to their own rank and status, and ever jealous of their own autonomy. The public nature of the Trudeau initiative thus provided the great powers little incentive for serious movement; instead it assured the Prime Minister of little more than their good wishes.

Furthermore, the Prime Minister never seems to have been concerned about how other leaders would regard the fanfare of publicity that accompanied each stage of the initiative. Perhaps he assumed that his counterparts in other capitals shared his view of diplomats, and would be uninformed of developments in Canada. But foreign diplomats in Ottawa would surely have been reporting the wide-

Harnessing the political energy of peace

spread public opposition to the Canadian government's policy on Cruise testing; they would have informed their leaders of the dismal state of Liberal standings in the polls; they might even have reported the musings by officials in the Prime Minister's Office about the appropriateness of a Nobel Peace Prize! They would have reported the widespread support in Canada for the initiative, and the slow upturn in Liberal fortunes in the polls. In short, foreign leaders had every reason to believe that, given the public nature of the peace initiative, it was motivated largely by domestic political considerations. Perhaps the Prime Minister believed that the enthusiasm for his peace mission among the media at home would spread abroad, creating pressures on foreign leaders to support his plan. But this was not the case. The media in the United States and Western Europe paid very little attention to the Canadian initiative. And by going public, Mr. Trudeau threw away the potential advantages of quiet diplomacy.

Indiscretion or candor?

Finally, the Prime Minister's personal diplomatic style hindered the success of the initiative. In particular, Mr. Trudeau's inability (or unwillingness) to elaborate publicly his views in careful, measured and *diplomatic* fashion did not help his cause with other leaders. For example, his reference to "third-rate pipsqueaks" in the Pentagon may have provoked chuckles among a Canadian audience long used to his impious public behavior. But such remarks, thrown off petulantly in front of the President of the United States and in the glare of US network cameras, were unlikely ways to enhance Canada's influence. And it did not appear to have occurred to the Prime Minister that perhaps the views of the "pipsqueaks" did not much differ from those of the American President himself.

Similarly, his musings at Davos about US intentions in Europe or his statements about wanting to foster a closer relationship with East Germany — still regarded as a pariah by Western Europe — were both completely unwar-

ranted and revealed the same lack of concern with the potentially negative effects of carelessly formulated public positions.

It is impossible to gauge accurately how far Mr. Trudeau's efforts have actually contributed to the modest improvement in the East-West climate early this year. It is true that the Stockholm meeting began at the foreign minister's level (paving the way for lengthy talks between George Schultz and Andrei Gromyko), and that the MBFR negotiations have been revived. Yet clearly other international developments pushed in the same direction. The effects of the KAL 747 incident had worn off, elections were underway in the United States, and there was a change of leadership in Moscow. One suspects that these events were more important than the Canadian initiative, but at the very least the Prime Minister's gallant endeavors contributed to those improvements.

One of Mr. Trudeau's important accomplishments was that he forged a distinct position for Canada in East-West relations by distancing his government discreetly from the bellicose posture of the Reagan administration. And this he did without appearing to be anti-American. If this was his unstated objective, he deserves full credit for it.

The success of the Prime Minister's peace initiative is more visible in domestic than in international politics. Certainly his advisers in the party must have been pleased at the effect on Liberal support in the polls. But Mr. Trudeau was also successful in legitimizing an awakened interest among the Canadian public in international politics.

But Mr. Trudeau's avowed intention was not to affect domestic politics; it was to moderate the positions of the great powers. That he was unable to do so can be attributed largely to an enduring immaturity in international politics. For the style and substance of the peace initiative suggested that after fifteen years of prime ministership, Mr. Trudeau had no better appreciation of the nature of interstate diplomacy than he did in 1968. □

Trudeau and the politics of peace

by Michael Tucker

In an address to a conference on "Strategies for Peace and Security in the Nuclear Age," held at the University of Guelph on October 27, 1983, Prime Minister Trudeau formally launched what was to be his last major foreign policy foray. The aim of his much publicized "peace initiative" was to stem the movement of the "trend line" toward increased tensions in East-West and especially Soviet-American relations. The catalyst in this quest for peace was to be the resurrection of formal interstate dialogues at the highest political levels.

Through the consequent establishment of a stabilizing structure of "political confidence," these dialogues were to moderate what the Prime Minister identified as "the terrible lurch from hope to crisis" by focussing primarily on East-West military programs and their means of control. In short, the Prime Minister was seeking to politicize the arms limitation process in order to restore it to its rightful place as a cornerstone of East-West stability. The peace initiative was in large measure an arms limitation initiative. In attempting to make this country an important agent of that process, the peace initiative thus provides an apt medium for an assessment of Canada's ability to fulfill one of the declared aims of the foreign policy White Paper of 1970: the dictum that "Canada should not rest content to see the major nuclear powers determine exclusively the pace of progress or lack of it in the field of nuclear arms control." In any such assessment the assumption that underlay the peace initiative — that politics necessarily provides the best avenue for arms limitation agreements and for a Canadian role therein — should not go unchallenged.

Initiative had four fronts

Consciously or otherwise, the attempt by the Prime Minister to inject "political energy" into the arms limitation process took place at four distinct but interrelated levels. One level, perhaps most fundamental to the initiative, was that of world public opinion. By capitalizing upon widespread public fears over the threat of nuclear war and the linked phenomenon of peace movements, the Canadian initiative attempted to propagandize the dangers of nuclear power stalemate on the limitation of armaments. The aim here was to mobilize public opinion, in order to exert political pressure on Washington and Moscow to return to the table and to negotiate nuclear and conventional arms limitations in good faith.

A second and more discreet level manifested itself in the private conversations which Mr. Trudeau held in late

1983 with influential American academics, journalists and congressmen. The aim here was in part to join the American debate over arms limitation, and to lend political clout to the arguments of those in the United States who wanted the Reagan administration to take this issue more seriously than it appeared to be doing. The third and most visible level was the Prime Minister's travels to allied, nonaligned and Warsaw Pact capitals in the hope of finding tangible support from the political leaders of other middle powers who, in logic, would share Canadian fears about being the hapless victim of a strategic nuclear exchange.

A fourth and perhaps most controversial level of the peace initiative was the attempt by the Prime Minister to cast himself as an interlocutor directly into the process of superpower political accommodation. Mr. Trudeau had long ago disavowed any such role in East-West security issues, and thus the stated and more modest reason for his plans to visit Washington and Moscow was to encourage American and Soviet leaders to moderate their mutually antagonistic rhetoric and to return to arms limitation. Yet it is difficult to imagine that if either power had wished to use Mr. Trudeau to signal its renewed interest in dialogue and détente, the Prime Minister would not have relayed this message.

Mixing peace and politics

Throughout his journeys, however, it does not appear to have occurred to Mr. Trudeau that politics and peace do not necessarily make for a stable compound. At best politics may be an inert ingredient in the crucible of peace, reactive only to domestic agendas composed for the most part of pecuniary issues. Indeed history, if given a chance in the nuclear era and if it does not relegate the peace initiative to footnote status, or, more cruelly, to its dustbin, may record a certain irony in the fact that a student of rational techniques of government prescribed politics as a panacea to rid the world of tensions, crises and the threat of war.

*Michael Tucker teaches international relations at Mount Allison University in Sackville, New Brunswick, and specializes in Canadian arms control policy. He was the hapless victim of editorial mayhem in the January/February issue of **International Perspectives**, where, in the seventh line of the penultimate paragraph of his essay on Canada's NATO dilemma, "now" became "not" — the kind of error that could make lesser authors sterile.*

Politics versus function

However understandable in terms of the day-to-day exigencies of Canada's domestic political life, the mercurial nature of prime ministerial interest in international security issues serves as testimony to the limited amount of high-level political energy which can be mustered and sustained over such matters at the decision-making levels of all but the major powers. As Mr. Trudeau confessed on the eve of his peace mission, "I have suddenly become politically preoccupied with the question of war and peace."

At worst, politics may be an active ingredient in the crucible of war — reactive to fears, ideologies and military-technological impulses which, when transferred to the international domain, impel and sustain a conflict-prone environment. We can be thankful that this is not in any real sense an attribute of Canadian political culture, given our non-military disposition. Yet directly or indirectly the "ominous rhythm of crisis" which the Prime Minister detected in the current international environment can be attributed to politics. For this reason, among others, there are evident dangers in subordinating arms limitation as a central element in the structure of the nuclear peace to the vagaries of political calculation and caprice.

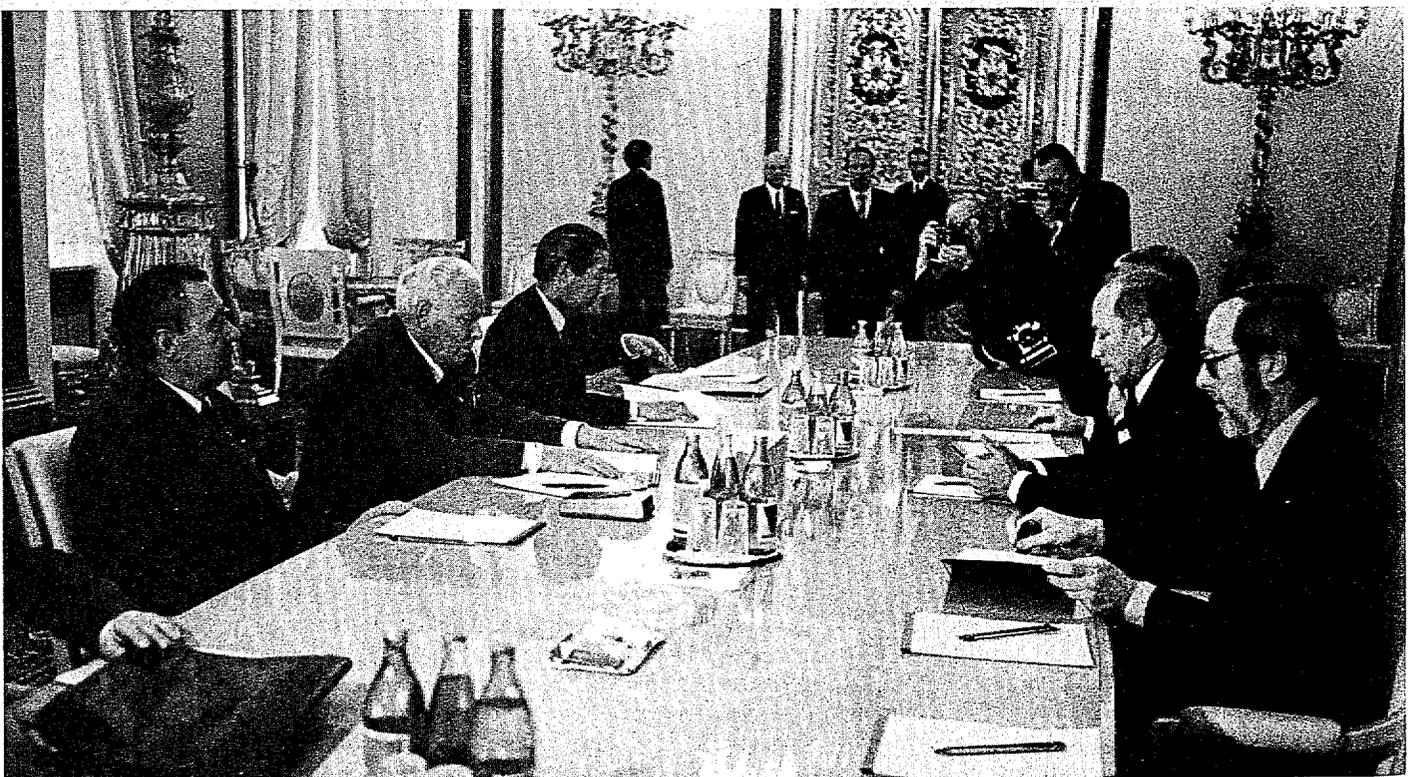
This is not to say that political will is inconsequential to progress on arms limitation. To the contrary, political choices and political direction are vital to its success. Presidents, prime ministers — and general secretaries for that matter — do not "make" arms limitation policies; such is not their power, especially perhaps in the complex decision-making environments of the major nuclear powers. Yet if arms limitation agreements are to materialize and if arms limitation as a policy choice is to survive in international relations, then high-level political commitments are

important. To be militarily significant, moreover, arms limitation agreements must be more than symbols of interstate political accommodation. This involves serious choices about and constraints upon weapons programs — the determination in essence of which weapons are likely or not to yield dividends in terms of a stable international military environment. Ultimately, politics must make this determination; thus the propriety, in principle, of efforts by Canadians and others to attempt to influence the direction of the political choices which lie behind the armaments and arms limitation decisions of the major nuclear powers.

Suffocation revisited

After a fashion this was an element in the political strategy of the peace initiative. In recognizing that, as he put it, "technological push finds sympathetic political pull," Mr. Trudeau revisited the most important component of his "strategy of suffocation" which he delivered to the first United Nations Special Session on Disarmament in 1978: the view that the strategic arms competition derives from technological innovations in the laboratories of the nuclear powers as much as it does from interstate political tensions. At issue here, in relation to the logic of the peace initiative, is the political feasibility and the military-strategic desirability of attempting to "suffocate" nuclear arms programs in their entirety.

In any discussion of the generic concept of arms limitation an important distinction should be drawn between the proponents of peace through *disarmament*, who would advocate a comprehensive implementation of the suffocation strategy, and *arms control* strategists, whose more limited aim is to curb potentially destabilizing military-



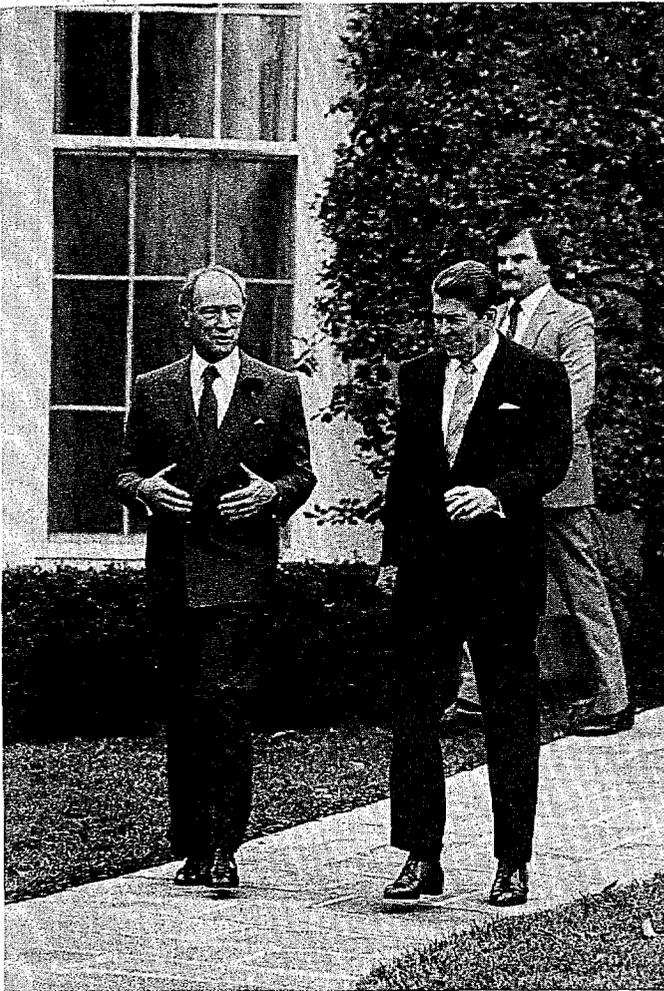
Mr. Trudeau with Mr. Chernenko and other Soviet leaders in Moscow, 1984

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Mr. Trudeau with President Reagan in Washington, 1984

technological innovations within the context of a balance of power system. With its emotive emphasis on "peace" and in its call for political activism at the level of the general public, Mr. Trudeau's initiative was inspired by and clearly biased toward the proponents of the disarmament ideal. This bias was underscored by the Prime Minister's attempts to disparage arms control technicians — the so-called "nuclear accountants" or "weighers of balances." In emphasizing political will as a feasible and desirable catalyst for disarmament, to the exclusion of the legitimacy of the technical concept of arms control, the peace strategy was — as a Canadian initiative — misguided. It devalued the technical standard upon which the currency of Canada's arms limitation diplomacy has been based and, in effect, exposed the very real limits to Canadian political influence in international arms limitation discussions.

Start at the top

Mr. Trudeau's doubts about the technical arms control exercise can in large measure be attributed to his intellectual obsession with the need for the primacy of politics-cum-"foreign policy" over "defence policy." When applied to the peace strategy, this meant that technical and military-strategic approaches to the problem of armaments and arms limitation should be subordinated to general principles formulated at the political level. This is to reason

a priori from the top downward, in accordance with the Prime Minister's Cartesian mode of thought. This approach is alien to the Anglo-Saxon tendency to reason *a posteriori* from practical experience — a tradition which has governed the (admittedly Anglo-Saxon) idea of wedding arms control theory to military-strategic realities as the only sound basis for a durable nuclear peace.

The danger does exist, as Mr. Trudeau rightly noted, that arms limitation exercises can be stalemated or derailed by seemingly intractable technical arguments over notions of "adequate" verification, of equitable force-level ratios, of the stabilizing and destabilizing qualities of strategic and theatre nuclear weapons systems, and so on. Yet fears of technical quagmires can obstruct an understanding of the political necessity of "technically sweet" arguments. Arms limitation as an instrument of national security and international stability is not universally acclaimed, and the technical arrangements which underpin existing and proposed arms limitation agreements are not foolproof. They are challengeable and have been challenged, not only by the adversary in formal diplomatic settings but by those within domestic politics who would argue for military superiority over the adversary as the only sure basis of national security. In some measure this challenge, from within the American body politic, accounted for the fate of SALT II. The merits of arms limitation, then, are not absolute but relative to the persuasiveness of the arguments mustered by those who are opposed to arms limitation for a mix of moral, strategic and political reasons. These arguments, often enough, have been buttressed by technical "expertise"; thus the Reagan administration could and did oppose SALT II on the grounds that it was "fatally flawed." Whatever the shortcomings of the technical approach, the proponents of arms limitation have no option but to meet the arguments of its adversaries on their own ground. For Canada this is as much a matter of political virtue as it is necessity.

Homework helps

The history of Canada's involvement with post-1945 international arms limitation negotiations suggests that where Canadian influence has been real, this more often than not has been a by-product of technical knowledge. Based on technical assumptions about the verifiability of underground nuclear explosions through refined seismic detection techniques, the Canadian voice did not go unheeded during the 1970s by those outside this country who were disposed toward superpower agreement on a comprehensive test ban treaty; Canadian legal expertise deployed in the Geneva discussions of the early 1970s over a seabed arms limitation accord helped strengthen the resultant treaty on Canadian terms; Canadian expertise in the realm of peaceful nuclear technology gave this country a vanguard role among nuclear supplier states during the 1970s, in helping shape a non-proliferation safeguards regime on Canadian terms; by the late 1970s, a developed Canadian expertise in the broad field of arms limitation verification theory lent respect to the Canadian voice in NATO deliberations on this subject. We are now on the threshold of a formidable challenge posed to arms limitation by a Copernican revolution in military technology. This reality, when coupled with our technical experience,

Politics versus function

signifies that the Canadian approach to arms limitation should be properly based not on political campaigns but on the functional principle. The politically-charged and thus uncertain state of arms limitation today, over which Canadian political leaders have scant control, should further suggest the wisdom of this course.

The idea behind this principle is the creation of bonds of understanding in non-political or "functional" areas, based on shared interests and expertise. A rare but important example of the application of the functional idea to arms limitation was the establishment in 1973 of the Soviet-American Standing Consultative Commission (SCC), designed to facilitate the exchange of strategic intelligence and to ensure compliance with the provisions of SALT I. The mandate of the SCC was expanded in 1979 to implement the SALT II memorandum of understanding of the establishment of a data base for Soviet and American strategic systems. It may well outlast the qualitative ceilings on nuclear weapons launchers which were the more publicized, and thus more contentious, hallmarks of the SALT era. If the SCC were expanded to incorporate other arms limitation areas, most notably confidence-building measures (CBMs), or if the idea were to be emulated in these areas, this could provide a foundation for transnational civilian and military commitments to arms limitation based upon shared expertise. The arms limitation cause could become more depoliticized and perhaps thereby escape from the vicissitudes of interstate political tensions.

Successes of functionalism

Here the Canadian experience with the technical approach to arms limitation would dovetail with an equally rewarding Canadian experience with functionalism. The architects of the "golden era" of Canadian foreign policy fastened onto this idea in the early post-1945 period as a means by which Canada could exert its influence in issue areas where its particular interests and expertise were joined. These were areas of Canadian involvement — aviation technology, international trade, and atomic energy for instance — which did not accurately reflect the designation of middlepower and where Canada could and did in some measure have a say on an almost equal footing with the great powers. The functional principle was effectively revived during the 1970s in Canada's law of the sea diplomacy

and there is no good reason, given the will to develop the requisite expertise, why this principle should not provide the cornerstone of Canadian arms limitation diplomacy over the next decade or so to help meet the new military-technological challenges to Canadian national security. As in the previous functional exercises, in their essence, Canada would collaborate with other states in the sharing of arms limitation expertise — not just to ensure that the major powers did not exclusively determine the pace and substance of arms limitation agreements but to help to institutionalize the arms limitation ethic at the international level.

This would be a prime example of the Canadian experience with functional internationalism, to be distinguished from the more classical experience with middle power internationalism. It is ironic that Mr. Trudeau, who had disavowed many of the tenets of Pearsonian middlepowermanship when he became prime minister in 1968, should have embraced this once-vaunted role in the twilight of his political career. Canada's quest for political and diplomatic compromises between the hostile military blocs of the intense Cold War era may have worked well in the 1950s; its efficacy had clearly diminished by the late 1960s. The cause of this did not lie primarily in personalities or policies — in the shift from alliance- to sovereignty-oriented defence and foreign affairs. It lay in circumstance, in the overshadowing of Canada as a middlepower by the resurgence of the once-great European powers whose geo-strategic importance to East-West stability had increasingly and inevitably supplanted the salience of the Canadian political voice. The peace initiative underscored this reality; the Canadian claim to have helped to moderate international tensions of late, captured in Mr. Trudeau's recent assertion in the House of Commons that "we have injected political energy into East-West relations," was little recognized outside this country. In the European capitals and in Washington the dominant view has been that the recent overtures toward political accommodation — the attendance of NATO and Warsaw Pact foreign ministers at the opening sessions of the Stockholm CBM talks in January, 1984, and the Eastern agreement to return to the Vienna force reduction talks that March — were in large measure the offspring of West German middlepower diplomacy. The Prime Minister's claim may not have been spurious, but he might well have blushed when making it. □

Inside the Soviet Union

by John M. Battle

Unlike the tourist, confined to the inside of an Intourist bus, or the diplomat, constrained by protocol and the Soviet security apparatus, Western students have the opportunity to immerse themselves in the everyday hustle and bustle of Russian life. Accordingly, as my stay in the Soviet Union lengthened from weeks into months, and as my contacts with Russians grew, I discovered a rich underside to life, one effectively concealed from the curious eyes of the casual visitor.

Alexander Solzhenitsyn has argued that life in the Soviet Union has "produced stronger, deeper and more interesting characters than those generated by standardized well-being." He has described the Russian soul as longing for "things higher, warmer and purer." While I discovered the general accuracy of these insights, I also learned that they do not tell the whole story.

No longer content with waiting for the arrival of Communism and its promised utopia, Russians have abandoned the revolutionary fervor of the twenties in search of a more "bourgeois" standard of living. Lacking access to quality consumer goods — taken for granted in West — the average citizen has become adept at finding ways to procure such things as stereos, books, clothes and apartments. For instance, Leningraders have ready access to a large assortment of top quality Western goods brought in by the Finnish tourists who tumble into the city by the thousands for weekends of drunken revelry. Lured by relatively inexpensive hotel prices and cheap vodka, the Finns openly sell clothing and other goods as the Soviet police turn a blind eye.

Basic black market

Perhaps the most interesting facet of the black market — aside from the fact that literally everyone is playing — is that it is considered as a way of life. Often referred to as the "second economy," the black market permeates nearly every aspect of life. Whenever I was with Russians, sooner or later the topic of apartments came up. For those lucky enough to already have an apartment, it was question of upgrading from four rooms to six. For young people it is a question of escaping run-down dormitories or overcrowded communal apartments. On any Saturday or Sunday it is possible to watch and speak with Russians who congregate at Lion's Bridge near Leningrad's Kirov theatre, attempting to rent illegal apartments, flats, or even a single room. The housing shortage in Leningrad and Moscow is acute, and people without money or connections might easily wait ten years for an official apartment

provided by the state. Despite massive building projects and the controlled movement of people into the major cities, there never seems to be enough housing.

Despite the lack of nearly everything we take for granted in the West, Russians remain patiently optimistic. There is a common belief, an innate Russian characteristic, that no matter how bad things are today, life somehow will be better tomorrow. Today, for most Russians, that brighter tomorrow is again a question mark as the untried Konstantin Chernenko moves to fill the power vacuum created by the deaths of Leonid Brezhnev and Yuri Andropov.

September and October are quiet months at Leningrad State University. Missing are the coffee shops where students congregate to gossip over numerous cups of thick black coffee. Also conspicuously absent are the habitual lineups of students who queue for virtually everything. During the early autumn the students are out in the fields; to remind budding individualists of their socialist roots, the state absorbs the manual skills of thousands of student "volunteers" in the laborious task of harvesting the cabbage crops which surround Leningrad.

As November descends on Leningrad, the weather turns cold and damp with endless days of cloud. As if to stave off the thought of winter, the city begins to sprout millions of red flags, a final preparation for the demonstrations which will mark the anniversary of the Great October Revolution. With the conclusion of this most sacred of political holidays life assumes a new rhythm. Russians, seemingly oblivious to the bone-chilling winds from the gulf and the shortening daylight hours, disappear into their great coats, fur hats and daily routines. Events taking place in that winter of 1982-83, however, would jar Russians from their traditional hibernation.

Succession up close

On the morning of November 11, 1982, twenty-four hours after the fact, Leningrad radio somberly announced the death of Leonid Ilyich Brezhnev. As the news spread through the city, thousands of workers deftly began the

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A student in Leningrad

traditional draping of black flags from every building and lamppost. The Russian people officially were plunged into mourning.

Reaction to the veteran Soviet leader's death was immediate and varied. The Soviet students in our dormitory, as befitting members of the Komsomol, discussed the event among themselves in the appropriate hushed tones. On Nevsky Prospect Russians scurried about their business with seeming indifference to the event. In the privacy of their apartments, the intelligentsia expressed skepticism, arguing that Brezhnev's death would not result in a new leadership capable of instituting necessary change.

For the Western students in Leningrad the funeral and speculation surrounding the imminent succession race provided an unexpected and rare look at the Soviet political machine in action. We gathered to watch the funeral on television at the Pribaltiskaya Hotel located on Vasilyevsky Island. Members of the hotel staff wept openly as the man *Pravda* called an "ardent fighter for peace," his coffin resting on a gun carriage, passed through Red Square for the last time.

In the weeks that followed, the mourning was replaced by anxiety and tension as Yuri V. Andropov, former head of the KGB, moved to solidify his new position as General Secretary of the CPSU. Top bureaucratic personnel became fearful for their jobs as key Brezhnevites were replaced by those loyal to Andropov. Billboards sporting the faces of politburo members became a good barometer of the process, as photos of the old guard were quietly replaced with those of younger men such as Mikhail Gorbachev, Viktor Grishin, and Mikhail Solomentsey.

The "New Discipline"

In both Leningrad and Moscow rumors suggesting that select Party officials had received official memos critical of Brezhnev and his policies abounded. Andropov lost no time in launching his first initiative. The program of "New Discipline," as it was euphemistically referred to by Muscovites, made it clear that the new regime's first priorities would be internal control and the economy. The system began to tighten. In late December 1982 the militia began a crackdown on absenteeism from work. Stores on Moscow's fashionable Kalinina Prospect were raided and anyone who should have been at work but was not found himself in jail. The Soviet press launched a massive campaign against "those people who readily mouth the proper slogans and lofty words about duty and obligations but fail to back up what they say with their deeds." This attack in *Izvestiia* called for an "uncompromising attitude" in forcing people to stay on the job.

The Party bosses, most Muscovites argued, would need more than the big stick to solve such problems. Shopping in Moscow is an intricate and time consuming art. Muscovites compete for flesh produce with roughly two million provincialites who, descending like locusts, daily clean out most shops by four in the afternoon. To solve the problem, nothing short of a complete overhaul of the already strained supply system is necessary.

Another seemingly insurmountable problem facing the regime is that Russians have no work ethic. Students, members of the Komsomol, argued that discipline was necessary if the economy was to be rejuvenated. For the

average Russian worker, however, it was a different argument. As one worker explained, "Why should I work so hard to earn money I can't spend." The lack of systemic incentives for workers in medium-to-low profile enterprises, combined with a traditional lackadaisical approach to work, meant continuing low quality in every sphere of activity.

For Andropov, as it was for Brezhnev, and I now suspect for Chernenko, the problems of instituting a program of economic reform can take on titanic proportions. The trickle-down process of implementing reform is often stymied at various levels within the bureaucracy. Facing steady opposition, the crackdown on absenteeism had, by February of 1983, visible slackened in intensity. Moscow shops, restaurants and bath houses were again overflowing at all hours of the day.

Change brings anxiety

For Western observers this present succession period adds a sense of excitement to Soviet politics. For Russians it is a time of tightening internal controls and increased repression. Normal everyday activities take on new shades of meaning which pervert normal interaction. As an example, a history professor at Moscow State University refused an interview with me despite my official letter of introduction from the history faculty of Leningrad State University. Western students found archives suddenly closed, travel plans cancelled at the last minute for no apparent reason, and encounters with Russian friends full of tension as contact with Westerners now meant the possibility of arrest. A Russian artist explained that Russians were adept at protecting themselves. Unsure of their immediate future, they were unwilling to take any chances which might have adverse effects. Simply, people were waiting to see how deeply the reverberations of change would penetrate.

In living with Russians and sharing with them the concerns of everyday life, I was struck by the fact that in almost every facet of life, nearly seventy years of Soviet rule has failed to alter twelve hundred years of Russian culture. The "New Soviet Man" has not materialized despite rigid controls and extensive party and ideological indoctrination. What is evident in almost every major Soviet city is the emergence of a definite class society, distinguished by the growing chasm between the privileged "haves" and the underprivileged "have nots." In his classic work *The New Class*, Milovan Djilas characterized the Soviet system as consisting of two groups, the "monopolists of administration, who constitute a narrow and closed stratum" and the "mass of producers who have no rights."

More Russian than Soviet

As if to spite the Soviet system, Russians remain stubbornly Russian. Scenes reminiscent of nineteenth century characterizations by Gogol, Dostoevsky and Chekhov are re-enacted every day on Russian streets, in apartments and in offices. The Russian consciousness is beginning to disentangle itself from the mass of Soviet propaganda under which it has lain hidden. As one Russian taxi driver put it, "We've lost the spirit and idealism of Marxism-Leninism; we're returning to our [historic] roots."

In most major Russian centres Russian Orthodoxy is experiencing a revival. In Leningrad young people reg-

ularly mark the anniversary of deceased loved ones by placing a lighted candle in front of an icon in one of the five "working" cathedrals. Grandparents bring infants to be christened in the church, while in simultaneous services, old women weep over coffins. At Sunday mass, especially during holy days such as Easter, the cathedrals are jammed to overflowing. The choir, vestments and holy rituals are providing new meaning to people thirsting for spiritual rejuvenation.

In the arts, writers, actors, musicians, dancers and artists seek to infuse a sense of "Russianess" into their work. One of the great ironies of Russian life is the preoccupation of ideologues with the "Americanization of spirit." While young people are curious about the West and like to imitate Western dress styles, I found that by far the majority of youth were more concerned with discovering their Russian heritage.

Writers and artists living on the fringe of "socialist acceptability" strive to recapture the spirit of old Russia in their works. Their disillusionment with painting factory workers, cranes and dump trucks, has led to a re-emergence of Russian art nouveau. Young people memorize the poetry of cult figures such as Amma Akhmatova and Bulat Okudzhava whose poetry speaks to the heart of Russian culture.

While Russians struggle, despite the suffocating presence of the Soviet monolith, to maintain their ties with Mother Russia, Leningraders mourn the cultural death of their city. Once known as the cultural centre of Russia, the Leningrad Party boss, G.V. Romanov, has virtually eliminated the intelligentsia. As one artist told me, "We're stopped here at every turn. Moscow is now where its happening."

"Nationalities" increasingly troublesome

As Russian nationalism becomes an ever more pervasive force in the Soviet Union, various Soviet nationalities struggle to retain their own identities. In each of the republics I visited, the overwhelming feelings of national pride were evident. In Tallin, the capital of Estonia, almost no one of Estonian origin speaks Russian. When I asked in Russian for directions at one of the major hotels, the woman at the tourist bureau refused to answer. After three tries with three different women I decided to ask in English. I was immediately given a courteous reply.

In Tbilisi, the capital of Georgia in the southern Soviet Union, the Russian army had to be called out to quell a revolt triggered when the Kremlin attempted to make Russian the official language. During a tour of the university I was reminded of this incident and of how nationalistic the Georgians were when I passed a number of Russian armored personnel carriers parked in one of the courtyards. In Yerevan, the capital of Armenia, I was stopped several times on the street by Armenians intent on making sure I knew they were not Russians. One man told me bluntly, "We Armenians were a civilized culture for centuries before the founding of the Russian state."

While the Russian "bear" has been fairly successful at strangling Ukrainian nationalism, at least in the major centres, this has not been the case in Central Asia. Despite labor shortages in Leningrad and Moscow, all attempts at uprooting these Asian peoples have failed. The Moslems

cling obstinately to their religion, culture and traditional homeland. Often the brunt of racially-inspired jokes, the Asian "problem" is heatedly debated at informal gatherings of Russians. With a steadily increasing birth rate the peoples of this region pose a growing threat to the predominantly Russian power elite. The resurgence of Islamic nationalism in Pakistan, Iran and Afganistan will undoubtedly keep the Russian generals wondering how long it will take to spread into Central Asia.

Individual freedom unknown

The Russians have been isolated from the West both culturally and geographically for most of their history. Their culture and traditions have been shaped by an unbroken chain of authoritarian rulers. Freedom, as we interpret it in the West, is an abstract concept for most Russians. Indeed, Western democracy is a concept most Russian nationalists have rejected for their country.

Birth-to-death care, a hallmark of the Soviet system, has created a situation where Russians are now unaccustomed to making even basic decisions which affect their everyday lives. Most of the Russian students I met revelled in the fact that they were to be assigned jobs upon graduation, while we Western students were faced with the task of searching for employment. Their disbelief was always evident when Western students explained that they enjoyed the challenge of making their own way in the working world.

Romantic and colorful

Contrary to the popular Western image of Russians, the Russian mosaic is colorful and many-faceted. Russian priorities are family oriented. The children, as the numerous toy stores attest, are exceedingly spoiled. At the popular beer stalls which dot the streets, fathers stand with their pints, minding strollers with sleeping tots dressed in ump-teen layers of heavy clothing. In every park, lovers, unconcerned with the world around them, sit wrapped in each other's arms. Groups of men noisily discuss the latest foreign cars over a game of chess. Old people minding children sit quietly, marvelling at how much better life today is for the young.

Russians, on the surface, are gruff, dour, and forever pushing and shoving — especially on busses. Yet, despite this image, I found Russians to be, among other things, incurable romantics. Flower sellers abound and everywhere are husbands and lovers carrying home roses and carnations. Often young men will resort to courting their latest flame by serenading her below open windows.

They are also compulsively hospitable. If you visit friends it is impossible to leave without consuming at least one bottle of vodka and a three-course meal. Russian hosts would unhesitatingly spend their last kopek ensuring guests left feeling better about the world.

Relationships between people are often lifelong due to the lack of mobility within the USSR. As a result, Russians pick and choose their friends carefully. The greatest *faux pas* a person can make is to bring an outsider to a party or gathering. Centuries of living with internal police control have created an intensity in relationships rarely experienced in our fast and loose society.

A student in Leningrad

In evaluating my time inside the Soviet Union, one perception of Russians and Russian life remains dominant over the others. Expecting to find a people co-opted by a government bent on establishing an "internationalist" state devoid of ethnic boundaries, I discovered instead that Russians (like other national groups in the Soviet Union) remain deeply rooted in their culture, bound in a spiritual union with the land.

Despite a repressive system in which strict conformity is an imperative; despite a "Third World" standard of living evident in every city and village; despite the insecurity

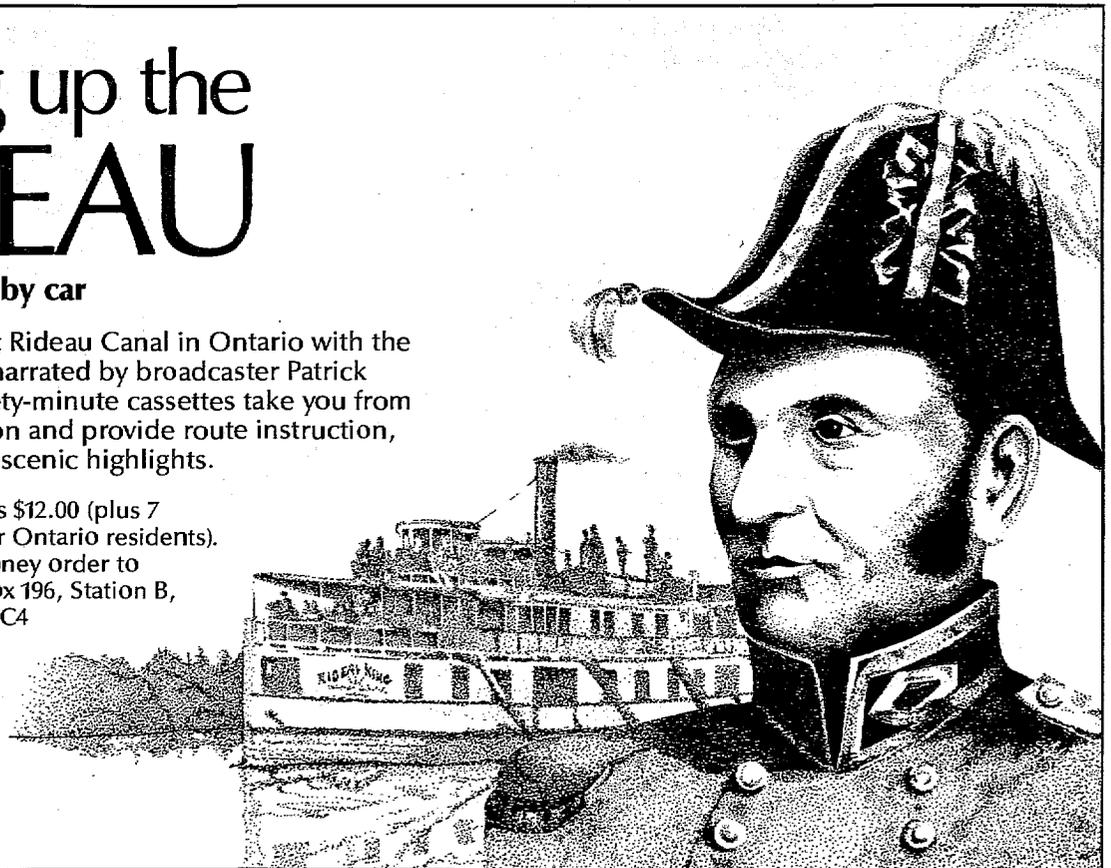
generated by a multitude of internal controls; and despite the lack of incentives which would allow greater personal fulfillment, Russians remain committed to the concept of a Russia, one and indivisible. As one young Russian nationalist told me: "We survived intact as a nation through numerous foreign invasions. We have emerged from Stalin's terror a stronger people. We are a patient people who understand what it means to wait." As bleak as the Russian future may seem to the Western observer, what is evident, is that Russians are a people who know how to persevere. □

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Sectoral free trade with the US

by Gerald Regan

At a conference of the Canadian Manufacturers' Association held in Montreal in March of this year US and Canadian representatives offered their governments' views of sectoral free trade between the two countries. This article and the following one are excerpted from those remarks, the first one here by the Canadian Minister for International Trade, the second by Michael B. Smith, Deputy United States Trade Representative.

The sectoral free trade concept emerged from the Trade Policy Review which appeared last August. The Review recognized the importance of trade in the Canadian economy and it reconfirmed Canada's fundamental commitment to the multilateral trading system as the bedrock of the Canadian trade policy. The Review also took into account the evolving nature of the trading relationship with the United States:

- The United States is by far our most important single trading partner; the increase in our trade to the US last year was double our total trade with Japan, our second trading partner.
- Trade liberalization is already far advanced; over 80 percent of our exports will enter the US duty free after the full implementation of MTN tariff cuts in 1987. In the reverse direction the figure will be 65 percent.
- More than a quarter of our two-way trade with the US is already covered by sectoral arrangements (the Autopact and Defence Sharing Arrangements).
- Economic interdependence, forged by trade flows, is a fact of the international economy; in Canada's case this means progressively more intense economic exchanges with the US.
- Cyclical forces are strengthening this tendency; the sharp United States economic upturn is the "locomotive" for recovery throughout the international economy. This influence is of course particularly pronounced on Canadian exports.
- For a number of important Canadian industries the US represents the most accessible and promising market on which to base future growth and efficiency.
- Success in the US market is seen as critical in terms of improved competitiveness in the global market.

A theoretical option open to the government was to contemplate and build on existing North American economic integration by seeking a full free trade arrangement with the United States. There are many Canadians who advocate this course and who are critical of the sector approach as inadequate or sub-optimal in terms of Canada's economic development. However the Government concluded that no consensus exists for a move of this magnitude at this time. Instead it was decided to give "careful consideration to the advantages and disadvantages of limited free trade arrangements with the US in particular sectors where Canadian producers are internationally competitive or could significantly rationalize or improve their efficiency as a result of improved access to the US market."

How are we implementing this commitment to explore limited sectoral free trade?

- We have undertaken analytical work in a number of sectors. In a few, including **steel** and procurement problems in **urban mass transit**, our analysis is relatively advanced and we have had preliminary contacts with Canadian industry.
- We are also examining the scope for expanding Canada/US free trade in **agricultural equipment and inputs** including agricultural chemicals: herbicides, fungicides and pesticides. Consultations with industry and the provinces will be scheduled soon.
- Reflecting a preliminary mutual interest in the topic we are attempting to define the coverage and issues which might be dealt with in an arrangement covering **computer services** and the broader category of "**informatics**."

Discussions underway

These sectors and issues are included in the joint work program agreed to on February 17. In addition, we are analyzing other sectors with a view to considering their inclusion in the program:

- We are examining how to respond to the private sector task force report on **petrochemicals** which includes a recommendation relating to sectoral arrangements with the United States.
- The Textile and Clothing Board will provide its report on the economic impact of free trade in that sector by the end of April. We assume that the question will also be pursued by the recently established private sector task force.

The joy of trading

- At the suggestion of the Alberta government and western cattlemen we are examining prospects for an arrangement in beef and other red meats.

The government's consideration of possible sectoral free trade arrangements with the United States has necessarily to cover United States interests and objectives. Both governments will need to be satisfied that any sectoral arrangements are *mutually advantageous*. Moreover, political realities decree that an arrangement would need to be broadly acceptable to the companies and labor unions involved on both sides of the border. Accordingly we will need to aim as much as possible at balance within particular sectoral arrangements. Cross-sectoral trade-offs may, however, have limited application, e.g., in the overall procurement area.

We both understand that the activity needs careful management and study. Clearly, neither side wants to raise unrealizable expectations or unnecessary concerns. It is therefore a joint effort in every sense with a joint work program, looking to possible arrangements which will be mutually advantageous. The process is still at an early stage. Neither side has a mandate to negotiate as yet but we are doing the analyses and beginning consultations which will in time provide each government with a sound basis for decision. I see this as neither dangerous nor irresponsible; it is realistic.

Opposition to sectoral free trade

Some suggest that it will lead to a *loss of sovereignty*. If one defines loss of sovereignty as the loss of flexibility in trade policy matters then obviously bilateral sectoral arrangements would have such an effect. So indeed does the GATT, the Autopact and other trading instruments in which we agree to remove Canadian trade barriers in return for concessions by the other party.

It may be, however, that what is meant by sovereignty in this context is related more to national identity and a feeling that arrangements with US which lead to closer economic ties constitute in some way a dilution of Canadian "nationhood." The problem is evidently of a psychological rather than a legal or economic nature. I believe it is an out-dated attitude, one which fails to take account of the enormous strides taken by our country in the last decade towards a stronger, more confident sense of nationhood. Has European economic integration resulted in any perceptible loss of national identity or appreciation of national interest by the nations involved? If so, it is difficult to discern.

Then there are those who claim that sectoral arrangements will lead inevitably to a southward drift of production, investment and jobs. They argue that trade liberalization with the United States would be contrary to Canada's interest because Canadian industries cannot compete with American and that even where Canada is a competitive location, multinational enterprises would always choose to produce in the United States. If this argument has any validity it applies of course to any liberalization, however achieved. The same economic and ownership factors will be present if trade barriers with the US are removed through bilateral or multilateral negotiations.

Our own analysis on individual sectors will of course cover all the relevant aspects of the Canadian industry including investment performance and ownership, and, most importantly, competitiveness of Canadian operations internationally and within North America. We want to determine whether the benefits to be gained through greater specialization, hence improved productivity, will offset the risks involved in reducing Canadian import barriers.

We will also seek the views of the producers themselves on whether they can compete in a free trade situation with the United States. I want to stress this point. Government will consult fully with the industry and the provinces before deciding whether to pursue a particular sectoral arrangement. No decision to seek negotiations will be taken until after the domestic consultative process is complete. This is an integral and vital part of the process.

Some would have us avoid bilateral arrangements with the United States because this would expose Canadian producers to the whims of an arbitrary and irresponsible US Congress. In my view, comments such as these demonstrate a misunderstanding of our trading relationship with the United States. Do Canadian producers of lumber, fish, steel, copper, cement and beef really feel they enjoy total security of access today! They and others are exposed to all the uncertainties of potential trade restrictions under existing US trade laws. You can be assured that the government would not enter an agreement unless we are satisfied that improved access to the US market were as secure as possible.

Multilateralism end goal

The multilateral trading system embodied in the GATT remains the foundation of Canadian trade policy. The Trade Policy Review referred to the strong Canadian interest in strengthening the multilateral system. This remains our number one trade policy priority. It is, of course, reflected in the support that Canada is giving to a new round of multilateral trade negotiations.

Moreover, I believe that it may well prove possible to blend the results of bilateral negotiations with the United States into future multilateral trade negotiations. Concessions exchanged with the United States bilaterally could be extended, on a basis of reciprocity, to other trading partners in a broader GATT negotiation. Arrangements entered into the US could indeed serve as models for multilateral instruments.

It seems only natural that Canada should examine ways and means to improve access and reduce vulnerability in what is overwhelmingly and increasingly Canada's most important market. But this initiative should not be distorted as meaning there is now an exclusive emphasis on the US or as signifying a dramatic change of direction.

I am convinced above all that we cannot stand still. We must explore new alternatives to preserve and expand our market access. Our economic wellbeing depends on our trade performance more than many Canadians realize. If we were not examining new forms of trade liberalization there would be ample ground for criticism. The status quo is simply not a viable option for Canada's future. □

The events of February and March 1984

Bilateral Relations

| | |
|--------------------------------|---|
| USA | 2 |
| Other countries alphabetically | 5 |

Multilateral Relations

| | |
|-----------------------------|----|
| Canadian Seal Hunt | 10 |
| Central America | 11 |
| European Economic Community | 11 |
| NATO | 12 |
| OECD | 12 |
| Southeast Asia | 13 |
| United Nations | 13 |

Policy

| | |
|-------------|----|
| Aid | 14 |
| Defence | 15 |
| Finance | 16 |
| Immigration | 17 |

| | |
|-----------------------|----|
| For the Record | 18 |
|-----------------------|----|

"International Canada" is a paid supplement to *International Perspectives* sponsored by External Affairs Canada. Each supplement covers two months and provides a comprehensive summary of Canadian government statements and of political discussion on Canada's position in international affairs. It also records Canadian adherence to international agreements and participation in international programs. The text is prepared by *International Perspectives*.

Bilateral Relations

USA

Garrison Diversion Project

Canadian opposition to the US Garrison Diversion project (an irrigation and flood-control program) in North Dakota continued in February when a proposed budget allocation of US\$53.6 million (more than double last fiscal year's allocation) was presented by the US administration for Congressional approval February 1. The amount was destined for an anticipated construction push next year at the Lonetree Reservoir, although US\$1 million was allocated to finance flood control of the Souris River which flows into Manitoba. Canada has consistently objected that pollution damage to Canadian waterways may result from the diversion, and a joint committee will be presenting additional findings (supplementary to the 1977 findings of the Canada-US boundary waters commission) in 1984 (*Globe and Mail*, February 2).

In the House of Commons February 1, Lee Clark (PC, Brandon-Souris) asked the Minister for External Relations whether the Government had any new initiatives planned to deter the US government from continuing in its construction plans, and impress upon that government the safety concerns of Canadians. The Minister, Jean-Luc Pepin, replied that the Government would continue to "press the case" and make representations to the US administration, "hoping that common sense and the best interests of all concerned would prevail."

The Minister for External Relations later issued copies of a letter sent to Mr. Clark February 2 in answer to both general and technical questions about the safety dangers of the Garrison project (seepage and inter-Basin biota transfer) raised previously by Mr. Clark in the Commons. Mr. Pepin outlined several changes that Canada had been able to effect through negotiation in the US project, including a delay in the implementation of Phase II, wherein Canadian concerns would have to be met before completion. Consultations in November 1983 resulted in the establishment of the Joint Technical Committee to examine modifications proposed by Canada to Phase I — one

suggested technical modification with regard to Lonetree meeting with US agreement. Further consultations between Canadian and US officials were scheduled for April 1984. Mr. Pepin stated that the Technical Committee would act as an "early warning system" to safeguard against the implementation of the disputed Phase II in advance of further consultations (External Affairs press release, February 8).

Transmission of Obscenity

Following an international symposium on media violence and pornography held in Toronto February 5, Canadian church leaders called upon Canadians to appeal to the US Government to ban (through a proposed bilateral treaty) the transmission of "obscene broadcast material" from the US to Canada. It was pointed out that 85 percent of the pornographic material imported into Canada came from the United States. According to a *Globe and Mail* report February 6, the church officials endorsed a statement requesting that the US administration enforce existing legislation against such exportation, as well as enact additional legislation for new technology prohibiting the transfer by satellite of obscene material.

The symposium heard lectures by social scientists, educators and psychologists outlining research on the impact of media violence and pornography. Among others, US Surgeon-General Dr. Everett Koop spoke of the epidemic proportions of violence in society as an international health issue, and related it to the media, saying that "TV can indeed affect human behavior and violence can affect it negatively in children." The symposium called for both greater public awareness of the issue and a determination to establish tougher international controls over the dissemination of violent and pornographic material (*Globe and Mail*, February 6).

Acid Rain

The Canadian Government's continuing opposition to the Reagan administration's policy on the implementation

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of acid rain controls received added support south of the border during early February, with the US Senate Environment and Public Works Committee criticizing President Reagan's delay in acting on the problem. Committee Chairman Robert Stafford (Rep. Vermont) expressed "deep disappointment" with the President's decision to defer action until additional research has been completed. Mr. Stafford stated that this decision ignored "the findings of its own panel of science advisers and . . . appears to be inconsiderate of the pleas of the people and the Government of Canada." The Committee majority called for the enactment of effective pollution controls rather than continued research, but member Quentin Burdick (Dem. North Dakota) castigated the Canadian Government for not legislating those controls it demands of the US. However, Environmental Protection Agency (EPA) head William Ruckelshaus defended Canada's record, citing substantial reductions and a Canadian offer to double emission rollbacks if joined by the US. Mr. Ruckelshaus stated that US-Canada communications would remain open, since the acid rain issue "right now very badly divides the two countries." At the same time, he also characterized President Reagan's request for more research as "a rational one," saying that he did not "believe that pursuing these scientific puzzles as diligently as possible will cause an unacceptable delay" (*Globe and Mail*, February 3).

Following statements by New Hampshire Governor John Sununu that there existed a possibility that Canada's insistence upon US acid rain controls may originate in a desire to export to US energy markets electricity (of which Canada has an exportable surplus), Ontario Premier William Davis dismissed the suggestion as "ridiculous" and stated that such a claim reflected a complete misunderstanding of "the political realities of our country" (*The Citizen*, February 11).

On February 22, the Canadian Government issued a "strong" note of protest to the US administration over that government's inaction on the acid rain problem. The note registered Canada's "deep disappointment" that research rather than legislation would be the US Government's activity for the immediate future. Secretary of State for External Affairs Allan MacEachen stated:

We are asking our good friends to confirm their willingness, on the basis of undertakings already given, to accept their shared responsibility to protect the North American environment and move immediately towards mutually acceptable programs to combat acid rain . . . The continued delay in adopting effective abatement measures is not acceptable to Canada."

Minister for Environment Charles Caccia added that the "damage already caused by inaction is enormous for both countries and will grow with each postponement of the action . . . This damage has been established by clear and convincing evidence" (Government of Canada press release, February 22).

In its note, the Canadian Government reiterated its belief that sufficient scientific evidence had been accumulated to initiate joint controls programs, and indicated its "regret" that the United States had failed to give such undertakings a "priority."

Meeting with William Schneider, undersecretary of state for security assistance, science and technology, at the US State Department, Canadian Ambassador Allan Gottlieb delivered the note and criticized the US Government for "shirking its treaty obligations to prevent air pollution from causing damage in Canada," according to a *Globe and Mail* report. These obligations were outlined in the diplomatic note, and included a 1980 Carter administration Memorandum of Intent, the 1909 Boundary Waters Treaty, the 1972 Great Lakes Water Quality Agreement, as well as general principles of international law. Ambassador Gottlieb requested a formal reply outlining US proposals for meeting such obligations. He later told reporters that although Canada is committed to reducing its sulphur dioxide emissions, no "unilateral program could save our lakes or stop the damage to our forests" (*Globe and Mail*, February 23).

After delivery of the note of protest, External Affairs Minister Allan MacEachen told reporters that the note did not mark a rupture in bilateral relations but that the Government would continue its communications with the Reagan administration on the topic and would look to "continued political and diplomatic efforts in order to reach a conclusion" (*The Citizen*, February 23).

Meeting March 6, federal and provincial environment ministers decided to act unilaterally in the battle against acid rain. Environment Minister Charles Caccia stated that "We will proceed independently of the United States in the hope that they will join us at the earliest possible date." A unilateral cut of 50 percent in sulphur pollution by 1994 was determined, and cleanup costs were estimated at \$1.5 billion. The ministers announced that financing would come from both industry and federal and provincial governments (with the government assisting those companies unable to handle the financial requirements), according to a *Globe and Mail* report. The meeting had been called by Mr. Caccia in response to US inaction, when domestic unilateral action was seen as the only immediate alternative. The 50 percent reduction was designed to "reduce the fallout of sulphuric acid rain on sensitive areas of Canada to tolerable levels," according to the report. The decision was seen as an option to "buy time" for Canada's environment. However, the ministers added that US participation would be essential for any definitive action. Ontario Environment Minister Andrew Brandt acknowledged that "we cannot reach our objective without the cooperation of the Americans" (*Globe and Mail*, March 7).

A spokesman for the Canadian Coalition on Acid Rain, Michael Perley, while supporting the determination to proceed with unilateral action against acidic pollution, pointed out that the standards outlined dealt only with sulphur dioxide emissions and ignored other pollutants. He also stated that the reduction referred to allowable levels to be released from industries, and did not cover acid rain presently in the atmosphere (*The Citizen*, March 8).

In Washington to lobby congressmen, government officials and industry representatives for a US program to parallel the announced Canadian reductions, Mr. Brandt called the US reaction "encouraging," while allowing that few indications were forthcoming of positive action. Mr. Brandt, after presenting the Canadian position, suggested

that while US action was unlikely in an election year, he remained optimistic that steps would be taken in the future. Calling the recently announced US Senate Environment Committee's proposed bill for large-scale reductions in eastern states as "inspirational" in its scope, Mr. Brandt (as well as US and Canadian officials) noted that its chances of being scheduled for full Senate debate seemed remote (*The Citizen*, March 13 and 14, *Globe and Mail*, March 14).

On March 14, EPA head William Ruckelshaus, appearing before the House of Representatives science and technology committee to present the proposed budget for the EPA, stated that in his opinion President Reagan might take up to two years to be "pushed to the point" of acting on the acid rain problem, "assuming all the information coming in points in the same direction" (*The Citizen*, March 15).

To protest President Reagan's acid rain policy, a multi-denominational group of Canadian church leaders sent a joint letter outlining their views on delaying constructive action. According to a *Globe and Mail* report, the clergymen expressed "deep disappointment and frustration," and stated that man has a duty to protect the earth, a responsibility which they see President Reagan as abnegating. The group, while acknowledging Canada's own responsibilities to combat emissions, supported the Canadian Government's note of protest to the United States, saying that "one can well understand the anger of many Canadians as we see vulnerable areas of the environment in our country damaged by acid rain coming from your country" (*Globe and Mail*, March 16).

Canada was host to an international conference on acid rain control commencing March 20, a conference which Environment Minister Charles Caccia saw as acting as a signal to the US of the seriousness with which the ten participating countries (Canada and nine European nations) viewed the problem. The conference featured an exchange of information on transboundary air pollution, and required of participants a willingness to reduce sulphur dioxide emissions by at least 30 percent within the next decade (*Globe and Mail*, March 19).

Addressing the conference, Mr. Caccia stated that "acid rain poses a threat to the basic economic resources of my country," and listed those Canadian industries — fisheries, forestry, tourism — that were directly affected by the problem of acidic pollution. His remarks were directed to the chief Canadian target — the United States. His European counterparts at the conference were concerned with their own targets — Britain, East Germany, Czechoslovakia and Poland — who have not yet made the 30 percent commitment. To ensure that the conference message was promoted successfully, Environment Canada and the Department of External Affairs decided to send film coverage of the conference to numerous US television stations (*Globe and Mail*, March 21).

Conference participants reached agreement and signed a five-point declaration March 21 committed to reducing pollution — 30 percent for sulphur dioxide, and undeclared figures for other pollutants. Further cuts (beyond the 30 percent) were mentioned in the document "where environmental conditions warrant." Mr. Caccia again called upon the US to alter its acid rain policy and to assume the international leadership in pollution control, something it will have the opportunity to do at upcoming

conferences on the topic — Munich in June and Geneva in September (*Globe and Mail*, March 22).

On March 27, John Rouse, Minister at the US Embassy in Ottawa, wrote the *Globe and Mail* and outlined the position of the US administration on acid rain. Mr. Rouse acknowledged that the acid rain issue raises a serious bilateral issue between Canada and the US, but said that the US seeks to address the problem "in ways that respond to Canadian concerns." Mr. Rouse continued by stating that the Canadian request for immediate cuts would,

... require massive, wholesale, corrective action costing many billions of dollars At a time of significant budget deficits, a national program of that magnitude can be justified only if it is clear that the large expenditures required will have the remedial effects intended. In the US view, the scientific data currently available do not provide an adequate basis for this conclusion. Significant uncertainties remain in many areas, including the geographic relationships between specific emission source and receptor regions, and alternative control strategies and their relative cost benefits (*Globe and Mail*, March 27).

Canadian Space Technology

While Canada considers the advisability of participating in the US development of a space station (scheduled for orbit in the early 1990s), Science Minister Don Johnston stated March 19 that one of the prime considerations would be "safeguards" against the use of Canadian technology for military purposes in space. He indicated at an Ottawa news conference (held jointly with NASA administrator James Beggs), that discussions with regard to Canadian participation in the development program would be concerned with this issue. Mr. Johnston affirmed that Canada had "always taken the view that space should be demilitarized."

However, Mr. Beggs noted that because of the openness of the American space program, and despite NASA's civilian status, there could be no guarantees that the military would not use technology developed and perfected in the space station program. Of the projected US\$10 billion costs involved, the US is seeking foreign contributions of about US\$2 billion, but Canada had announced earlier that only \$2.4 million would be allocated for study of possible Canadian participation (*The Citizen*, March 20).

Freer Trade

Following several months' examination of the prospects for increased trade freedom between Canada and the US, a February meeting between International Trade Minister Gerald Regan and US Trade Representative William Brock resulted in an agreement outlining four areas for possible sectoral free trade. According to a *Globe and Mail* report, the areas identified for trade liberalization included steel, agricultural equipment, computer and information services (the rather vague area of "infomatics"), and government procurement (primarily mass transit vehicles). Ongoing analysis by officials of both countries will produce an interim report this coming May which may contain additional sectors for consideration. At the same meeting, a bilateral "understanding" on safeguards was also signed

which contained provisions for consultations before the imposition of possibly damaging protective import restrictions and for compensatory measures should such restrictions cause damage. Both trade representatives indicated their support for trade liberalization between Canada and the United States, and affirmed their desire to stem the rising tide of international protectionism. Canada has, in the recent past, experienced difficulties with US protectionist measures in the field of specialty steel, as mentioned in "International Canada" for December 1983 and January 1984 (External Affairs press release, February 16, *Globe and Mail*, February 18).

Trade officials viewed the agreement not as a final solution to relieve the tensions resulting from trade disputes between the two countries, but as ensuring that the Canadian viewpoint be given expression before action is taken under GATT Article 19 which covers emergency action taken against damaging imports. The agreement now provides for establishing a thirty-day notice of impending action under GATT, which permits greater leeway for a negotiated settlement (and possible compensation). The GATT ninety-day period for negotiation (after restrictive measures have been taken) is now extended to eight months (*Globe and Mail*, February 27).

The continuing negotiations for freer trade were criticized by MP Michael Wilson (PC, Etobicoke Centre) as "not moving fast enough" a *Globe and Mail* report stated March 16. Mr. Wilson indicated his support for increased economic ties with the United States and saw freer trade measures as moving in this direction. Said Mr. Wilson, "we must move more quickly to get a deal because the protectionist influences in the United States are moving quickly." The American consideration of steel as a possible sector for free trade was regarded by Mr. Wilson as indicative of a willingness to compromise even in areas of trade tension.

Critics of a Canadian free trade relationship with the US were quick to point out the potentially harmful results of precipitous action. Some agreed with Abraham Rotstein of the Canadian Institute for Economic Policy who had previously (for the MacDonald Commission) indicated the possibility that free trade might lead to Canadian subsidiaries competing directly with their American parent companies (and in the long term becoming obsolescent). The harshest criticism came, as it has for the last century, from Canadian nationalist sentiment — those who regard a free trade relationship with the US as leading Canada in the direction of political integration and affiliation. Senator Michael Pitfield pointed out the difficulties facing Canada in dealing with the US on sectoral free trade, saying that Canada needs a more public process before making concessions. Senator Pitfield stated that the government had "already agreed on the areas for discussion and we haven't even determined our broad principles yet" (*Globe and Mail*, March 16).

Deputy Minister of International Trade Sylvia Ostry, a long-time opponent of international protectionism, was quoted by the *Globe and Mail* March 26 as having discounted the danger presented to Canada's national sovereignty by free trade and having pointed to the continued nationalistic spirit of European nations while engaging in freer trade practices. Ms. Ostry countered criticism that because the area of "infomatics" is vague it might place

Canada in a vulnerable position for trade negotiations, by saying that "to dismiss this sector from consideration out of hand, leaves me breathless . . . This is a terribly important area that will pervade all other sectors." Admitting that Canada, in these sectoral free trade discussions, must seek comparative advantages, Ms. Ostry stated that "this is only an exploratory process. We must now study the ramifications as we begin the negotiations" (*Globe and Mail*, March 16).

Speaking before the Commons External Affairs Committee later in March, International Trade Minister Gerald Regan advocated the desirability of Canada's moving in the direction of sectoral free trade with the United States, saying that guaranteed access to foreign markets in the future will be of increasing importance. Any free trade agreement reached with the US (even if limited to the relatively uncomplicated sections of agricultural machinery and steels) would help Canada by providing a buffer against future protectionist measures. Mr. Regan told the committee that Canada was in a vulnerable position at present, where exports were threatened by foreign retaliatory actions should Canada introduce unpalatable import restrictions. He stated that situations arise in which Canadian quantitative restrictions on imports may result in threatened unfavorable decisions with regard to awarding project contracts. The Minister suggested that the dangers of retaliatory measures would be reduced, in the case of the US, with the establishment of a concrete beginning for sectoral free trade (*Globe and Mail*, March 23).

Deliberations on liberalizing the steel industry were to proceed in coming months as an initial step in developing the four-sector proposal for establishing free trade between the two countries. Mr. Regan was reported in a *Globe and Mail* article March 29 as saying that the "potential" terms of reference for negotiations were to be examined by the steel industry (US and Canada) and the provinces before meetings with federal officials later this spring. Should the US and Canadian steel industries not view the substance of the talks favorably, "then it doesn't appear feasible that the discussions would go forward," said the Minister.

AUSTRALIA

Canadian Participation in Seminars

Minister for International Trade Gerald Regan announced February 17 that twenty Canadian companies would be participating in a set of External Affairs-sponsored hi-tech seminars held in both Melbourne (February 21-23) and Sydney (February 28-March 1) Australia. The companies involved represented a spectrum of the hi-tech industry in Canada, from telecommunications, computers, videotex, to instrumentation and industrial process controls. Mr. Regan, in a press release, noted that the hi-tech industry requires an educational approach to international marketing which the seminars would provide.

Acknowledging that Australia was considered by Canada to be a "priority" market, Mr. Regan stated that the two countries might work toward the development of the grow-

ing Pacific Rim markets through "cross-licensing, industrial co-operation, joint marketing, joint venturing and the sharing of technology." As an example of such cooperation in the area of telecommunications networking, Mr. Regan mentioned the scheduled September opening of the Australia-to-Canada ANZCAN cable. He also outlined the mutual benefits to be accrued through a possible cooperative defence production venture (External Affairs press release, February 17).

CHILE

Visit of Canadian Union Delegation

A delegation of four Canadian trade union leaders returned in late March from an Oxfam-organized visit to Chile, and reported that opposition to President Augusto Pinochet's military regime was growing. The delegation — composed of Jean-Claude Parrot (Canadian Union of Postal Workers), Terry O'Connor (Canadian Union of Public Employees Ontario), Ron Fisher (Saskatchewan Federation of Labor), and Margaret Wilson (Ontario Teachers' Federation) — saw the increasing opposition to the Pinochet regime as indicative of a Chilean majority belief that "the junta has to go," in the words of Mr. Wilson.

The Canadian group issued a statement in Santiago saying that "Chile will be free and should be free. The only question remaining is when." When asked whether such remarks might not jeopardize the work of Oxfam in Chile, spokesmen Kate MacLaren stated that "Pinochet would not do anything further to hurt his image," according to a *Globe and Mail* report.

The delegation, calling for Canadian labor to "demonstrate solidarity," said that they would be reporting their findings to Canadian workers and characterized the economic policies of the Pinochet government as a failure. Mr. Parrot indicated that further action and recommendations would depend upon the direction taken by Chilean demonstrations (*Globe and Mail*, March 27).

CHINA

Immigrant Head Tax

In a statement in the House of Commons February 2, Margaret Mitchell (NDP, Vancouver East) called upon the Government to rectify what she called "intolerable past injustices and acts of discrimination" that were perpetrated in the past against incoming immigrants of Asian origin. Ms. Mitchell requested government compensation to be provided for those Chinese immigrants who were required to pay a head tax to secure admission upon arrival in Canada.

On February 24 in the Commons, Ms. Mitchell questioned the Acting Prime Minister whether the Government would, as a symbolic gesture, "formally acknowledge these injustices" (the tax being levied between 1885 and

1923). She emphasized that her request was for an apology rather than any "retroactivity of legislation," following an offer by Minister for External Relations Jean-Luc Pepin to look into the matter. In response to a supplementary question by Ms. Mitchell directed to the Minister of Justice, Mr. MacGuigan answered that he would give "very full consideration" to a request for compensation to remaining survivors who paid the discriminatory tax (some of whom retain receipts for tax paid). The Minister noted that the Government could, in selected cases, "look at the past" (*Globe and Mail*, February 25).

Having received a letter from the president of the Chinese Canadian National Council in response to Mr. MacGuigan's offer to consider an apology and compensation, Ms. Mitchell read excerpts into the Commons record on March 13. The Minister's offer was "welcomed and congratulated" by the Chinese community as an "insightful" step in recognizing and rectifying past injustices. Ms. Mitchell was answered by Parliamentary Secretary to the Minister of Justice Al MacBain, who acknowledged that past hostile attitudes to Chinese immigration had resulted in "legislative and administrative acts of discrimination" that would be investigated.

DENMARK

Animal Ban Lifted

Agriculture Minister Eugene Whelan announced March 14 that some trade in live animals and animal products from Denmark would be resumed, as a March 1982 ban which had suspended such imports was lifted. The original ban was imposed by Canada following an outbreak of foot and mouth disease in Denmark (see "International Canada" for March 1982).

An Agriculture Canada press release stated that because of steps taken by Denmark to eradicate the disease, that country had been free of foot and mouth disease for one year, which is the minimum time required for Canada to resume trade. Affected areas were quarantined and disinfected and exposed animals were destroyed.

According to a new Canadian formula for categorizing risk (low, medium or high) in terms of specified foreign animal diseases (the formula becoming effective February 3), Denmark received a medium-risk qualification (Agriculture Canada press release, March 14).

EL SALVADOR

Canadian Election Observers

In late February, Canada received a request from El Salvador to send official observers to monitor that country's upcoming presidential elections to be held March 25. The request was made, first by Salvadoran Foreign Minister Fidel Chavez Mena, and second by Salvadoran Ambassador to Canada Guillermo Chacon. (A previous request for observers made two years ago by El Salvador at the

time of a general election received a negative response from the Canadian Government, when concern was expressed with regard to the safety of its nationals.)

Preceding the release of a formal response by the Canadian Government, spokesmen for the opposition parties outlined their attitudes about observer status. While PC external affairs critic Sinclair Stevens (York-Peel) supported an affirmative response to the request, saying that "it would be rather strange if we were one of the few democracies in the world that decided not to at least extend the courtesy of sending observers," NDP foreign affairs critic Pauline Jewett (New Westminster-Coquitlam) called for a government boycott of the elections. Ms. Jewett expressed concern that sending Canadian observers would "legitimate" a process in which conditions prohibited a "fair" election, recalling the previous assassination and intimidation of Social Democratic figures (*Globe and Mail*, March 2).

External Affairs Minister Allan MacEachen announced March 13 that Canada would send a three-person observer team, headed by Gordon Fairweather, Canada's Human Rights Commissioner, and including R.A. Gould, Canada's assistant Chief Electoral Officer, and F.M. Filleul, Canada's Ambassador to El Salvador. Saying that adequate protective measures were to be instituted, Mr. MacEachen noted that the government of El Salvador had given "better and more comprehensive" assurances that Canadian observers would have access to any information they might request. It was acknowledged that the government was influenced by the fact that other nations had decided to send observation teams, including Britain, the Netherlands and Belgium. Mr. MacEachen denied Ms. Jewett's allegation that sending such a team "legitimizes" the electoral process, adding that Canada is "better off with reliable information than without it" (*Globe and Mail*, March 14).

Mr. MacEachen said that he regarded the observation team as consistent with Canada's policy in Central America — the promotion of peace, stability and more representative and responsible government. "As long as there is an endeavor to promote the principles of representative government and freedom of choice, I believe Canada should send impartial and qualified observers" in order for Canada to make judgments concerning the electoral process in El Salvador, said Mr. MacEachen (External Affairs press release, March 13).

Critics of the Government's decision continued to characterize the team as a "legitimization" of El Salvador's electoral process. Ms. Jewett stressed that the election would be one in which opposition parties (those left-of-centre) would be unable to participate for reasons of safety. She suggested instead, the establishment of permanent embassies in both El Salvador and Nicaragua (instead of the present one located in Costa Rica).

Criticism also came from the Inter Church Committee on Human Rights in Latin America, whose spokesman John Foster stated that a situation existed where "a major part of the political spectrum is not represented" because of military harassment. The Committee had requested that Mr. MacEachen and Mr. Fairweather meet to confer with Guillermo Ungo, El Salvador's revolutionary opposition leader, who was to be in Canada for an international con-

ference on Latin America prior to the team's departure for El Salvador (*Globe and Mail*, March 15).

Speaking at the conference, Mr. Ungo called the Salvadoran elections a "mockery," orchestrated by the US Reagan administration (*Globe and Mail*, March 19).

Team head Gordon Fairweather, while acknowledging that time would be limited in which to examine conditions surrounding the election and that movement would be restricted (because of the ongoing hostilities), told the *Globe and Mail* that he would make a decision on the "fairness" of the process with regard to freedom from harassment and intimidation. He affirmed his belief that "an election where the political parties are not free is not an election" (*Globe and Mail*, March 15 and 16).

Following the March 25 first-round of El Salvador's presidential election (in which Christian Democratic leader Jose Napoleon Duarte claimed a victory and an "historic judgment against violence, against the death squads and against ARENA [the ultra right-wing Nationalist Republican Alliance]), the Canadian observer team found that beyond the "administrative overkill" and "chaotic conditions" (in the words of chairman Gordon Fairweather), the democratic will of the majority of Salvadorans had been served. Qualifying his statements as "preliminary conclusions," Mr. Fairweather said that despite the problems, the results probably reflected the popular will. Organization problems, rather than fraud or collusion, would appear to have prevented up to 20 percent of the Salvadoran electorate from registering their vote, in the opinion of team member Ambassador F.M. Filleul. Mr. Filleul suggested that the attempt to avoid charges of fraud had resulted in an unnecessarily complicated voting process — including the compilation of a voter register in the midst of a civil war, delays in the distribution of ballots, and administrative laxness — thus restricting the number of votes successfully cast. Team member Ronald Gould noted the patience of the voters in the face of frustration with disorganization and delays, and Mr. Fairweather was critical of the time factor involved, saying that Salvadorans were "entitled to expect the elementary components of the democratic process to be delivered to them." While Canada's observer team was to monitor the technical rather than the political side of the elections, team members noted the "extraordinary demonstration of US power," and felt that the electorate may have been influenced to vote by the threat of fines and failure to have identity cards stamped (*Globe and Mail*, March 27).

The preliminary report of the observer team was released by the Department of External Affairs March 27. The team noted that while election officials were committed to formulating and instituting a "fool proof" voting system, this very system proved overly complex for proper administration. Serious disorganization and confusion resulted from a "lack of logistical administrative planning and of planning and leadership at the polls." Team members noted no "visible attempts . . . to coerce or influence the choice of voters." However, the observers noted that difficulties with the mechanics of the election did result in the "disenfranchisement of some thousands of voters." This initial report concluded by stating that "if the numbers of votes exceed one million, it will be our conclusion that the results of the election broadly reflect the wishes of the

people of El Salvador," out of a forecast maximum of voters estimated at 1.8 million (External Affairs press release, March 27).

External Affairs Minister Allan MacEachen, immediately prior to his visit to Central America in early April, stated that Canada would be willing to send another observer team to El Salvador to monitor the second round of that country's presidential election, should they be invited to do so. Mr. MacEachen said that the "same reasons would convince me to respond favorably unless the situation changes," and indicated that it would be advantageous for the team to maintain its former composition (*The Citizen*, March 31).

IRAN/IRAQ

Continuing Conflict

In a statement released March 8, 1984, Secretary of State for External Affairs Allan J. MacEachen expressed the government's concern about the recent escalation of hostilities between Iran and Iraq and called for an end to the continuing conflict. Mr. MacEachen reiterated Canada's endorsement of the peace efforts initiated by the United Nations Secretary General and registered support for the work of the International Committee of the Red Cross (ICRC) in the area in light of increasing reports of human rights violations.

Considering the use of children in armed hostilities "repugnant," Canada called upon Iran to "cease immediately any such practices which may exist." Opposition to the use of chemical weapons was also stressed in the statement, which, because of present allegations, called upon Iraq to avoid violations of the Geneva Protocol prohibiting chemical weapon use (External Affairs statement, March 8).

JAPAN

Dome Petroleum

In the House of Commons February 21, both Pat Carney (PC, Vancouver Centre) and Ray Skelly (NDP, Comox-Powell River) questioned the reported Japanese decision to withdraw from further investment participation with Dome Petroleum Ltd. in oil and gas exploration in the Beaufort Sea. Minister for Energy, Mines and Resources Jean Chrétien attempted to allay fears that Dome would require a government bailout because of the Japanese decision, a decision which Mr. Skelly called a loss of faith in the viability of the Beaufort exploration. Mr. Chrétien responded that Japan, after having invested \$400 million in the project, had decided "not to proceed with further investment, but there was no such plan" to begin with. Alternate drilling investment has been forthcoming, including arrangements with "Imperial, Esso, Gulf Canada, and many other Canadian companies," Mr. Chrétien added.

According to a *Globe and Mail* report February 22, Japan's Minister of International Trade and Industry Hikosaburo Okonogi had advised the Japanese consortium investing in Dome to end their involvement with the project because of the unlikelihood of discovering commercially viable oil resources in the Beaufort Sea. (The report noted that these statements were made in the Japanese Diet during a budget committee meeting, and may have reflected a concern to distance the government from criticized overseas investment.) Dome officials announced that, while the original Japanese investment had been spent, no further sum had been requested and that "the current exploration program does not depend upon additional money from Japan." The article in the *Globe and Mail* pointed out that, whatever their origin, the Japanese statements damaged the credibility of the Beaufort project's commercial development at a time when Dome Petroleum is negotiating a refinancing and debt rescheduling scheme (with an extended time for loan repayment) with the financial community.

A spokesman for Arctic Petroleum Corp. (APC), which handled the Japanese investment, stated that Mr. Okonogi's comments had been "misinterpreted" in Canada and said that Japan had not ruled out additional funding for Dome. APC indicated that further investment would be put on hold indefinitely until Dome had "demonstrated sufficient reserves in the region and suitable technical equipment to make commercial development feasible," according to a *Citizen* report February 22.

LEBANON

Canadians in Beirut

The heightened fighting between Lebanese factions in the Beirut area in early February raised the question of the possible evacuation of Canadian diplomats and their dependants. On February 8, External Affairs spokesman John Noble stated that Canadian representatives were safe, the embassy was operating "still at full staff," and no evacuation was envisaged at that time. He did, however, add that officials were keeping the situation in Beirut "under close observation including the possibility of evacuation when circumstances permit to ensure embassy staff are not submitted to unnecessary risks."

Canadian Ambassador to Lebanon David Jackson reported "calm" in the area near the embassy February 9, and noted that Canadian staff members had been moved into nearby hotels. Ambassador Jackson, who, along with his driver, was himself accosted by gunmen but released unharmed, affirmed that "we are monitoring conditions carefully" (*The Citizen*, February 8 and 9).

External Affairs Minister Allan MacEachen stated that while the Canadian delegation in Lebanon was "in no immediate danger," the contingent might be reduced in future should the "situation warrant it." However, the Minister added that Canada would hesitate to abandon its mission and leave Canadian "interests" unprotected (*The Citizen*, February 9).

SOUTH KOREA

Candu Technology Transfer

Reports in early February of a proposal whereby Atomic Energy Canada Ltd. would provide Korea Power Engineering with Candu reactor nuclear technology as part of a joint effort between the two companies to construct a reactor in Turkey received harsh criticism in the Commons February 6 from Pat Carney (PC, Vancouver Centre). Ms. Carney, calling the Candu reactor one of Canada's "most outstanding engineering achievements," questioned the advisability of transferring this technology "to nail down a short-term sale at the expense of our entire long-term Candu market." Minister for International Trade Gerald Regan responded that such a transfer is legitimated by the possibility of increased sales for Canada's nuclear industry. Should the circumstances be advantageous to Canada, the Government (and Atomic Energy Canada Ltd.) would follow a policy of endeavoring to secure ventures with the "best sales interest of Canada and Canadian workers" in mind. The Minister added that he believed that "the transfers of technology have been and will continue to be a useful way to increase the number of sales and, therefore, of Canadian jobs created."

Mr. Regan elaborated outside the Commons when he reiterated that "transfers of technology are, and always have been, contemplated as part of Canadian sales of goods and services and can be well justified depending on the circumstances of the sale and the potential of future business." The Minister replied to Ms. Carney's criticism from Ms. Carney that the proposal giving South Korea Canadian technology was "desperation marketing," by stating that Canada, with its Candu reactor, possessed the "ongoing expertise to remain state of the art" (*The Citizen*, February 7).

SPAIN

State Visit

King Juan Carlos and Queen Sophia of Spain made that country's first official state visit to Canada starting March 12. The Royal couple travelled across Canada, visiting Ottawa, Montreal, Toronto, Niagara Falls and Vancouver, meeting with members of the Canadian-Spanish community as well as government figures including Prime Minister Pierre Trudeau, PC Leader Brian Mulroney, NDP Leader Er' Broadbent and Quebec Premier René Lévesque.

Agreements were to be signed between the two countries related to social security, culture and film cooperation, according to news reports (*Globe and Mail*, *The Citizen*, March 12). However, because of the absence of Spain's Foreign Minister at the time of the royal visit, the anticipated signing of the agreements was postponed until a future date, according to an External Affairs spokesman (telephone interview, April 10).

TURKEY

Assassination Attempt Arrests

Following two years of intensive investigation into the attempted assassination of Turkish commercial attaché Kani Gungor in Ottawa April 8, 1982, four Armenians were formally arraigned in the same city March 13 and charged with attempted murder and conspiracy to commit murder. Under unprecedented security arrangements, the four men — Haroutioun Kevork, Raffic Balian, and Haig and Melkon Gharakhanian — appeared before a justice of the peace and were remanded in custody until March 16 for a bail hearing in the Supreme Court of Ontario. The arrests were made separately in Toronto after a combined investigation involving Ottawa, Toronto and RCMP forces, according to a *Citizen* report of March 13.

Following the court appearance, External Affairs Minister Allan MacEachen was questioned by reporters in a scrum outside the House of Commons as to whether the government was aware of any potential threat posed by the arrests. Mr. MacEachen responded that a cautionary warning to Canadian diplomatic representatives overseas had been issued. Noting the history of retaliation levied against nationals of countries prosecuting Armenian terrorists, Mr. MacEachen urged extra care be taken to avoid situations whereby retaliatory measures might arise. According to an External Affairs spokesperson, Mr. MacEachen stated that "some extra caution and vigilance" would be necessary in "future and the immediate days ahead" (telephone interview, April 10).

At the bail hearing of the four defendants in Toronto, a publication ban on evidence was ordered by Justice Eugene Ewaschuk March 19. Security arrangements remained stringent in anticipation of possible terrorist infiltration of the court (*The Citizen*, March 20).

A preliminary hearing date was set for May 7 by provincial court Chief Judge Fred Hayes, following a series of delays and adjournments (*The Citizen*, April 12).

USSR

Refueling Memorandum Signed

A memorandum of understanding between Canada and the Soviet Union was signed March 29 which would provide Soviet transit flights with refuelling operations at Gander International Airport. Minister for External Affairs Allan MacEachen and Transport Minister Lloyd Axworthy said that, under the four-year agreement, Soviet transatlantic flights would refuel at Gander (using 13.2 million litres of Soviet fuel per year to be handled by a local company) and an unspecified portion of the Soviet trawler fleet would undergo repairs at a federally-owned dockyard at St. John's, Newfoundland. Regular Aeroflot refuellings are anticipated to begin in September 1984. Soviet flights will be using fuel provided by the USSR since they require an uncommon variety which Canadian refiners were not ready to produce because of limited demand, it was announced. However, technical and catering services were acknowledged to be generating Canadian employment in

the area, along with the building and management of the refuelling facilities.

The signing of the memorandum, which was originally scheduled for last September, was postponed by the Canadian government as part of its response to the Soviet destruction of the KAL 007 jetliner earlier that month (*Globe and Mail*, March 5). Despite the deferral, Mr. MacEachen stated that "significant economic benefits to Newfoundland will be generated by this agreement" (Government of Canada press release, February 28).

After signing the agreement, Transport Minister Lloyd Axworthy stated that, rather than signifying "forgiveness" for the KAL accident, the agreement was "running along on a separate track." Compensation claims on behalf of the Canadians aboard KAL 007 remained outstanding at the time of the signing, a fact which received criticism from Conservative external affairs critic Sinclair Stevens (PC, York-Peel) who felt that the Gander agreement might have been used effectively in negotiations as a bargaining tool (*The Citizen*, March 30).

Multilateral Relations

CANADIAN SEAL HUNT

Mounting World Opposition

Growing external opposition to Canada's annual seal hunt erupted in a violent confrontation in early March, when a group of hunt supporters on the Magdalen Islands circumvented police and attacked a helicopter owned by the American-based International Fund for Animal Welfare (IFAW). Fund group members were attempting to refuel their helicopter on the island after having monitored and filmed seal movements on ice floes in the Gulf of St. Lawrence. Landing at the Magdalen Islands airport March 9, the filming crew were reportedly threatened and intimidated by hunt supporters, who refused to provide refuelling facilities. A combined force of Quebec police and RCMP officers were unable to control the assembled crowd, which agreed to let the animal welfare group leave the Islands (by chartered plane) after relinquishing film footage. Then, on March 11, a group of Islanders engaged in an altercation with police forces and managed to overturn the Fund's helicopter, causing about \$350,000 worth of damage (*Globe and Mail*, March 12).

Quebec Provincial Police spokesman André Lévêque stated that reinforcements had been obtained "sufficient to cover all eventualities," while adding that no arrests were planned until tensions had relaxed (*The Citizen*, March 12).

The Magdalen Islanders, many of whom depend upon the seal hunt for a portion of their livelihood, were familiar with the Fund and its members who form part of a US campaign which urges a boycott of Canadian fish products as a means of forcing Canada to end the annual hunt. The group has stated its intention to consider the initiation of legal proceedings and may ask for American diplomatic intervention, according to a *Citizen* report March 12. Fund

spokesman Dan Morast said that after the violent attack, the boycott would proceed with "much more vigor now."

While not condoning the violence against the anti-sealers, Îles-de-la-Madeleine Sealers Association spokesman Donald Delaney called their presence in the area "an arrogant and provocative act." This attitude was also expressed in the House of Commons March 13 by Rémi Bujold (Lib., Bonaventure-Îles-de-la-Madeleine) when he stated that despite "deep regret" at the events, he understood the "disappointment and frustration" of the hunt supporters "in the face of these provocative actions by individuals who are seeking to make names for themselves and promote their own personal interests."

Speaking in the Commons on the same day in response to a request by Lloyd R. Crouse (PC, South Shore) for a ban on the clubbing of white coat seal pups in Canada (in order to circumvent an international boycott), Fisheries Minister Pierre De Bané said that "we are not dealing with rational people on this issue. We are dealing with fanatics who have been spreading lies about our fishermen and our sealers." Mr. De Bané later expressed his understanding "very well the reaction of our fishermen who have seen their livelihood endangered by people who come and protest one week during the year, precisely where our fishermen live on a permanent basis," according to the *Globe and Mail* March 13.

Attempts by hunt protest groups to encourage existing international markets for Canadian fish (primarily in the US and Great Britain) to boycott such products, having met with some success, have encouraged a division of opinion within the Canadian government. While some, such as the Department of External Affairs, advocate a ban as a symbolic public relations gesture (since pups are not presently

being hunted) that would undercut the boycott campaign to the benefit of the Canadian fishermen's welfare, others, led by Fisheries Minister Pierre De Bané see an imposed ban as submission to "blackmail." The Fisheries Minister had issued a press release March 9 denouncing protest groups for "spreading misleading propaganda about the Canadian seal hunt, and for resorting to the most despicable form of blackmail," stating that the whitecoat hunt had ceased, and speculating that the groups were "intentionally spreading confusion about the whitecoat hunt in order to pressure the government to stop the remaining hunt for older seals" (Fisheries and Oceans press release, March 9). Mr. De Bané also later stated in the Commons March 13 that, after consultations, the major buyers of Canadian fish ("every single important buyer") had agreed not to be pressured into a boycott, since they realized that "if they give in to this group this year, next year it will be on another issue. It is in their own interest to resist any blackmail."

However, reports indicated that the boycott campaign was having some success in Britain, where buyers Tesco and later Safeway had cancelled purchases of Canadian fish products in protest of the seal hunt. This was brought up in the Commons March 16 by MP Lloyd R. Crouse, when he further questioned Mr. De Bané on the issue of the danger to Canadian trade posed by bad hunt publicity. Mr. De Bané again responded that the success of the campaign had been minimal. The larger US market (including the fast food business chains) was of both greater immediate and long-term concern, but Canadian trade officials indicated that these purchasers, having been convinced that allegations of the IFAW were inaccurate, had agreed to continue to buy Canadian (*Globe and Mail*, March 13).

Mr. De Bané reiterated in a press release March 16 his opinion that anti-sealing protest groups (including the IFAW) were manipulating public opinion by deliberately confusing the issue of Canadian policy on the whitecoat hunt. The Minister stated that no commercial whitecoat hunt (as distinct from a subsistence hunt for food provision) took place in 1983, but a "misinterpretation of statistical reports" (which listed grown "ragged-jackets" in the "whitecoat" category) had given rise to some confusion as to the cessation of the hunt (Fisheries and Oceans press release, March 16).

A *Citizen* report of March 27 mentioned a protest that day at the Canadian consulate in Hamburg, West Germany. A spokesman for the Greenpeace ecological organization said that the Hamburg group of ecologists joined in enacting a mock killing of seal-like objects as a protest against the Canadian seal hunt coordinated with other Greenpeace-sponsored protests in the United States.

CENTRAL AMERICA

Increased Canadian Role

Calls for an increased Canadian presence in the ongoing process to establish a lasting peace in Central

America were made in February by both Parliamentary Secretary to Minister of National Defence Stanley Hudecki (Lib., Hamilton West) and Minister for External Affairs Allan MacEachen.

Making a statement in the Commons February 3, Mr. Hudecki called for the international acceptance of a "pluralistic Central America in which there is co-existence between states of different political and economic ideologies." He suggested a greater role for Canada in the process of establishing a negotiated settlement in the region. This might be achieved, said Mr. Hudecki, through increased Canadian support for the Contadora group both in the UN and "other international bodies, especially the aid agencies and financial institutions." The placement of a Canadian embassy in Nicaragua as a "listening post" to "better distinguish the true situation in the region" was also part of Mr. Hudecki's proposal.

Later in the month, in a speech delivered at a state banquet for Colombia's Foreign Minister Rodrigo Lloreda on February 20, External Affairs Minister Allan MacEachen outlined a plan for more direct Canadian involvement in the search for peace in Central America. In his statement, Mr. MacEachen indicated a Canadian desire to play a more active role in the region, stating that he advocates Canadian consultation with the Contadora group. According to a *Globe and Mail* report, Canada will seek observers' status on three commissions being established by the Contadora group to review "social, economic and military aspects of peace in Central America." Mr. MacEachen also announced that Canadian officials will consult with the Mexican-based Action Committee for Socio-Economic Development in Central America.

The Minister touched on Canadian aid contributions to the region, noting that while Canada does not base aid on a recipient country's political leanings, "consistent and massive abuses of human rights" would affect aid decisions. Mr. MacEachen, while stating that he welcomed the US Commission on Central America's recommendations for increased aid, said that he found the reliance on military aid proposed too restrictive (*Globe and Mail*, February 21).

EUROPEAN ECONOMIC COMMUNITY

Canadian Newsprint

Canada asked the council of the General Agreement on Tariffs and Trade (GATT) in early March to establish a panel to examine Canada's complaint with regard to the European Economic Community's position on the importation of Canadian newsprint (see "International Canada" for December 1983 and January 1984). Canada claims that the EEC decision to impose a quota of 500,000 tonnes for 1984 is contrary to the EEC's obligation to a "most favored nation." Scandinavian newsprint suppliers, because of new free trade agreements with the EEC, now have unlimited duty-free access to EEC markets. Negotiations for a settlement between the EEC and Canada had to that

time been unsuccessful, and Canada, because of the "serious effects" that might result for Canadian mills and suppliers because of the domestic-first tilt of the EEC yearly "autonomous" quotas, had decided to take its case to GATT. In EEC/Canada discussions, Minister for International Trade Gerald Regan had emphasized the importance of preserving Canada's traditional duty-free exports to the European Community, according to an External Affairs press release issued March 8. Canadian Pulp and Paper Association president Howard Hart was quoted as saying that Canadian newsprint suppliers should have "the right to compete up to the levels of previous years. . . . The Community is being extraordinarily protectionist" (*Globe and Mail*, March 10 and 14).

Without objection from the EEC, GATT approved the creation of an arbitration panel in the dispute, and Canada pressed for fast action in selecting panel members and establishing terms of reference with the EEC. Canada has requested that the EEC regard the matter as "urgent," which designation for a GATT dispute would require the panel to issue its report within three months. GATT procedure calls for a meeting for the presentation of arguments on both sides, a subsequent meeting for rebuttals and panel questions and the written report and recommendations. Canada hopes that by handling the case expeditiously the panel might issue a judgment before the fall of 1984 (*Globe and Mail*, March 14).

Responding in the Commons March 16 to questioning from Frank Oberle (PC, Prince George-Peace River) about past and present government endeavors to avert the EEC decision, International Trade Minister Gerald Regan pointed out that sustained negotiations, while initially indicating a favorable outcome, had failed to develop an EEC proposal that was acceptable to Canadian interests. Mr. Regan cited the EEC decision-making process as contributing to the unfavorable response to Canadian requests for flexibility. Said Mr. Regan, "the way the European community operates on some matters seems to indicate it must have agreement of all members, and it is the lowest common denominator . . . which may stop it from making a reasonable settlement." The Minister expressed his confidence that the Canadian position would receive vindication at GATT.

Outside the Commons the same day, Mr. Oberle criticized the government's foreign lobbying efforts in the newsprint quota dispute, saying that he was "not at all satisfied that everything possible had been done" to prevent the quota imposition. Mr. Oberle said he did not share the International Trade Minister's optimism that GATT would reach a decision favorable to Canada, and suggested that Canada develop a more strenuous foreign lobbying effort in both diplomatic and political channels to avoid in future such decisions as the EEC quotas. Better advance lobbying in anticipation of detrimental rulings would better serve Canadian interests, Mr. Oberle continued. "Unless you go and lobby the people who make the decisions and have the influence, you are from time to time faced with these decisions which will take us years and millions of dollars in legal fees and harm to our industries to correct," he said (*The Citizen*, March 17).

NATO

Canadian Commitment and Participation in Exercises

Following questioning in the Commons February 10 by Harvie Andre (PC, Calgary Centre) about the government's decision to halt defence budget increases for fiscal year 1984-85 and the possible effect this might have on Canada's ability to fulfill its NATO commitment, Minister of National Defence Jean-Jacques Blais answered that Canada would maintain "our real growth of 3 percent in terms of military expenditures." Mr. Blais added that "all of our major military capital expenditures in the recent past have been in order to meet that NATO commitment. . . . We are meeting the NATO commitment and it is fully our intention to continue to meet our NATO commitment."

Later that same month, Canadian Armed Forces units joined seven other NATO member countries (Belgium, Britain, Denmark, West Germany, the Netherlands, Norway and the United States) for military manoeuvres (land, sea and air) in Norway. The exercises, which took place from February 28 through March 22, were designed to test Norway's reinforcement plans in anticipation of possible Soviet attack. According to a *Citizen* report February 15, the manoeuvres involved 25,000 soldiers, 150 warships and 300 warplanes in several separate operations.

After having visited these March NATO manoeuvres, Defence Minister Jean-Jacques Blais announced in Oslo March 21 that Canada would send an army brigade to Norway in 1986 for exercises. This will be the first full brigade exercise for Canada. (In the event of hostilities, Canada's chief NATO commitment is the defence of Norway's northern flank with a brigade — the Canadian Air-Sea Transportable [CAST] force.) Mr. Blais stated that his visit to the Norwegian manoeuvres was designed to reinforce "that the Canadian CAST brigade is committed to the northern flank and is available in the event of hostilities." However, criticism has been levelled at the present situation wherein Canada's contingent to NATO suffers from "double-tasking" — the 1st battalion of the Royal Canadian Regiment forms part of both the CAST force and NATO's AMFL (Allied Command Europe, Mobile Force-Land) participating in this year's exercises. According to a *Globe and Mail* report March 22, the Government has under consideration a plan to avoid this double commitment by assigning another brigade to the CAST role.

OECD

Labor Conference

A conference convened by the Organization for Economic Co-operation and Development and held in Paris from February 6-8, was designed to promote a ministerial-level discussion of unemployment, the problems faced by the labor market, and possible structural changes that might alleviate those problems. Attending the conference was Canada's Employment Minister John Roberts, who said that although the discussions were useful in raising

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troublesome issues, "too much time was spent on the ideological question of whether change should simply be the result of market forces." Mr. Roberts expressed "disappointment" at the British and American insistence upon supporting, in a "somewhat extreme way," the free market system.

Environment Minister Charles Caccia, also present at the conference, pointed out that many of the participating countries were in disagreement with this British/US view — feeling that rather than let a free market care for itself, action should be taken to avoid "social disruptions" caused by technological change and modernization. OECD secretary general Emile van Lennep called for concerted action among member nations to sustain world economic recovery.

From the discussions, Mr. Roberts said that he was able to draw several possible suggestions for job training and creation programs that might, with suitable revisions to fit the situation, be implemented in Canada. He indicated that additional study would be required to determine the adaptability of such foreign programs, and added that "because of the uncertainty of the future, we are beginning to look more at training people to learn rather than training them to learn something specific" (*Globe and Mail*, February 9).

SOUTHEAST ASIA

Visit of Canadian Trade Minister

Minister for International Trade Gerald Regan completed in March a two-week trade mission for the promotion of Canadian interests to several Southeast Asian nations which began February 20 in Hong Kong. Meeting with government officials, including Eric Ho, Hong Kong's Secretary of Industry and Trade, and Douglas Blye, Secretary of Monetary Affairs, Mr. Regan discussed bilateral textile arrangements, Canadian interest in a government exhibition centre project and the interest of Canadian firms in telecommunications and nuclear projects.

In Kuala Lumpur, Malaysia, talks with government representatives centred on commercial opportunities presently being pursued by Canadian firms, especially in the field of telecommunications. Mr. Regan also discussed the potential for sales of power generation equipment and the possible sale of thermal coal.

After attending the Brunei Independence Day celebrations February 23 as Canada's Special Representative, Mr. Regan completed his trade mission with meetings in India. Speaking with Prime Minister Indira Gandhi, the Trade Minister focussed on expanding economic cooperation and bilateral trade between the two countries. The interests of Canadian firms were promoted by Mr. Regan in discussions with India's Railways Minister in the computerization of Indian railways, and Mr. Regan also met with India's Minister of Energy to outline Canadian expertise in the field of design and construction services for energy

projects. Mr. Regan emphasized that Canadian companies would compete vigorously, and wanted to "cooperate with their Indian counterparts in sharing the technological advantages we possess" (External Affairs press release, March 2).

UNITED NATIONS

External Affairs Minister's Comments

In a Toronto speech before the Empire Club of Canada March 22, External Affairs Minister Allan MacEachen outlined several points with regard to Canada's position on the United Nations. Mr. MacEachen expressed the view that the UN, while providing the international arena with an invaluable "safety valve," requires a more strenuous stance in relation to world peace and security. Cited as a major stumbling block was the lack of "maturity" of some developing nation members. Efforts would have to be made to stem the "growing crisis of multilateralism in international affairs," said the Minister (*Globe and Mail*, March 23).

Mr. MacEachen mentioned sources of disillusionment encountered by some UN members, frustrations which must be countered in order for the effectiveness of the UN to continue. These included:

- the intrusion of political controversy into the work of the Specialized Agencies;
- the effect of attempts to isolate Israel in the UN system;
- and the general malaise that has afflicted UN bodies as a result of increasingly complex and conflicting interests associated partly with a greatly expanded membership (External Affairs statement, March 22).

Canadians were urged in the speech to think and argue more about the UN and Canadian involvement, especially considering Canada's substantial financial contribution. Mr. MacEachen pointed out the dangers confronting two UN agencies — UNESCO (from which the US has already announced its resignation) and the UN Security Council — which face paralysis induced by unresolved tensions between the two superpowers.

Speaking on the issue of human rights, Mr. MacEachen stressed the positive achievements possible for UN action. "No longer can any government claim that human rights abuses are solely within its domestic jurisdiction; no longer can it be immune to positive UN pressure," said the Minister (*Globe and Mail*, March 23).

Speaking of the future of the UN, Mr. MacEachen called for active participation of member nations to adopt an attitudinal change — an effort to "improve the working relationships between the superpowers." As well, a sense of "moderation and realism" were advocated in the "revitalization" of the UN.

Policy

AID

Assistance to SADCC

A Canadian delegation attended the February Southern Africa Development Co-ordination Conference (SADCC) in Lusaka, Zambia, and announced that, through the Canadian International Development Agency (CIDA), Canada would be increasing its aid contribution to the nine-nation SADCC group. Delegation head A. Graham, backed by CIDA vice-president Charles Bassett and others, revealed that Canada would channel \$125 million in aid to the southern African organization over the next five years. (SADCC consists of Angola, Botswana, Lesotho, Malawi, Mozambique, Swaziland, Tanzania, Zambia and Zimbabwe.) The conference, focusing on problems arising from a three-year regional drought, requested of donor countries roughly one billion dollars in emergency relief (*The Citizen*, February 2 and 8).

Interviewed in Lusaka after the conference, Mr. Bassett acknowledged the political nature of Canada's timing of the aid announcement. Mr. Bassett, noting the continued destabilization in the region, said that "the underlying reason for our assistance to SADCC is our opposition to South African policies. . . . This is the time for us to be giving our economic and political support to these states" (*The Citizen*, February 8). However, Canada had delayed increasing its aid commitment for three years, cautiously ascertaining the strength of the ties binding SADCC. Other donor countries remained hesitant, and expressed doubts about SADCC's ability to overcome the problems of nationalism and bureaucratic failure that might weaken member-nation commitment to joint action. While SADCC has indicated a desire to decrease its dependence on South Africa's military and economic strength through increased international aid funding, it was pointed out at the conference that this objective might be undermined by South Africa's policy of developing separate understandings with SADCC members. Canada's optimism with regard to the continued effectiveness of SADCC was

founded upon careful examination of the situation, said Mr. Bassett, "We went in slowly and cautiously until we saw how things were going to develop."

Report on CIDA's Haiti Program

The North-South Institute, an Ottawa-based research organization, released February 22 a report compiled by Philip English on Canadian aid to Haiti. The study, examining the period 1973-1982, concluded that for improved administration of aid funds, the Canadian International Development Agency should increase both the number and decision-making authority of field operators. According to the report, Haiti offered an example of an ineffective approach to rural development, especially Canada's large-scale rural project — cancelled in 1981 after a \$21 million expenditure. Suggested in the study as more conducive to a productive CIDA aid program to poor nations was a gradual, small-scale approach. As well, it recommended an expanded use of local non-governmental organizations with "first-hand knowledge of local conditions and long-term commitment," according to a *Globe and Mail* report February 23.

Mr. English called for "significant changes" in the "structure and constraints" of CIDA in order for the aid agency to function more effectively — more "flexibility and adaptability." However, doubts were expressed that attempts at a decentralization of authority (presently concentrated at CIDA headquarters in Ottawa) would prove adequate. At the same time, however, the report praised CIDA projects in areas of Canadian expertise — primarily education programs.

Contribution to UN World Food Program

In an address before the Joint World Food Program-International Emergency Food Reserve Pledging Conference at UN headquarters March 6, Agriculture Minister Eugene Whelan announced a combined Canadian contri-

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bution of \$310 million for the 1985-86 biennium, to be administered by CIDA. While noting the ability of the Program to "deliver food aid to the people who need it most," Mr. Whelan emphasized the need for self-reliance, stating that "it is absolutely necessary that every possible effort be made to expand food production and strengthen marketing and distribution systems, especially in low-income, food-deficit countries."

At the conference, Canada indicated that the pledged funding would be a combination of commodities and cash for the two-year period. Mr. Whelan called upon donor countries for increased assistance expenditures, and upon recipient countries for "a real effort to mobilize their own resources in order to develop a strong agricultural base." The break-down of the Canadian contribution represents an increase of 14 percent over the nation's previous commitment, it was announced (Canadian Delegation to the United Nations and Agriculture Canada press releases, March 6).

DEFENCE

Cruise Testing

Beginning February 14, seven justices of the Supreme Court of Canada heard an appeal launched by Operation Dismantle (a coalition of groups opposed to Cruise testing) to determine the constitutionality of such testing in Canadian air space. The protest group had hoped to have overturned an earlier (November 28) decision from the Federal Court of Appeal that Operation Dismantle had no case (see "International Canada" for December 1983 and January 1984). Operation Dismantle had maintained that the testing would promote the possibility of nuclear confrontation and thus would pose a threat to the life, liberty and security of Canadians (contrary to Section 7 of the Charter of Rights and Freedoms).

That same day in the House of Commons, Terry Sargeant (NDP, Selkirk-Interlake) issued a statement criticizing earlier remarks by the Minister of National Defence Jean-Jacques Blais that the government would proceed with the tests prior to a Supreme Court decision. Said Mr. Sargeant, "I am appalled at the contempt the Government has shown for Parliament and for the courts in its haste to begin Cruise missile testing in Canada . . . Even before the Court had an opportunity to hear the case, the Minister of National Defence told the press that the Cruise missile tests would begin in the next few weeks even if the Supreme Court had not finished dealing with the legal challenge."

Gordon Henderson, legal representative for the protest coalition, told the Supreme Court that the government required Parliamentary legislation to implement international treaties that might violate Canadian rights or infringe the public interest, according to a *Citizen* report of February 15. Mr. Henderson charged that the case was a problem of legal authority rather than a question of political decision-making, maintaining that the courts had the power to review government decisions. He continued that

specific exemptions from Charter guarantees would be required for laws that might infringe Charter provisions. The government has maintained that Cabinet decisions with regard to defence policy and national security may not be challenged by the courts under "Crown prerogative," the report continued. Federal representative Ian Binnie held that, should the courts be permitted to review Cabinet decisions, government would be brought to a standstill. Mr. Binnie stated that Cruise opposition was a "disagreement over the wisdom of the [government] policy," but that to challenge the Cabinet decision on the basis of possible threats to security would launch the courts on an "uncontrollable process." However, Mr. Henderson maintained that to "place the executive above the constitution . . . [would be] a very dangerous proposition" (*The Citizen*, February 16). On February 15 the Supreme Court decided to reserve its judgment on the case.

A report released by the Department of National Defence February 20 stated that the Cruise testing would have no significant environmental impact on the Arctic region, although the study was based in large part on earlier US Air Force and oil company environmental studies. According to the *Globe and Mail* February 21, the report maintained that even should it prove necessary to "terminate prematurely" the test flight, damage would be minimal, and that the emission of air pollutants would be negligible. However, the statistics quoted in the Defence Department study for failure probability were criticized in a *Citizen* report February 21, since two sets of figures were used. The report stated that figures from an earlier 1979 US study were supplanted by those from a 1980 study by the same source which proved fivefold higher in failure rate. The Defence Department study released February 20 used the lower 1979 statistics for failure probability while also quoting portions of the 1980 study. Spokesman Jerry Haber of J.H. Wiggins Company (which conducted the 1979 and 1980 tests) was quoted as saying that the earlier figures had become "unrealistic" following actual test performance. National Defence spokesman Capt. Luigi Rossetto responded that the study was designed merely to examine the "theoretical basis of the system's reliability," not the actual risk of flight termination (*The Citizen*, February 23). The issue of failure probability was raised in the House of Commons February 24 by Pauline Jewett (NDP, New Westminster-Coquitlam), when, in questioning the Acting Prime Minister, she stated that the statistics in the Defence Department report were "totally misleading the public." Rather than the quoted one-in-a-million chance of environmental hazards resulting from a crash, Ms. Jewett put forward the US study figure of 44 crashes out of 109 Cruise flights.

Following a government announcement March 4 that the Cruise testing would begin March 6 in Alberta, anti-missile activists sought an injunction from the Federal Court to stop the testing and sought as well "protective relief" from the Supreme Court that would have postponed testing until all outstanding legal challenges had been exhausted. Despite their last-minute efforts, disarmament spokesmen expressed doubt that a temporary halt would be forthcoming. The Cruise test conducted March 6, the only one scheduled for 1984, had a Cruise missile guid-

ance system attached to a US-Air Force B-52 bomber for a flight over north western Canada in order to test the system's reliability over snow-covered terrain (*The Citizen*, March 5).

During Question Period in the Commons March 5, Ms. Jewett made a final plea to the government to halt the testing until court proceedings were complete. She asked, "In view of the fact that the question of testing the Cruise is before the courts and that a decision still has to be rendered on the constitutionality of the testing, would the [Deputy Prime] Minister not agree that the Government has every reason . . . to say to the United States that we will not be able to go ahead with the Cruise testing?" The External Affairs Minister responded by saying that it "is an important contribution that we are undertaking, and to which we have agreed . . . It is the intention of the Government to continue its co-operation with the United States . . . The fact that the matter is before the court in a particular way is no justification to suspend arrangements that have already been in place."

Operation Dismantle's request for an injunction from the Federal Court met with a denial from presiding Mr. Justice Francis Muldoon early on March 6, and testing began immediately after the decision was reached. In his decision, Justice Muldoon cited insufficient evidence to substantiate the claim of a presentation of danger to the security of Canadians by Cruise testing. His statement included the following:

If the certainty of nuclear holocaust could be demonstrated, that would most certainly engage the court's injunctive powers . . . But without credible evidence that some foreign power will overreact at once, or that other negotiations or peace initiatives will surely fail, or that testing of this missile generates real and proximate jeopardy to our rights . . . it cannot be held that the plaintiffs are entitled to the injunction which they seek at this time" (*The Citizen*, March 6).

Even while the testing was in progress, protesters launched last-minute demonstrations across Canada to register their disagreement both with the court decision and the government's Cruise policy. In Cold Lake, Alberta, area of the testing, demonstrators marched on the Canadian Forces base, whose Commander had earlier stated that "an increased state of alert" had been instituted, and any attempts at trespass would be "fraught with danger" (*The Citizen*, March 6).

Following the testing, Pauline Jewett, speaking in the House of Commons March 6, questioned the Prime Minister as to whether the government "on this dark day of Canadian history" would, "now that the Pentagon has had its way on this occasion, begin negotiations immediately to end the Cruise missile testing agreement with the United States?" Ms. Jewett asked whether the Prime Minister would "bring Canada back to its traditions, to its honour, and not play a nuclear role in this world?" Prime Minister Pierre Trudeau responded that he sincerely hoped that "before another test is necessary or is made in Canada, immense progress will be made in the direction . . . toward control and reduction of nuclear arms." Mr. Trudeau also outlined the desirability of the ACLMs (Air-Launched

Cruise Missiles) over other systems of "dangerous weapons," stating that they "are the ones that will not permit error because they can be recalled if they have been launched in error."

Canadian military spokesman Major Richard Adam stated March 6 that the captive-carry testing (involving non-launched missiles) over a 2,500 kilometre flight path over the US, the Northwest Territories, British Columbia and Alberta had proved successful, especially in the area of gauging the compatibility of the US and Canadian monitoring systems, according to a *Globe and Mail* report issued that day. It was noted in the same article that information gathered during the test flight would be "strictly American," without any share having been allocated to the Canadian military in the testing agreement. *Ogle*

Several petitions against future testing were presented by Members of Parliament in the House of Commons following the March tests, including those registered on behalf of concerned Canadians by Bob Oble (NDP, Saskatoon East) March 16, and by Margaret Mitchell (NDP, Vancouver East) March 21, indicating an ongoing desire on the part of some Canadians to curtail further Canadian involvement in the US Cruise program. On March 24, while meeting with NATO Secretary-General designate Lord Carrington, External Affairs Minister Allan MacEachen stated that Canadian opposition to Cruise testing might have been aggravated by doubts about NATO's seriousness with regard to arms control negotiations. Mr. MacEachen said that visible progress must be made, not only on the track of missile deployment, but also on the track of disarmament and arms control (*The Citizen*, March 24).

FINANCE

Canadian Dollar

The Canadian dollar experienced a sharp downward trend during the latter part of this two-month period, necessitating the selling of international currency reserves and the buying of Canadian dollars in exchange by the government in an effort to halt the slide. In a *Globe and Mail* article March 13, it was reported that direct government intervention to rally the Canadian dollar was imminent. Finance Minister Marc Lalonde was quoted as saying that the government would resist "a substantial devaluation of the Canadian dollar with the inflationary consequences that would follow." The rally that followed Mr. Lalonde's statement, as well as the central bank intervention and subsequent speculative trading, was brief. The dollar continued its decline, reaching its lowest level in relation to the American dollar since 1982. The following are US dollar equivalents for two-week periods in February and March (Royal Bank of Canada figures):

| | |
|-----------------|-----------------|
| Feb. 1: 1.2555 | Mar. 1: 1.2570 |
| Feb. 15: 1.2515 | Mar. 15: 1.2800 |
| Feb. 31: 1.2590 | Mar. 31: 1.2850 |

IMMIGRATION

Visa Requirements and Program Changes

Proposed changes to Canada's immigration policy were revealed in a *Globe and Mail* article February 29, when recommendations from Immigration Minister John Roberts to the Cabinet's social development committee for visa changes were outlined. The article indicated that Mr. Roberts had called for the institution of visa requirements (along with a concomitant fee) for four nations previously exempt — Guyana, Jamaica, Peru and Guatemala — in order more effectively to screen out potential illegal immigrants.

Official announcement of the changes was made March 12 in an Employment and Immigration press release, which outlined the new measures to be instituted:

- effective March 14, 1984, nationals of Guyana, Jamaica, Peru and Guatemala will require visas to visit Canada;
- a special program will be implemented immediately to assist Guatemalan nationals affected by strife in that country; and
- the Illegal Immigrant Review Program has been extended to August 31, 1984.

The press release continued by reiterating Canada's intention to "respond in a swift and humanitarian fashion to the plight of individuals facing persecution." The imposition of the visa requirement for the countries mentioned was designed to facilitate the screening process, "ease congestion and delay at ports of entry," and increase the cost effectiveness of enforcing the Immigration Act.

While the new visa requirements for Guyana, Jamaica and Peru were established to aid in the curtailment of escalating immigration control problems, Guatemala was added to the non-exempt list in order for the special program to be more easily administered. The changed law will prove of benefit to Guatemalan refugees, allowing as it does more "relaxed criteria" in the decision-making process for immigration acceptance (*Globe and Mail*, March 13).

The decision to extend the Review Program allowing a greater degree of freedom in applications for landed immigrant status was met with support from various legal and church pressure groups. The extension was seen as an indication of the government's awareness that familiarity with the program remained limited and that more time for submitting applications was necessary in order to reach more long-time illegals (*Globe and Mail*, March 13). Sup-

port for the extension also was received from MP Dan Heap (NDP, Spadina), who issued a press release March 13. However, Mr. Heap criticized the intended imposition of the visa requirements (for Guatemala and Guyana), stating that the decision "to throw new roadblocks in the path of refugees fleeing from persecution and repressive conditions . . . must be reconsidered The effort involved in dealing with non-legitimate refugee applications cannot take precedence over our humanitarian obligations to assist real refugees whose lives could be in danger."

In the House of Commons March 14, Mr. Heap questioned the External Affairs Minister Allan MacEachen as to whether the government was prepared to halt aid to Guyana "until that Government agrees to end its oppressive policies." Mr. MacEachen responded that as a Commonwealth Caribbean nation, Guyana would continue to receive Canadian aid. In response to a supplementary question by Mr. Heap with regard to a reconsideration of the imposition of visa requirements for Guyanese (because of the "rapidly worsening state of human rights in Guyana" which might make visa applicants traceable), Mr. MacEachen stated that while a special program similar to the one established for Guatemala might be considered, the visa requirement would remain in effect.

Further criticism of the changes came from both Amnesty International's Canadian section and the Inter-Church Committee on Refugees. Spokesmen for the two organizations stated that visa requirements necessitated internal processing in the native country from which legitimate refugees would be attempting to flee. Fear of authorities would prevent nationals seeking refugee status from stepping forward for the necessary application procedure, it was held (*Globe and Mail*, March 15).

Immigration Department spokesman Raphael Girard countered criticism of the program by saying that Canada remained a country of open asylum. Mr. Girard, while defending the necessity of some form of flow control, stated that immigration officials could process an applicant for refugee status "in as much time as it takes to buy a ticket," should the situation prove a matter of life and death. He also pointed out that by applying from within their home country, foreign nationals were eligible for travel subsidies and social services once in Canada (*Globe and Mail*, March 15). Immigration Minister John Roberts called the criticism surrounding the program "balderdash," saying that the changes were aimed at "those areas or countries that seem to cause particular problems in enforcement or infringement of our laws" and were not made on the basis of "color or creed" (*The Citizen*, March 15).

For the Record

(supplied by External Affairs Canada)

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1. Press Releases

- No. 5 (January 9, 1984) Canada/European Space Agency Cooperative Agreement Signed.
- No. 6 (January 9, 1984) South African Military Activities in Angola.
- No. 7 (January 11, 1984) Conference on Confidence- and Security-Building Measures and Disarmament in Europe Stockholm, Sweden, January 17, 1984.
- No. 8 (January 13, 1984) Diplomatic Appointment. Mr. William Thomas Delworth (54), born in Toronto, Ontario, as Ambassador to Sweden. He will replace Mr. André Couvrette.

International Canada, February and March 1984

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|--------|---|--------|---|-------|
| No. 9 | (January 13, 1984) Canadian Company Wins Malaysian Contract. | No. 33 | (March 3, 1984) Visit of External Relations Minister to Cameroon. | No. 5 |
| No. 10 | (January 16, 1984) Canadian Delegation — Davos Symposium. | No. 34 | (March 6, 1984) 1983 Canada-Belgium Literary Prize Awarded to Belgian Writer Claire Lejeune. | No. 5 |
| No. 11 | (January 18, 1984) Foreign Investment Insurance Agreement Between Canada and China. | No. 35 | (March 7, 1984) Export Detective Identified. | No. 5 |
| No. 12 | (January 20, 1984) Diplomatic Appointment. The Hon. Barnett J. Danson (62), born in Toronto, Ontario, as Consul General to Boston, Massachusetts. | No. 36 | (March 8, 1984) Diplomatic Appointments. Mr. Roger Anthony Bull (52) born in New York, USA, as High Commissioner to Zimbabwe with concurrent accreditation to Botswana, Mozambique and Angola. He is replacing Mr. Robert W. McLaren who has been appointed Assistant Secretary General in the Commonwealth Secretariat and Managing Director of the Commonwealth Fund for Technical Cooperation in London. | No. 5 |
| No. 13 | (January 24, 1984) Canadian Firms Begin Work on Romanian Nuclear Contracts. | No. 37 | (March 8, 1984) Canada takes European Community to GATT on Newsprint. | No. 5 |
| No. 14 | (January 24, 1984) NATO Proposal to Stockholm Conference. | No. 38 | (March 9, 1984) Saguenay's "Marathon de la Francophonie". | No. 5 |
| No. 15 | (January 26, 1984) Official Visit of Tunisian Minister. | No. 39 | (March 9, 1984) Date Set for Opening of Oral Proceedings in Gulf of Maine Maritime Boundary Case. | No. 5 |
| No. 16 | (January 31, 1984) Official Canadian Representation at the Inauguration of the President of Venezuela. | No. 40 | (March 9, 1984) Canada's Export Development Plan for Saudi Arabia. | No. 5 |
| No. 17 | (February 1, 1984) Quadrilateral Trade Ministers Meeting. | No. 41 | (March 9, 1984) March 12 is Commonwealth Day. | No. 5 |
| No. 18 | (February 2, 1984) Shell Eggs and Egg Products Placed on Export Control List. | No. 42 | (March 9, 1984) Visit to Canada of the Minister of Commerce and Industry of the Republic of Korea. | No. 5 |
| No. 19 | (February 6, 1984) Visit of Romanian Minister to Canada. | No. 43 | (March 12, 1984) Regan Welcomes Move by US to End Restriction on cement imports. | No. 5 |
| No. 20 | (February 8, 1984) Letter Concerning the Garrison Diversion Unit. | No. 44 | (March 13, 1984) Canada to send Observers to El Salvador Elections. | No. 5 |
| No. 21 | (February 16, 1984) Visit to Canada of the Foreign Minister of Colombia. | No. 45 | (March 14, 1984) Visit of Ambassador Paul H. Nitze to Ottawa. | No. 5 |
| No. 22 | (February 16, 1984) Maryon Pearson Art Collection Presented to External Affairs. | No. 46 | (March 15, 1984) Seventh Korea-Canada Trade Ministers meeting joint communiqué. | No. 5 |
| No. 23 | (February 16, 1984) Regan and Brock Meet in Washington to Discuss Sectoral Free Trade Initiative. | No. 47 | (March 16, 1984) Legal Counsel Named in Gulf of Maine Case. | No. 5 |
| No. 24 | (February 17, 1984) Canada/USA Understanding on Safeguards. | No. 48 | (March 20, 1984) Visit of the Secretary General-Designate of the North Atlantic Treaty Organization, Lord Carrington. | No. 5 |
| No. 25 | (February 17, 1984) Hi-Tech Seminars in Australia. | No. 49 | (March 20, 1984) Trade Minister sets goals for Trading House Task Force. | No. 5 |
| No. 26 | (February 17, 1984) Visit to Canada of President of South West Africa People's Organization (SWAPO). | No. 50 | (March 27, 1984) Publication of Volume Two of Documents on Relations Between Canada and Newfoundland. | No. 5 |
| No. 27 | (February 17, 1984) Independence Day Celebrations of Negara Brunei Darussalam. | No. 51 | (March 27, 1984) Togolese Minister of Foreign Affairs and Cooperation to visit Canada. | No. 5 |
| No. 28 | (February 22, 1984) Canada Responds to United States Inaction on Acid Rain. | No. 52 | (March 27, 1984) Preliminary Report of Canadian Observers to El Salvador Elections. | No. 5 |
| No. 29 | (February 23, 1984) Minister for External Relations to visit Ghana and Cameroon. | No. 53 | (March 28, 1984) Visit of the Deputy Prime Minister and Secretary of State for External Affairs to Washington, D.C. | No. 5 |
| No. 30 | (February 27, 1984) Montreal Symphony Orchestra to receive \$300,000. | No. 54 | (March 29, 1984) Visit of the Deputy Prime Minister and Secretary of State for External Affairs to Central America and Colombia. | No. 5 |
| No. 31 | (February 28, 1984) Agreement on Refuelling for Aeroflot Flights at Gander. | | | No. 5 |
| No. 32 | (March 2, 1984) Trade Minister Visits Southeast Asia. | | | No. 5 |

- No. 55 (March 29, 1984) Visit of the Dutch Minister for International Trade.
- No. 56 (April 2, 1984) Opening Statement in Oral Proceedings in Gulf of Maine Maritime Boundary Case.
- No. 57 (April 2, 1984) Canada and United States sign Skagit River Treaty.
- No. 58 (April 4, 1984) Final report of Canadian Observers to El Salvador Elections.
- No. 59 (April 6, 1984) Statement on the recent Vietnamese incursions into Thailand.

- No. 83/11 The Situation in Namibia. Speech by the Honourable Gérard Pelletier, Permanent Representative, Ambassador for the Permanent Mission of Canada to the United Nations, to the Security Council, New York, May 31, 1983.
- No. 83/12 Two Middle Powers Facing the Eighties. Speech by the Honourable Charles Lapointe, Minister of State for External Relations, to the Nigerian Institute for International Affairs, Lagos. March 30, 1983.
- No. 83/13 Korean Airline Incident Issue at UN Security Council (1). Statement by the Honourable Gérard Pelletier, Permanent Representative, Ambassador for the Permanent Mission of Canada to the United Nations, to the Security Council, New York, September 2, 1983.

2. Statements and Speeches

- No. 83.1 Mutual Security: Negotiations in 1983. Address by the Honourable Allan J. MacEachen, Deputy Prime Minister and Secretary of State for External Affairs, to the Committee on Disarmament, Geneva, February 1, 1983.
- No. 83.2 Canadian Relations with the Countries of the Middle East and North Africa. Statement by the Honourable Allan J. MacEachen, Deputy Prime Minister and Secretary of State for External Affairs, to the Standing Senate Committee on Foreign Affairs, Ottawa, February 17, 1983.
- No. 83.3 Canada's Relations with Israel and the Arab-Israeli Dispute. Statement by the Honourable Allan J. MacEachen, Deputy Prime Minister and Secretary of State for External Affairs, to the Annual Conference of the Canada-Israel Committee, Ottawa, March 16, 1983.
- No. 83.4 Canada's Role in Africa. Speech by the Honourable Charles Lapointe, Minister of State for External Relations, to the Canadian Institute of International Affairs, Ottawa, April 12, 1983.
- No. 83.5 Economic Nationalism. Address by the Honourable Gerald Regan, Minister of State (International Trade), to the Bankers' Association for Foreign Trade, San Juan, Puerto Rico, April 13, 1983.
- No. 83.6 Human Rights and Canadian Foreign Policy. Address by the Honourable Allan J. MacEachen, Deputy Prime Minister and Secretary of State for External Affairs, to the Canadian Human Rights Foundation, Ottawa, April 22, 1983.
- No. 83.7 Need for the Renewal of a Disciplined and Compassionate World Order. Address by the Right Honourable Pierre Elliott Trudeau, Prime Minister, to the Canadian Institute of International Affairs, Ottawa, May 6, 1983.
- No. 83.8 Canada's Position on Testing Cruise Missiles and on Disarmament. An Open Letter to all Canadians by the Right Honourable Pierre Elliott Trudeau, Prime Minister, Ottawa, May 9, 1983.
- No. 83.9 Towards Economic Recovery within the OECD. An Intervention by the Honourable Allan J. MacEachen, Deputy Prime Minister and Secretary of State for External Affairs, at the OECD Ministerial Meeting, Paris, May 9, 1983.
- No. 83/10 Foreign Policy and the Public Interest. Address by de Montigny Marchand, Deputy Minister (Foreign Policy), Department of External Affairs, to the fiftieth Annual Study Conference of the Canadian Institute of International Affairs (CIIA), Ottawa, May 7, 1983.

- No. 83/14 Korean Airline Incident—Suspension of Aeroflot Landing Rights. Statement by the Honourable Allan J. MacEachen, Deputy Prime Minister and Secretary of State for External Affairs, Ottawa, September 5, 1983.
- No. 83/15 Korean Airline Incident Issue at Conference on Security and Co-operation in Europe. Speech by the Honourable Jean-Luc Pepin, Minister of State (External Relations) at the Ministerial Session on the Madrid Follow-up Meeting of the Conference on Security and Co-operation in Europe, Madrid, September 7 1983.
- No. 83/16 Korean Airline Incident Issue at UN Security Council (2). Second statement by the Honourable Gérard Pelletier, Permanent Representative, Ambassador for the Permanent Mission of Canada to the United Nations, to the Security Council, New York, September 12, 1983.
- No. 83/17 Strengthening the UN: The Search For Specifics. Address by the Honourable Allan J. MacEachen, Deputy Prime Minister and Secretary of State for External Affairs, to the Thirty-Eighth Session of the United Nations General Assembly, New York, September 27, 1983.
- 83/18 Reflection on Peace and Security. Notes for remarks by the Right Honourable Pierre Elliott Trudeau, Prime Minister, to the Conference on Strategies for Peace and Security in the Nuclear Age, University of Guelph, October 27, 1983.
- No. 83/19 Acid Rain An Issue of Critical Importance. Address by Allan Gotlieb, Canadian Ambassador to the United States, to the Joint Session of the Houses of the Minnesota Legislature in the State Capitol Building, St. Paul, Minnesota, USA, May 3, 1983.
- No. 83/20 A Global Initiative to Improve the Prospects for Peace. Address by the Right Honourable Pierre Elliot Trudeau, Prime Minister, Queen Elizabeth Hotel, Montreal, November 13, 1983.
- No. 83/21 Disarmament Week, October 24-30. Statement by the Honourable Allan J. MacEachen, Deputy Prime Minister and Secretary of State for External Affairs, Ottawa, October 20, 1983.
- No. 83/22 Problems of Preserving Peace and Security. Notes for a Statement by the Honourable Senator Michael Pitfield, Canadian Representative, Before the First Committee of the Thirty-Eighth Session of the United Nations General Assembly, New York, November 1, 1983.
- No. 83/23 The Situation in Central America: Threats to International Peace and Security and Peace Initiatives. Statement by Mr. David Lee, Deputy Permanent Representative of Canada to the United Nations, to Plenary at the Thirty-eighth Session of the United Nations General Assembly, New York, November 10, 1983.

No. 83/24 Operational Activities for Development. Statement by Mr. David Lee, Deputy Permanent Representative of Canada to the United Nations and Canadian delegate to the Second Committee of the thirty-eighth session of the United Nations General Assembly, New York, November 22, 1983.

No. 84/1 No Time for Rhetoric in the Common Search for Peace. Statement by the Honourable Allan J. MacEachen, Deputy Prime Minister and Secretary of State for External Affairs, to the Conference on Confidence- and Security-Building Measures and Disarmament in Europe, Stockholm, January 18, 1984.

III. Treaty Information (prepared by the Economic Law and Treaty Division).

1. Bilateral

China, People's Republic of

Protocol between the Government of Canada and the Government of the People's Republic of China on Development Cooperation. Ottawa, October 5, 1983. In force October 5, 1983.

Denmark

Agreement between the Government of Canada and the Government of the Kingdom of Denmark for Cooperation relating to the Marine Environment. Copenhagen, August 26, 1983. In force August 26, 1983.

Ecuador, Republic of

Agreement on Economic, Commercial and Developmental Cooperation between the Government of Canada and the Government of Ecuador. Quito, October 12, 1983.

Egypt

Protocol between the Government of Canada and the Government of the Arab Republic of Egypt on the establishment of the Canadian Institute in Egypt. Cairo, September 21, 1982. In force March 1, 1983.

Convention between Canada and the Arab Republic of Egypt for the Avoidance of Double Taxation and the Prevention of Fiscal Evasion with respect to Taxes on Income. Cairo, May 30, 1983.

France

Agreement between the Government of Canada and the Government of the French Republic concerning Cinematographic Relations. Ottawa, May 30, 1983. In force May 30, 1983.

Agreement between the Government of Canada and the Government of the French Republic concerning the Promotion of Co-produced Cinematographic Projects. Paris, July 11, 1983. In force July 11, 1983.

Agreement between the Government of Canada and the Government of the French Republic on Television Relations. Paris, July 11, 1983. In force July 11, 1983.

Germany, Democratic Republic of

Trade Agreement between the Government of Canada and the Government of the German Democratic Republic. Leipzig, September 9, 1983. In force provisionally September 9, 1983.

Germany, Federal Republic of

Agreement between Canada and the Federal Republic of Germany for the Avoidance of Double Taxation with respect to Taxes on Income and certain other Taxes. Ottawa, July 17, 1981. In force September 23, 1983.

Greece

Agreement with respect to Social Security between Canada and the Hellenic Republic. Athens, May 7, 1981. In force May 1, 1983.

Guyana

Agreement between the Government of Canada and the Government of Guyana for the training in Canada of personnel of the armed forces of Guyana. Georgetown, October 27, 1983. In force October 27, 1983 with effect from November 1, 1982.

Indonesia, Republic of

Agreement between the Government of Canada and the Government of the Republic of Indonesia concerning the Peaceful Uses of Nuclear Energy. Ottawa, July 12, 1982. In force July 14, 1983.

Iraq, Republic of

Agreement on Trade, Economic and Technical Cooperation between the Government of Canada and the Government of the Republic of Iraq. Baghdad, November 12, 1982. In force April 6, 1983.

Ivory Coast

Convention between the Government of Canada and the Government of the Republic of the Ivory Coast for the Avoidance of Double Taxation with respect to Taxes on Income and the Prevention of Fiscal Evasion. Montreal, June 16, 1983.

Jamaica

Exchange of Notes between the Government of Canada and the Government of Jamaica constituting an Agreement concerning the sale of a "Slowpoke-2" nuclear reactor. Kingston, June 20 and 30, 1983. In force June 30, 1983.

Japan

Exchange of Notes between the Government of Canada and the Government of Japan constituting an Agreement concerning reprocessing and storage and use of plutonium. Ottawa April 14, 1983. In force April 14, 1983.

Kenya

Agreement

Nigeria

Agreement

Oman

Agreement

Philippines

Agreement

Romania

Agreement

Senegal

General

Sweden

Convention

United Kingdom

Exchange

Supplier

Kenya

Agreement between Canada and Kenya for the Avoidance of Double Taxation and the Prevention of Fiscal Evasion with respect to Taxes on Income and on Capital.
Ottawa, April 27, 1983.

Nigeria, Federal Republic of

Agreement on Economic and Technical Cooperation between the Government of Canada and the Government of the Federal Republic of Nigeria.
Lagos, March 29, 1983.
In force March 29, 1983.

Oman

Agreement between the Government of Canada and the Government of the Sultanate of Oman for the training in Canada of personnel of the armed forces of the Sultanate of Oman.
Oman, May 3 and June 18, 1983.
In force June 18, 1983 with effect from April 26, 1982

Philippines, Republic of the

Agreement between the Government of Canada and the Government of the Republic of the Philippines concerning the Peaceful Uses of Nuclear Material, Equipment, Facilities and Information Transferred between Canada and the Republic of the Philippines.
Manila, June 19, 1981.
In force April 14, 1983.

Romania, Socialist Republic of

Agreement between the Government of Canada and the Government of the Socialist Republic of Romania on Civil Air Transport.
Bucharest, October 27, 1983.
In force provisionally October 27, 1983.

Senegal, Republic of

General Agreement between the Government of Canada and the Government of the Republic of Senegal on Development Cooperation.
Ottawa, June 28, 1983.

Sweden

Convention between Canada and Sweden for the Avoidance of Double Taxation and the Prevention of Fiscal Evasion with respect to Taxes on Income and on Capital.
Stockholm, October 14, 1983.

United States

Exchanges of Notes between the Government of Canada and the Government of the United States of America constituting an Agreement with respect to the Air Canada seat sale and the participation in the Canada-Australia market of the United States carrier, Continental Airlines.
Washington, March 21, 1983.
In force March 21, 1983 with effect from March 4, 1983.

Supplementary Agreement amending the Agreement between the Government of Canada and the Government of the United States of America with respect to Social Security.
Ottawa, May 10, 1983.

Protocol amending the Convention between Canada and the United States of America with respect to Taxes on Income and on Capital signed at Washington on September 26, 1980. Supplementary Agreement amending the Agreement between Canada and the United States of America on Great Lakes Water Quality, 1978.
Halifax, October 16, 1983.
In force October 16, 1983.

Zimbabwe

General Agreement between the Government of Canada and the Government of Zimbabwe on Development Cooperation.
Ottawa, September 16, 1983.
In force September 16, 1983.

2. Multilateral

Convention on Long-Range Transboundary Air Pollution.
Done at Geneva, November 13, 1979.
Signed by Canada at Geneva, November 13, 1979
Canada's Instrument of Ratification deposited at New York, December 15, 1981.
Entered into force March 16, 1983.

Council of Europe Convention on the Transfer of Sentenced Persons.
Done at Strasbourg, March 21, 1983.
Signed by Canada at Strasbourg, March 21, 1983.

Protocol amending the Agreement on the Joint Financing of certain Air Navigation Services in Greenland and the Faroe Islands done at Geneva on September 25, 1956.
Done at Montreal, November 3, 1982.
Signed by Canada at Montreal, November 3, 1982.
Entered into force provisionally, with the exception of Article 10, January 1, 1983.
Canada's Instrument of Acceptance deposited at Montreal, April 25, 1983.

Protocol amending the Agreement on the Joint Financing of certain Air Navigation services in Iceland done at Geneva on September 25, 1956.
Done at Montreal, November 3, 1982.
Signed by Canada at Montreal, November 3, 1982.
Article 9, January 1, 1983.
Canada's Instrument of Acceptance deposited at Montreal, April 25, 1983.

Final Acts of the World Administrative Radio Conference for Mobile Services (MOB-83).
Done at Geneva, March 18, 1983.
Signed by Canada at Geneva, March 18, 1983.

Convention on the Civil Aspects of International Child Abduction.
Done at The Hague, October 25, 1980.
Signed by Canada October 25, 1980.
Canada's Instrument of Ratification deposited at The Hague, June 2, 1983.
Entered into force December 1, 1983.
Entered into force for Canada December 1, 1983.
The following Declarations and Reservations by the Government of Canada were deposited June 2, 1983:
In conformity with Article 37, paragraph 2, Canada deposited its instrument of ratification of the above-mentioned Convention with the Ministry of Foreign Affairs of the Kingdom of the Netherlands on 2 June 1983. Canada made the following declarations and reservations.
1. In accordance with the provisions of Article 40, the Government of Canada declares that the Convention shall extend to the Provinces of Ontario, New Brunswick, British Columbia and Manitoba.
2. In accordance with the provisions of Article 6, paragraph 2, the Minister of Justice and Attorney General of Canada, as

represented by the Domestic Legal Services in the Department of External Affairs, is designated as the Central Authority to which applications may be addressed for transmission to the appropriate Central Authority within Canada.

3. In accordance with the provisions of Article 6, paragraph 2, the Ministry of the Attorney General of Ontario is designated as the Central Authority for the Province of Ontario.

4. In accordance with the provisions of Article 6, paragraph 2, the Attorney General of New Brunswick is designated as the Central Authority for the Province of New Brunswick.

5. In accordance with the provisions of Article 6, paragraph 2, the Attorney General of British Columbia is designated as the Central Authority for the Province of British Columbia.

6. In accordance with the provisions of Article 6, paragraph 2, the Attorney General of Manitoba is designated as the Central Authority for the Province of Manitoba.

7. In accordance with the provisions of Article 42 and pursuant to Article 26, paragraph 3, the Government of Canada declares that, with respect to applications submitted under the Convention concerning the Provinces of Ontario, New Brunswick and British Columbia, Canada will assume the costs referred to in paragraph 2 or Article 26 only insofar as these costs are covered by the system of legal aid of the Province concerned.

8. The Government of Canada further declares that it may at any time submit other declarations or reservations, pursuant to Article 6, 40 and 42 of the Convention, with respect to other territorial units.

Agreement terminating the Commonwealth Telecommunications Organization Financial Agreement, 1973.
Done at London, March 30, 1983.
Signed by Canada at London, June 2, 1983.
Entered into force April 1, 1983.
Entered into force for Canada April 1, 1983.

Commonwealth Telecommunications Organization Financial Agreement, 1983.
Done at London, March 30, 1983.
Signed by Canada at London, June 2, 1983.
Entered into force April 1, 1983.
Entered into force for Canada, April 1, 1983.

1979 Amendment to the International Convention on Load Lines, 1966.
Adopted at London, November 15, 1979.
Canada's Instrument of Acceptance deposited at London, June 2, 1983.

Protocol to amend the Convention on Wetlands of International Importance especially as Waterfowl Habitat of February 2, 1971.
Done at Paris December 3, 1982.
Signed by Canada at Paris, June 2, 1983.

Protocol on the Privileges and Immunities of the International Maritime Satellite Organization (INMARSAT).
Done at London, December 1, 1981.
Canada's Instrument of Accession deposited at London, June 30, 1983.
Entered into force July 30, 1983.
Entered into force for Canada, July 30, 1983.
The following Reservation by the Government of Canada was deposited June 30, 1983:
Notwithstanding paragraph 2 of Article 7 of the Protocol on the Privileges and Immunities of the International Maritime Satellite Organization (INMARSAT), the exemption from taxation imposed by any law in Canada on salaries and emoluments shall not extend to a Canadian citizen residing or ordinarily resident in Canada.

International Coffee Agreement, 1983.
Adopted at New York, September 16, 1982.
Signed by Canada June 30, 1983.
Canada's Instrument of Ratification deposited at New York,

September 16, 1983.
Entered into force provisionally October 1, 1983.

Sixth International Tin Agreement.
Concluded at Geneva, June 26, 1981.
Signed by Canada at New York, April 29, 1982.
Canada's notification of provisional application deposited at New York, May 11, 1982.
Entered into force provisionally July 1, 1982.
Canada's Instrument of Ratification deposited at New York, June 30, 1983.

1983 Protocol for the Seventh Extension of the Wheat Trade Convention, 1971.
Done at Washington, April 4, 1983.
Canada's Instrument of Accession deposited at Washington, June 30, 1983.
Entered into force July 1, 1983.
Entered into force for Canada, July 1, 1983.

Protocol for the Second Extension of the Food Aid Convention, 1980.
Done at Washington, April 4, 1983.
Canada's Instrument of Accession deposited at Washington, June 30, 1983.
Entered into force July 1, 1983.
Entered into force for Canada July 1, 1983.

International Agreement on Jute and Jute Products, 1982.
Done at Geneva, October 1, 1982.
Signed by Canada June 30, 1983.

Final Acts of the International Telecommunication Union Regional Administrative Radio Conference, Geneva 1983.
Done at Geneva, July 17, 1983.
Signed by Canada July 17, 1983.

Constitution of the United Nations Industrial Development Organization.
Adopted at Vienna, April 8, 1979.
Signed by Canada August 31, 1982.
Canada's Instrument of Ratification deposited at New York, September 20, 1983.

Agreement establishing the Common Fund for Commodities.
Done at Geneva, June 27, 1980.
Signed by Canada, subject to ratification, January 15, 1981.
Canada's Instrument of Ratification deposited at New York, September 27, 1983.

Convention for the Conservation of Salmon in the North Atlantic Ocean.
Done at Reykjavik, March 2, 1982.
Signed by Canada March 18, 1982.
Canada's Instrument of Ratification deposited at Brussels, September 30, 1983.
Entered into force October 1, 1983.
Entered into force for Canada October 1, 1983.

International Telecommunication Convention with General Regulations and Annexes, and Protocols.
Done at Nairobi, November 6, 1982.
Signed by Canada at Nairobi, November 6, 1982.
Canada's Instrument of Ratification deposited at Geneva, October 11, 1983.

Optional Additional Protocol to the International Telecommunication Convention (Nairobi 1982).
Done at Nairobi, November 6, 1982.
Signed by Canada at Nairobi, November 6, 1982.
Canada's Instrument of Ratification deposited at Geneva, October 11, 1983.

*Anxious to cooperate
But you set the pace*

Sectoral free trade with Canada

by Michael B. Smith

At a conference of the Canadian Manufacturers' Association held in Montreal in March of this year US and Canadian representatives offered their governments' views of sectoral free trade between the two countries. This article and the preceding one are excerpted from those remarks, this one by the Deputy United States Trade Representative, the first one by the Hon. Gerald Regan, Canadian Minister for International Trade.

Given the close to \$120 billion Canadian in two-way trade between our two countries, it is no small wonder that in Canada's comprehensive review of its trade policy for the 1980s released late last summer, the importance of the United States, both as a customer and supplier, was highlighted. The study, in examining ways to improve that trade, considered the oft-mentioned idea of a comprehensive, preferential free trade agreement between the United States and Canada.

There are a number of economic and political arguments both in support of and in opposition to this concept. However, regardless of any economic merits of an overall bilateral free trade agreement, the Canadian government chose to reject for now this approach as being too contentious, especially regarding questions of sovereignty and self-determination. Instead, the study suggested that an examination be undertaken of limited sectoral free trade agreements, based somewhat on the concept of the Auto Pact. Initially, the Canadian government undertook an examination of the steel, urban mass transit, petrochemicals, and textiles and clothing sectors.

Progress to report

Since this study was released six months ago a number of informal, exploratory talks have been held between officials of our two governments in an effort to gauge the feasibility of this approach, and the pace is quickening. The United States, from the outset, has indicated its interest in exploring any means of liberalizing trade, either bilaterally or multilaterally. While the US administration sees merit in exploring the idea of more comprehensive discussions on bilateral free trade with Canada, we appreciate the sensitivities in Canada associated with that issue. Therefore, we have indicated our willingness to enter into exploratory discussions with Canada regarding its more limited sectoral free trade initiative.

Joint working groups have been established to review the following areas: (1) steel; (2) agricultural equipment and inputs; (3) traded computer services and other elements of the "informatics" sector; and (4) government procurement issues, with particular emphasis on urban mass transit. As well, each side will continue to identify additional sectors which may be appropriate for future discussions. For example, we understand that the Canadian government is actively reviewing the petrochemical, textile and clothing, and red meat sectors. On our part, we are looking at a number of fronts including the forest products, cosmetics, furniture and alcoholic beverage sectors. These working groups have instituted an ambitious work program which will entail consultations with the affected industries on both sides of the border.

Some difficulties

Beyond the question of the appropriateness of individual sectors for negotiations, there remain a number of key conceptual questions that are either currently under discussion or will need to be addressed shortly.

First, under GATT, the commitment to eliminate duties and other regulations must apply to "substantially all" trade between the parties. In addition, an "interim agreement" leading to a free trade area can be justified provided it includes a schedule for the formation of a full-fledged free trade area within a "reasonable" period of time.

Free trade areas reviewed by the GATT have had varying degrees of trade coverage ranging from 6.4 percent (EC/Tanzania, Uganda and Kenya arrangement) to 93 percent trade (UK/Ireland arrangement). It is interesting to note that in 1987, when all of the tariff reductions agreed to in the Tokyo Round are finally implemented, 80 percent of all Canadian exports to the United States will enter duty-free, while 65 percent of all US exports to Canada will pay no duty.

Alternatively a country can seek a waiver under GATT Article XXV:5. This article permits the Contracting Parties of the GATT to waive for any member a GATT obligation provided that such a decision is approved by a two-thirds majority of the votes cast and that the majority comprises more than half of the GATT members. The United States received a GATT waiver for the 1965 Auto Pact.

Let me also say a word to those who criticize the sectoral arrangement concept as "creeping bilateralism" and hence a step backward on the multilateral trade system road. Nonsense! Anything which liberalized trade—bilat-

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eral, plurilateral, or multilateral — is to be encouraged as a matter of principle. We would welcome sectoral arrangements with anyone. If we could get enough countries to join — on full reciprocity — we would be doing implicitly what the GATT does explicitly. Bilateralism is not a cure-all; the overall objective remains multilateral trade liberalization.

The only bilateral sectoral trade pact in existence, the 1965 Auto Pact between the United States and Canada, is very limited in its coverage of trade barriers. It only eliminates tariffs on automobiles and certain automotive products for use as original equipment in the assembly of finished autos. Replacement parts are not covered. Perhaps we should examine the feasibility of expanding the Auto Pact into a real free trade pact.

Other barriers to trade

Tariffs are no longer the principal means of regulating trade among industrialized countries. While they continue to play a significant role in some sectors under review, such as petrochemicals, furniture and agricultural equipment, they are less important in other sectors. Nontariff barriers have become increasingly important impediments to freer trade in many sectors. For example, because governments are the principal purchasers of mass transit, power generating and transmission, and communications equipment, buy-national policies will need to be addressed. Some sectors are affected by quantitative restrictions, such as the specialty steel sector in the United States and the footwear sector in Canada. Government regulation of pricing of energy feedstocks is a nontariff issue which could surface in any discussion of the petrochemicals sector.

Clearly, the two governments will need to show flex-

ibility in addressing trade barriers affecting different sectors, as the principal deterrents to trade will vary by sector.

Role of states and provinces

Government-to-government discussions of sectoral free trade are taking place at the federal level. While consultations are ongoing between Ottawa and provincial officials as part of the consensus building process in Canada, it will likely become necessary to seek specific commitments on their part. And we, of course, understand Canadian concerns about our peculiar federal/state relationship.

A perfect example is government procurement. Buy-national and buy-local requirements are maintained by a number of provinces and states, and can constitute a significant barrier to trade. Given the prominent role of the provinces in government purchasing affecting the mass transit, power generating and communications equipment sectors, involvement of provincial authorities in these discussions may be necessary.

As you can see, a great many issues will need to be addressed in the coming months, both regarding product-specific matters as well as more general questions of trade policy. There is a commitment on the part of both governments to thoroughly explore all of these issues. We have established an ambitious work program which calls for close consultations with the private sectors in both countries.

We strongly believe that, more now than ever, we must be prepared to seek trade liberalization wherever the opportunity arises. That is why the US government is prepared to expend the energies and resources required to thoroughly examine the Canadian sectoral free trade initiative. The US is prepared to match the pace, step-for-step, that Canada wishes to walk or run. □

Chernenko in office

by John Halstead

The Soviet Union is moving from the old generation of leaders to the new at the pace of a glacier, but it is moving. One interim leader, Andropov, has now been replaced by another interim leader, Chernenko, a man who has the reputation of being a protégé of Brezhnev and a member of the old guard. But that is not the whole story. The young and dynamic Gorbachev has been recognized as Chernenko's deputy and heir apparent. This suggests a partnership of the old and new to ease the transition to a future full of question marks.

There is no doubt that Chernenko is fully in the saddle now, occupying all three key positions of General Secretary of the CPSU, Chairman of the Defence Council and Chairman of the Presidium (head of state). The now familiar campaign is being mounted to adorn him with all the personal attributes of leadership. It is not yet clear, however, what policies he stands for, since what we know of his record is ambiguous. For example, he has expressed support for reducing the party's interference in the economy, for taking more account of public opinion and for pursuing détente with the West. At the same time he has in the past resisted Andropov's efforts at reform and has cracked down on Western influence. Since coming to power he has pledged to continue his predecessor's efforts and has complained of swollen bureaucracies and lack of initiative by local government. He has expressed a desire to reduce East-West tensions but has insisted that the West must make the first move.

Chernenko's inheritance

What is clear is that Chernenko faces a formidable array of problems, both internal and external. Abroad the trends must be profoundly disturbing to him. The decline of US power and influence has been reversed. The Soviet bid to stop the deployment of Pershing II and Cruise missiles has failed. The arms control negotiations are at a standstill. Relations with the United States are at an alltime low. Détente is in tatters. The basic balance in Europe remains intact but the Helsinki process has had a deeply unsettling effect on the Soviet hold on Eastern Europe. And Soviet involvement in the Third World has become more risky and less profitable.

At home the picture is if anything more troubling. The economic growth rate has fallen from 5 percent to 2 percent, although there was some improvement in productivity last year. The industrial infrastructure is increasingly deficient and the introduction of capital intensive

technology is lagging. The management system is inefficient and corrupt. Workers' morale is low and social discipline leaves much to be desired. Energy resources are increasingly difficult to exploit. In spite of a good harvest last year, agricultural production is still not satisfactory and there are recurring food shortages. The labor force has declined and the demographic trends are unfavorable to the dominant Russian majority. To all this must be added the increasingly heavy burden of armaments and of support to client states abroad.

The way these problems are assessed and tackled will be influenced not only by the Soviet leader's personality but first and foremost by the Soviet system and view of the world. And here there are a number of paradoxes, where apparent strengths are also sources of weakness. The Soviet regime appears secure because it is not threatened by free elections. In the absence of a popular mandate it bases its legitimacy on its communist ideology, but to preserve the orthodoxy of this ideology it must preserve the internal myth of collective ownership and the external myth of the struggle against "capitalist imperialism." And this creates dilemmas for the task of achieving efficiency at home and security abroad.

At home far-reaching reforms are needed, such as reducing subsidies on basic commodities and services, cutting out unproductive jobs and introducing greater decentralization and flexibility. Beyond that the Soviet economy will soon be faced with technological obsolescence unless it can find a way to come to terms with the computer and information processing revolution. The dilemma is that the necessary reforms would involve moving toward a market-oriented economy and a degree of individual access to information which are hardly compatible with the communist system. The more likely approach is therefore to tinker with administrative reforms, to punish the worst corruption and inefficiency and to experiment with linking wages to productivity, but to do nothing to loosen the Communist Party's control over Soviet life. This is the course charted by Andropov and Chernenko has pledged to continue it. It includes a sweeping reorganization of the

John Halstead is a former Canadian Ambassador, whose assignments included Bonn and NATO. He is now a consultant in international relations in Ottawa and a part-time professor at Georgetown University in Washington, D.C.

Facing some Soviet dilemmas

Soviet school system, which has just been approved, with a view to improving the quality of vocational education and to giving greater emphasis to ideology. The prospect is therefore for more incentives, material as well as ideological, to make the system work better but to leave both the system and the bureaucracy intact.

Foreign policy problems

Soviet policies abroad are also beset by dilemmas. On the one hand their overriding strategic interests are to secure the Soviet empire in Eurasia and to maintain a stable relationship of parity with the United States. On the other hand ideological considerations lead to Soviet insistence on iron control over the Eastern European glacis, on treating relations with the United States in antagonistic terms and on exploiting targets of opportunity in the Third World. The result is in practice to foster instability rather than stability in the East-West relationship and thus to decrease Soviet security.

A case in point is Eastern Europe. The maintenance of Soviet domination there by force has been a failure. It is

spread of liberal influences in Eastern Europe. There can in fact be no lasting solution without greater Soviet tolerance of diversity but all the short term considerations in Chernenko's mind are likely to point in the opposite direction. He may recognize, as he has said, that Solidarity represents an erosion of public support for the communist regime in Poland but that does not mean that he is thinking of loosening Soviet control or that he is prepared to face up to the ideological implications for the Soviet Union itself of changes in Eastern Europe. He is therefore likely to opt for political control over economic performance and closer supervision of ideological orthodoxy over improved relations with the West.

Exploiting détente

Yet Soviet policy in Europe remains focussed on détente, with three main objectives in view. The first is to obtain Western acceptance of the division of Europe. The second is to get as many advantages as possible from exchanges with Western Europe, while minimizing Western influence in Eastern Europe. And the third is to decouple



Konstantin Chernenko, General Secretary of the USSR Communist Party, 1984

costly economically and politically, is a permanent source of instability and a potential threat to peace. All the communist regimes there have a serious problem of legitimacy and it will get worse as economic stagnation leads to political and social unrest. The Soviet Union could ease this problem economically by allowing more Western support for Eastern European development but the price would be growing Eastern European dependence on the West. It could ease the problem politically by allowing greater East-West freedom of movement but the price would be the

Western Europe from the United States, to neutralize Western Europe and bend it to Soviet purposes. So far this policy has had only limited success and the costs have been high. The effects of détente have been more deeply felt in the East than in the West and the Soviet Union has suffered a humiliating defeat with the deployment of US missiles. The key to this defeat lies in West Germany and the German problem is going increasingly to be the key to European stability and therefore Soviet policy. Here the dilemma for Chernenko is how to woo the West Germans

without giving them more influence in Eastern Europe and giving a green light to closer relations between the two German states.

Soviet policy in the Far East is also beset by problems. China is determined to become a major world power, with a revolutionary doctrine and a nuclear arsenal which are a potential challenge to the Soviet position. Japan offers potential for cooperation in the development of the Soviet Far East but the dispute over the northern islands blocks such potential and thwarts efforts to loosen Japan's ties with the United States. It would be in the Soviet interest to compose its differences with both China and Japan but this will not be done at the price of ceding Soviet territory or Soviet ideological preeminence. So the best hope for Chernenko for the time being seems to be to tone down the mutual accusations and to expand trade, with the intention of persuading China to avoid the embraces of both Japan and the United States. This is the sense of current Soviet moves.

Limited choices

It follows that Chernenko cannot be expected to produce anything but short-term answers to the problems he faces. He has little room for manoeuvre and little incentive to make big changes. Internally there is likely to be uncertainty until a fundamental decision is made, perhaps by the next generation, to embark on bolder reforms. Meanwhile the squeeze of expanding demands on low-growth resources is getting worse. Externally there is no sign of any early change. In any case Gromyko is in day-to-day charge of foreign affairs, as Ustinov and the general staff are of defence affairs, and conservative continuity is their hallmark. Chernenko has hinted that he is ready to improve the tone of relations with the United States but he has no reason, on the face of it, to embark on real negotiations before the US presidential election. Why should he want to help Reagan with his reelection campaign?

In the longer run, however, the emergence of a new generation of Soviet leaders is bound to make a difference. The trouble is that in the West we know too little about them except that Gorbachev has been to Canada and made an excellent impression. From what we do know we can expect them to be more urbane than their elders, better

educated, technologically sophisticated and with a better knowledge of the West. They are also likely to be less suspicious, dogmatic and bureaucratic, but just as tough, proud and nationalistic. They may see the need to tackle the fundamental economic and social problems but they are bound to remain committed to the communist system, to which they owe their power and privileges. They may wish to reduce defence spending but they are bound to choose guns over butter if they think their security is at stake. The question is, how long they will be prepared to muddle through if they see they are on a downward path of decline.

This brings us to the last and most important variant in the Soviet equation — the policies of the West, and particularly the United States, toward the Soviet Union. Looked at in one way, the internal problems in the Soviet Union, the instability in Eastern Europe and the cost of intervention in the Third World should lead the Soviet leaders to practice restraint in their foreign policy and to seek genuine arms control. Looked at in an other way, they are unlikely to buy these things at the cost of what they consider to be their essential security or an erosion of their superpower status. They may therefore come to consider whether time is running out for them and whether the only way to achieve a satisfactory correlation of power with the West is to take greater risks while their military situation is as good as it is ever likely to be. In such a calculation an important factor is going to be the Soviet calculation of ultimate Western intentions.

The West has an unprecedented challenge and opportunity. If we give the impression our aim is to force the Soviet Union into inferiority or impoverishment, or even to bring about collapse of the Soviet system, we will not only be making it more difficult for them to solve their own problems, but will be increasing the temptation for them to throw caution to the winds. If, on the other hand, we make it clear that our aim is to contain and control the East-West struggle, to achieve a balance of power at lower levels of armament, we can maintain both the deterrent and the coherence of Western purposes, and will have at least some chance of opening the way to a more promising evolution of Soviet policy. □

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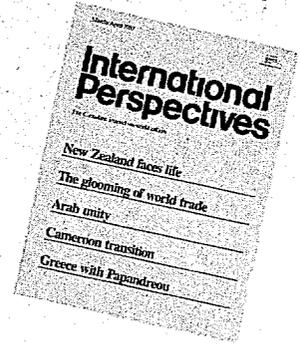
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Détente or "Nuclear Winter?"

by Carl G. Jacobsen

Last year ended with new US missile systems in Europe. In January of 1984 the famed "doomsday clock" of the Bulletin of the Atomic Scientists moved still closer to midnight. It was the second such move since the inauguration of the Reagan administration in Washington. Relations between the superpowers were at a nadir. The fall of 1983 saw Washington and Moscow each comparing the other to Nazi Germany. George Kennan, America's senior Soviet specialist, somberly noted that such exchanges "are the familiar characteristics, the unfailing characteristics, of a march toward war." The sense of urgency and concern gripping much of the specialist community is manifest.

There is a widespread consensus that the most immediate (though not only) problems and danger emanate from the Reagan administration's explicit disavowal of strategic assumptions accepted by its predecessors, both Republican and Democratic. But there is also longer term fear, that both sides might be approaching twenty-first century weapons with nineteenth century mind-sets, that the military-industrial juggernauts of both sides might have become impervious to the deliberations of statesmen and strategists, and that we are losing control — with systems dictating policy, rather than policy dictating systems.

The most immediate concern focusses on the deployment in West Germany of Pershing II ballistic missiles. Their minimal flight time to Soviet targets is seen by many to constitute an unconscionable increase in the risk of accidental war. US warning systems suffered 147 false alarms over a recent eighteen-month period. (The causes ranged from radar misidentification of Canada geese and the rising of the moon, to the insertion of a training tape into the wrong computer.) Soviet technology is no better. Intercontinental-range flight times allow for back-up checks. But with Pershing IIs on the border, so to speak, Moscow will not have time to verify whether radar blips are missiles, or natural phenomena.

Pershing escalation

The Pershing deployment breaks a tacit two-decade-old superpower agreement not to deploy medium-range missiles adjacent to the other's territory. The removal of American missiles from Turkey following Moscow's withdrawal from Cuba in 1962 mirrored mutual acceptance of the thesis that such deployments were unduly de-stabilizing. They were also increasingly unnecessary, due to the advent of large numbers of intercontinental-range missiles. Recognition of technological imperfections, and the ever-present danger of miscalculation, combined with acknowl-

edgement that the era of Mutual Assured Destruction (MAD) had arrived and that security was no longer divisible meant that increased insecurity for one translated *ipso facto* into increased insecurity for the other. This did not mean that new strategic systems could not be developed; they did of course proliferate. But deployment decisions, the wheres and hows, sought to maximize one's security without jeopardizing the other's. Forward deployment of Pershing IIs defies the dictum.

NATO's "dual-track" decision of 1979 called for missile preparations to proceed in tandem with negotiations; the missiles constituted a bargaining chip, to be deployed only if negotiations failed. Yet in the end Pershing and Cruise missiles were deployed in spite of the fact that Moscow had conceded far more than originally expected.

A quick review is in order. For three years prior to 1979 NATO viewed SS-20 deployment, accompanied by phase-out of older missiles, as a normal process of modernization. In the *Military Balance 1979-80*, Britain's prestigious Institute for Strategic Studies summarized establishment attitudes. Noting that 120 SS-20 launchers had been deployed, it continued: "If the Soviets were to retire the SS4 and SS5 missiles our calculations show that another 140 SS-20 would do the job of the 590 SS4 and SS5 missiles." In other words, 260 SS-20 missiles were seen as an acceptable component of Moscow's counter to America's Forward Based Systems (land and carrier-based nuclear-armed fighter bombers plus NATO-assigned submarines) and British and French forces. Only if deployment proceeded beyond 260 would parity be endangered.

What to count?

By the end of 1983 SS-20 numbers in Europe approximated but did not exceed this "acceptable" figure. Another 100 were stationed in Soviet Asia, and could in theory be moved westward (though the spectre of Asian rivals was likely to keep them East of the Urals). But Moscow had back-tracked. The Soviet Union offered to cut SS-20 warhead numbers drastically, down to British and French levels. The concept of "theatre-range" parity with Britain and France could in the future become a recipe for SS-20 proliferation, since these nations both entertained grandiose expansion plans. But in December 1983 Moscow's offer meant that Soviet nuclear forces aimed at Western

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The balance upset

Europe would be cut to a level not seen since the late 1950s. NATO's dual-track decision had succeeded beyond anyone's expectation.

Yet Washington held steadfastly to the position that British and French forces were extraneous, and that US theatre-nuclear missile numbers in Europe match Moscow's — though Moscow must not deploy analogous systems in Cuba. The reverse, that America tolerate Soviet rockets in Cuba, without even posing a similar threat to Moscow in Europe, and that America furthermore agree not to count missiles developed by Cuba, with or without Soviet help, would of course be utterly unacceptable. Moscow was dared to precipitate world crisis, or concede a US advantage, and nullify two decades of military-political effort.

Ronald Reagan took office at a time when Moscow had secured countervailing strategic power, and growing ability to intervene in distant regions. But Pentagon data documented, then as now, American superiority in most areas of basic technology. The US remains ahead in the most important indices of power: warhead numbers, both strategic and over-all; accuracy potentials (far more important than yield); warhead miniaturization technologies (allowing more to be packed on smaller missiles); vulnerability (71 percent of Moscow's nuclear arsenal is landbased and theoretically vulnerable, as opposed to 21 percent of America's); and day-to-day readiness (60 percent of US submarines are at their firing locales, versus 14 percent of Moscow's).

Quest for US superiority

Soviet superiority arguments are sleights-of-hand. Soviet yields are cited with no reference to overall accuracies. Warhead tabulations are skewed, excluding categories of US advantage. Soviet systems are dated from the appearance of their final configuration, while US systems are dated from their first appearance (thus the SS18s and SS19s are said to be fifteen years newer than the Minutemen, although many are older than the latest Minuteman IIIs). Naval computations equate aircraft carriers with lesser craft, turning a two-to-one US tonnage advantage into a Soviet lead. Tank numbers incorporate Warsaw Pact reserves, but exclude NATO's and ignore NATO's twice-higher average firing rate and other qualitative differences.

The higher purpose is two-dimensional. The pursuit of warfighting and war survival, echoes a tradition rooted in the flexible response doctrines of the 1960s, the early 1970s' Schlesinger doctrine of selective targeting and demonstration strikes, and Carter's Presidential Directive 59 extending counter-force options. Highlighting areas of US advantage, especially accuracy, it sought to perpetuate an edge. But preceding administrations conceded that the advantage was relative, not absolute. Mutual Assured Destruction remained the bottom line. Therein lay the precondition, rationale and imperative for arms control. But Reagan demurred. Today's procurements are explicitly designed to "render the accumulated Soviet equipment stock obsolete."

Established programs to develop and deploy Trident, MX and Pershing II missiles with the theoretical accuracy to take out Moscow's land-based forces continue. But now they are joined by orders for supercarriers and naval units

openly designed to penetrate and attack Soviet second-strike submarine sanctuaries in the Barents Sea in the north (and the Okhotsk in the Far East). The threat to Moscow's retaliatory force potential constitutes *de facto* repudiation of MAD, and hence of the need for arms control. The new catchword is NUTS — nuclear utilization theories.

The chorus of objections from so many past national security advisers focused in part on the impracticability of the ambition for a space-based ballistic missile defence system. Internal US Navy documents speak of the Barents Sea ambition with extreme skepticism. The space vision presupposes awesome scientific progress, at awesome cost, and ignores prospects for cheap, effective counter-measures. And the first strike potential of Trident, MX, Pershing II and newer Soviet missiles models rest on accuracy computations that ignore the differences between peacetime and wartime trajectories, and between ideal and hostile environments.

Bleak future

Others zero in on psychological factors. Even if Moscow remained 99 percent confident that sufficient retaliatory potential would survive and penetrate, the engendering of any uncertainty at all did (and does) translate into an itchier finger on the trigger. If the Reagan administration really believed that improved Soviet accuracies threatened US land missiles and that Moscow might gamble its survival on the thesis that the United States' air- and sea-based overkill would not be brought into play, then logic decreed that the MX's peculiar warhead and power concentration should not be based in static land silos. The first-strike potential inherent in the MX's own accuracy claims exacerbates the spectre: it reinforces Soviet preemption arguments. So also with the Pershing II. They may not alone constitute a first strike threat. But their proclaimed accuracy ("six times the kill probability against hardened targets" of the SS20) does threaten many of the most important Soviet missile and command-and-control facilities. And their minimal flight times make Soviet launch-on-warning all too compelling.

Technological realities and constraints, and pressure from allies and Congress, may yet persuade the Reagan administration to revert to its predecessors' acceptance of MAD. The outline of a compromise exists. Paul Nitze, American theatre-nuclear arms negotiator in Europe and doyen of the more conservative wing of the arms control community, charted a formula of slower Cruise missiles but no Pershing IIs in Western Europe. It met the dictates of real-politik, while allowing Moscow to limit its response to one that Washington could live with. It needs to be resurrected. Dreams of real superiority must be recognized as fatuous in an era with two million Hiroshima equivalents of nuclear horror (according to the latest estimates, the use of just one fiftieth of existing arsenals will suffice to bring in a "Nuclear Winter" that no life can survive).

But if compromises are reached and some immediate dangers averted, others remain. The longer comprehensive arms control efforts are put off, the more difficult they become. The technologies and systems now "in the pipeline" pose ever-more-vexing problems. Submarines,

missiles and planes are easy to "see" and count; Cruise missiles small enough to hide behind a winch on a fishing trawler, and laser and high energy particle beams, are not.

We may indeed be on the verge of losing control. In his farewell address President Dwight D. Eisenhower warned against the "conjunction of an immense military establishment and a large arms industry" whose "total influence —

economic, political, even spiritual — is felt in every city, every State house, every office of the Federal governmentThe potential for the disasterous rise of misplaced power exists and will persist." Yet the reality that he felt so awesome was but a Lilliput compared to the Gullivers of today's American and Soviet military-industrial complexes. □



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Grabbing their "hearts and minds"
An opportunity missed

Squaring the error in Central America

by Richard Stubbs

"Whenever the Americans double the effort they manage to square the error." This comment on US actions in Vietnam in the early 1960s was made by the British expert in counter-guerrilla warfare, Sir Robert Thompson, and is brought to mind by two recent events. The first was the publication, in January 1984, of the Report of the President's National Bipartisan Commission on Central America. The Commission, under the chairmanship of Henry Kissinger, recommended substantially raising the level of military aid, especially to El Salvador, and dramatically increasing US economic aid to the region. The second event was the President's response to the Commission's recommendations. Mr. Reagan used the recommendations to develop draft legislation, which he titled the Central America Democracy, Peace and Development Initiative Act. His proposal is designed to pump nearly twelve billion dollars in grants, loan guarantees and military aid into the region, primarily into El Salvador and Honduras. The Americans have thus clearly shown that they are willing, even eager, to double their effort; are they, then, also likely to square the error? Unfortunately there is plenty of evidence to suggest that they are.

The propensity of the US administration to square the error stems in good part from its failure to benefit from past experiences. The Malayan government in the emergency of 1948 to 1960, during which they fought the Malayan Communist Party (MCP), and the Philippines government in the rebellion of 1946 to 1956, when they confronted the Hukbalahap (Huks), have both demonstrated that rural-based guerrilla forces, similar to those operating in Central America, can be conclusively beaten. It is unfortunate that the Kissinger Commission did not seek to learn from these successes.

"Coercion and enforcement" approach

Like the present government of El Salvador, the reactions of the governments of Malaya and the Philippines were initially to view the threat posed by the MCP guerrillas and the Huks as primarily a military problem inviting a military solution. Each adopted a policy which can best be termed one of "coercion and enforcement." The armed forces, the paramilitary elements of the police, and in the Philippines the militia, were used in large formations to try to disrupt guerrilla activities and to make the general popu-

lation aware that those who did not support the government would be severely punished. In the Philippines President Roxas believed that the only way to fight force was with superior force and developed what became known as the "iron fist" policy. In Malaya, despite attempts by senior administrators to curb the worst excesses, intimidation was widely used by the security forces and the police. In both cases senior military officers viewed guerrilla war as essentially a contest in the effective management of coercion.

But in neither case was the policy a success. The use of enforcement terror backfired. Many of those who were the targets of this terror campaign had very real and widely recognized economic and social grievances; most were innocent victims or at worst unwilling helpers of the guerrillas. Whenever people had their huts burned and their possessions stolen or were shot, tortured, raped or deported, the news spread quickly by means of numerous and widespread family and friendship networks. The actions of the armed forces and the police thus served to heighten antagonism toward the government. Many turned to the guerrillas in order to defend themselves and their families or to seek revenge for the treatment of their relatives or friends. In effect the armed forces and the police became excellent recruiting agents for their opponents. In Malaya the number of guerrillas doubled from 4,000 in 1948 to nearly 8,000 in 1951 and in the Philippines the Huks expanded their base of support markedly during the first five years of their campaign. The use of the coercion and enforcement approach seems to be having similar consequences in El Salvador.

"Hearts and minds" approach

Success for the governments of Malaya and of the Philippines came only after they had initiated a policy of "winning the hearts and minds of the people." In Malaya, from 1952 onwards, the new head of the administration, General Sir Gerald Templar, followed a strategy which sought to separate the guerrillas from their supporters. Rural Malayan Chinese, who were the major source of recruits for the MCP guerrillas and who were resettled in New Villages, were provided with health care facilities, schools, recreation centres, clean water and, most importantly, security. Operation Service was introduced whereby the police were ordered, as Templar put it, "to win the admiration and friendship and trust of the law-abiding people of the land." The police and the army were reorganized and retrained and priority was given to intel-

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Grabbing their "hearts and minds"

ligence operations. In other words people were protected rather than intimidated. And finally, starting at the village level and working upward, elections were introduced.

By 1955 the new policy showed decisive results. In the Philippines the government initiated numerous rural improvement projects, the best advertised of which was a scheme whereby land was redistributed to surrendered Huk guerrillas. Just as importantly, Ramon Magasaysay, the Secretary for Defense from 1950 to 1953 and President from 1954 until his death in 1957, reformed the armed forces, the civilian guard and the Philippine Constabulary and ended the "iron fist" policy, thereby earning the trust of the rural population. By 1956 the Huks were reduced to a few scattered bands.

Why it worked

The "hearts and minds" approach led to the defeat of the MCP guerrillas and the Huks for two reasons. First, as the population was gradually won over by the government fewer and fewer people were willing to provide money, supplies and food to the guerrillas or to become recruits. As a consequence the guerrillas were less able to conduct military and propaganda operations and became more preoccupied with sheer survival. Second, as the government gained people's confidence the police and civilian officials acquired more and more reliable information. With sound intelligence they were able to single out those within the general population who were communist sympathizers and to protect those who were law-abiding people. Good information allowed the government to act with more discrimination and lessened the chances that the armed forces and the police might mistreat innocent people and coerce them — metaphorically and literally — into the guerrillas' camp. Also, good intelligence about guerrilla movements and supply lines allowed the army and the paramilitary elements of the police to set ambushes and to pinpoint guerrilla camps and so gain the initiative in the shooting war.

Winning a guerrilla war, then, requires a marked change in attitude on the part of the government. The "coercion and enforcement" approach, which is usually adopted by governments as a reflex action to a guerrilla threat, must be down-played and the major ingredients of a "hearts and minds" approach put in place. The government's primary emphasis must be on respecting the interests of the ordinary people in the countryside. This has yet to occur in El Salvador and Honduras. Indeed, the Kissinger Commission's recommendation and the President's proposal to Congress requesting an increase in military aid to these countries would seem to reduce the likelihood of such a change taking place. It is particularly unfortunate that Dr. Kissinger's talks with the press and the President's subsequent draft legislation, should have undermined the Report's recommendation to tie aid to improvements in human rights as verified by Congress. The experience in Malaya and the Philippines would suggest that a war-winning "hearts and minds" strategy must include a respect for human rights.

Bleeding hearts?

During the war in Vietnam and since the outbreak of the wars in Central America, American officials have generally displayed an ambivalence toward the "hearts and

minds" approach. This ambivalence characterizes the Kissinger Commission's Report. Parts of the Report appear based on assumptions associated with the "hearts and minds" approach, but other parts and the Report's key recommendations simply reaffirm the "coercion and enforcement" approach. One reason for this is that the Pentagon, despite the failure in Vietnam, has successfully laid claim to being expert in counter-guerrilla warfare. Not unnaturally the military have given themselves the leading roles in US Central American policy and ensured that military considerations be given priority. Indeed, the military solution has become so widely accepted within the current US administration that many officials and analysts would have us believe that the "hearts and minds" approach is only associated with well-meaning but woolly-minded and impractical liberals; some would, no doubt, rather have it renamed the "bleeding hearts" approach.

Central America's special conditions

It would be unfair not to acknowledge that the US government faces a set of problems that make it difficult to shift from a "coercion and enforcement" to a "hearts and minds" approach. First, while the Americans may be able to exert a great deal of influence on the governments that they sponsor, they are not in direct control of events. Moreover, the US administration is generally committed to maintaining the existing governments in power. Ironically the one aspect over which the US has most control is the conduct of military operations and the temptation seems to be to attempt to win the whole war by this means alone. Second, if the current US-supported governments of Central America are to adopt an effective "hearts and minds" policy then they must undertake the politically unpalatable task of empathizing with the grievances of the people supporting the guerrillas: the very people they most mistrust and blame for the prevailing lawlessness. For both these reasons the pressures to continue the "coercion and enforcement" approach are strong.

A further point is that the US-sponsored governments of Central America are philosophically conservative — some might say ultra-conservative. They tend to believe that their only responsibility is to maintain internal law and order and to defend the country against external threat. They are unwilling to embark on the economic and social programs needed to initiate a "hearts and minds" approach and they lack the extensive administrative structure required to put such programs into effect. The governments thus deny themselves not only the chance to gain the people's trust and increase their own legitimacy but also the capacity to extend their control over the population by non-military means. The ability of the government to out-administer the guerrillas proved a significant feature of both the Malayan emergency and the Huk rebellion. Moreover, without a sound and extensive administrative structure it is very doubtful that the billions of dollars in aid recommended by the Kissinger Commission Report and by the President's proposed legislative package will be effectively channelled to those for whom it is intended.

If the proper programs cannot be established then the aid will end up being siphoned off by the military and the urban elite and will not find its way to the rural poor and the

Grabbing their "hearts and minds"

urban slum-dwellers who need it most. This is essentially what happened in Vietnam in the mid-1960s. The vast amount of aid which was pumped into Vietnam by the US government produced an annual inflation rate of around 150 percent. The chief victims of this were the poor who found it difficult to cope with the increases in the prices of food, fuel and clothing, all of which further alienated them from the government and drove them into the arms of the Viet Cong. It seems highly likely that this series of events will be repeated in Central America.

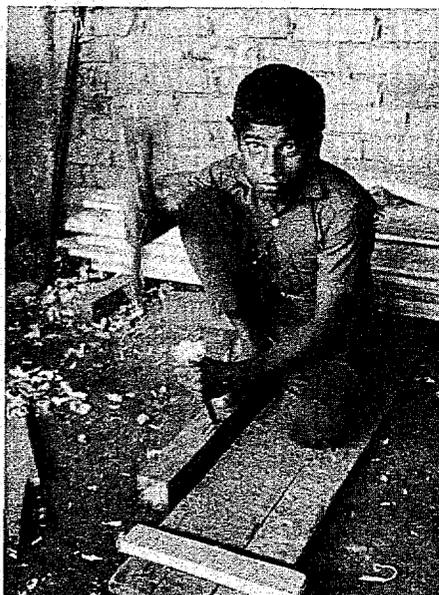
Meaning of winning

What is the US objective in Central America, and especially in El Salvador? One aim, which is enunciated in the Kissinger Commission Report and which is implied by some of the actions of US AID officials, is to bring economic and social stability to the region in the hope of stopping the killing and violence. This is a commendable objective and one which certainly ties in with a "hearts and minds" approach. Yet overriding this objective is another which is also noted in the Report and which is constantly reiterated by President Reagan. This aim is to stop the spread of Soviet and Cuban influence. Given this objective it is understandable that the US government prefers to put its faith in the military and the "coercion and enforcement" approach. This strategy enables the pro-American governments to maintain control over a portion of the country, including the capital. The US administration can thereby ensure that it does not lose the battle against the communists. But this approach will not win the guerrilla war.

American success in staving off the perceived external threat from Cuba and the Soviet Union may only serve to fuel the internal threat posed by locally supported guerrillas. A country such as El Salvador is thus condemned to suffer a chronic, if fluctuating, state of civil violence. Again the Americans are in danger of repeating one of their major failings in Vietnam. There is no evidence, either in the Kissinger Commission's Report or in the President's recent statements, that they have thought through, or clearly defined, what they consider to be a "victory" or what they mean by "winning."

All of which does not augur well for America's allies. First, as the US administration and Congress become embroiled in the problems of Central America there is a danger that the litmus test for friendship will be the support a country is willing to voice for US policy there. Some governments will find it difficult not to criticize the militarization and ineffectiveness of American foreign policy. Second, if Central America starts to claim more and more of the attention of senior Congressmen as well as White House and State Department officials then other international and bilateral obligations may be ignored.

The Kissinger Commission's Report and the President's proposal to Congress do not inspire confidence. Indeed, the US seems set once again to square the error. And this places in danger not only of the welfare of many of the people of Central America but also America's relations with her allies. It is all uncomfortably reminiscent of the US slide into the quagmire of Vietnam. □



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Book Reviews

Pugwash at 25

by John M. Lamb

We Can Avert a Nuclear War edited by William Epstein and Lucy Webster. Cambridge (Mass.): Oelgeschlager, Gunn and Hain. 1983, US\$20.00 (cloth) and US\$9.95 (paper).

In 1957 Pugwash, Nova Scotia, was put on the map of international disarmament by the convening there of the first conference of what has become known as "The Pugwash Movement." Composed of eminent scientists from around the world, Pugwash was inspired by a Manifesto issued by Bertrand Russell and Albert Einstein in 1955 calling on scientists to raise their voices against nuclear war. *We Can Avert a Nuclear War* records the proceedings of The Pugwash Movement's 25th Anniversary Commemorative Meeting, held last year at the place of its birth.

Pugwash was originally spurred by alarm about the virtual absence of communications between East and West at the dawn of the thermonuclear age, and by a feeling that contacts between the protagonists needed to be encouraged. It was further felt by Einstein and Russell that scientists, representing rationality and less susceptible than governments to politically-induced myopia, could, by meeting in the spirit of science, play a major role in the search for areas of common interest which would help prevent a nuclear war. This role has continued to be central to The Pugwash Movement.

As Pugwash has matured over the past quarter-century, though, the difficulty of achieving a victory of reason over the apparently unreasonable political forces which have kept nuclear war a real danger has become vividly clear. Part One of the proceedings of the twenty-fifth anniversary meeting, with presentations by such eminent men and women as Linus Pauling, Inga Thorsson, Bernard Feld, Alfonso Garcia Robles and Theodore Hesburgh, shows Einstein's and Russell's successors struggling with this central problem. The tone is one of hope against hope.

Part Two of the book focusses primarily on the by-now familiar but still contentious proposal for a freeze on the testing, production and deployment of all nuclear weapons and their delivery systems by the two superpowers. On the desirability of such a freeze, the participants achieved consensus and, in the belief that "disarmament must start with

a stop," included a freeze among the proposals of their final Declaration. On how a mutual freeze might be brought about, however, their discussion reflected disagreement over whether it must be based on a negotiated agreement between the superpowers, or whether separate freezes could be adopted independently by each, thereby circumventing the need for lengthy talks. While the majority evidently favored the negotiation route, the final Declaration of the meeting did not pronounce on the issue one way or the other.

In *We Can Avert a Nuclear War*, there is no new ground broken and little of substance to interest the expert audience. The book is, however, a worthy historical record of a movement with Canadian roots which has maintained its struggle against the arms race for a quarter of a century. At a time when to preach gloom and doom has come into self-defeating fashion, the faith in the victory of reason over irrationality represented by Pugwash merits our attention.

John Lamb is Executive Director of The Canadian Centre for Arms Control and Disarmament in Ottawa.

Meet Chernenko

by Larry Black

Selected Speeches and Writings of Konstantin Chernenko, translated by Y.S. Shirkov. New York: Pergamon Press, 1982, 296 pages, US\$30.00.

Konstantin Ustinovich Chernenko (born 1911) was elected General Secretary of the Central Committee of the Communist Party of the Soviet Union at a special plenum on February 13, 1984. Although there was some speculation in the West — mainly at the behest of nearly frenzied, "who's next?" requests from the media — that someone else might succeed Yuri Andropov, Chernenko was almost everybody's obvious choice. At age 72, his career had closely paralleled that of his mentor, Leonid Brezhnev,

who appointed him to the Central Committee as candidate member in 1966, a full member in 1971, a candidate member of Politburo in 1977, and full member in 1978. Chernenko had been associated with Brezhnev from the early 1950s, when he served with the Propaganda and Agitation section of the Central Committee of the Moldavian Communist Party, of which Brezhnev was First Secretary. As early as 1978, when he accompanied the General Secretary to bilateral summit meetings with leaders of the Eastern European socialist countries, it was assumed by many that Chernenko was being groomed as Brezhnev's successor. Most Western pundits put their money on him after Brezhnev's death and were surprised at Andropov's victory. But in contrast to previous losers in Soviet succession struggles, Chernenko did not fade away. After a brief hiatus, he once again became prominent and soon was acting as number two man again. This time he made it.

The speeches and essays contained in this collection were all prepared between 1976 and 1981, though only the opening piece is from the latter year. Chernenko's writings were also printed in Moscow (1978-81) and in several other foreign-language editions. In fact, he was the most prolific of the potential successors to Brezhnev before his mentor died.

The collection under review here includes fifteen pieces, ranging in length from 2 to 102 pages. Many of them have been printed in English already, either as Novosti pamphlets or in the monthly English-language journal published in Moscow, *International Affairs*. Most of them carry the obligatory obeisance in the form of citations from Lenin and more often, from Brezhnev; and all of them emphasize in varying degrees of intensity questions of foreign affairs. The lead article, and the most recent, celebrates the occasion of the 111th anniversary of Lenin's birth (April 22, 1981), and illustrates well the lingering cultism which permeates Soviet political ideology. Lenin was a "Iodestar," a "genius," and the embodiment of every virtue which young Soviet citizens should emulate. In keeping with contemporary political exigencies, however, it is to Brezhnev's recently printed reminiscences that Chernenko directs readers specifically.

In other speeches and essays, Chernenko plays the politician's role by praising SALT agreements (1979) and by forecasting a decrease in Soviet defence spending — and an increase in consumer products. In 1981, he firmly rejected nuclear war as a rational option in international affairs, defended Soviet action in Afghanistan (where he said, the US is conducting an "undeclared war") and attacked Western "hypocrisy" about Poland. A year earlier, he wrote in *International Affairs* that the USSR was helping her neighbor, Afghanistan, against "bandit gangs" supported by Pakistan, the USA and Peking — hardly what one could call conciliatory words!

An essay in *Kommunist* (1980), "The Great Unity of the Party and People," stressed the rights and obligations of the Party as the "most prestigious vanguard and leader of the masses." But Chernenko also highlighted the Party's faith in the "creative potential of the people." Now that he has the power of the "vanguard" in his own hands, it will be

interesting to see how far he will allow the "creative potential" of the "masses" to develop.

Larry Black is the Director of the Institute of Soviet and East European Studies at Carleton University in Ottawa.

International law in transformation

by Mark Meirowitz

Conflict and Compromise: International Law and World Order in a Revolutionary Age by Edward McWhinney. New York: Holmes & Meier Publishers, Inc., 1981, 153 pages, US\$17.50 (cloth) and US\$8.50 (paper).

In today's world, in which the threat of nuclear war looms as a real possibility and in which the madness of the Lebanon is with us, international law is hardly thought of as a viable tool in the search for peace and stability. The international community seems to be in a constant state of chaos. Nevertheless, the community of nations has sought to carve out a set of rules, encompassed in what we know as "international law," to which nations can be expected to adhere.

Professor Edward McWhinney, a leading Canadian scholar of international law (who has served as a consultant to the United Nations and various Canadian provincial governments and who currently is Professor of International Law and Relations at Simon Fraser University in British Columbia), has in his cogent and comprehensive book produced an excellent analysis of the history and current status of international law while advancing proposals for the reform and improvement of international law. McWhinney speaks of a "new, transcultural, eclectic approach to international law and to world public order" which, in his view, would allow the establishment of a "balance between law and politics in the world community today." He stresses that the formerly East-West bipolar world has given way to a larger, more diverse world community in which the concerns of the Third World take on heightened importance.

McWhinney traces the many revolutionary changes which have occurred since the beginning of the twentieth century, which have not, in his view, generated a comparable change in the development of international law. McWhinney asks whether "there [has] been a corresponding revolution in international law and juridical concepts of world order" to match the revolution in international politics evidenced by the Russian Revolution, the decolonization of the former colonies of the Western countries and the revolution in science and technology. He claims that the Western nations have imposed their own norms on interna-

tional law and that these norms have held sway over the world community.

McWhinney sees the law of war as an example of an aspect of international law which ought to be made to conform to the realities of modern life and the revolutionary nature of the modern world. He notes that the development of new modes of conflict, such as wars of national liberation which are undertaken by irregular rebel or guerrilla forces against European colonial powers, "has called the traditional rules into question where they limit their protection to regular members of the regular armed forces of a recognized government engaging in a declared war."

I do not disagree with the importance placed by McWhinney on incorporating into international law the concepts of law of the Third World countries or of modernizing international law in conformity with the realities of a modern revolutionary world. Nevertheless, I wonder whether absolutist norms applicable to all nations are not really necessary to maintain peace, order and stability and to prevent the community of nations from deteriorating into chaos and violence. To address one example put forward by McWhinney, I think that we need a clear and absolute "law of war" more than ever today in light of the use by terrorist groups of tactics aimed principally against innocent civilians. We need to differentiate clearly between violence deliberately aimed by terrorist groups at civilians and wars fought between armies. This confusion is best exemplified by the inability of the United Nations and the world community in general to condemn terrorism or to create an international mandate to root it out.

Professor McWhinney wonders in his concluding chapter whether we shall see the return of effective international law decision-making power to the United Nations as

the UN charter envisioned. As Dr. McWhinney puts it, "The antinomies, here, are between the limited, bilateral technique, and the multilateral, more nearly universal one; between the informal, unstructured approach, and an institutionalized one that emphasizes the organized community decision-making arenas of the United Nations." I think the answer to this question is that despite the rhetoric of the Third World, the concentration of world power in the US and the USSR is not likely to change in the near future. Any "power" which the Third World demonstrates in the UN system is largely illusory. The United Nations will never likely become (nor has it ever really been) an arena for significant problem-solving because, among other reasons, it has become politicized in its decision-making processes by concentrating on a limited number of issues, such as the Middle East and South Africa, to the detriment of many other important issues, including human rights issues. (The glaring ineffectiveness of the UN Human Rights Commission illustrates one area where more could have been done.)

We should be encouraged to reemphasize a number of the concepts of basic international law, without at the same time being slavishly tied to these concepts. I basically agree with Professor McWhinney's intention to modernize international law and to make sure that we do not undermine what is valuable in international law as we now know it.

Mark Meierowitz is an attorney who practices law in New York. He is currently a member of the Executive Board of the Canadian Institute of International Affairs, New York Branch.

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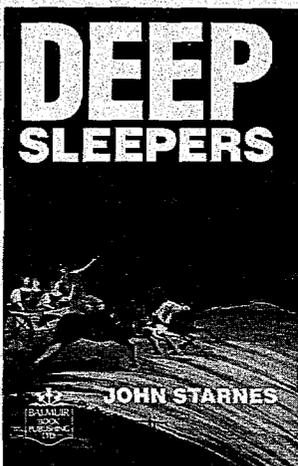


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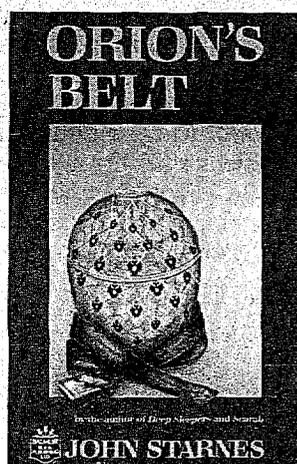
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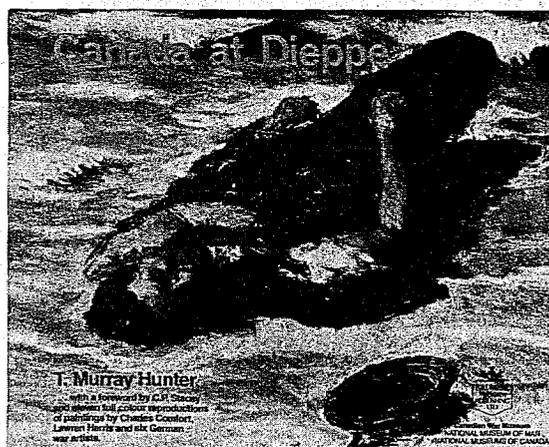
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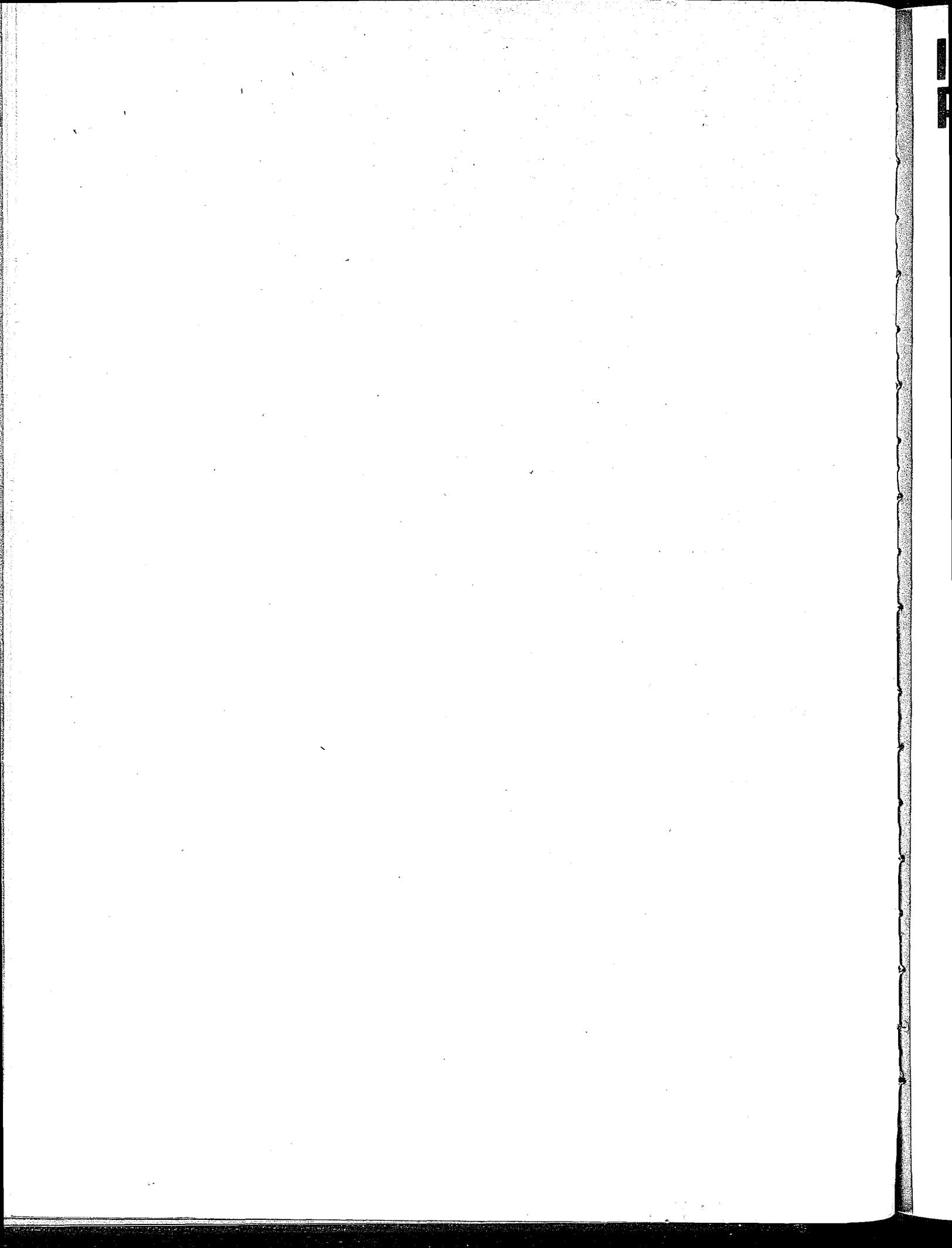
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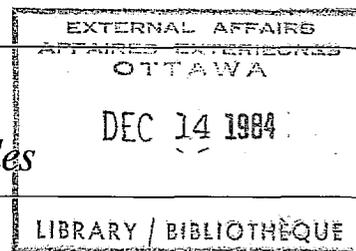
Contents

July/August 1984

| | |
|---|----|
| Trudeau and the diplomacy of peace <i>by John Kirton</i> | 3 |
| Turkish threat to Greece? <i>by Constantine Melakopides</i> | 6 |
| Embattled UNESCO <i>by Gordon Fearn</i> | 10 |
| Third World women and development <i>by David McKie</i> | 13 |
| CIDA — aiding or trading? <i>by Gary Gallon</i> | 17 |
| Legacy of Grenada: Caribbean militarization <i>by David Simmons</i> | 21 |
| Politics of Torture <i>by Alexander Craig</i> | 24 |
| Book Reviews | |
| Canada — a principal power? <i>by Allan Gotlieb and Jeremy Kinsman</i> | 27 |
| How Newfoundland joined Canada <i>by J.W. Pickersgill</i> | 30 |
| Grand strategy, size small <i>by James Macintosh</i> | 31 |

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Trudeau and the diplomacy of peace

by John Kirton

*Two articles in the May/June edition of **International Perspectives** presented critical evaluations of Mr. Trudeau's peace initiative. In this article John Kirton responds with a different appreciation.*

Former Prime Minister Trudeau's recently concluded peace initiative has quite properly dominated the attention of those Canadians anxious to assess their country's capacities in the international realm, its current stature in world affairs and the personal contribution made by their departing leader to Canadian foreign policy as a whole. The initiative on East-West relations and international security, begun in September of 1983 and formally ended five months later, displayed Canada's ability, at a time of pressing domestic difficulty, to make an unprecedented, sustained investment of its most valuable political resources in the international issue of overriding significance. For the first time in the post-1950 era the initiative demonstrated Canada's standing as an effective principal in the rarified realm of those with an ongoing responsibility for ensuring a secure world order. And in doing so it confirmed Pierre Trudeau's mastery of the art of combining his personal intellectual skills and international reputation with the formidable diplomatic and national assets of the country he led for sixteen years.

Yet many Canadians, burdened by a conception of their country as a distinctly secondary international power and by an enduring suspicion of Prime Minister Trudeau, remain profoundly skeptical of these accomplishments and the entire peace initiative itself. Their critique, while often indirect, is certainly comprehensive. It extends from the very motives for the initiative, through its method of preparation, substantive basis and diplomatic execution, to its ultimate impact on events abroad. In the realm of motivation, the Prime Minister is charged with a sporadic interest in foreign policy questions of this sort, a desire to sustain his prime ministry, party or historical reputation, an interest in playing to the disarmament instincts of publics at home and abroad, and a wish to publicly move Canada away from the United States or to affect the latter's internal political debates. In regard to preparation, the criticisms centre on his reliance on an official task force and selected American intellectuals, rather than on the rich talent in the Canadian diplomatic establishment, functional and technical reaches of the civil service, and the university community beyond. From this elite process allegedly flowed

unspecific, unoriginal proposals which ignored the real causes of East-West tension and arms control stalemate, which inspired a diplomatically unprepared, unilateral set of public and philosophic summit-level discussions punctuated by personal outbursts, and which aimed at securing for Canada the role of interlocutor between the two superpowers. Thus, the critics conclude, the initiative was not taken seriously abroad, received little concrete support from key powers, and was readily rejected, while other states moved at their own pace to produce the real improvement in the East-West climate that the first few months of 1984 saw.

While many of these criticisms will recede as evidence about the initiative becomes available, they are collectively sustained by the logic built upon two false premises. The first assumes the Prime Minister's motives for the initiative to be essentially personal, and thus easily discovers an elitist process generating public rhetoric which had no concrete, durable effect. More importantly, the second premise rests on the conviction that as a small or middle power Canada was overreaching its influence in trying to intrude into the select great power club of East-West relations in their nuclear dimension. It is thus inevitable that the Prime Minister's real motives lay elsewhere, that ephemeral rhetoric from political managers is all that could have resulted, and that the Prime Minister ought to have confined himself to the prescribed middle power *modus operandi* of seeking small gains in those select functional areas where Canada's technical and legal skills provided some credentials.

Motivation

The first premise and its ensuing logic is easily dispelled by looking at the evidence regarding the Prime Minister's motivation. Pierre Trudeau is no latecomer to the ranks of those worried about nuclear dilemmas on the global scale. His legacy begins with his passionate anti-nuclear involvement in the debate over Canadian military commitments in the early 1960s, and continues after 1968 with his success in denuclearizing Canada's military roles, his leadership in the international non-proliferation movement from 1974 onward, and his subsequent strengthening

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A well-managed enterprise

of the arms control voice in External Affairs and at the United Nations Special Sessions on Disarmament. More recently, one can point to his speech at Notre Dame in May of 1982, his successful initiative at the Williamsburg Summit of May 1983 in securing a seven-power commitment to "devote [the summitters'] full political resources to reducing the threat of war," and his genuine intellectual and moral dilemmas over Canada's Cruise missile decision.

In deciding whether to undertake his initiative Pierre Trudeau wrestled with the question of whether he could do most as a retired leader or active prime minister supported by the full resources of his state. It appears that he delayed his retirement until his initiative was largely completed. Were his intended audiences the publics at home or abroad, the easy popular solution would have been a refusal to assist the US in testing air-launched Cruise missiles in Canada, and, armed with such moral superiority, a public crusade abroad echoing the precepts already voiced by such purists as Mr. Palme of Sweden and Mr. Papandreou of Greece. Instead he chose the far more demanding challenge of embarking on an initiative, with both public and private dimensions, that remained faithful to, and could thus effectively mobilize, Canada's position as a major, fully committed member of the Western alliance. Indeed it was probably this serious preoccupation with moving major states abroad that left him an easy prey at times for the temptations of his political staffers anxious to convert his diplomatic successes abroad into partisan and personal advantage at home.

Preparation

Thus the Prime Minister sought a serious initiative that would have immediate effects on the dangerous political climate prevailing in the international system which threatened to choke the prospects for civilized relations between its major members on both sides of the East-West divide. The preparation for such an initiative demanded the mobilization of skilled diplomatic professionals who could rapidly produce a series of proposals which stood some chance of arresting the upward spiral of megaphone diplomacy, dying dialogue and hardening suspicions abroad. The result was a task force consisting primarily of those officials, at all levels, from External Affairs and National Defence, who could combine diplomatic and arms control expertise with an iconoclastic penchant for new ideas and who could, above all, generate a broad set of creative and workable options within ten days. In devising these options, the task force canvassed a wide array of alternatives, including the possibilities of fostering real peaceful settlement of disputes in peripheral regions of East-West confrontation. The task force drew on ideas from within the bowels of the bureaucracy, from the Prime Minister himself and from its own brainstorming sessions, to generate an extensive amount of options and recommendations for prime ministerial and ministerial consideration.

In choosing among these options subsequently at Meach Lake, the Prime Minister was assisted by several of Canada's most experienced ambassadors recalled from key capitals abroad. During and after these deliberations, the Prime Minister was open to proposals and advice, and received them, from a vast variety of individuals, ranging

from Ivan Head of the Canadian International Development Agency, through senior academics who had proven to be of value in matters of high security policy in the past, to General Rogers of NATO. While the pet proposals of many outsiders did not survive scrutiny to remain on the Prime Minister's final list, it is clear that one does not get real and rapid movement from Moscow and Washington by conducting elaborate exercises in domestic participatory diplomacy of 1968-70 vintage.

Substance

What emerged from this process was a well crafted and balanced set of proposals capable of generating movement on a wide variety of fronts and thereby fuelling the Prime Minister's central purpose of engendering political dialogue. At the centre was a conference of the world's five nuclear-weapons powers to discuss limits on (and later, reduction in) their nuclear arsenals, to consider common crisis management and confidence building measures, and possibly to deal with any of the other proposals on the Prime Minister's list. Related to the five-power conference was a general proposal for strengthening the nuclear non-proliferation treaty, primarily by securing additional signatories from major Third World states before the treaty's review in 1985. A third proposal took advantage of the more immediate diplomatic schedule to urge both East and West to attend the Stockholm conference on European security at the foreign ministerial level. A fourth proposal sought a new effort to obtain a Western plan, that the Soviets could respond to positively, for conventional mutual and balanced force reductions (MBFR) in Europe. And the fifth was a triad of nuclear arms control measures dealing with the mobility of intercontinental ballistic missiles, the verifiability of such weapons and a preemptive ban on the development of anti-satellite (A-Sat) weapons in high altitude orbits.

All of these proposals individually met the task force's stringent requirements: proposals of a prime ministerial magnitude that were original as government proposals, negotiable, strongly based in substance, and capable of generating rapid movement. In addition, all centred on areas where Canada had a seat at the negotiating table or demonstrated expertise and which simultaneously avoided the private negotiating preserves of the two superpowers, while bearing directly on the central arms control issues of interest everywhere. Taken together the package that emerged offered proposals relating to both immediate and longer term developments, in the nuclear, conventional and future technology spheres. It was a comprehensive set of proposals well designed to probe all areas where East-West dialogue and cooperation might be possible.

Execution

Equally well conceived was the process of execution. The Prime Minister began knowing that other principal powers within the alliance, notably Italy and Germany (with whom Canada soon came to act in concert) shared similar concerns but were unable to take the lead themselves. Thus, after private consultation with Washington, he tested the waters at the summit level in all major capitals in Western Europe, and a few other European capitals which had responded spontaneously to Canadian leader-

ship on the issue. While the Prime Minister had demonstrated the seriousness of his intentions to all by going public in his Guelph speech of October 1983, it was only after these private summit discussions in Europe that he unveiled his set of specific proposals in his Montreal speech of November 13. He then ventured to enlist support from the major powers of the South. While he stumbled with his nonproliferation proposal at the Commonwealth Heads of Government meeting in India, Japan and China each provided encouragement in its own way.

The third stage of the summit sequence centred on the superpowers themselves. In Washington a well advised Prime Minister wisely avoided the temptation to plunge into technical foreign policy details with President Reagan and instead spoke philosophically about how the United States could best communicate its peaceful intentions to its Western friends and to the other side. President Reagan's responsiveness left Prime Minister Trudeau well prepared to inspire comparable reactions from the East when he was finally able to visit Moscow. Throughout this exhausting and protracted schedule, the Prime Minister's patience on occasion snapped, most importantly in the lost opportunity at the Commonwealth summit. But his public outbursts, about third-rate Pentagon pipsqueaks and the flexible response doctrine, while unnecessary, at least invited President Reagan to show himself to be a man of peace as well as a Commander-in-Chief, and showed the Europeans, in both West and East, that he understood their private concerns and was sufficiently serious to speak his mind.

Impact

Although quick judgments can be faulty, it is even now clear that the Prime Minister's efforts accomplished a great deal. Certainly it was taken seriously, as Canada's standing, the Prime Minister's reputation and the substance of his initiative secured for him an unprecedented invitation to visit Deng Xiaoping of China within seven days on two-days notice, as well as immediate invitations on request to visit three East European capitals, an unusual meeting for his emissaries with Soviet Foreign Minister Gromyko, and, under difficult conditions, a rare meeting with a well briefed and seriously interested Konstantin Chernenko himself. Indeed, no world leader could refuse to see him. And even when he faltered, as in India, the weight of Canada's reputation and its proposals ensured that the momentum was sustained.

Moreover, in most of these capitals he was given not only goodwill, but enough of substance to continue the quest. The Europeans applauded the Stockholm suggestion, the Germans acted in tandem on MBFR, and on the novel and far reaching five-power conference, the non-nuclear states of the Summit Seven signed on at an early stage. Even the Indians were somewhat sympathetic provided they could be the sixth power at the meeting.

It is equally clear that such concrete support produced real results, and that Canada's initiative contributed in many, and made the critical difference in a few, important

respects. Canada's voice supplemented that of the Europeans in helping to convince United States Secretary of State Shultz to go to Stockholm, where his meeting with Soviet Foreign Minister Gromyko dispelled the rancor of their previous encounter and began the resumption of American-Soviet dialogue at the political level. Canada's request for a Western proposal on MBFR, issued after a similar West German request had been rejected by the US, helped reopen a debate in Washington, and led to the NATO overture which moved the resumed East-West dialogue into substantive discussions of arms control. And within hours of Prime Minister Trudeau's seminar on effective communication with President Reagan, the latter's rhetoric about the "evil empire" receded and the tone of American pronouncements acquired a moderate main-spring. While other forces and actors mattered, and others were quick to claim credit, the Prime Minister's immediate objective of breaking the "ominous rhythm of crisis" and "megaphone diplomacy," of restoring effective East-West communication at the political level, and of allowing a shared framework of assumptions to be recreated across the East-West divide, were all secured.

Well worthwhile

More durable accomplishments may yet be registered. Canada's functionally based A-Sat proposal is regarded by the Western alliance, and by some in the US Congress, as the best such approach and proposal on the table. Canada's willingness to engage in exhaustive consultations with its allies on this proposal is a promising sign of future results. Even the ambitious five-power proposal is there for others to build upon. The United States has signalled its willingness to participate if the other four did so, the Chinese have moderated their initial rejection, the British and French have privately recognized talks embracing their nuclear systems to be inevitable at some point, and the Soviets as yet have not refused outright. Given the long period of gestation required for successful arms control measures in the past, it is possible that Canada's five-power concepts may yet reach fruition in some form and forum.

By virtue of its very comprehensiveness, and its quest for serious, short term results, the Prime Minister's peace initiative did, of course, leave some lost opportunities and unexplored possibilities in its wake. The failure to devise and deliver a sophisticated non-proliferation initiative was a particularly poignant failure for a country that had been the world's first nuclear weapons-capable state to renounce the bomb. And from the Williamsburg declaration onward, there was a disconcerting tendency for the Prime Minister to put key proposals on the public table before exhausting their potential in private diplomacy or ensuring that other principal powers were ready to continue the quest. Yet the ultimate critique is that Canadian leaders and publics were too slow and too impatient to realize what their country was capable of in the East-West realm. It is not that Canada irresponsibly tried too much, for too long, to no lasting effect. □

Turkish threat to Greece?

by Constantine Melakopides

Three recent events have dramatized again the disarray in NATO's southern flank: first there was the November 1983 Unilateral Declaration of Independence (UDI) by the Turkish-Cypriots; then the subsequent exchange of "ambassadors" between them and Turkey; and just in March of this year, the reported shooting of Turkish salvos at the Greek destroyer *Panther* in the northern Aegean. These events highlight NATO's ongoing fear of serious trouble in the increasingly crucial Southern Region, and provide additional credence to Greece's insistence that Turkey is a threat to her security.

If Greece's allegation were established beyond reasonable doubt, NATO's responsibility to remove the Turkish threat should follow as a matter of course: *first*, because of the obvious contradiction of one member of the alliance being threatened by another; *second*, because the very disarray in NATO's flank has structural implications for NATO; and *third*, because the Greek-Turkish conflict might reduce allied credibility, lower deterrence, permit an increase of Soviet influence, and ultimately, force Greek consideration of alternatives to NATO membership.

Already, however, NATO has asserted that the Greek-Turkish dispute is "bilateral." This seems questionable, if only because the viability of the alliance is at stake and a Turkish-Greek armed conflict would have serious consequences in the eastern Mediterranean. For these reasons, the alliance cannot afford to be oblivious to the internal dangers in its southern flank.

Greek-Turkish conflict since 1974

The process of recent disintegration in Greek-Turkish relations began with the Cyprus Crisis of July-August 1974. The July 15 *coup d'etat* against Cypriot President Makarios, perpetrated by the military dictatorship in Athens, was the ostensible ground for the Turkish invasion of the island. This provided some justification for the first Turkish intervention of July 20, since the Turks insisted that the action was meant to provide assurances for the lives of Turkish-Cypriots (18 percent of the Cypriot population) and was permitted by the Cyprus Treaty of Guarantee. No such justification could be found, however, when Turkey launched her second invasion, on August 14, 1974. The collapse of the Athens junta and the full activation of the Treaty of Guarantee had brought Britain, Turkey and the

civilian government of Greece to negotiations in Geneva. Turkey was then observed to orchestrate the breakdown of the talks and to proceed to the partition of the island. She took, unimpeded, about 40 percent of Cypriot territory, representing (according to the IISS *Strategic Survey 1974*) about 70 percent of Cyprus' wealth. The human cost, primarily for the country's 80 percent ethnic-Greek population, reached 200,000 refugees, 3,000 missing persons and 6,000 dead. The world community and the world press condemned the invasion as naked aggression. Repeated United Nations resolutions demanded the withdrawal of Turkey's troops. Calls for sanctions were made for this violation of the UN Charter and of NATO's own treaty. Greece, whose government of national unity was only three weeks old, being unable to face Turkey militarily, withdrew from NATO's military wing in bitter protest against allied toleration of an invasion effected with the use of NATO and American arms.

The second aspect of the Greek-Turkish conflict ran parallel to the Cyprus tragedy. Known as "the Aegean dispute," it arose when Turkey decided to challenge simultaneously the established status quo in the Aegean Sea. The challenge involved issues never previously raised: the delineation of the airspace over the Aegean Sea, the rights to a continental shelf by the Greek islands, the NATO operational responsibilities in the air and sea of the Aegean and Greece's subsequent fortification of her frontier islands in the eastern Aegean.

Military inequality

Among these issues, Turkey has stressed the latter as cardinal, alleging a threat to her security by Greece. But Greece resorted to the fortification of islands only *after* the Cyprus invasion and in response to the associated Turkish challenges and provocations. While the defensive nature of Greek measures is indubitable, the Fourth Turkish Army (called by Turkey the "Aegean Army") was deployed across from the Greek islands of the eastern Aegean. It is a 120,000-man army equipped with 120 landing craft. Turkey's military superiority over Greece is overwhelming. The Turkish armed forces top the list of NATO-Europe. The total Greek armed forces of 206,500 men compares to Turkey's 569,000; Greek reservists may reach 404,000, as against Turkey's 836,000.

In explanation of the Greek deployments, successive Athens governments have pointed to the inherent right to self-defence and to repeated programmatic statements by Turkey's leadership such as the following;

— On January 10, 1974, Turkish Defence Minister Sancar stated: "The future of Turkey lies in the

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sea. Turkey is obliged to become a Mediterranean nation. All politicians have accepted this line for Turkey's future."

— On January 18, 1975, Premier Irmak stated, according to the newspaper *Hurriyet*: "I will not cede the Aegean to anyone. Half the Aegean belongs to us. This is what all the world must know. If the honor or the interests of the Turkish nation are attacked, we know how to crush the heads of our enemies."

— Two days later, Minister of Defense Sancar stated to the periodical *Yanki*: "In the Aegean, the balance of power is clearly in Turkey's favor; indeed to such an extent that, beyond the facts of the balance of power, the eyes and thoughts of the old Turkish inhabitants of the islands remain set on the opposite coasts, which lie only a few miles away."

— On January 22, 1975, Foreign Minister Esenbel stated to the Turkish National Assembly, during the discussion of his Ministry's budget: "In the Aegean we must necessarily follow a dynamic policy. Conditions today are different from those of 1923. Turkey has grown in strength. When we speak of the need for an energetic policy, we do not mean that the army must act immediately and that we must seize the islands."

Turkish expansionism

The above items should show why the charge of a Greek threat to Turkey is disingenuous. In fact, together with the other aspects of the "Aegean dispute," they suggest that the real nature of Turkey's stance is a concerted effort at expansion. Given that no argument can dispute the ethnic, cultural and historical identity of these islands as Hellenic (their being the cradle of Greekness since at least 2,000 B.C.), Turkish statements and behavior since 1974 are apparently based on "lebensraum" notions. Theoretically, they can lead to veritable anarchy and chaos in international society through their disregard of the law. Practically, they provide crucial grounds for the Greek perception of a Turkish threat. Here are the elements of the "Aegean dispute."

1. **The Continental Shelf of the Greek Islands.** A few months before the Cyprus invasion, the Turkish Government Gazette published (November 1, 1973) a map which arbitrarily demarcated the north-east Aegean continental shelf, and issued exploration rights to the Turkish Petroleum Company. Two days before the first invasion of Cyprus, another licence was granted to this company, to explore an area in the south-east Aegean claimed by Greece. Such acts recurred through the mid-1970s and led Greece and Turkey to repeated mobilizations, alerts and



Bold line shows Greek-Turkish border just off Turkey's Coast

A NATO problem

the brink of war. The status quo, which until then had been unchallenged with respect to the Greek islands' continental shelves, was now being aggressively challenged by Turkey.

Turkey argued that these islands had no such rights, being extensions of the land mass of Asia Minor. Greece's reply was twofold: *first*, the 1958 Geneva Convention on the Law of the Sea explicitly stated that islands were entitled to continental shelves; *second*, were Greece to extend her territorial waters to twelve miles — according to global practice, also followed by Turkey in the Black Sea and the Mediterranean — no issue would arise. Turkey answered that she did not recognize the Geneva Convention because she did not sign it, and that if Greece extended her territorial waters, this would be a cause for war.

Greece concentrated her retort on the former claim. She argued that the non-signing of the 1958 Convention was legally irrelevant: the first three Articles of the Convention had codified what was the customary international law. As customary law, therefore, they were binding on all countries, regardless of whether they did or did not sign. For instance, as such codifications these Articles were referred to by the International Court of Justice in its North Sea Continental Shelf case. The definition of Article I, then, states that "continental shelf" applies to the seabed and subsoil of submarine areas adjacent to the coast but outside the area of the territorial sea and to the seabed and subsoil of similar submarine areas adjacent to the coasts of islands.

World Court involved

Confronted by the possibility of war, Greece appealed to international legal arbitration in 1976 and 1978, Turkey now insisting that the issue was political. The Hague International Court did not decide on the substance of the Greek application but accepted Greece's definition of the issue as legal: "A legal dispute exists between Greece and Turkey in respect of the continental shelf in the Aegean Sea" (para. 31 of the ICJ 1978 Aegean Continental Shelf case). Turkey later changed her grounds, insisting on "equity considerations." Greece replied that "equity" should cut both ways. Besides the fact of sovereignty, established by the Treaties following the two World Wars (which Greece fought on the side of the Allies), free and unimpeded communications between the Greek mainland and the Greek islands are a paramount security principle for Greece.

Although tensions eased somewhat after the 1978 Montreux meeting of Premiers Karamanlis and Ecevit, which envisaged discussions by experts, former Prime Minister Demirel, in an interview published on December 20-21, 1978, stated: "The Aegean islands have never been conquered by Greece. Besides, these islands throughout history belonged to those who possessed Asia Minor." This can be compared to Demirel's statement to the Associated Press, on October 14, 1977, made when he was Premier of Turkey: "I never say 'the Greek islands.' They are Aegean islands. The reason is that they never belonged to Greece in the past." Similarly, six years later (*Financial Times*, December 6, 1983), the new Premier of Turkey, Turgut Ozal, suggested to British journalists that they not use the term "Greek islands" but to call them "Aegean islands" instead.

In sum, the issue apparently is neither legal nor political, as far as Turkey is concerned, while for Greece it is a

question of threatened sovereignty and security. Turkey's covert concern seems primarily to be one of "strategic upgrading" at the expense of Greece.

2. **Air traffic control over the Aegean.** Control and responsibility over the Aegean airspace were assigned to the Athens Flight Information Region (FIR) by two international agreements of the ICAO (International Civil Aviation Organization) in 1952 and 1958. These FIR boundaries conform with the fact that the Aegean airspace, besides the international and the Turkish national airspace, consists primarily of Greek national airspace. As such, the boundaries had worked unchallenged until August 6, 1974 (i.e., after the first, and days before the second, invasion of Cyprus). On that day, Turkey issued NOTAM 714 to the ICAO, demanding that all aircraft crossing the median line of the Aegean should report to the Istanbul FIR. Turkey thus declared her unilateral decision to bisect the Aegean airspace, violating ICAO agreements and rules.

Greece replied with NOTAM 1157 which designated the Aegean airspace dangerous to air traffic, given the potential of contrary orders. In any case, the Turkish NOTAM would have resulted in the absurdity for Greek security of Greek flights between mainland Greece and the eastern Aegean Greek islands having to report to Turkish air control.

Eventually, in February 1980 Turkey withdrew her claim to a revision of the civil air traffic rules. Greece then withdrew her own NOTAM and normalcy was restored in civil flights. Yet Turkey's aggressive revisionism was clearly registered. And as regards military flights, she continues to challenge Greek air space. Turkish military aircraft keep violating Greece's territorial integrity in the air, often in large formations. This could result in disaster.

3. **NATO operational control.** Before her 1974 withdrawal from NATO's integrated command in protest over the Cyprus invasion, Greece had been assigned the operational responsibilities for the Aegean airspace, by a 1964 SACEUR decision, in line with her FIR boundaries. The Command of the eastern Mediterranean (COMED EAST) was given to the Greek Chief of General Naval Staff by a NATO decision of 1957. In 1977, the Turkish threat to Greece led the Karamanlis government to propose Greek reintegration in NATO. The proposal included the establishment of a regional NATO headquarters at Larissa, central Greece, under Greek command, and the return to the pre-withdrawal operational status quo. The proposal was accepted by all other allies, but vetoed by Turkey.

New proposals by the then SACEUR, General Haig, in the spring of 1979, were unacceptable to Greece, as contrary to the pre-1974 status quo because they meant a reduction of Greece's operational control. The Haig proposals conformed to Turkey's revisionist demands: among other things, they suggested placing areas of the Aegean, crucial to Greek security, under a NATO task force and denied Greece's responsibility for the airspace of her eastern Aegean islands. Later, though, Greek reentry did occur under the plan of the new SACEUR, General Rogers. Apparently completed in haste, however, the "Roger's Plan" remains inactive, thanks to entanglements over the Larissa HQ and to new Turkish objections to the fortification of Lemnos island.

The Greek government argues that, logically, the establishment of the NATO Larissa HQ must follow the prior delineation of the Aegean operational control since this is what the HQ is all about. It also argues, legally, that the island of Lemnos can be fortified on the basis of the Montreux Treaty of 1936, and as shown by NATO's infrastructural works on the island. Thus Greek armed forces have refused to participate in allied exercises and Greece has cancelled Allied Mobile Force manoeuvres when the island of Lemnos was not included in their plan. This helps to demonstrate once again the incorrectness of the NATO view that the Greek-Turkish dispute is "bilateral," given the fragility of the southern flank, as well as Greece's anger at Turkey's concerted challenges, demands and provocations.

Reality of the threat

Could, then, the reality of the threat be doubted? If not, why is NATO refusing to endorse the Greek case?

It might be thought that the threat in question is a Papandreou exaggeration, for domestic and other purposes. Consider, however, the following facts. *First*, the insistence on the threat began when the Karamanlis conservative governments witnessed the invasion and occupation of Cyprus, the tragedy of its people, the manifold Turkish challenges to Greek sovereignty in the Aegean, the parallel statements by the Turkish leadership, and the two countries' preparations for war. *Second*, the Turkish threat was the principal cause of Greece's decision to seek reentry into NATO in 1977, which Turkey's objections postponed until 1980. *Third*, the Turkish threat since 1974 is a constant preoccupation of the Greek nation, given its economic, political and socio-psychological costs. Agreeing on this unanimously, the Greek political parties have placed it at the centre of their foreign and defence policy platforms. *Fourth*, (conservative) President Karamanlis constantly reiterates that the "eastern threat" is Greece's primary national concern. In his March 1984 state visit to Cairo, after referring to the Cyprus occupation, Karamanlis stated: "It is with regret that I have to say that Turkey is leading Greek-Turkish relations to a deterioration through continuous and unacceptable provocations in the Aegean." Finally, little has changed since the Socialist electoral victory. In fact, the Papandreou government has shown remarkable moderation given, for instance, the continued occupation of Cyprus, the apparent Turkish commitment to its partition, the support for the Turkish-Cypriots' UDI, the March 1984 shooting against *Panther*, and the new claims about Lemnos.

If the validity of the Greek allegation is accepted, two questions remain: what are Turkey's motives, and, what should Greece and NATO do? Turkey's political and economic crisis is ongoing. A serious external debt, structural economic difficulties, high and rising unemployment, a population explosion, and an intense civil war partly controlled by the 1980 *coup d'etat*, may explain why the NATO Rapporteur, Mona Rokke, entitled her November 1980 study, "Turkey: A Nation in Crisis." Although domestic considerations are insufficient for an explanation of Turkish nationalism and expansionism against Greece, they cannot be ignored either. (The September 6-7, 1955, atrocities against the Greek minorities in Turkey demonstrated dramatically the capacity of anti-Greek sentiment to rouse the

masses. From a thriving community of 300,000 in 1923, the Istanbul Greeks now number 6,000.)

In addition, the Turkish statements and behavior since 1974 may reveal the Turkish notion that, just as Greece's national weakness after the seven-year Colonels' regime allowed the Cyprus aggression in the 1970s, Greece's military inferiority could be exploited whenever the opportunity arose. Crucial to understanding such motivation is the already effected Turkish strategic role in the region, since the fall of the Shah, the Afghanistan invasion, the Iran-Iraq war and the crisis in Lebanon. Together with being the top recipient of Soviet aid outside the Warsaw Pact (US \$4,155 billion from 1954-1982), Turkey is among the top three recipients of US economic and military assistance (US \$9,612 billion from 1946-1982). The aspiration, therefore, to a further upgrading of her strategic value can help to explain her challenges to the sovereignty of Greece.

Role for statesmanship

Greece's response has concentrated on the Karamanlis-Papandreou "multi-dimensional foreign policy," to strengthen ties with Europe and the Arabs, and to improve relations with the Balkans, the Eastern Europeans and the USSR; on the diversification of Greece's weapons procurement; and on the intensification of her indigenous military industry. As for NATO, it must itself have observed that its own interests are being undermined by the Turkish threat to Greece. The alliance's split loyalties must coexist with the notion that neither ally could be "sacrificed" and that the southern flank disarray cannot continue either.

It thus seems to follow that, since Greece finds her sovereignty threatened by an ally's expansionism, and while Turkey apparently wishes to upgrade her strategic role further, the conflicting values are incommensurable. And given the Greek conviction that the Greek rights are legally entrenched — primarily in the international peace treaties that followed the two world wars, both of which Greece fought on the Allied side at enormous cost — while Turkey's demands appear arbitrary, no compromise would seem forthcoming.

And yet, the conundrum is in urgent need of resolution. One step might be Andreas Papandreou's embarking on a peace initiative towards Turkey — as historical as Sadat's visit to Israel or, better, as the Venizelos-Ataturk Graeco-Turkish reconciliation of 1930. He could well make clear that a new proposal for a non-aggression pact would not imply recognition of Turkey's revisionist demands but would simply be motivated by the fact that neither country could afford the perpetuation of unmitigated crisis. By declaring the Greek resolve to protect at all costs the sovereign rights of Greece, he might convince the new Turkish administration of the futility of further conflict. Even if seen as largely symbolic, the initiative could effect a dramatic change of interstate tone — an indispensable first step.

The Atlantic alliance could only benefit from supporting such a Papandreou initiative, which would in fact amount to an intra-alliance peace mission. After all, the cohesion of NATO's southern flank and the health of the entire alliance seem to be at stake. □

Embattled UNESCO

by Gordon Fearn

Almost since the day of its inception in 1945, UNESCO's initial stock has moved up and down and seems now to be fundamentally in doubt. There are many reasons for this decline: the organization's wide-ranging terms of reference, questions relating to leadership, and concerns associated with the US notice to withdraw from UNESCO at the end of the present calendar year. I think that UNESCO's devaluation is preventable, although in the West this will require more balanced public debate.

UNESCO's constitutional mandate charges it "to contribute to peace and security by promoting collaboration among the nations through education, science and culture." UNESCO's constitution also directs that such collaboration be facilitated by "international agreements as may be necessary to promote the free flow of ideas by word and image." With such value-laden language it is not always possible to distinguish the thin line of separation between information and propaganda.

Culture versus peace

One of the most trenchant critiques of UNESCO's terms of reference is that by Hans J. Morgenthau in his book *Politics Among Nations: The Struggle for Power and Peace* (1978). Quoting a 1948 appraisal by the Carnegie Endowment for International Peace that UNESCO's initiatives "were not always clearly and obviously related to the safeguarding of peace and security," Morgenthau noted that this "defect is congenital, growing from the very philosophy that is at the foundation of the agency and permeates all its activities." He proceeded to question the association between international collaboration in such areas as culture and education on the one hand, and the prevention of war on the other. In Morgenthau's view, UNESCO cannot succeed over and above vital interests of individual states and blocs of states. Indeed, Morgenthau does not favor a cultural approach to engendering a world community; instead he recommends a functional approach in which international agencies such as UNESCO "could create by the very fact of their existence and performance a community of interests, valuations and actions."

Morgenthau is not the first to voice such criticism. In considering the question of a National Commission for UNESCO in Canada, the *Report of the Royal Commission*

on National Development in the Arts, Letters and Sciences (1951) made note of UNESCO's "embarrassingly wide" terms of reference. The Commission observed that Canadians "are somewhat inclined to press for unqualified support for UNESCO as a good thing without attempting to determine what UNESCO does and why." At the same time, the Commission lauded UNESCO's mandate as "a moral obligation laid on all rational beings. . . . The fulfillment of this obligation can be an important contribution to international goodwill and harmony." Even as early as 1951, the Commission presumed that a "more businesslike administration would dispel much criticism; and a concentration on specific and attainable objectives would attract many friends who may now be repelled."

Third World emerges

UNESCO's terms of reference touch many raw nerves, especially in the West. Certainly there is some truth concerning the organization's sweeping mandate. At the same time, some of the more highly developed nations view their own security as threatened by any overtures of equity across nations and indigenous development in the Third World. To some extent, then, the criticism and even the cynicism and derision directed at UNESCO from the West may be thought of as a strategic counter to UNESCO's bold initiatives under the provisions of its constitution, precisely because some of these initiatives — such as that for a New World Information and Communications Order — constitute radical new global departures. To say this is not to deny the possibility that a new international view might emerge — a view in which nations, including those more powerful and influential, may come to recognize that the durability of their interests depends upon a larger collaboration with other nations. However, as will be argued later, one major obstacle to this recognition is the very real possibility that a nation, or group of nations, could become so isolated, through exaggerated criticism and withdrawal, that awareness of a more inclusive community of interest might be slower to develop or not develop at all. If the voters and taxpayers in a nation are constantly bombarded with information (or is it propaganda?) undermining their confidence in an international agency such as UNESCO, eventually they may support hard-line attacks on such agencies. This now seems to be happening in the United States. They may even come to dismiss legitimate claims from the developing and underdeveloped nations by viewing these nations as recalcitrant complainers, living off the largess of the wealthy. As is almost always the case, debates

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concerning terms of reference are really debates about who is to win or who is to lose.

M'Bow controversy

The current UNESCO Director General, Amadou Mahtar M'Bow of Senegal, is said to be at the centre of the present controversy. Many well-informed sources, including western politicians and career diplomats, have been quoted in the media calling for M'Bow's resignation as a prerequisite to reform at UNESCO. Warranted or otherwise, M'Bow's leadership role is said to be representative of operations at UNESCO's Paris headquarters which have been the cause of long-standing concern. While many criticisms predate M'Bow's appointment as Director General, this is of little consequence, given the intensity of the present debate and the implications of the US announcement of its withdrawal effective December 31, 1984.

A revealing account of the role of the UNESCO Director General is contained in Richard Hoggart's book *An Idea and Its Servants: UNESCO from Within* (1978). Hoggart himself was an Assistant Director General of UNESCO from 1970 to 1975. He does not have much to say concerning M'Bow, since the later assumed office only months before Hoggart resigned his post to return to England.

Hoggart described the role of the Director General as "ambiguous" and one of "extraordinary isolation." The Director General is appointed to the position by the General Conference which meets only every second year. While the Executive Board meets twice each year, the Director General remains largely alone in his sense of how to execute UNESCO's work. The organization's constituency of member states is typically divided. The Director General, Hoggart said, "must exercise wide discretionary powers" which has led "to an excessive centralisation in virtually every matter where a decision is needed." The role of the Director General is thus spiked with pitfalls at almost every turn; it is a wonder that any such international agency, with problematic structures working to implement all-encompassing terms of reference, is able nonetheless to achieve many worthwhile ends. Certainly it is clear that a skilled Director General can sometimes negotiate effective political solutions and maintain a healthy balance amidst the many differences, but a less skilled Director General leaves a whole and costly organization vulnerable to attack and possibly to impotence. UNESCO's future vitality and success depend, in Hoggart's phrase, upon finding ways so that the organization can "be made to survive valuably." Hoggart would seem to agree with Morgenthau that "the functionalist case seems a more realistic way of approaching the question of how states may gradually arrive at agreed ways of living together and of yielding sovereign rights." Certainly the two would agree that any consideration of world government is premature at the present time.

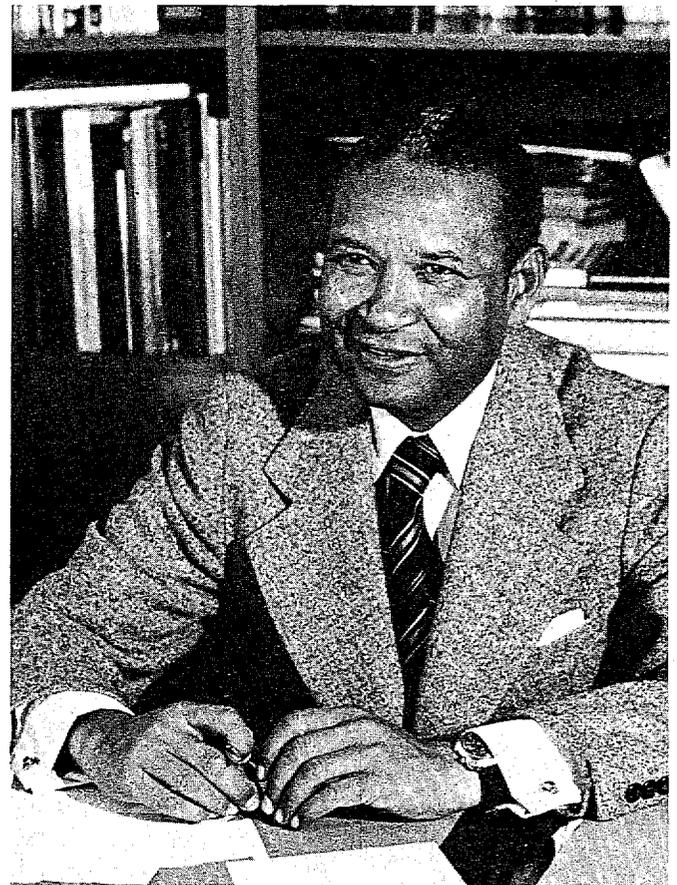
This suggests, at the very least, that it is a simplification to blame all of UNESCO's difficulties on the current Director General. The difficulties are endemic to the organization; a new Director General must always find a way to manoeuvre, to be effective, to survive. M'Bow cannot escape presenting a more conciliatory tone now that there is such open unrest: given not only the US audit of UNESCO's accounts and the question of US withdrawal,

but also given the heavy pressure being applied by other western member states.

If it should develop that US actions were in fact used as a ploy to force reforms at UNESCO (the test of which will be a decision by the US to maintain membership in UNESCO), it will still remain to be seen whether officials and national delegations at UNESCO will find effective ways not just to advance intercultural exchange but also to address fundamental questions of inequity in the global community. In such difficult work, effective leadership could make the difference.

Free flow of information

The US attack on UNESCO is embedded in a complex ideological debate extending far beyond dollars or even an appreciation of the benefits of education and intercultural understanding. It is said that freedom itself is at stake. By



Amadou Mahtar M'Bow, Director General of UNESCO

participating so aggressively in this debate, the United States risks moving toward a more isolationist position.

The growing debate concerning the global flow of information and its control lies at the centre of US criticism of UNESCO. Ever since the publication of the major UNESCO-sponsored report on global communication problems (*Many Voices, One World*, 1980), the United States has intensified its campaign of opposition to UNESCO's attempts to balance the flow of information among nations. In particular, the US has viewed UNESCO's evolving communication policies as a threat to such enshrined values as press freedom, without at the same time admitting that freedom of the press also serves

Numbers versus wealth

the ideological purpose of protecting the US position of dominance in the world information system.

The flow of information is not simply that of news flow. The late twentieth century is witnessing the transformation of international economic relations. One consequence is that information is becoming a resource in its own right. Accordingly, to possess the means to control the flow of information (e.g., satellite networks) means strategic advantage in modern economies and in military relations. It is to be expected that the most highly developed nations will seek to consolidate their control of networks of communication. At the same time as it is of vital importance for the less developed and underdeveloped nations to strengthen their capacity to influence the flow of information and its content. From the US perspective, former Secretary of State John Foster Dulles, as early as the 1950s, admitted this when he said: "If I were to be granted one point of foreign policy and no other, I would make it the free flow of information."

Communications and development

Meanwhile, in the United States, and indeed in Canada, very little notice was taken of the fact that 1983 was designated World Communications Year by the General Assembly of the United Nations. This designation was intended to highlight the inseparable link between communications and development. This link was emphasized by the UN: "Without adequate communications infrastructures the developing countries cannot hope to achieve any real measure of self-sufficiency, they will be denied access to the store of knowledge accumulated in the world's data banks, development strategies will have little chance of achieving lasting success and the grand design of establishing a new international economic order will be seriously compromised."

The growing strategic importance of information, spurred on by economic crisis and the burgeoning micro-electronic revolution, makes it likely that those in dominant positions will fight back. The US notice of withdrawal from UNESCO must be viewed, at least in part, in this larger context. However, inasmuch as the ideology of freedom of information obscures power and privilege, especially for those who are the beneficiaries, it is easier for government officials to threaten UNESCO's viability as an international organization (the US contributes some 25 percent of UNESCO's operating budget) than it is to acknowledge that old ways cannot be sustained in a new world more committed to equity and indigenous development of a more lasting kind.

The US notice of withdrawal from UNESCO is regrettable in part because such action may serve to strengthen possible US intransigence and thus to further obscure possible remedies to important world problems. When, for example, only four news agencies — all of them based in the West, two of them in the US — provide more than 90 percent of the foreign news printed by the world's newspapers, it does not solve anything to dismiss UNESCO's analysis, as some do, with promises of western exchange and fellowship programs for journalists from developing nations. Likewise, it will not do to have even the esteemed Walter Cronkite accuse UNESCO of waging "a prolonged assault on the idea of a free press and a genuinely free flow

of information around the world." What such statements do is to buttress the present technological and economic advantage of the United States with ideological appeals, a powerful tool in sheltered sections of the US. All the earlier rhetoric combined now with the notice of withdrawal and the audit, not to mention other actions against the United Nations system, oversimplify the view of the world from within the United States. This alone could lead to a further destabilization of relations in the international community, because the US might come to feel less confident of its position of responsibility to that community.

US not alone

The United States is not alone in its concern or possible intransigence. The recent bilateral tension between UNESCO and the US has now become a multilateral chorus of pressure on UNESCO and its Director General. Because UNESCO has become so identified with Third World nations and issues, this buildup of concern threatens to be transformed into a North-South conflict of considerable magnitude as Third World nations become more aware of the connection between their underdevelopment and their liabilities to the more developed nations. The battle for influence (if not outright control) over UNESCO's constitution, budget and programs is thus a microcosm of what is perhaps at present one of the chief tensions in the world community. Further destabilization is a real possibility; every effort should be made, including the negotiation of concessions all around, if international agencies like UNESCO are to play any tangible role in support of a durable peace.

The link between communications and development, constitutionally so central to UNESCO's mandate, is symbolic of the larger challenge of building this durable peace. The 1980 UNESCO report previously cited also said: "The dangers of war are heightened by intolerance, national chauvinism, and a failure to understand varying points of view." The US notice of withdrawal from UNESCO is chauvinism or more, and will be seen that way by the peoples of many other nations. For isolationism can be other-imposed as well as self-sought; and in a world with relatively few international institutions of any kind — institutions capable of binding the peoples of different nations and different ideologies together — to pick up one's marbles and go home is hardly the pathway to rapprochement, deeper understanding and a lasting peace. The place of the United States in the evolving world community surely will be more secure if that country, and all others, chooses to strengthen existing international ties by mutual accommodation.

Some honest soul-searching and a measure of prudence are needed for future security and well-being. It matters little whether it is UNESCO or some reformed United Nations system that is in question. What matters most is that multilateral channels are forged and constantly charged with new energy. If, by threatening to withdraw from UNESCO, it is the US intention to inject new life into this organization, then surely less risky means are available. But if this action is intended to further wage an ideological war, it surely would be more beneficial, for livelihood and global peace, to follow a course less inclined toward isolation and intrigue. □

Third World women and development

by David McKie

Third World rural development is a consultative process. International aid agencies such as the Canadian International Development Agency (CIDA), for example, consult Third World governments about implementing certain projects. But up until now, an important human element has been missing from these discussions: women. For decades, they have stood on the sidelines as frustrated and peripheral bystanders to development schemes. Their poor economic status has denied them the fundamental recognition as the farmers, tutors and unofficial heads of households that they are.

There is evidence that all of this is changing. But it has less to do with philanthropy than it does with common sense. Women are just too important to be ignored. In Africa, for instance, where 80 percent of the people live in rural area, women do about 70 percent of the work. Since they do most of the work, it follows that they should be consulted about labor-saving farm technology. In her paper entitled "Agents of Change: Women and World Development," Dana Peebles of the North-South Institute in Ottawa writes: "Women's contribution to their national economics makes them a key to the success of development programs and planning. Consequently, development programs must focus on women in order to be effective."

Status of Third World women

The problems of Third World women were catapulted into the global spotlight in 1975 during the opening ceremonies of the United Nations International Decade for Women. For the ensuing nine years it highlighted their prominence in development, as well as the extent to which women were left out of important decisions. A statement by the UN noted that "women represent 50 percent of the adult world population, one-third of the official labor force, perform nearly two-thirds of all working hours, receive only one-tenth of world income and own less than 1 percent of world property."

But it does not end here. Women are also disadvantaged in the social realm. Although the spectrum of cultural differences precludes generalizations, it is fair to say that women are, to use the expression of one Kenyan woman living in Canada, "beasts of burden." Their traditional work in the subsistence sector means long hours on the family farm with babies strapped to their backs; it means walking miles to fetch water and firewood; it means tending to animals; it means pounding grain, cooking, cleaning and caring for the children when the day is over. And if this were not enough, they are also unceremoniously relegated to the ranks of second-class citizens. There are

many examples of this. Take the Gambia. It is one of the few countries in Africa where women own farmland through direct ownership or inheritance. A year ago, the women saw the farmland slipping through their grasp. The village headman had leased their land, along with unused village swampland, to the government for fifty years. In the name of progress, work began on a major new development scheme to turn the Gambia into a self-sufficient, rice-producing nation. At a cost of \$16.48 million, the project was funded by the international aid community and European governments. The Gambians are managing the project under the tutelage of Dutch assistance. And when it is all over, 1,500 hectares of swampland will be converted into higher-yielding plots.

The women have no argument with the intent of the project. Anything that reduces their workload means they can spend more time with their families. What the women do not like is the way in which the project was conducted. The village headman never consulted them before selling the land. Mariama Koita is one of the spokespersons for the women and she says "When you're born, you're given land by your mother. It becomes your land . . . Even the village headman hasn't the right to take that land away from you." Mariama was told that she and the other women would have the right to use the land once it was redistributed, but she dismisses this reassurance as empty rhetoric.

Tokenism

Fortunately, the decade for women has done much to change the status quo for women like Mariama. For example, many of their governments have established national women's bureaus, which serve as finely-tuned sounding boards for disenfranchised voices. True, some of these bureaus may be mere token gestures, but, says one Canadian development expert at Carleton University in Ottawa, at least tokenism for women is a step in the right direction. "It has taken us [Canadian women] years just to get tokenism."

As one discusses women's roles in the Third World, many questions come to mind. If women are so important, why has it taken so long for their governments and the rest of the world to recognize this? Is this new recognition just tokenism, without substance or commitment? If it is not, will Third World governments and international aid agencies maintain their progressive moods long enough to implement far-reaching reforms?

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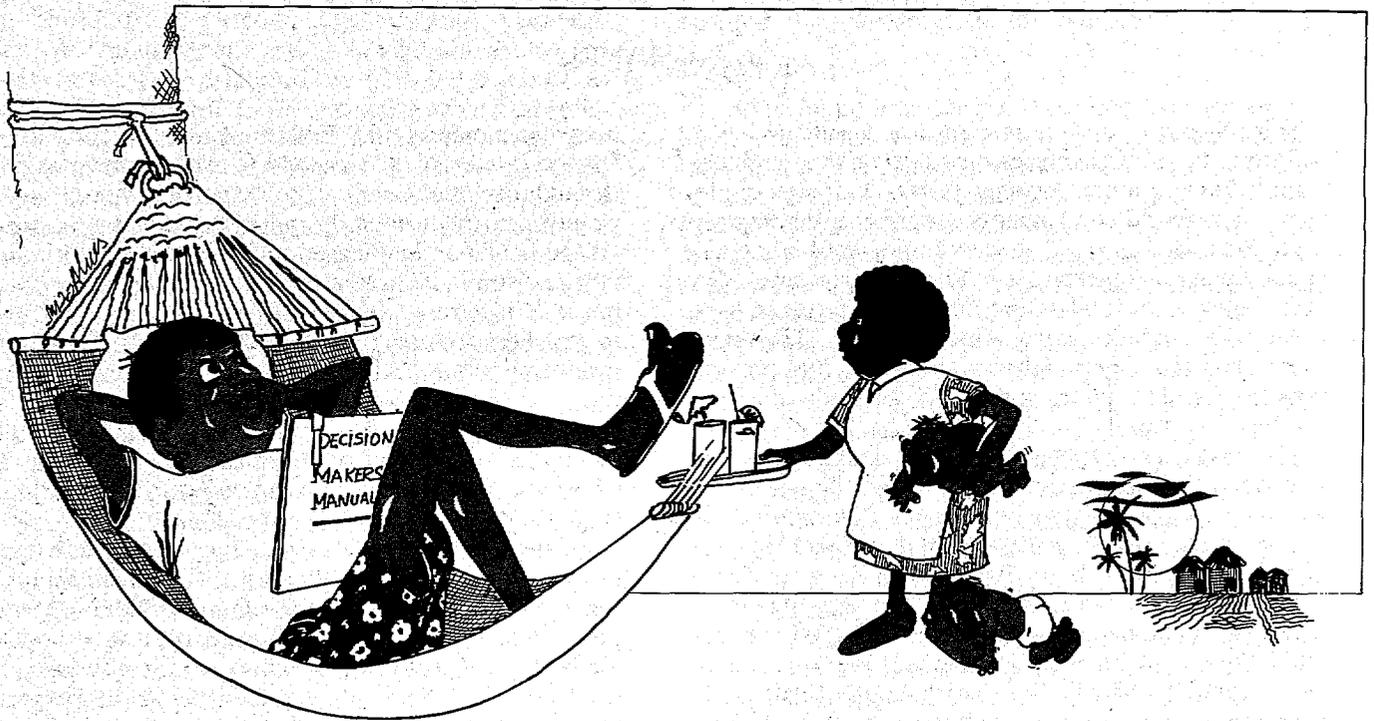
Ending the Women's Decade

These are vital questions, and people in international development claim they are ready to answer them. Margaret Catley-Carlson says she is determined to usher in a reformist era. As President of the Canadian International Development Agency (CIDA), she maintains that development simply cannot take place without more input from Third World women. "Development is only twenty to

hoe is a great technological advance over no hoe; and the hoe — unlike the shovel — is an implement barefoot women can handle.

To tie or not to tie

Criticism of bilateral aid has been relentless. Evaluators claim that aid is not as benevolent as it seems, because



twenty-five years old, and it has taken time to develop good projects by governments composed mostly of men," she says.

These projects must include more than just technological development. They must incorporate services such as literacy training. Although women comprise two-thirds of the world's 800 million illiterates, they are seldom offered these services. This is startling considering they are the primary educators of their children. Women are the key to increasing literacy, a skill essential for the dexterity needed to affect technological evolution. For years this intellectual power has been imported from developed countries where literacy has opened up new worlds for innovators. Therefore, literacy is required in order to provide Third World minds with the raw materials needed to spark their own evolution.

Indeed, it would be nice if it were as simple as offering literacy courses. But experience has demonstrated that there is more to it than that; domestic and farm responsibilities leave women little time to explore new avenues. The key then, is to reduce the time they spend doing their farm and domestic chores. And this can only be achieved through labor-saving farm technology. Even the common

of the lack of attention given to pursuing and implementing simple technologies. Instead, they say, bilateral aid is biased toward massive projects such as railroad and electrical power-generating construction. In Canada, critics are levelling their harsh words at CIDA, the much-maligned federal government agency. For years they have been attacking CIDA's tied-aid policy, which stipulates that countries have to shop in Canada with 80 percent of their aid money. And at least two-thirds of those purchases must be linked to Canadian goods and services. Since CIDA operates with public funds, it has to remain accountable to the Canadian electorate, which, traditionally, has always demanded maximum financial benefits from our aid dollars. One CIDA official puts it another way: "It seems that tying aid is a prerequisite to public support." Lynn Mytelka, a development expert at Carleton University, does not sympathize with CIDA's dilemma. She remains critical: "Trying aid to the degree we have done horribly distorts the development process . . . The time I have been in the development field, which is about fifteen years, we have passed through one set of prescriptions after another, and none of them have worked . . . Many have been forced down the throats of Third World countries against their

better judgment" because there was no choice.

The North South Institute, a watch dog of bilateral aid, has also joined the chorus by claiming that the situation is worsening. The basis for this criticism is the Institute's two-year evaluation of aid policies involving women in development. The evaluation is still in the drafting process, but sources indicate that it will contain harsh criticism. The Institute is not against firms benefiting from foreign aid. However, these benefits should not be the main engine guiding our bilateral program; the needs of the poor should also be a guiding force. "We are trying to do too much with our aid dollars," says one official.

Aid/Trade Fund

Ever since the new CIDA budget was introduced in February, detractors have increased their criticisms, including complaints about the proposed Aid/Trade Fund, which will subsidize private sector industries willing to do business in Third World countries. It has always been the intention of the government to increase CIDA's budget from less than 0.5 to 0.7 percent of the Gross National Product by the end of the decade. In the recent budget statement, it announced that up to one-half of the increased expenditure would be directed into the Aid/Trade Fund. Critics see the Fund as another exploitation of our aid dollars. Last April an editorial, entitled "Ottawa's Aid/Trade Fund, a marriage of convenience," in the *Toronto Globe and Mail* summed it up this way: "Aid/Trade seems

certain to skew development priorities. Instead of funding projects in slow-growth countries such as Senegal, Haiti and other core countries, Aid/Trade is bound to look to semi-industrialized states such as South Korea which have faster growth, a larger appetite for imports and a better credit rating." Catley-Carlson dismisses this criticism with the assurance that development will, and always has been, the priority of CIDA. She says the proposed fund would not change that.

Whether the Fund succeeds or not, the fact remains that CIDA is a cumbersome bureaucracy with a focus too broad to include local projects. It just does not have the time to worry about small groups like Mariama and the women in her Gambian village. Even CIDA will partially admit to the accuracy of this observation. Since it does not have the time to concern itself with grassroots operations someone, or some group, has to fill the void. And this is where Canadian non-governmental organizations (NGOs) come in.

Funded heavily by CIDA, these NGOs fulfill a vital mandate which embraces local concerns. Match International is such an organization, that operates within the narrow confines of a specific mandate. It believes that development initiated by women, for women, is one of the best ways to ensure the well-being of the family. The Match staff thrives on the belief that self-reliant women are in the best position to help themselves and resist exploitation.



Women hoeing in Sri Lanka

Ending the Women's Decade

Match International was yet another response to the dilemma of women in development. It opened its doors during the first year of the decade for women. And since then it has been funding local women's groups that submit project proposals — that is, of course, if they are capable of reading and writing. The proposals vary, depending on the needs of the group. Right now, Match is overseeing a leather-making workshop in Peru where women can earn extra money; it is also providing funds to another group in Thailand determined to learn about their legal rights. Each year Match funds twenty-five of these projects — last year it received two hundred proposals.

Role of NGOs

As mentioned earlier, other NGOs are paying more attention to women's progress in the Third World. The Canadian Council for International Cooperation (CCIC) is a national body for major Canadian NGOs, about 90 out of 350. In 1982 the CCIC established an Inter-Agency Working Group on Women and Development, which, through its weekly meetings, formulates policies and advises member NGOs on women's issues.

Further impetus for change came from a meeting earlier this year when the Development Assistance Committee (DAC), of the Organization for Economic Cooperation and Development (OECD), adopted guidelines for member agencies such as CIDA. The guidelines were a strong reminder that policy makers must treat women in development as a major issue. So far policy makers have been only too happy to oblige, but not before they offer a note of caution. They observe that establishing rules of conduct is a delicate process. It is one thing to export our technology; it is another to promulgate our ideologies. As the women's movement gathers momentum within our North American borders, there is a temptation to apply the same criteria to women in the Third World. In our zeal to liberate them

from their social, economic and political despond, we forget that they may subscribe to a different creed. For many women in developing countries, equality is only achieved through a myriad of complex solutions. And this is a task that CIDA says it is willing to tackle.

CIDA has appointed Elizabeth McAllister to evaluate its projects for their ability to include women. Given the number of projects initiated or contracted out by CIDA, McAllister's task will be an onerous one. Even though she is making sure that project managers and officers are adhering to the new sex-related criteria, McAllister is not in the business of sensitizing, or lecturing her colleagues on women's rights. Rather, she is making sure that corporate management structures are in place to facilitate the involvement of women. And there are many other government and non-government agencies in Canada and around the world doing their part to ensure that women in developing countries receive due recognition.

But this aid means nothing if women are not willing to fight for their rights through local organizations. There is evidence that this is beginning to happen. It is through the National Women's Organization, for instance, that the needs and interests of Nicaraguan women are not only addressed, but defined and defended in the legislative and judicial process. At one of its many meetings, the Organization spoke to 100 farmers. The meeting provided a forum to vent frustration about arduous routines as workers, mothers and wives. These farm women also cited instances of discriminatory practices — in spite of legal reforms. More of this determination is needed, because women in the Third World (as well as women in our own society) have a long way to go before they receive equality. But the international decade for women has elevated our collective conscience. When the decade draws to an end next year in Nairobi, the struggle, in which women like Mariama strive to improve their lot, will still be going on. □

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Bilateral Relations

| | |
|----------------------------------|---|
| U.S.A. | 2 |
| Other countries (alphabetically) | 6 |

Multilateral Relations

| | |
|-------------------------------|----|
| Central America | 14 |
| European Economic Communities | 15 |
| International Law | 15 |
| NATO | 16 |
| OAS | 16 |
| OECD | 16 |

Policy

| | |
|--------------|----|
| Aid | 17 |
| Defence | 18 |
| Disarmament | 18 |
| Finance | 19 |
| Human Rights | 20 |
| Immigration | 20 |
| Trade | 21 |

| | |
|----------------|----|
| For the Record | 22 |
|----------------|----|

"International Canada" is a paid supplement to International Perspectives sponsored by External Affairs Canada. Each supplement covers two months and provides a comprehensive summary of Canadian government statements and of political discussion on Canada's position in international affairs. It also records Canadian adherence to international agreements and participation in international programs. The text is prepared by International Perspectives.

Bilateral Relations

USA

Garrison Diversion Project

In late April meetings were held in Washington among the governments of Canada, the US, Manitoba and North Dakota on the disputed plan for construction of the Garrison Diversion project in North Dakota. The two countries reached a general agreement on safeguard measures to protect Manitoban territory (land and waterways) from possible damage resulting from the diversion scheme.

While Canada expressed "unalterable opposition" to Phase II as currently planned, it agreed to several features of Phase I, including the construction of the Lonetree Dam. At the same time, the US administration expressed a willingness to "support initiatives to broaden studies" of alternatives to projected Phase II irrigation systems, according to a *Citizen* report April 26. Assurances were also forthcoming that "no construction should proceed which would adversely affect waters flowing into Canada." Both sides expressed satisfaction in the progress of the talks, primarily with regard to the issues raised by Phase I, in a joint statement issued after the meetings. Among the safeguards agreed upon was a fish screen on the McClusky Canal suggested by the joint Garrison technical committee, designed to "prevent spillage of plant and animal life from the southward flowing Missouri system into Manitoba waterways that drain into Hudson Bay." Canadian concerns about the Garrison project have centred upon the possibility of damage to Manitoba through the incursion of alien plant and animal life — biota transfer (see "International Canada" for February and March 1984).

Making a statement in the House of Commons May 1, Manitoban MP Terry Sargeant (Selkirk-Interlake) expressed satisfaction that Canadian representations to the US administration had been successful in securing an accession to requests for changes to the project. Mr. Sargeant called the US agreement to fund studies for alternative designs as "one small, albeit important step" in the Canadian endeavor to have the irrigation scheme "re-designed so as not to affect Canadian waters on the northern side of the Continental Divide."

On May 8, Mr. Sargeant made a motion in the Commons concerning the "advisability of taking those mea-

asures necessary to ensure that there is no damage caused to the Manitoban environment by the completion or construction of the Garrison" diversion plan. Included among such measures were continued "diplomatic action" to secure plan amendments, the provision of "legal and technical assistance" to Canadian groups seeking to halt the project, and an appeal to the World Court should Canada prove unsuccessful in securing "satisfactory assurances" with regard to the future safety of the Canadian environment. After providing a lengthy elaboration on the issues involved in the Garrison project, and its twenty-year history, Mr. Sargeant concluded with a plea for continued government and private sector efforts to secure from the US the changes necessary to safeguard the "delicate balance" of the northern environment.

In response to Mr. Sargeant's motion, Parliamentary Secretary to Minister of National Revenue Kenneth Robinson acknowledged that the recent, partial consensus achieved in negotiations was not a "complete victory," but rather an "important step," and reiterated the government's objectives in continuing with the Canada/US consultative process:

First, to ensure that technical modifications and safeguards for phase one Garrison features are fully adequate; and second, to obtain clear, credible and publicly convincing assurances from the US Government that phase II as planned will never be built.

John Gamble (PC, York North) expressed criticism of Mr. Sargeant's motion, in that an appeal by Canada to the World Court would most likely be counter-productive in dealing with the US as being "offensive and objectionable." Mr. Sargeant had himself signified in his opening remarks that this particular aspect of his motion might no longer prove efficacious in view of recent developments. Mr. Gamble was answered by Ron Irwin (Lib., Sault Ste Marie), who stated that continued Canadian "concern" was necessitated by US actions with regard to the project (primarily in the area of increased funding). Mr. Irwin called for an increased public awareness of the issue to provide a back-

ground for positive and successful Canadian government representations.

In Washington May 17, a deferral announced three days earlier of \$5 million in construction funds allocated in the 1984 Garrison budget was reversed by the White House following representations from Western congressmen. The White House in announcing the deferral, had stated that should Congress not approve the 1985 portion of the project, the funds would have been wasted. Pressure had come from North Dakota Senators Mark Andrews and Quentin Burdick (criticized by MP Terry Sargeant in his motion as opposed to the allocation of funds for the study of alternatives), who have worked to keep the Garrison project alive (*The Citizen*, May 18).

Gulf of Maine Dispute

On April 2, Minister of Justice Mark MacGuigan presented the oral Canadian case in the Gulf of Maine maritime boundary dispute before the World Court in The Hague. Speaking before the arbitration hearing, Mr. MacGuigan issued a statement outlining both the Canadian position and the Canadian view of the American position on setting "a single Maritime boundary dividing both the continental shelf and the 200-mile fishing zones of neighbouring coastal states." (This represents the first time that such an issue has been adjudicated in the World Court.) Mr. MacGuigan characterized the divergent claims of the two governments (Canada claims half the Georges Bank, while the US claims it entirely) as more "than a simple quantitative difference." Portraying a decision supporting the American claim as potentially "a heavy one" for Canadian fishermen (effectively banning them from a traditional fishing source), the Minister noted that the dispute was essentially of a qualitative nature — the issue for Canada being of greater importance (both in the area of fishing rights and mineral resources). Canada claims "undeniable rights and established interests" in the Georges Bank, rights which would be denied by a pro-US decision. Mr. MacGuigan therefore called for a fixing of boundary limits that would be "equitable" but "founded in law."

Four main arguments were presented by Mr. MacGuigan in support of the Canadian case.

- The Canadian Line established on the basis of equidistance gives appropriate expression to the geographical configuration of the Gulf of Maine areas and to the coastal relationships of the parties.
- An equidistance boundary is consistent with the distance principle as the legal basis of title to the 200-mile zone;
- The greater Canadian economic dependence on the disputed area represents a relevant factor.
- A history of the dispute supports the Canadian use of equidistance.

Concluding, Mr. MacGuigan stated that the American claim to "dominance" and its insistence on the need for a "buffer zone" constituted "a step backward, not a step forward — a new form of isolationism, and no form of law," in the equitable international delimitation of maritime

boundaries (Government of Canada press release, April 2).

Speaking before the Court, legal adviser to the Department of External Affairs Leonard Legault termed elements of the US claim as "as inconsistent with the law as it is with common sense." Mr. Legault stated that the US claim to priority for its coast, with the concomitant "unequal entitlements," had no authority in law. The Canadian case was elaborated upon in later testimony, when officials spoke of the inequitable nature of the American "macrogeographic perspective" (which, with its "adjusted perpendicular line," would leave Nova Scotia as an aberration on the Atlantic coast). Canada has maintained that a resolution fixing boundaries must be based upon an examination of the relevant area, not upon "the entire North American continent" (*The Citizen*, April 3 and 4).

Presenting the American case in the second week of testimony, US representative Davis Robinson cited historic links with the Georges Bank as supporting the claim for US jurisdiction. Mention was also made of a 1945 proclamation issued by then-President Harry Truman, claiming exclusive US control over parts of its continental shelf to a depth of 100 fathoms — a proclamation against which Canada had expressed no objections. In addition, the US suggested that a pro-Canadian World Court decision could establish a precedent for the flaring up of international conflicts over maritime boundaries. This would uphold the Canadian contention that American "restraint" in issuing exploration leases in the 1970s qualified as a recognition of Canadian jurisdiction. Mr. Robinson called for a respect "for the integrity of the law" to secure order in the international community (*The Citizen*, April 11 and 12).

Consideration of the Canada/US case was postponed May 3, as the World Court interrupted preliminary deliberations to determine its jurisdiction in the complaint brought by Nicaragua against the US administration in late April (*The Citizen*, May 4).

Sectoral Free Trade

The issue of liberalized trade between Canada and the US received continued attention during this two-month period, with a majority of government and industry spokesmen expressing a favorable view of sectoral free trade between the two countries (see "International Canada" for February and March 1984). A mid-April meeting convened by the Brookings Institution in Washington, DC, and gathering together both Canadian and US representatives involved in bilateral economic relations, revealed the generally positive Canadian attitude toward freer trade. While former External Affairs Minister Mitchell Sharp raised a cautionary voice against too precipitous action in the direction of free trade, saying that to do so would "alter fundamentally the direction of Canadian policy . . . in political terms," most conference participants looked toward liberalized bilateral trade as a means for Canadian economic survival. Spokesman Simon Reisman outlined a history of positive Canadian effort toward free trade, especially during times of economic recession when the US has traditionally become protectionist, and stated that no political threat to Canada would arise. Said Mr. Reisman, increased free trade "would not weaken Canadian sovereignty or the resolve to remain independent," but would "strengthen our

purpose and our ability to survive." The American attitude was similarly positive, but reflected the lesser degree of importance attached to sectoral free trade by the US administration. William Brock, US trade representative, was quoted as saying that "as the larger partner in this exercise, we have to be particularly sensitive to the mood and politics in Canada, and so we have to let Canada set the pace" (*Globe and Mail*, April 13).

Additional support for a freer trade environment came from the Canadian Chamber of Commerce, which issued a brief on Canadian trade policy in May, outlining the business group's attitude. Mentioned in the brief was the need for Canada to seek the removal of trade barriers — both domestically and on the international level. The brief viewed favorably ongoing efforts by the government to negotiate bilaterally with the US on areas for sectoral free trade while awaiting developments on the multilateral front. Noting the emergence of an increasingly "interrelated" world economy with a related shift toward "rationalization and larger-scale production," the brief called for a Canadian effort to capitalize on emerging global markets through the development of "world-class levels of productivity and competitiveness." The removal in specified sectors of Canada/US trade of tariffs, various non-tariff barriers (including voluntary quotas, standards legislation, and local purchasing requirements) and an excessive reliance upon the subsidization of exports, were viewed as a positive step toward a freer trade policy (Canadian Chamber of Commerce press release, May 7).

A report released May 10 by the Ontario Economic Council was also supportive of free trade negotiations with the US, citing among the advantages to be gained, a raising of Canadian productivity and efficiency (through increased international competitiveness), a lowering of inflation, and an increase in employment and wages. The study criticized the trend toward the implementation of industrial strategies and other protectionist measures, and found that "much larger income gains are available through trade liberalization policies" with the US (*Globe and Mail*, May 10).

Speaking before delegates at the Pacific Basin Economic Council's general meeting May 22, External Affairs Minister Allan MacEachen reiterated the Government's policy of support for freer trade with the US (and other international markets). Mr. MacEachen pointed out that "all governments must bear in mind that when we protect uncompetitive industries or try to give an artificial edge to our own firms, we damage the international trade and payments system on which we all depend" (*The Citizen*, May 23). However, just days later, criticism of the Canadian commitment to working out such a free trade with the US was expressed by US congressman Sam Gibbons (Dem., Florida), chairman of the trade subcommittee of the House of Representatives Ways and Means Committee, who said that initial informal discussions had not revealed a Canadian determination to "make the first move," by coming forward with specific new proposals. For this reason, Mr. Gibbons has advocated a limiting of the new negotiating authority requested by the administration for the expansion of sectoral free trade with Canada (*Globe and Mail*, May 24).

Territorial Sovereignty

A dispute between Canada and the US over maritime boundary delimitation on the West Coast flared up in May, when the US Department of the Interior offered a public notice March 30 calling for an indication of interest on the part of US petroleum and oil companies in the leasing of offshore exploration and drilling rights in waters claimed by both the US and Canada. The area in question lies off northern British Columbia and the Alaskan Panhandle, at the A-B (or 54-40) line determined by the International Boundary Tribunal in 1903 which settled the Alaska Panhandle dispute. Canada and the US have, since that time, not reached agreement on the location of the boundary beyond the coast. The US contends that the 1903 decision is a purely terrestrial demarcation, not applicable as an extension into coastal waters. The American administration holds that US jurisdiction extends three miles to the south of the A-B line as understood by the Canadian government. For its part, Canada contends that the original wording of the agreement (which uses "line" rather than "line of demarcation") indicates both a coastal as well as a terrestrial final demarcation (*The Citizen*, May 12 and 15).

The Department of External Affairs sent a diplomatic note of protest to the US administration over its decision to offer the rights and issue licences. The note accused the US of "encroachments on our sovereign rights" and demanded the withdrawal of disputed territory (areas subject to claims of Canadian jurisdiction) from the leasing arrangement. The protest was based in part on an understanding between the two countries to undertake no leasing in disputed waters until settlement of the Gulf of Maine case now before the World Court and other areas of dispute (including the Juan de Fuca Strait and part of the Beaufort Sea). However, a US Interior Department official, Thomas DeRocco, viewed the Canadian protest as premature and stated that Canada was "misreading totally" the US public notice. Mr. DeRocco explained that the March 30 notice merely called for industry comment in preparation for an official notice planned for August 1984 (*The Citizen*, May 15).

Minister for External Affairs Allan MacEachen was questioned in the House of Commons May 11 by Jim Fulton (NDP, Skeena) as to whether Canada ought not to take the matter before the World Court in the Hague. Mr. MacEachen responded that "present circumstances" did not warrant such a move, and that "all possible bilateral diplomatic avenues" would be exhausted before Canada resorted to the World Court (as had happened in the Gulf of Maine dispute). Mr. Fulton proceeded to request that Prime Minister Pierre Trudeau contact US President Ronald Reagan and notify his administration that the A-B line is recognized as the border.

In the Commons May 15, Minister for International Trade Gerald Regan, in response to questioning on both the sovereignty and environmental issue by Donald W. Munro (PC, Esquimalt-Saanich), outlined the problems involved in attempting to over-simplify the process involved in negotiating and determining underwater boundaries. Mr. Regan stated that "with the extension of territorial limits to 200 miles at sea in all parts of the world, new problems have arisen concerning the territorial boundaries in the underwater area between adjoining countries."

Prime Minister Pierre Trudeau added, on May 16, that the situation did not warrant a direct appeal to President Ronald Reagan, as had been requested by NDP leader Ed Broadbent. While acknowledging that "obviously some disagreement" existed, Mr. Trudeau indicated that the note of protest was sufficient at that time to serve notice to the US administration of Canada's dissatisfaction with the American licensing proposal.

Acid Rain

The US House of Representatives voted 10-9 on May 2 to defeat a proposed amendment to the US Clean Air Act (a bill that would have diminished acid pollution through cuts to both sulphur dioxide and nitrous oxide emissions over the next ten years), a move that further dampened Canadian hopes that the US would take concrete action to combat acid rain, at least before the fall's presidential election. The decision proved a disappointment for Canada, which had announced in March unilateral plans for reducing emissions. Canadian Coalition on Acid Rain spokesperson Adele Hurley characterized the US decision as "one clear signal that Canada has got to get on with the job here," noting that the US has in the past cited Canadian inaction on the acid rain problem as sufficient reason for continued US delays in establishing a costly acid-combat program. Following news of the bill's defeat, both Ms. Hurley and NDP environment critic Jim Fulton pointed out the need for increased Canadian public relations efforts on the issue directed at the American public and elected officials (*The Citizen*, May 3).

Later in May, US Environmental Protection Agency head William Ruckelshaus told a press conference that the US had no plans to follow the Canadian lead in implementing an emissions-cuts program. Mr. Ruckelshaus indicated that the US scientific community had not ascertained definitively that the acid rain problem warranted immediate action — a view expressed by President Reagan earlier in the year (see "International Canada" for February and March 1984). While describing the Canadian plan as a "rational decision," Mr. Ruckelshaus remained unprepared to "suggest similar action" for the US government. A criticism of the lack of concrete steps already taken by Canada in comparison with the US also formed a part of Mr. Ruckelshaus's comments, supporting Ms. Hurley's earlier contention that the US administration looks to Canada for action as well as acid rain rhetoric (*The Citizen*, May 26).

Interviewed in the US June 4, Environment Minister Charles Caccia also spoke on the problem, criticizing the Reagan administration for its inactivity. Mr. Caccia stated that dynamic leadership in the White House was necessary to reach a decision on such an important bilateral issue dividing the two countries. Mr. Caccia rejected the view that insufficient evidence had been accumulated, stating that "we have scientific evidence coming out of our ears. The real reason is the lack of political leadership and will that the US provided so well in the 1970s." The Minister indicated his belief in the need for continued dialogue on the issue, stating that Canada needs "to speak with the people who are shapers of public opinion in the United States to remove the fog which has impeded the visibility of this issue in Washington" (*Globe and Mail*, June 5).

Comments of the Opposition Leader

Speaking before the American Newspaper Publishers Association May 1 in his first major address on Canada-US relations, Progressive Conservative Leader Brian Mulroney pointedly criticized the American media for failing to instill in the American public an understanding of the importance of Canada to the US. Lack of adequate coverage of Canada has led to a consequent "lack of knowledge, misconceptions, and stereotypes about Canada among American politicians and the public," said Mr. Mulroney. Calling for increased mutual understanding, Mr. Mulroney said that a greater American knowledge of the cultural, historical, and ideological contrasts between the two countries was necessary to "explain Canadian political behavior."

In an effort to redress this imbalance of Canada-US awareness, Mr. Mulroney outlined a plan for the creation of small secretariats in the US and Canada whose function would be to "analyse the potentially adverse effects of new policies on each country and anticipate such policies and their effects, in advance." The Opposition Leader considered these secretariats as potentially working towards the minimization of friction between Canada and the US. They would be designed to "expedite conciliation and the development of alternatives to potentially damaging initiatives," through the provision of expert analysis (either through permanent staff or outside expertise). Mr. Mulroney added that a continued harmonious relationship between Canada and the US would be promoted through the secretariats, acting as deterrents to "the linkage of existing bilateral irritants" (Office of the Leader of the Opposition press release, May 1, *The Citizen*, May 2).

Niagara S-Area Dump Court Case

Making a statement in the House of Commons April 13, Joe Reid (PC, St. Catharines) criticized the Environment Ministry for failing to meet the deadline established by United States District Court Judge Curtin for Canadian intervention in the Niagara S-Area Dump cleanup settlement between Occidental Chemical Corporation and the US government. Mr. Reid noted that only the Province of Ontario would be permitted the opportunity to "present and challenge evidence, to appeal the court decision, or to monitor conditions of settlement." Stating that Environment Canada had determined the proposed settlement to be "unsatisfactory," Mr. Reid called upon the Canadian government to become involved (through the provision of assistance to citizens' groups proposing to file lawsuits) "against Occidental Chemical for alleged environmental damage created by that dump site."

When the case presented by Ontario came before the US court in early May, criticism was lodged by environmentalists that Ontario had done "a pathetic job" in challenging the proposed settlement. Pollution Probe spokesperson Kai Millyard cited ill-preparedness as responsible for leading to a probable failure of Ontario's case (which had called for the removal and destruction of the dump chemicals rather than the proposed attempt to stop leakage). While Ontario officials claimed that new evidence had caught them by surprise, critics had countered that a request for an adjournment would have enabled them to absorb new information and alter previous calculations. Public interest

groups, denied entry to the hearings by Judge Curtin on the basis that their interests were adequately represented by New York and Ontario, also criticized the Ontario presentation on the score of incomplete research and improperly prepared witnesses (only two of whom were called). The case was adjourned and reopened in late May for the presentation of written arguments (*Globe and Mail*, May 5).

ALGERIA

Ministerial Visit

Following an earlier official visit to Tunisia, Minister for External Relations Jean-Luc Pepin proceeded to Algeria April 25 to 30, and, with Algerian officials, engaged in the coordination of results achieved during recent bilateral ministerial talks held both in Canada and Algeria. With Prime Minister Abdelhamid Brahimi and Foreign Minister Ahmed Taleb Ibrahimi, Mr. Pepin discussed the growth in economic and political links between the two countries as well as international issues of common concern. Canadian public and private sector expertise in the fields of telecommunications, transportation, agro-industry, tourism and public works was promoted by Mr. Pepin during the talks in an effort to increase technological and commercial cooperation. Mention was also made of an available \$542 million EDC line of credit for financing projects. Exchanges were also planned between Canada and Algeria in the field of technical and scientific training, such as an anticipated exchange between Radio Canada and Algerian Radio and Television (External Affairs press release, April 30).

BRITAIN

Convention Signed

Canada and the United Kingdom of Great Britain and Northern Ireland signed a Convention in April providing for the reciprocal recognition and enforcement of judgments in civil and commercial matters. The signing was announced jointly April 25 by Secretary of State for External Affairs Allan MacEachen and Minister of Justice Mark MacGuigan, and was designed to simplify existing procedures prevailing between Canada and the United Kingdom with regard to foreign judgments in such matters. With the accession of the United Kingdom to the European Convention in 1968, that country was required to recognize judgments of member European Community states rendered against Canadian assets in the UK. The newly-signed bilateral Convention will minimize consequences to Canadians arising from UK membership in the EEC. In the announcement, Mr. MacGuigan noted the necessity of negotiating such an arrangement at present because of a marked increase in commercial dealings and litigation involving persons in Canada and the UK (Government of Canada press release, April 25).

CYPRUS

Support for Reunification

In response to questioning in the House of Commons April 3 by Thomas Siddon (PC, Richmond-South Delta) with regard to Canada's position on "recent proposals of UN Secretary General Perez de Cuellar for gradual steps toward the reunification of Cyprus," Minister for International Trade Gerald Regan responded that Canada holds the taking of territory in Cyprus to be not subject to recognition. Canadian support for the UN Secretary's initiative was evident, according to Mr. Regan, in the fact that Canada holds that:

The present situation is not based on international recognition or acceptance. It therefore follows that efforts by the UN to bring about a restoration to the conditions and structure on the island, as it previously existed, would be a positive step in that direction.

Mr. Regan, when further questioned about possible Canadian representations to the Turkish and US governments about the withdrawal of Turkish troops on the island, answered that Canada would continue to maintain a strong "commitment to peace and stability," and that the Canadian position on the destabilization resulting from previous "military action" was known in both Ankara and Washington.

EL SALVADOR

Canadian Electoral Observers

Immediately prior to his departure for an April visit to Central America, External Affairs Minister Allan MacEachen, while in Washington, turned down a request from US Secretary of State George Shultz that the Minister add El Salvador to his itinerary as an indication of Canadian support for US-backed political forces in that country. Mr. MacEachen reiterated the Canadian position of support for the Contadora peace process and a general demilitarization of the region, and further stated that "third-party intervention by anyone" was not an acceptable alternative. The decision not to include El Salvador in his Central American tour was described by the Minister as not having "any political connotations." Mr. MacEachen did, however, indicate a willingness on the part of Canada to send a team of observers to monitor the Salvadoran electoral runoffs held in May, in order to continue testing "Canadian policy against the reality" through "objectivity and on-the-spot investigation" (*Globe and Mail*, April 3).

On April 4, the Department of External Affairs released the final report of the Canadian observer team on the first round of the Salvadoran election process which had taken place March 25. Figures based on Canadian embassy (Costa Rica) calculations of known results were as follows:

— a voter turn-out of 1,278,000 was achieved (substantially larger than the first observer report had predicted), represented by 43.41 percent for

the Christian Democratic Party, 29.76 percent for the Nationalist Republican Alliance (ARENA), 19.31 percent for the National Conciliation Party and 7.52 percent for remaining parties.

The observers also noted that "no evidence [had] been forthcoming of fraud or intimidation which would change the conclusions" which had been reached. As well, technical difficulties which had marred the first round were likely to be corrected before the runoffs (External Affairs press release, April 4).

The Government announced April 27 that it would accept a Salvadoran invitation to send an observer team for the second round of the presidential elections during the period May 2 to 9. Gordon Fairweather, a member of the original three-man team, was unable to attend and was replaced by Warren R. Bailie, Chief Election Officer of Ontario. Completing the Canadian contingent were R.A. Gould, Assistant Chief Electoral Officer for Canada, and F.M. Filleul, Canadian Ambassador to El Salvador. Mr. MacEachen expressed continued confidence in the team's ability to provide an objective and factual account of the electoral process (External Affairs press release, April 27).

Following the May 6 runoff, in which both Christian Democratic candidate José Napoleon Duarte and Republican Nationalist Alliance (ARENA) leader Robert D'Aubuisson claimed a victory based on party counts, the Canadian observers found that despite "minor irregularities" the second round reflected "a genuine effort to improve upon the performance" in March. Team member F.M. Filleul mentioned improvement in the "procedures for directing people to polling locations and in the delivery of voting material," according to a *Globe and Mail* report May 8. Speaking to reporters, Mr. Filleul acknowledged that there was "a very good chance" that the armed forces would respect the electoral results, and Mr. Gould reported that his observations "indicated that the military were impartial."

The preliminary report of the observer team was released May 9 and outlined changes made in the electoral process designed to alleviate the confusion surrounding the previous election. Included in the changes were an updated voters' list, a more expeditious delivery system of voting supplies, a more efficient system of announcing polling station locations, and an alteration in the mechanics of the balloting. Having visited "a large number of voting locations prior to and during election day," the Canadian observers noted a greater degree of "ease" and "efficiency" in the running of the second election. The team concluded that "strenuous and determined efforts by the Central Electoral Council" had reduced previously reported shortcomings in the electoral process, with voting and counting taking place "in an atmosphere of freedom, patience, good will and even good-humour" despite some "miscalculation on the allocation of ballots" and some reported "instances of . . . pressure on voters by party workers" (although not directly observed by the team members). Guerrilla activity on election day was limited and did not effectively disrupt voting. With voter turnout appearing to be high, the observers concluded that, should the total vote exceed one million, "the results broadly reflect the will of

the Salvadoran people" (External Affairs press release, May 9).

Jose Napoleon Duarte was officially acknowledged May 11 to have won the runoff election, with votes from twelve of fourteen provinces counted (the remaining two provinces were not considered as able to alter significantly the determined results). It was announced that Mr. Duarte had received 54.3 percent of the votes cast, with Mr. D'Aubuisson having received 45.7 percent. However, officials supporting Mr. D'Aubuisson contested the accuracy of the final count, claiming election fraud. Mr. Duarte, in turn, called upon the nation to work against the "destabilizing" influence of ARENA (*The Citizen*, May 12). On May 14, Mr. D'Aubuisson and his party filed an official petition challenging the election results, citing as reason for doing so "grave irregularities committed by the Central Election Council and also for the council's serious violations of the political constitution." An upholding of the challenge by the election commission would nullify the Duarte victory and force another election (*The Citizen*, May 15).

The Department of External Affairs released the final report on the second round of elections compiled by the Canadian observer team May 29. The team members concluded that "an impressively large percentage of the voter population freely expressed their choices . . . [in] a fair and well-administered election devoid of any significant indications of fraud or intimidation." Because of the clear Duarte majority, the report went on, the results proved "satisfactorily conclusive." As well, the election process was considered to have been an "impartial mechanism" for the presidential selection. Final official figures were 53.6 percent (of total valid votes cast) for the Christian Democrats and 42.8 percent for ARENA (External Affairs press release, May 29).

FRANCE

Agricultural Delegation

A French delegation, headed by Minister of Agriculture for France Michel Rocard, arrived April 30 on a two-day visit to Canada for meetings with Agriculture Minister Eugene Whelan, other Cabinet Ministers and ministry counterparts. Discussed during the meetings were Canada's supply management programs for agricultural commodities, plant and animal health issues, agricultural research and trade matters. Other topics mentioned included French involvement in reform of the agricultural policy of the European Economic Community (EEC), activities of the World Food Council and world food programs in general (Agriculture Canada press release, April 27).

Boundary Dispute Talks

A second delegation from France, arriving for talks in Canada May 7 to 8, discussed with their Canadian counterparts an ongoing boundary conflict between the two nations. The dispute arose over fishing jurisdiction (as well as oil and gas exploration rights) around the St. Pierre and Miquelon Islands (France) lying off the south coast of

Newfoundland. France has consistently claimed a 200-mile economic zone extending beyond the islands, while Canada only recognizes the older 12-mile zone that was in effect previous to 1977 when the greater limit was established (*The Citizen*, April 27). Canada presented the French delegation with a set of undisclosed proposals which will be examined by France. While not reaching any firm decisions at this bargaining session, officials agreed to continue negotiations next fall in France. The set of proposals reflects an effort on Canada's part to achieve a successful negotiated settlement rather than submit the dispute to third party arbitration, such as the International Court of justice, according to a *Globe and Mail* report May 10.

HONG KONG

Canadexpo 84

Organized by the Department of External Affairs, Canadexpo 84, a trade fair held in Hong Kong May 16 to 20, provided a forum for the promotion of Canadian trade activity with Hong Kong. The show featured a combination of Canadian exporting companies and provincial governments, and concentrated on Canadian capabilities in the fields of high technology equipment, communications, consumer goods, financial services, food products and industrial equipment (oil and gas technology). While targeted primarily at the Hong Kong market, and forming a part of Canada Month in Hong Kong, Canadexpo 84 was also created to reach buyers from the People's Republic of China and representatives from the ASEAN nations. International Trade Minister Gerald Regan stated that the show had resulted in a "significant breakthrough" by Canadian companies into the growing Pacific Rim economies and had worked to establish Canada as a "supplier of sophisticated products" (External Affairs press releases, May 7 and 23).

JAPAN

Dome Petroleum Participation

Japan's Chubu Electric Power Co., representing five firms engaged in a liquefied natural gas (LNG) project with Canada's Dome Petroleum, announced in April that a decision would be made before year's end with regard to a cancellation of further commitment (see "International Canada" — Japan — for February and March 1984). Chubu vice president K. Matsunaga cited Dome Petroleum's continued financial troubles as the reason for setting the target date for a final decision. Without a rapid, successful financial restructuring of Dome, Chubu Electric announced that it would grant no further extensions (three of which have already been allowed) for the LNG project which would be "scrapped" (*The Citizen*, April 13).

Automotive Industry

While the Government continued its negotiations with the Japanese auto industry to maintain import quotas at

present levels, efforts were also being made to increase Japanese investment participation in the Canadian auto sector (both in assembly and component parts manufacture). Speaking in the House of Commons April 11, Bill Kempling (PC, Burlington) asked the Minister of Regional and Industrial Expansion, Ed Lumley, about these efforts. The Minister responded that there were positive steps being made, with a present potential investment of two billion dollars pending for the Ontario automotive industry. Answering a supplementary question about a statistical gathering system to monitor production and import figures, Mr. Lumley mentioned the upcoming creation of an Automotive Council.

Mention was made in the *Globe and Mail* April 17 of an article appearing in the Japanese economic journal *Nihon Keizai Shimbun* that same day which mentioned the possible construction by Honda Motor Co. Ltd. of Japan of a multi-million dollar (upwards of \$100 million) automotive assembly plant in Canada. The Japanese article was reported as stating that investment for the plant would be made by Honda Canada Inc. of Toronto, establishing a wholly-owned subsidiary for the plant's operation. While the report was characterized as "speculative" by Honda Canada representative Ralph Luciw, industry analysts have seen such investment overtures as indicative of a Japanese desire to have Canadian import restrictions eased.

Announcement of the proposed Canadian assembly plant was made in June, when federal Industry Minister Edward Lumley and Honda Motor Co. Ltd. president Tadashi Kume revealed plans for the construction of a \$100 million plant near Alliston, Ontario. Projected production capacity was estimated at 40,000 automobiles per year by 1989. Mention was also made of an automotive parts supplier development program, designed to develop technology and capability and to increase Canadian content through the procurement of Canadian parts. Mr. Lumley expressed the hope that the Honda initiative would prompt other offshore automotive manufacturers to consider increasing their investment in the Canadian industry. However, the amount of the Honda Co. investment was criticized by United Auto Workers union Canadian director Robert White as disproportionate to their total Canadian sales. Pressing for a greater degree of job creation, Mr. White reiterated the UAW call for the creation of Canadian content legislation. Said Mr. White following the Lumley-Kume announcement, "only legislation will guarantee wage-earners and communities some future security" (*Globe and Mail*, June 5).

LIBYA

London Embassy Siege

An April 17 protest demonstration outside the Libyan People's Bureau in London, England, resulted in the death of one British constable and the injuring of numerous demonstrators when a volley of gunfire from within the building was showered upon the assembled crowd. British authorities, sealing off the area, proceeded to lay siege to

the Bureau and called for the surrender of those responsible for the killing. International expressions of outrage at such a violation of diplomatic status (despite the fact that the actual status of the Bureau as an embassy remained unclear) was immediate. Canada joined other nations in registering a strong protest over the incident, condemning the Libyan actions.

Responding in the House of Commons April 18 in answer to a question from Sinclair Stevens (PC, York-Peel), External Affairs Minister Allan MacEachen expressed the Government's "deep shock" at the "indiscriminate . . . unjustified violence which has taken place from the Libyan headquarters . . . where a loss of life and injury to peaceful demonstrators have occurred." Mr. MacEachen continued that the government joined with "the British Government in condemning this terroristic act and [urged] the Libyan Government to take whatever steps are required to end it as quickly as possible." When asked by Mr. Sinclair whether the Canadian government intended to lead in an international process against "this savage breach of international order," the Minister answered that Canada would wait upon the lead of Great Britain before initiating action on its own, while remaining receptive to "association and support" in any British decision for implementing either statements or action."

MEXICO

Presidential Visit

Mexican President Miguel de la Madrid arrived in Canada May 6 for a two-day visit, with trade and finance heading the list of topics to be discussed with Canadian officials, along with the international situation. President de la Madrid made initial comments that day upon the need for "collaboration and joint participation" between Canada and Mexico in endeavoring to solve regional problems affecting both nations, citing the "sharing of a continental reality" as necessitating such an attempt. He also suggested that the good relations existing between the two countries might be used "imaginatively to structure a new dialogue" between North and Central America (*The Citizen*, May 7).

Speaking before both Houses of Parliament May 8, Prime Minister Pierre Trudeau introduced an address by President de la Madrid. Mr. Trudeau noted the "tradition of community and consultation" growing between Mexico and Canada, an enlargement of the bilateral relationship. Praising such ongoing cooperation, Mr. Trudeau noted the "unfortunate" international trend toward the development of "military technology, while political institutions designed to safeguard peace [have] crumbled." The Prime Minister also called for further efforts to develop a constructive dialogue to reconcile differences between East and West, pointing out the similarities in outlook between Canada and Mexico. Independence of "viewpoint, fair mindedness, and common sense" characterized the Mexican stand on world relations, stated Mr. Trudeau. He continued with praise for the realism of Mexico's attitude toward the problems of Central America, saying that he congratulated the

"Contadora members for their imagination and courage in seeking a regional solution to the potentially explosive situation in Central America," and indicated Canada's willingness to assist in constructive action. According to Mr. Trudeau, the position of Canada is to "recognize that the basic causes of instability and conflict are economic and social in nature," and solutions to these problems are to be achieved, not through "ideological arguments," but rather through an examination of the "human needs of the people directly involved."

In his address to Parliament, President de la Madrid called for a concerted effort to reduce international uncertainties caused by "power politics, hegemonic zeal, political intolerance and [the] profound economic imbalances that are so harmful to developing countries." Continued the President, "The world would seem to be skidding down the slope devised by the promoters of force," yet the difficulties in controlling an "apocalyptic arsenal" (a "sterile" force) are becoming increasingly apparent. President de la Madrid chastized national passivity in the face of possible self-destruction, and called for action and an acceptance of international responsibilities. While stressing the Mexican repudiation of the doctrines of deterrence and nuclear balance, the President also praised Prime Minister Trudeau's peace initiative. Advocating an abandonment of isolationism, the President stated his nation's support for both a halt to arms escalation and eventual "complete and universal disarmament."

Speaking on the topic of developing nations, President de la Madrid called again for increased dialogue between East and West — North and South. An increased equity in the international structure was suggested as the only viable alternative for independent progress in economic development, with richer nations providing those just developing with a greater degree of participation in the world economy (as well as a greater share in the benefits). Sustained recovery will only be achieved through international "cohesion and rationality," stated the President, in which the protectionism of the industrialized nations would be tempered to facilitate world trade flows. The President spoke of increased international and continental interdependence as necessary for economic growth and stability, as well as security, and outlined the Mexican national Development Plan aimed at "renovating [economic] approaches, criteria and mechanisms."

Touching on the Central American crisis, President de la Madrid cited the Canadian commitment to resolving peacefully the instabilities of the region as particularly valuable, especially this nation's support for the Contadora Group peace initiative. Respect for law and the rule of self-determination were seen as the only possible path for successful future negotiation. Canada and Mexico share a "similarity of political concepts and values, complementary economies and a common willingness to foster dialogue and co-operation on the basis of respect, trust, friendship and mutual benefit," said the President, and it was these similarities which must be exploited for further international collaboration."

A joint communiqué was issued later that day, signed by the leaders of both countries (External Affairs press release, May 9). Prime Minister Trudeau and President de la Madrid "noted with satisfaction that the dialogue and the

exchange of ideas on these matters [international and regional issues] between both countries has been increasingly frequent." They expressed a mutual commitment to maintaining and furthering a "special priority" in the development of bilateral relations between the two countries, and would "intensify . . . efforts to develop a "comprehensive scheme of cooperation" for the "sustained expansion and diversification of exchanges."

After mentioning such areas as science and technology, tourism, energy programs, bilateral trade, foreign investment and Customs cooperation, the joint communiqué spoke of the crisis in debt management of developing nations. Both leaders supported a short- and long-term international examination of the financial situation of debtor countries, and suggested the need for the provision of "conditions for economic growth." Increased dialogue and multilateral cooperation in the fostering of "trade liberalization and adequate financial flows" were also mentioned.

The communiqué also covered the situation in Latin America, with both representatives calling for a "new continental relationship guaranteeing effective political communication and effective economic cooperation." Facilitating access by developing nations to industrialized markets was specifically mentioned as a possible measure for ensuring a renewal of economic growth. Both leaders acknowledged the economic and social roots of the "conflict and unrest" currently affecting the region, and "stressed the importance of promoting . . . social and economic development . . . without discrimination and without political pre-conditions." Expressions were made both of moral and practical support for the Contadora peace initiative, reaffirming the view that Central American countries "must have the opportunity to exercise self-determination as well as the freedom to resolve their differences without political or military interference."

The adoption of measures to reduce world tensions and to promote disarmament were also mentioned in the communiqué, and Prime Minister Trudeau and President de la Madrid ended with an expression of "unconditional support" for the United Nations and the principles of the UN Charter.

In addition to the joint communiqué, the two leaders signed two Memoranda of Understanding between Canada and Mexico on both the Conduct of Bilateral Trade and for the Financing of Exports in 1984 (External Affairs press release, May 7).

NICARAGUA

Mining of Harbors

Speaking in the House of Commons April 9, Pauline Jewett (NDP, New Westminster-Coquitlam) questioned the Prime Minister as to whether Canada had investigated the possible danger posed to Canadian aid ships approaching Nicaragua by mines that had been laid off the coast of that country by "US-backed contras" (rebel military forces),

and whether Canada would join France in its offer to send a minesweeper to help clear those mines. Mr. Trudeau responded that the Canadian government had "a pretty clear practice of not sending its ships, planes, or men into any conflict, or area of conflict, unless that expedition is under the United Nations' banner." The Prime Minister indicated that the Canadian position would be reviewed upon the return of the Minister of External Affairs, Allan MacEachen, from his Central American tour.

The following day in the Commons, Ed Broadbent (NDP, Oshawa) asked the Prime Minister to condemn the activities of "a United States agency" in assisting the mining of Nicaraguan harbors, a "legally indefensible" action which "completely undermines efforts to achieve peace in the region." He was answered by Minister for International Trade Gerald Regan, who stated that the government's concern about the apparent escalation in the conflict between Nicaragua's ruling regime and opposition forces represented by the mining had been conveyed to the US government. However, Mr. Regan added that any action "to resolve the problems in this area must be taken within the context of the Contadora initiative" and that the rule of international law must remain the only viable alternative to military intervention. When asked by Mr. Broadbent whether direct Canadian intervention to refer the matter to the World Court and also to request a US acceptance of any World Court decision would be forthcoming (Nicaragua having presented a case against US involvement to the Court in the Hague), Mr. Regan repeated that "our concern has been expressed to the United States Government." (The US government had earlier expressed its determination to ignore any World Court decision on the matter, claiming that the Court had no jurisdiction over US activities in Central America.)

Debate on the issue continued in the Commons April 11, when Jim Fulton (NDP, Skeena) asked the Prime Minister whether the placing of mines off Nicaragua by CIA-backed opposition forces did not constitute an "intolerable act of international terrorism." Mr. Regan answered that "although it is not clear who is responsible for the placing of those mines . . . we believe that the placing of mines in the situation in Nicaragua does constitute an illegal international act . . . [about which] Canada has expressed its concern." In a supplementary question, Mr. Fulton, after mentioning the April 10 US Senate majority vote opposing further mining and the fact that the CIA had received Presidential permission to conduct the mining, asked the Prime Minister to support a condemnation of "these acts of terrorism." Prime Minister Pierre Trudeau stated that should conclusive evidence of US involvement be received, Canada would continue "very forceful in condemning the use of arms in that area by both sides [Soviet and US]."

On May 10, the World Court issued its ruling on the case presented by Nicaragua against the United States, ordering the US to stop mining ports in Nicaragua and end military operations against the Managua regime which endangered the lives of Nicaraguans. An order was also made, both to Nicaragua and to the US, to take preventive measures to ensure that tensions in the region did not escalate (*The Citizen*, May 10).

NDP Legation Plan

Pauline Jewett (NDP, New Westminster-Coquitlam), New Democratic Party external affairs critic, announced April 19 tentative plans for the creation by the NDP of an unofficial Canadian legation in Managua, Nicaragua. Ms. Jewett has, in the House of Commons, repeatedly stressed the need for more comprehensive Canadian ambassadorial representation in Central America. (Canada's Ambassador to Costa Rica now serves concurrently for Nicaragua, El Salvador and Panama.) Ms. Jewett was quoted as saying that the legation "would be an information gatherer and an assessor to keep the Government informed in much the same way an ambassador would" (*Globe and Mail*, April 21). Discussions between the NDP and Nicaraguan representatives (both government and church officials) with regard to the scheme have been undertaken, although plans for establishing the post remain undetermined. Ms. Jewett called the plan, and the expansion of the Canadian presence in the region which it would represent, "an idea whose time has come."

However, External Affairs spokesman John Noble was reported as saying that such a proposal was unnecessary, with Canada's ambassador to Costa Rica, F.M. Filleul, keeping the Government well informed both about the Central American situation in general and activities in Nicaragua in particular. While Canada would like to maintain an embassy in Managua, continued Mr. Noble, current budgetary constraints prevent such an undertaking at present (*Globe and Mail*, April 21).

PLO

Senate Committee Appearance

The Senate foreign affairs committee issued an invitation to the Palestine Liberation Organization's observer to the United Nations, Zehdi Terzi, to testify in early April as a witness in the committee's hearings into Canada's relations with the Middle East. The formal appearance of Mr. Terzi before a parliamentary body April 5 raised a storm of protest, including condemnatory denunciations from several Members of Parliament both inside and outside the House of Commons. Making a statement in the Commons April 4, David Berger (Lib., Laurier) expressed "deep regret" at the invitation, stating that "it is an insult to the democratic traditions and institutions of our country to be having talks with representatives of a terrorist organization." The *Globe and Mail* April 4 reported comments by two other Members before the committee appearance of Mr. Terzi, with James Peterson (Lib., Willowdale) saying that the invitation "under the guise of objectivity or wanting to know where they stand [was] at best naive and unsophisticated . . . at worst . . . a deliberate attempt to legitimize the PLO," and with Roland de Corneille (Lib., Eglinton-Lawrence) stating that the committee decision to take the testimony was "distressing, disappointing . . . sad and contrary to what it seems to me are the patterns and policies of all parties on the Hill."

In his testimony, Mr. Terzi outlined for the committee the PLO position on Israel and spoke of links between

Israel's rights and Palestinian rights. In answer to questions from committee members, Mr. Terzi elaborated on both the Palestinian recognition of Israel and terrorist violence. He told the senators that the PLO had established requirements for recognition — the creation of a Palestinian state on West Bank territory captured by Israel in the 1967 war (as outlined in the Fez Declaration) and restitution of property or compensation for Palestinians displaced in 1948. However, said Mr. Terzi, "the recognition and the exchange of recognition is the prerogative and the power of states and not liberation movements." The Palestinians require their own statehood — enabling them to "exercise their right to self-determination" — before recognition may exist. According to Mr. Terzi, "recognition has to be mutual and the exchange simultaneous and reciprocal." On the topic of state terrorism, the witness stated that the PLO was not supportive of state terrorism. However, he acknowledged that "under occupation, some people reach a stage of frustration but others become desperados — they become desperate and they commit those [terrorist] acts . . . this is not an organized act or a military action committed by the PLO, as such." Mr. Terzi concluded by saying that he condemned any act against civilians, but "I encourage all acts against the forces of occupation. I think this is my duty and my right." (Proceedings of the Standing Senate Committee on Foreign Affairs, Issue No. 3, April 5).

Speaking in the Commons on the day of Mr. Terzi's testimony, David Kilgour (PC, Edmonton-Strathcona) criticized the appearance of a PLO representative when a similar invitation was not extended to the government of Israel. Mr. Kilgour questioned the necessity of this additional formal testimony when the committee had previously held (1983) informal meetings with Arab and PLO representatives.

That same day, Sinclair Stevens (PC, York-Peel) questioned Minister for External Relations Jean-Luc Pepin as to the advisability of the Government's having issued a visa to Mr. Terzi, "knowing the PLO's support for terrorist activities." Mr. Pepin responded that while elements of Mr. Terzi's statement were to be recognized as "contrary to Canadian policy," a visa had been issued by the Department of External Affairs following the Senate committee's decision to extend the invitation "in the usual practice of extending to the greatest possible extent free discussion in this country." Mr. Pepin concluded by distinguishing between an appearance before a parliamentary institution of the representative of the PLO to the UN and the entry into Canada of individuals "involved in acts of violence or leading to same."

SOUTH AFRICA

Scholarship Program

A Canadian contribution of \$1.5 million over five years toward a scholarship program for non-white South African students was announced April 27 by Secretary of State for External Affairs Allan MacEachen. The program, to be administered in Canada by the World University Service of Canada and in South Africa by the South African Institute

of Race Relations, is designed to provide educational opportunities to disadvantaged South Africans. The Canadian International Development Agency (CIDA) will supply the funds for the program, providing scholarships both for undergraduate work at South African universities and limited postgraduate study in Canada. Areas of study to be incorporated in the program include the fields of medicine, agriculture, the humanities and social sciences, according to a CIDA press release April 27.

SOUTH KOREA

Candu Reactor Sales

Attending a conference in Seoul, Korea, on trade with developing nations, International Trade Minister Gerald Regan spoke of the continued possibility of a joint Canada-South Korea sale of a Candu reactor to Turkey (see "International Canada" for February and March 1984). Mr. Regan indicated that alternative financing arrangements might be secured following a decision by South Korea's Export-Import Bank not to participate in the sale because of Turkey's poor credit rating (*The Citizen*, April 17). The Minister indicated that while further talks would be required to determine Turkey's ability to pay, the Canadian government was desirous of promoting "sales of Candus in South Korea and if that can be made easier by co-operation in Turkey, then we should go ahead." South Korean officials had suggested that such cooperation would be to Canada's advantage in selling Candu reactors and nuclear technology in South Korea, which country is expected to call for tenders on the construction of additional heavy-water reactors in the near future.

THAILAND

Visit of Prime Minister

Thailand's Prime Minister, General Prem Tinsulanonda, accompanied by his Foreign Minister and a delegation of political, business and police officials, arrived in Canada April 8 for meetings with Prime Minister Pierre Trudeau, and federal and provincial representatives. Canada has, in the recent past, been doing an increasing amount of trade with Thailand, and Prime Minister Prem advocated increased awareness on the part of the Canadian business community of his country as a source of investment opportunities as well as potential new markets. Speaking before industry representatives while in Canada, Prem called for competitive Canadian selling efforts in Thailand, particularly in the areas of high technology, equipment and management consulting. Three economic agreements were signed at the end of the meetings dealing with double taxation, aid for rural development projects and the establishment of the Thai Development Research Institute.

While trade issues were the prime area for discussion between the nations' leaders, East-West relations and In-

dochina were also part of the agenda. Thailand has sought increased Canadian aid to handle the flood of refugees crossing her borders. The related security threat posed by the Vietnamese domination of Cambodia was also discussed (*The Citizen*, April 9 and 11).

TUNISIA

Ministerial Visit

Canada's Minister for External Relations Jean-Luc Pepin made an official visit to Tunisia in late April for talks with government leaders before proceeding to Algeria. In Tunisia from April 22 to 25, Mr. Pepin met with Prime Minister Mohamed Mzali and several ministers to discuss bilateral issues, concentrating on commercial relations and the cooperation program. Canada expressed continued interest in assisting in Tunisian development, mentioning particularly the possibility of technological transfers and the availability of Canadian financial assistance packages (both from CIDA and the Export Development Corporation). Mr. Pepin also signed a protocol for the provision of emergency food aid totalling five million dollars (*External Affairs* press release, April 26).

USSR

Arctic Accord Signed

A five-year Accord between Canada and the USSR for cooperation on common scientific interests in the Arctic region was signed April 16 in Moscow, and signified a major step in normalizing relations between the two countries following the Soviet invasion of Afghanistan in 1979, Canadian officials indicated. A press report in *The Citizen* April 17 noted that the pact commits both signing parties to exchange northern research information in four areas of mutual concern — geoscience and petroleum, the environment, building construction and native peoples. The joint scientific accord was seen as an important step in increasing Canadian access to Soviet Arctic research, especially in knowledge of Soviet native peoples (which previously had been a relatively closed area). Exchanges on construction techniques for the northern setting will be concerned with building on permafrost, prefabrication and the use of waste heat. Provisions for water supply and sewage disposal will also be considered. An examination of environmental issues will research the effects of human activity on wildlife and possible conservation measures. Arctic haze, acid rain in the north and problems associated with northern gas drilling will also form part of the research agreement. Exchanges of scientists were forecast for 1985 and 1986 by George Hobson, negotiating team member and director of the Polar Continental Shelf Project, Canada's coordinating agency for Arctic scientific research (*Globe and Mail*, April 26).

Fisheries Agreement

A new fisheries agreement between Canada and the Soviet Socialist Republics (USSR) was reached in late April and a treaty was signed by Fisheries Minister Pierre De Bané May 1 in Moscow. The agreement follows three years of negotiations and replaces an earlier 1976 treaty. Mr. De Bané noted that the new treaty reflected a maturing of Soviet-Canadian fisheries relations and the development of cooperation "on conservation, scientific research and commercial activities." The Soviet Union "recognizes Canada's special interest in the stocks and the area adjacent to the Canadian 200-mile zone off the Atlantic Coast . . . [and] has undertaken to cooperate in developing trade in Canadian fish products," according to the Fisheries Minister. The overall agreement includes provision for the Soviet purchase of Canadian-processed fish products (to total roughly \$12 million for 1984), an entirely new market for the Canadian fishing industry. Mr. De Bané stated that notification had been received from Soviet officials that a Soviet delegation would be visiting Canada for further discussions with industry representatives with regard to "products, specifications and prices." The agreement also provides for a specified processing and product development of Soviet-caught northern capelin in Canadian plants. As well, Soviet vessels will be allocated a catch of 100,200 tonnes of fish in Canadian waters (Government of Canada press release, April 26, Fisheries and Oceans press release, May 1).

The agreement received attention in the House of Commons May 16, when Lloyd R. Crouse (PC, South Shore) questioned Fisheries and Oceans Minister Pierre De Bané as to the possibility of increased unemployment in the Newfoundland fishing industry resulting from the Soviet allocation and whether consultations with the Government of Newfoundland and fisheries representatives had been conducted previous to reaching a decision. Mr.

De Bané responded that representatives of the government of Newfoundland, present during negotiations with the USSR and "constantly aware of the substance" of those negotiations, did not express objections to the terms of the agreement as they were developed. The Fisheries Minister emphasized that the species allocated to the USSR were "strictly resources surplus" to Canadian needs.

VIETNAM

Canadian Statement

On April 6, the Canadian government issued a statement on military incursions by the armed forces of the Socialist Republic of Vietnam into the territory of Thailand. Gerald Regan, Acting Secretary of State for External Affairs expressed "grave concern" and stated that:

Such actions constitute a violation of Thailand's sovereignty and territorial integrity which the Government of Canada strongly condemns. The Government of Canada is especially concerned about the safety and welfare of Thai citizens and Cambodian refugees. The hardship caused by the Vietnamese military incursions places an unacceptable burden on Thailand . . . The Government of Canada condemns the continued Vietnamese occupation of Cambodia and calls on the Government of the Socialist Republic of Vietnam to withdraw its forces from Thailand immediately, to cease all hostile activities in the area and to respond constructively to proposals for the settlement of the conflict in Cambodia (External Affairs press release, April 6).

Multilateral Relations

CENTRAL AMERICA

Ministerial Visit

External Affairs Minister Allan MacEachen arrived in Costa Rica April 3 for a ten-day Central American tour which included, in addition to Costa Rica, Nicaragua, Honduras and Colombia. Speaking in Costa Rica at a news conference April 4, Mr. MacEachen reiterated both the Canadian government's opposition to foreign intervention in the region and its support for the Contadora Group's positive peace efforts as the only promising avenue to reach a viable solution. Canada, said Mr. MacEachen, was in favor of the measures proposed by the Contadora Group (composed of Mexico, Venezuela, Colombia and Panama) to defuse the volatile Central American situation — arms reduction and the removal of foreign military advisers. Mr. MacEachen said that Canada views a political solution to escalating tensions as essential for a lasting settlement (*The Citizen*, April 5).

Upon his return to Canada, Mr. MacEachen elaborated in an April 16 interview on the Canadian view on Central America. The Minister said that Canada diverged significantly from the US administration in its understanding of the proper methods to be employed in securing regional stability. (Mr. MacEachen, visiting Washington in advance of his Central American tour, had resisted pressure from the US administration to avoid Nicaragua and include El Salvador on his itinerary.) Canada holds that US contributions to militarization in Central America merely serve to complicate the problem. Mr. MacEachen specifically mentioned the reported CIA-backed mine-laying off the Nicaraguan coast, saying that Canada remained firm in opposing any third party intervention. Speaking of US involvement and the general increase in guerilla activity, Mr. MacEachen stated that Canada and the US "have differences . . . They've become even clearer on this mining question." Earlier, while still on his tour, Mr. MacEachen had said in an interview reported in the *Globe and Mail* May 2 that "Canada certainly doesn't approve of the mining of Nicaraguan waters [and] thinks it's not only a violation of international law but also that it is likely to contribute adversely to the tension that already exists . . . We have expressed our disagreement with the United States on a number of occasions both publicly and privately, and we have stated that we dislike the military presence of any third party in Central America." Speaking of the upcoming fall elections in Nicaragua, which President Ronald Reagan had earlier characterized as being in all probability a

"rubber stamp," Mr. MacEachen said he viewed the Sandinista government as prepared to mount an election in which the opposition could fairly participate. "We have to acknowledge that required changes [and] improvements have taken place" in Nicaragua, he said (*Globe and Mail*, April 17).

Questioned by Pauline Jewett (NDP, New Westminster-Coquitlam) in the Commons April 16 with regard to comments made about the desirability of more extensive Canadian diplomatic representation in Central America, Mr. MacEachen responded by saying that "it was important to have a Canadian presence in these countries, particularly . . . in Nicaragua, in light of developments there, so that we would be fully informed." While acknowledging the importance of having immediate access to pertinent developments in the area, Mr. MacEachen added that the decision to establish diplomatic representation in Nicaragua would have to be "taken in the light of budgetary considerations and priorities elsewhere." In the meantime, a strengthening of the Costa Rican embassy staff has been undertaken in order to keep the government in touch with the situation in Nicaragua.

On May 10, Mr. MacEachen appeared before the Standing Committee on External Affairs and National Defence and made a statement outlining his findings gleaned from the tour. Mr. MacEachen met with government officials, members of the opposition, media, unions, churches, and non-governmental organizations in the four countries in an effort to "test the adequacy and direction of Canada's policies in Central America" and to explain this policy to the leaders he met with. Mr. MacEachen told the Committee that he found Canadian policy to be essentially confirmed, "particularly the requirements to encourage peaceful economic development, to support regional peace initiatives, to pay greater concern to the plight of refugees, and to remain sensitive and responsive to the problems of poverty and the objectives of our aid program."

Speaking on the "fragility" of the "vitaly important," Contadora peace initiative, Mr. MacEachen said that he had found tensions to be increasing and pessimism about the prospects of peace growing. However, he remained firm in his conviction that Contadora "represents the only international instrument with the potential for reconciliation." The Minister called for increased pressure on the international community in support of the group's objective "to have the forces and military support of third parties

removed from Central America." Mr. MacEachen added that Canada was particularly sensitive to the destabilizing influence of US-supported military activity in Nicaragua (including the mining of harbors). Mention was also made of the "complex and shaded reality" of the situation in Nicaragua, with Mr. MacEachen emphasizing the importance of the upcoming elections. "An election without genuine and vigorous opposition is a non-event," he said.

Having examined the refugee and aid effort problems through extensive consultations, Mr. MacEachen stated that a consensus was apparent that "longstanding social and economic injustices . . . are the principal causes of current unrest and instability." For this reason, Canada would continue to expand on its current basis aid for social and economic development. At the same time, Canadian aid would "not be determined by the political complexion of the recipients," a policy often criticized by ideological partisans at home, but commended by the Central American governments. Mr. MacEachen concluded by stressing that he had made clear to the leaders with whom he had met that Canada opposed any "interference by any country in the internal workings of another" (Secretary of State for External Affairs Statement, May 10).

Conference on Latin America

A Washington conference sponsored by the Woodrow Wilson International Centre provided a forum for an examination of policy differences between Canada and the US with regard to Central America. Government officials and foreign affairs analysts from both countries made presentations on the escalating tensions in the region. By far the most volatile statement was made by Canadian parliamentarian Maurice Dupras (Lib., Labelle), who criticized sharply the Latin American policies of the Reagan administration by saying that "Washington's policies in the region closest to it have in fact produced a bloody shambles, rather than the intended result of social stability and political acquiescence." Mr. Dupras added that despite immense investments of US military, economic and political influence in the recent past, "there is no area of the world that is more ripe for revolutionary change." He recommended an increased Canadian role in applying pressure on the US administration to seek political alternatives rather than a military solution to the problem of insurgency. Mr. Dupras ended with a rebuke directed at President Reagan's "fervent moralistic crusade against world communism," saying that it was unnecessary "to see a communist conspiracy in every demand for social justice and national liberation." He viewed US Central American policy as short-sighted, and with its apparent lack of concern for international law, it placed the US "clearly out of step with the mainstream of political opinion in other NATO countries" (*Globe and Mail, The Citizen, May 1*).

Also present at the conference was Claude Charland of the Department of External Affairs, who spoke of the difficulties involved in elaborating Canadian policy on Latin America. Mr. Charland, referring to Canadian opposition to the US invasion of Grenada, spoke of the need for adherence to the "rule of law" in all international relations — especially for smaller powers dealing with larger powers. Mr. Charland stressed the fact that Canada placed less emphasis than the US on Soviet intervention as a source of

instability in the region. He criticized the continued "military support for anti-Sandinista insurgents" in Nicaragua, while stating that Canada looked for a Nicaragua that was not "locked into the Soviet bloc." Canadian support for the Contadora peace initiative was also mentioned, but Mr. Charland added that the prospects for a lasting peace were minimal. The "apparent absence of any mutually acceptable basis for a *modus vivendi* between the United States and Nicaragua" was mentioned by Mr. Charland as a contributing factor in delaying the peace process. American policies — means rather than long-term objectives — were described as having a negative "impact on the image and cohesion of Western interests in the world at large."

Canadian ambassador Allan Gottlieb outlined the areas of agreement between Canada and the US with regard to Central America, but he stressed in his presentation the Canadian belief in the avoidance of force "when economic and social pressures are engaged." The use of force was characterized as serving only to "radicalize the expansion of those pressures." Mr. Gottlieb called for "great flexibility" in the policies of protagonists involved in Central America, and indicated Canada's concern about the increased militarization in the area.

EEC

Beef Imports

A joint communiqué issued by the Canadian and Australian committees present at the annual meeting in May of the Pacific Basin Economic Council complained of the possible destabilization of the livestock industry in those countries through government-subsidized beef imports from the European Economic Community (EEC). Canadian and Australian representatives pointed out that EEC beef is entering Canada in greater quantities than previously and at lower than domestic prices. Massive government subsidies have allowed the EEC to become a beef exporter rather than a beef importer, the spokesmen said. The EEC presently provides its producers with a subsidy of US\$1,000 a tonne for beef exported to Canada, and the Canadian beef industry has reacted by applying to the federal government for an imposition of countervailing duties on the EEC imports. Canadian Export Association spokesman Frank Petrie noted that should such an application for limited duties not prove effective, producers would have to seek across-the-board beef import controls in order to protect the threatened Canadian beef industry (*Globe and Mail, May 24*).

INTERNATIONAL LAW

Foreign Extraterritorial Measures Bill

Justice Minister Mark MacGuigan and External Affairs Minister Allan MacEachen announced May 28 the introduction of legislation designed to protect Canadians (both citizens and corporations) from measures taken by foreign governments "or foreign tribunals with unacceptable extra-

territorial scope." The Bill is a revised version of the former Bill C-41 which did not pass through Parliament before the last session ended. One new provision would permit the Attorney General to prohibit Canadian persons or corporations from complying with the extraterritorial measures of foreign governments. At the same time, he could prohibit compliance by Canadian foreign-owned corporations with foreign parent corporation's directions "pursuant to such foreign governmental measures." Authority was also given the Attorney General to "prevent the recognition or enforcement in Canada of foreign antitrust judgments with extraterritorial scope, or to prevent the removal from Canada of documents to a foreign court asserting extraterritorial jurisdiction." The Ministers cited in their announcement of the new Bill recent problems arising from US assertions of extraterritorial jurisdiction over US-owned companies operating in Canada, which had proved vulnerable to US legal action. This was regarded as a possible infringement of Canadian sovereignty, as well as having a potentially adverse impact on Canadian economic interests. The bill, said the Ministers, was designed to give greater flexibility in dealing with specific cases by having the Attorney General responsible for activating "relevant sections" of the Bill (Government of Canada news release, May 28).

NATO

Canadian Contribution

Questions were raised in the House of Commons May 24 by Harvie Andre (PC, Calgary Centre) with regard to the strength and competence of Canada's commitment to NATO. Mr. Andre asked the Minister of National Defence Jean-Jacques Blais whether Canada could adequately fulfill its NATO obligation to make a credible contribution to deterrence — especially the naval contingent. Mr. Blais responded by saying that Canada was implementing two programs, one for the purchase of six frigates and the other the Tribal Class Update Modernization, which represented the government's recognition that increased investment in capital equipment was necessary. Defence expenditures included an increased percentage allocated for such capital equipment. Mr. Blais also stated, in response to a question from Sinclair Stevens (PC, York-Peel), that the government would maintain a 3 percent annual real growth in defence expenditures.

OAS

Canadian Involvement

The issue of Canada's possible membership in the Organization of American States, a grouping of nations from the Caribbean, North, Central and South America, was raised once again during this two-month period when Mexican President Miguel de la Madrid Hurtado commented on Canadian involvement. Immediately prior to his

official visit to Canada in early May, President de la Madrid spoke favorably of Canadian membership in the Organization, saying that a permanent Canadian presence "would constitute a factor of equilibrium and a constructive factor in inter-American relations" and, at a time "convenient" for Canada, that country would be "very welcome" as a full member.

The Canadian government holds official observer status at the Washington-based OAS, but has not made a decision on full membership. While Prime Minister Pierre Trudeau has, in the past, advocated Canadian participation, and a parliamentary subcommittee on Canada's relations with Central America recommended membership in 1982, critics of full membership have indicated that such a decision would complicate US-Canada relations — given the strength of the American presence in the OAS and the divergence of US and Canadian policy on Central American problems (*Globe and Mail*, April 26).

MP David Kilgour (PC, Edmonton-Strathcona) made mention of President de la Madrid's remarks when speaking in the Commons May 4. He asked the Minister for External Relations, Jean-Luc Pepin, whether the Government would have Canada join the OAS. Mr. Pepin responded that while a "thorough review" of the issue had recently been held, Cabinet had "not yet made the final decision." He suggested that the divisiveness of the debate on full Canadian membership, both in Canada and among the South American member nations, had delayed the decision.

OECD

Candidacy of Canadian Minister

Finance Minister Marc Lalonde became an official candidate in mid-April for the position of Secretary-General of the Paris-based Organization for Economic Co-operation and Development (OECD), the 24-nation economic consultative and advisory body. The Canadian government's decision to allow Mr. Lalonde's name to stand followed a determination that sufficient support existed among OECD members to warrant an official candidacy. Other contenders for the post included Kenneth Couzens, Britain's secretary for the energy department, and Jean-Claude Paye, French Foreign Ministry economic section head. Mr. Paye was acknowledged to have the committed support of the United States in the candidacy, but Mr. Lalonde's credentials of combined economic and political experience (including a number of Cabinet posts) were deemed a countering strength. However, sources indicated that because of the predominantly western European composition of the OECD a European candidate might prove a likely choice (*Globe and Mail*, April 25).

Reports published in the US press (including the *New York Times*) with regard to Reagan administration support for the Paye candidacy and a consequent "opposition" to the Lalonde bid, were firmly denied by both governments in early May. Statements issued by the US and Canada, while acknowledging that Mr. Paye had been the first

choice of the US since Mr. Lalonde had not yet declared his candidacy, stated that the Reagan administration was not opposing Mr. Lalonde. Department of External Affairs spokesman John Noble was quoted as saying that the Canadian government "had reason to believe that the United States is prepared to consider Mr. Lalonde's candidacy if the situation evolves" — evolve here equating with insufficient OECD support for Mr. Paye (*The Citizen*, May 5).

On May 17, it was announced that Jean-Claude Paye would succeed present OECD head Emile Van Lennep. Mr. Lalonde reportedly had removed his name from consideration in order to prevent a deadlock among the three principal contenders. With regard to the decision to withdraw, International Trade Minister Gerald Regan was quoted as saying that "since a similar logjam in 1982 resulted in no decision being taken . . . it was felt that the responsible thing to do was for Canada to withdraw its candidacy in the face of a very strong feeling by a number of European countries that the Secretary-General of the OECD should be chosen from Europe." While indicating his disappointment that Mr. Lalonde had not secured the post (acknowledged as a useful position to have a Canadian fill), Mr. Regan pointed out that "appointments to the post must be endorsed by all twenty-four member nations" (*The Citizen*, May 18).

Computer Privacy

Speaking at a ministerial meeting of the OECD in Paris in mid-May, External Affairs Minister Allan MacEachen announced that Canada would be committing itself to OECD international guidelines established for the protection of individuals from the misuse of computer-stored personal information. Mr. MacEachen spoke of the guidelines as a "major achievement," covering as they did "largely uncharted areas of policy." The Canadian decision to adhere to the OECD agreement represents a governmental obligation to assure that collected information is both correct and used for the purposes for which it was originally collected. The OECD guidelines were viewed as an attempt to develop rules for the collection and transmission of personal data in order to bring into closer synchronization legal provisions and advances in technology. Canada, along with the other OECD member nations, thus commits itself to the principles of a limited and correct collection of material, secure holding procedures, and an availability of material for correction when deemed necessary. The transborder flow of information remains open under the guidelines (for the ease of operation of international trade and multinational companies), but the agreement advocates efforts to prevent the export of data not complying with set restrictions and to those countries not adhering to the formula (*Globe and Mail*, May 25).

Policy

AID

CIDA Annual Review

In releasing the 1982-83 Annual Review of the Canadian International Development Agency May 4, External Affairs Minister Allan MacEachen outlined the urgency in maintaining financial assistance to Third World nations in a CIDA press release May 4. Mr. MacEachen stated that such development assistance through international cooperation is essential for a continued world economy recovery. According to the Minister, renewed and sustained progress is to be achieved through global economic recovery and expansion, despite the internal pressures being felt by industrialized countries.

The CIDA review revealed that Canada contributed \$1.68 billion to the Third World by year end, disbursed through several channels in addition to CIDA, the principal government agency for the distribution of aid funds. Despite "sporadic and uneven" economic growth in many Third World countries receiving Canadian aid, the report

indicated that significant gains had been made in numerous areas — including literacy, education, extended life expectancies and reduced rates of infant mortality — all necessary for future development advances. Specific projects of a successful nature were outlined, ranging from education and training programs in English- and French-speaking Africa to improved economic infrastructures in the Americas and Asia. Figures mentioned in the report broke down the overall Canadian aid contribution: \$594.5 million to international institutions for Third World projects (including food aid); government-to-government assistance totalling \$716 million; and \$370.2 million in aid channelled through non-governmental institutions.

PCIAC Annual Report

Petro-Canada International Assistance Corporation (PCIAC), aiding projects in oil-importing developing nations, issued its second annual report May 4. The concept

behind PCIAC involves a combination of aid funding and international oil and gas exploration. Using Canadian technology and equipment and Canadian government funds, PCIAC undertakes to finance exploration activities in developing and Third World countries facing high oil-importation costs. The objective of such a program is to reduce the demand for imported oil from these countries as they industrialize, and thereby increase market availability. A fully-owned subsidiary of Petro-Canada, PCIAC has access to the parent company's resources and personnel, using it as its executing agent for projects abroad. The annual report mentioned previous low-levels of oil exploration in the developing countries, and PCIAC provides a vehicle for both an expansion of this exploration and for the utilization of Canadian petroleum expertise and equipment. Projects are ongoing in Latin America, Africa and Asia, with new programs under consideration. Aid funding for PCIAC has increased from a 1982 level of \$20 million to a 1983 figure of \$70 million, providing for Canadian goods and services as well as an opening of commercial opportunities for Canadian companies in these countries (PCIAC communiqué, May 4).

Aid-Trade Linkages

An April 9 business article in the *Globe and Mail* reported on a proposed government Aid-Trade Fund that would provide Canadian exporters with an opportunity to offer Third World importers competitive financing packages. Aid from the Fund, intended primarily for capital projects, would be linked to the purchase of Canadian goods and services. Finance Minister Marc Lalonde was reported as saying that such an aid-trade linkage fund would promote an increase of Canadian assistance to developing countries from the present level of 0.5 percent of GNP to the projected target of 0.7 percent by 1990. The Fund would receive half of the increase in the Canadian aid budget between 1986 and 1990, with a probable total of \$1.3 billion — to be administered by CIDA.

Criticism of the Fund centred on the possibility that such tied aid might harm Canada's development efforts and reputation in developing countries. Bernard Wood of the Ottawa-based North-South Institute was quoted by the *Globe and Mail* as saying that aid objectives might be overrun by commercial considerations of the Canadian exporting community in determining which countries received aid. Said Mr. Wood, the aid program objective "is as much to move goods and services and capture contracts" as it is to provide development assistance. The charge was denied by Canadian Export Association chairman Frank Petrie, who saw the Fund program as an indication of support for the export community that would not supersede development objectives. Mr. Petrie saw no "conflict in getting some fallout for the Canadian economy at the same time as maintaining a good aid program."

DEFENCE

Government Torpedo System Purchase

Defence Minister Jean-Jacques Blais announced

May 8 the acquisition of the US Navy's Nixie torpedo defence system along with new torpedoes for the Canadian maritime forces. Mr. Blais indicated that the related projects, estimated at a cost of \$103.9 million, were conceived to increase the "deterrent capability of Canada's conventional forces [by adding] substantially to the ability of our air and sea forces to protect Canadian sovereignty and uphold Canada's commitment to NATO."

The torpedo purchase will be supplied by the US Honeywell, Inc. of Minnesota, providing Mark 46 (Modification 5) torpedoes at a cost of \$84.2 million to be partially offset by the purchase of Canadian goods and services. The new torpedoes are designated for use by Canadian Forces surface warships and maritime patrol aircraft. Sensors detect noise and guide the torpedoes to intended targets.

The Nixie defence system, towed undersea behind warships, detects and deceives enemy acoustic torpedoes. At a cost of \$19.7 million, the Nixie system will contribute to greater survivability of selected Canadian warships and operation support ships. It was also announced that the manufacturer, Aerojet ElectroSystems Co. of California will provide direct industrial benefits and offsets to the Canadian government (National Defence Department news release, May 8).

DISARMAMENT

Conclusion of Prime Minister's Peace Initiative

Prime Minister Pierre Trudeau's draft resolution supporting the Canadian Peace Initiative and calling for nuclear disarmament, when submitted to opposition party leaders for consideration earlier this year, received from the Official Opposition its support but from the New Democratic Party support conditional on the inclusion of three additional measures designed to strengthen the terms. Mr. Trudeau, in this final stage of his continued peace effort before his retirement as Prime Minister, had sought the united support of all three parties for the draft resolution. The document, dated March 15 and made public by NDP Leader Ed Broadbent May 4, had included six points relating to disarmament, arms control talks and efforts necessary to promote non-proliferation. Mentioned in the resolution were the following objectives.

1. Successive governments of Canada would work to build East-West confidence, re-establish high-level East-West political dialogue, and to contribute to arms control and disarmament.
2. Canada would work to bring areas of common interest to the attention of East and West for the achievement of action on such principles as the following:
 - a. nuclear war cannot be won;
 - b. nuclear war must never be fought;
 - c. we must be free of the risk of accidental war and surprise attack;
 - d. there must be a recognition of the dangers inherent in destabilizing weapons;

- e. improved techniques of crisis management are needed;
 - f. a consciousness of the awesome consequences of being the first to use force is essential;
 - g. there must be a mutual interest in increasing security while reducing cost;
 - h. there must be a mutual interest in avoiding horizontal proliferation;
 - i. we must recognize legitimate security interests of other countries; and
 - j. there must be a realization that security strategies cannot be based on the assumed political or economic collapse of an opponent.
3. Canada would call for resumed superpower negotiations on arms control and disarmament.
 4. Canada would promote non-proliferation among countries with the potential for non-peaceful uses of nuclear technology.
 5. Canada would support full-scale safeguards in the transfer and sale of nuclear technology.
 6. The Standing Committee on External Affairs and Defence would address the questions of East-West relations, arms control and disarmament (Office of the Prime Minister press release, May 17).

The amendments judged by NDP Leader Ed Broadbent as necessary to make the resolution more effective were revealed publicly in a May 4 interview, when Mr. Broadbent indicated his desire to see in the resolution a Canadian termination of the Cruise testing agreement with the US. As well, Mr. Broadbent called for the Canadian Parliament to urge "all nuclear-armed states to pledge never to be the first to use nuclear weapons," to ask the Soviet Union and the United States "to begin immediately negotiations for a speedy nuclear weapons freeze . . . followed by massive arms reductions," and to urge "an end to vertical proliferation of the nuclear arms race, particularly . . . to outer space." The NDP leader stressed that his party's suggested amendments did not necessitate an increased vulnerability for either superpower, but rather sought arms reductions that would be "mutual, balanced and verifiable" (Office of the Prime Minister press release, May 17, *Globe and Mail*, *The Citizen*, May 5).

The Prime Minister responded to Mr. Broadbent in a letter of May 16 that the resolution was designed to point out areas of "common ground" between East and West upon which to build a revitalized dialogue between the superpowers, rather than to emphasize points of disagreement. Mr. Trudeau criticized the NDP amendments as contrary to the mainstream of Parliamentary opinion and, in the main, unacceptable to NATO policy. Added the Prime Minister, it is a salient fact of our times that "the security of one side is virtually indistinguishable from the security of the other" (Office of the Prime Minister press release, May 17). The resolution was similar to letters later sent by the Prime Minister to Soviet Leader Chernenko and US President Reagan which were concerned with the technical areas of restricting the mobility of IBMs, the verification of future production and deployment of nuclear weapons, and the banning of high-altitude anti-satellite systems (*The Citizen*, May 16).

Support for the suggestions contained in the Prime Minister's letters to the superpower leaders came from the

Canadian Centre for Arms Control and Disarmament in a communiqué issued May 28. In the release, the Centre concluded that the Canadian public favors "active Canadian government efforts to encourage superpower dialogue on arms limitations." The communiqué outlined the rationale behind Mr. Trudeau's proposals, including the idea of a "code of conduct" designed to ensure more accurate arms verification (both number and location) through cooperative measures. The idea of allowing missile mobility while restricting areas of deployment, was regarded as a stabilizing proposal. The Centre said that Canada, whether its suggestions were adopted, had an obligation "to work for peace in any way it can."

In late May, the Prime Minister expressed satisfaction that other world leaders were working toward the same objectives as had characterized his own peace initiative. On May 22, when Prime Minister Gandhi of India, President de la Madrid of Mexico, President Nyerere of Tanzania, President Alfonsín of Argentina, Prime Ministers Palme of Sweden and Papandreu of Greece issued a joint statement calling for a halt to the testing, production and deployment of nuclear weapons and delivery systems, Mr. Trudeau added his unofficial support to their initiative. He associated himself with their view that while it is "primarily the responsibility of the nuclear weapons states to prevent a nuclear catastrophe . . . this problem is too important to be left to these states alone." The Prime Minister added that while the statement was more general than his own specific proposals, he agreed with the six world leaders that "the goals of all who are committed to the cause of peace are fundamentally the same" (Office of the Prime Minister press release, May 22).

However, speaking in the Commons May 22 in response to questioning from Leader of the Opposition Brian Mulroney, the Prime Minister indicated that he, as representative of Canada, was unable to be a signatory to the joint statement because of an inability to subscribe to certain requests made by the six national leaders. Mr. Trudeau stated that, while he was in agreement with the thrust and intention of the statement, because of NATO's two-track policy calling for a nuclear build-up in Europe, becoming a signatory would be unacceptable at the present time.

FINANCE

Canadian Dollar

A strong American dollar (along with high US interest rates) was cited as a major reason for a plunging Canadian equivalent during April and May, with the Bank of Canada slow to increase Canadian interest rates because of the "comparatively weak domestic economy," according to a *Globe and Mail* report May 1. However, the Bank of Canada continued to support the dollar through intervention by purchasing unwanted Canadian dollars on the market in order to slow the decline. Finance Minister Marc Lalonde pointed out that despite the decline in relation to the American dollar, Canadian currency had actually shown an in-

crease relative to other foreign currencies (*The Citizen*, May 2). The continued weakness of the Canadian dollar was described by foreign exchange analysts as "serious and protracted," with the faltering dollar "acting as a conduit for higher import costs and inflation while encouraging speculators and dollar holders in corporate treasury departments to believe" that a further decline was imminent. Even though the dollar fell to an all-time low, optimism was expressed in view of the fact that the Canadian economic recovery has been slower than that of the US and therefore "looks more stable and less inflationary for the long term" (*Globe and Mail*, May 8). The following are US dollar equivalents for two-week periods during April and May (Royal Bank of Canada figures):

| | |
|------------------|----------------|
| April 2: 1.2910 | May 1: 1.3035 |
| April 16: 1.2945 | May 15: 1.3090 |
| April 30: 1.2965 | May 31: 1.3080 |

Foreign Bank Ceiling Increase

On April 11, Minister of Finance Marc Lalonde announced amendments to the Bank Act which would increase the ceiling on assets held by foreign bank subsidiaries operating in Canada. The provision which originally restricted foreign banks to a combined total of 8 percent of the domestic assets of Canadian banks was raised to 16 percent in the proposed legislation. Mr. Lalonde stated that an assessment of the benefits to be accrued from a healthy, competitive atmosphere in the Canadian banking industry, warranted the increase. "Canada's banks have a strong branch banking structure, and . . . have every reason to expect to benefit from a greater level of competition from foreign banks," said the Finance Minister. An earlier recommendation by the House of Commons Finance Committee that the asset restriction be removed completely was not implemented, Mr. Lalonde saying that a "thorough review of the whole area of legislation governing financial institutions" would be required before such action might be taken. The 16 percent ceiling was adopted to provide opportunities for the expansion of foreign banks (Department of Finance communiqué, April 11).

HUMAN RIGHTS

Soviet Dissident Andrei Sakharov

Canadian policy on human rights violations was evident in its response to the plight of Soviet dissident physicist Andrei Sakharov, forced into internal exile by Soviet authorities. The plight of Mr. Sakharov and his wife Yelena Bonner received continued media and parliamentary attention during this two-month period. Mr. Sakharov, engaged in a hunger strike in order to secure permission for his wife to seek Western medical treatment, has provoked international criticism of human rights violations in the Soviet Union. The Canadian parliament has, in the past, also criticized Soviet treatment of Andrei Sakharov.

Making a statement in the House of Commons May 22, Flora MacDonald (PC, Kingston and the Islands) called upon the Government to officially protest the detention of

the Sakharovs as an "ongoing violation of the Helsinki Final Act and of the Universal Declaration of Human Rights by the Soviet Union." That same day, in response to a question from David Orlikow (NDP, Winnipeg North), Prime Minister Pierre Trudeau stated that the Government had, on May 18, expressed "its concerns to the Soviet Embassy in Ottawa and pleaded for compassionate treatment" in the case of the Sakharovs. When Mr. Orlikow expressed a belief that a more public forum for criticism of human rights violations was required than the traditional Canadian reliance on "quiet diplomacy," Mr. Trudeau responded that the Commons was a suitable forum and thereby made "a public appeal to President Chernenko to consider compassion in his treatment of Soviet citizens."

Making a statement in the Commons May 24, Sinclair Stevens (PC, York-Peel) expressed concern for the continued health and safety of the Sakharovs, seeing their "persecution" as indicative of the "Soviet Union's contempt for human rights." Mr. Sinclair stated that the USSR had "once again shown how few rights and how little dignity the individual is allowed against the brutal and overwhelming power of the state." When Fred King (PC, Okanagan-Similkameen) requested that External Affairs Minister Allan MacEachen approach signatories to the CSCE Helsinki Accord "with the objective of producing a joint appeal" on behalf of the Sakharovs, Mr. MacEachen noted Canada's consistent expressions of concern and added that consultation with NATO foreign ministers might provide a forum for establishing what further action, if any, might be taken.

IMMIGRATION

Altered Visa Requirements

An Order-in-Council which took effect April 1 gave immigration officials the authority to refuse sponsorship by spouses of prospective visa applicants. The order holds that an applicant who "conveniently" marries either a Canadian citizen or landed immigrant to gain "admission into Canada as a family class member is ineligible for sponsorship" by the spouse, according to a *Globe and Mail* report May 8. The move was taken to counter a Federal Court ruling that recently decided that marriages of "convenience" did not bar immigrants from achieving permanent residence. While Immigration law had previously held marriages as entitlement to sponsorship, practice had reportedly denied applications when the marriages were determined not to be *bona fide*. Other criteria for Immigration Department consideration included cultural background, age differences, and length of acquaintanceship, the article continued. The Immigration Department changed the regulations through the Order-in-Council in order to establish its jurisdiction with regard to such disqualification.

Visa Denial

The Department of External Affairs's decision to deny an entry visa to Greek Catholic Archbishop of Jerusalem Monsignor Cappucci, who had been scheduled for a Ca-

nadian speaking tour in April, was criticized in the Commons April 2 by Ian Watson (Lib., Châteauguay). Mr. Watson, who termed the Archbishop's conviction in Israel for arms smuggling as "questionable" and possibly an Israeli intelligence "frameup," called upon the Government to explain its decision to deny the visa application. Minister for International Trade Gerald Regan answered that the decision was "consistent with the longstanding policy of refusing to admit to Canada those who have been associated with acts which are directly related to the perpetuation of violence, regardless of their political views." Mr. Regan added that a court conviction "on a matter relating to an act of violence is the key factor in the refusal." The entrance into Canada of the PLO observer to the United Nations, Zehdi Terzi, was also mentioned as a case in point of a successful if controversial application (see this issue — PLO — Senate Committee Appearance).

TRADE

Eurocast '84

A five-day international exhibition and conference on cable and satellite television, Eurocast '84, was held in Basel, Switzerland, beginning May 5. Canada, represented by more than twenty firms, attended the conference for the exhibition and promotion of Canadian expertise in communications technology. Communications Minister Francis Fox noted that with major European developments in cable and satellite delivery imminent, Canada was "ideally positioned to benefit from rapidly expanding European markets [because of] our unique experience in providing high-density cable service . . . and to our acknowledged expertise in satellite technology." The large Canadian representation was designed to increase European awareness of Canadian excellence in the field, and Mr. Fox added that this was a result of "close co-operation between the private sector and federal and . . . provincial governments." The Canadian contingent at the conference held discussions related to video, cable service in small communities, the "economics of direct broadcast satellite service," and the financing of cable development (Department of Communications press release, May 7).

Shoe Import Quotas

Speaking in the Commons May 18, Bill Kempling (PC, Burlington) asked the Minister for International Trade Gerald Regan whether the Government intended to abolish or to extend import shoe quotas for another one to two years beyond the expiry of the present quota set for November 30. Mr. Kempling mentioned that Canadian manufacturers and retailers were "making commercial decisions anticipating an announcement." Mr. Regan said that an announcement would be made when "Cabinet finalizes its considerations with reference to the course that will be taken on the quantitative restrictions for shoes," and that he hoped such an announcement would be made at the "earliest possible date."

That announcement came May 22, when Mr. Regan told a news conference that the quotas would be extended for sixteen months beyond the November 30 expiry. As well, the Government intends to request that the Anti-dumping Tribunal investigate the Canadian footwear industry in order to determine whether additional restrictions are necessary. Introduced as a temporary measure of competitive adjustment in 1977, the shoe quotas have been extended twice, and Mr. Regan stated that should the Tribunal determine an injury to the Canadian industry exists, a further three-year phasing down of the quotas will be requested. The Minister noted that the extension will be "consistent with the current mandate of the industry restructuring program of the Canadian Industrial Renewal Board (CIRB). Opponents of the quotas cited higher prices and a drop in sales as reasons for ending the quotas, while quota proponents claim they were necessary to retain levels of employment in the domestic industry according to a press report. Mr. Regan said that the lessened competition would provide Canadian manufacturers with an opportunity to modernize. Because of this modernization incentive, Mr. Regan saw no problem as emanating from international complaints to GATT, since the renewal was within "Canada's rights and obligations under GATT which allows for the maintenance of import quotas as temporary, emergency safeguard measures to deal with injurious imports" (Government of Canada press release, May 22, *The Citizen*, May 23).

However, the European Economic Community (EEC) protested the Canadian quota extension, issuing a "preliminary and oral" protest to the Department of External Affairs. The EEC questioned the legitimacy of the term "temporary" as applied to quotas in existence since 1977, and also held that the extension ran counter to the spirit of free trade as expounded at the 1983 economic Summit. The EEC has reserved its rights for compensation under GATT (*The Citizen*, May 24).

Arms Sales

A May 7 meeting between External Relations Minister Jean-Luc Pepin and representatives of the Canadian Catholic Organization for Development and Peace centred on the issue of arms sales abroad, especially to repressive regimes in the Third World. The group, after extensive consultations with development and peace volunteers, presented two main proposals to the Government: "first, that the Government publicly disclose its arms export permits at the time they are issued; and second, that Canada take a leadership role at the United Nations in promoting the establishment of an international arms registry." The group expressed particular concern about mounting global armament and Canada's role, and sought a means for tracing the path of military commodities. Canadian arms sales, 50 percent of which are exported through the Canadian Commercial Corporation (CCC), are restricted to certain countries but are vulnerable to third party purchase through neutrals. The group was told by Mr. Pepin that records of Canadian arms sales through CCC were available (Canadian Catholic Organization for Development and Peace news release, May 4, *The Citizen*, May 8).

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CIDA — aiding or trading?

by Gary Gallon

The new President of the Canadian International Development Agency (CIDA), Margaret Catley-Carlson, continues to stick with the old policies of tied aid and aid for Canadian corporations from CIDA, in the face of mounting evidence that the old policies are ineffective, if not damaging, to the growth of Third World countries. In a previous article in *International Perspectives* ("The aid fix: pushers and addicts," November/December 1983), I pointed out the drawbacks of funding large Canadian projects in developing countries. The aid is distorted by interests in Canada and in the recipient countries who see a chance to derive selfish benefits. The aid has a tendency to hook the countries into the Canadian economy and benefit only a small percentage of people in the urban industrial areas. A few drops trickle down to the poor majority in the rural areas.

Mrs. Catley-Carlson has failed to recognize the importance of working at the community level and developing the human resources, a goal which was made one of the three top priorities of CIDA by her predecessor, Marcel Massé. Massé stated in the 1981-82 CIDA annual report that he felt "the overall goal . . . is to increase people's ability to help themselves — particularly in agriculture and food self-sufficiency, energy, and human resources development — and to make certain that our help reaches the countries and people in greatest need."

If that is the goal, then the last thing that will achieve it will be the parachuting-in of heavy machinery and Canadian manufactured goods that are totally inappropriate for the situation. What will work is a process that nurtures and supports human initiatives at the local level. This involves much more personal contact and more support for the purchase of local materials and goods. There are a number of non-governmental organizations (NGOs) in the Third World that are active at the local level. Canadian NGOs have been working with them. This type of cooperation should be expanded. That is where our best hope for effective aid lies. What are these NGOs — Canadian, Third World and international— and how do they work?

Third World NGOs

Unbeknownst to most people in Canada, there is an active network of 4,650 non-governmental organizations in the developing countries working on sustainable development programs. There are 2300 in Asia and Southeast Asia, 950 in Africa and the Middle East, and 1400 in Latin America. Most of these work at the village level. Some

work at the national level. A handful work at the international level.

The Third World NGOs are a part of the "bootstraps" development that involves the people in meeting their own needs. These groups are effective where traditional Canadian aid could never be effective, primarily because they:

- know their own community needs and aspirations;
- are a part of the community and are trusted by the people;
- are in a better position to mobilize community programs;
- have local skills, know the local resources, and understand best how to operate within the limits of the local environment; and
- will remain to carry on newly implemented programs.

Unlike the large capital aid programs accompanied by platoons of Canadian consultants which are imposed on the countries' social structures, the NGO-initiated projects are developed within the matrix of the local cultures and become a permanent part of a popular development process. They respond to real needs of the community in a manner that is acceptable and usable by the community. NGO development is based on the strength of human ingenuity and sense of cooperation, without which developments from the outside fail.

Third World NGOs flourish in countries that have relatively stable governments that allow a modicum of public expression and freedom. The NGOs hardly exist in countries that suffer under strict repression, or are experiencing severe turmoil. For example, Brazil in the early 1970s was repressive and allowed few NGO activities, fearing that the groups might be subversive. Later, Brazil opened its government and reduced repression. In a short period of time over 200 NGOs sprang up. In countries in turmoil, such as Uganda, NGOs do not flourish, but in more stable countries like India, Malaysia, Tunisia, Kenya and Brazil, the groups thrived and have become a vital part of the countries' growth and development.

Gary Gallon was Executive Director of the UN Environment Liaison Centre in Nairobi, Kenya, from 1977 to 1981. He has contributed previously to *International Perspectives* on development questions.

NGOs best route

NGOs everywhere

India has over 800 groups ranging from research organizations such as the Centre for Science and Environment in New Delhi, which translates into layman's terms scientific issues of importance to communities, to activist organizations such as the Chipko Movement in the Uttarakhand Region of the Himalayas that "hug trees" and defend their forests from commercial logging interests. The Chipko later created village cooperatives called the Dasholi Gram Swarajya Mandel to manage and harvest on a sustained yield basis their community forests.

Malaysia has more than 100 groups. The most prominent is the Consumers Association of Penang. It sponsors health and education programs in Penang and the surrounding local villages. It publishes a monthly newspaper, *Utusan Konsumer*, and distributes educational films on consumer issues. It also assists villages to defend them-



Simple village pump in Ethiopia

selves from exploitation. For example, it helped the coastal villages protect their fisheries from being depleted by large foreign factory-ship operations.

In Tunisia there is the Institute for Appropriate Technology that has created a new eco-development demonstration community in Sidi-bou-Ali, just outside Tunis. The institute is experimenting with new forms of low cost housing using local materials, renewable forms of energy, and organic farming.

Kenya has over sixty local groups. One of the most influential is the National Council of Women of Kenya

(NCWK) led by Dr. Wangari Muta Maathai. It created the "Green Belt" program which involves women and their entire villages in community reforestation programs. The aim is to reverse desertification which has already stripped the country of over two-thirds of its forests, and to provide trees for fuel, building materials, shade and animal fodder.

Another group, KENGO, the Kenya NGO's Working in the Field of Energy, which is a coalition of some thirty groups, coordinates information flows and financial resources among groups working on village scale energy programs in a country where less than 20 percent of the homes are provided with electricity. One of KENGO's current projects is the creation of a manufacturing and distribution system for insulated charcoal stoves called "jikoos."

In Brazil, the Society for the Advancement of Science sponsored one of the largest conferences of Brazilian NGOs in April 1980, called "Science Education for a Democratic Society." It was held at the University of Brazilia and attracted 6,000 NGO representatives from across the country. Major issues included the rational development of the Amazon and the protection of the indigenous peoples from over-zealous developers.

International NGOs

The development of Third World international organizations has been a more recent phenomenon. Traditionally international organizations were created and dominated by industrial countries. The first breakthrough was made in 1976 with the establishment of the Environment Liaison Centre. Based in Nairobi, Kenya, it was created by northern and Third World representatives who attended the 1972 UN Stockholm Conference on the Environment. Its purpose was to liaise with the newly-created United Nations Environment Program (UNEP) also headquartered in Nairobi, and to support the work of groups in Third World countries. It provides information and financial assistance to the groups and lobbies for them with international agencies such as the World Bank and the United Nations Development Program. The Centre publishes the quarterly journal *Ecoforum* in three languages (French, English and Spanish) and sponsors regional seminars on emerging issues.

The first completely Third World international NGO created is REECA, the Renewable Energy and Environmental Conservation Association also based in Nairobi (which has now established itself as the world centre for international environmental concerns). It was formed by representatives of the Third World lobby which came together at the August 1981 UN Conference on New and Renewable Sources of Energy. It is chaired by Dr. Jimoh Omo-Fadaka of Nigeria, and sponsors regional workshops on energy. It also began an information exchange on community efforts to solve energy shortages.

The newest Third World international organization is the Pesticide Action Network (PAN), established by a conference of Third World NGOs in Malaysia in 1982. It was created in response to the excessive use of banned pesticides in developing countries. The network has expanded to include groups in North America and Europe who are keen to stop their own companies from exporting

the banned pesticides abroad. One of the prime movers behind PAN is the Consumers Association of Penang which has earlier exposed a Japanese pesticide firm that had built a pesticide manufacturing factory in Malaysia and disguised it as a fertilizer factory. It was not until the Asean Chemical Fertilizer Factory had ruined the fisheries and rice paddies in the Kampung Kuala Kedah region that the company was forced to clean up operations.

Canadian NGO s

Two kinds of Canadian non-governmental organizations work with groups in developing countries: they are the development and the environment organizations. By far the largest are the development NGOs comprising over 180 groups in Canada, including OXFAM, CUSO, Canadian Save the Children Fund and Lutheran World Relief. Many of these groups originally formed to provide aid in times of disaster and emergency, but they have evolved to working directly with communities on their development programs. They sponsor over 2300 projects a year in over 100 countries. They contribute nearly a quarter-of-a-billion dollars in goods and services, half of it raised by them directly from the Canadian public and the other half contributed by CIDA.

The groups include CARE Canada, Centre d'étude et de coopération, Fédération des caisses populaires Desjardins, Foster Parents of Canada, Inter-Church Fund for International Development, Inter Pares, Mennonite Central Committee, and World Vision. Many of Canada's *development* NGOs belong to the Canadian Council for International Cooperation (CCIC), based in Ottawa.

The *environmental* groups in Canada began working with Third World groups in the 1970s. One of the first to become involved was SPEC, the Society for the Promotion of Environmental Conservation, in Vancouver, British Columbia. In 1972 it worked with the Caribbean Conservation Association and groups in Costa Rica on concerns regarding supertanker routes for crude oil from Alaska to the mainland United States. Proposed oil terminals and pipelines included the Caribbean (which harbored tax-sheltered refineries) and British Columbia.

Friends of the Earth (Canada) headquartered in Ottawa works with its sister organizations in developing countries including Thailand, Mexico and Malaysia. Its current focus is on promoting a "Soft Energy Path" of diverse, small-scale energy sources that are environmentally and socially sound in both developed and developing countries. The Friends of the Earth International Program for Soft Energy Paths (IPSEP) launched a joint energy project with the Environment Liaison Centre to create new approaches to the issues in Third World countries.

In 1981, Energy Probe, based in Toronto, formalized its Third World Program and established contact with some 100 groups in the developing countries. It produced information packs on energy issues including nuclear power, reforestation and renewable energy sources. It initiated information exchanges and began a news service to inform the Canadian public about Third World conditions.

In conjunction with Friends of the Earth and Inter Pares, Energy Probe helped create the "Energy for Development" project which involved sending Canadian environment and development representatives to the United

Nations Conference on New and Renewable Sources of Energy, held in Kenya in August 1981. The representatives met with the some 300 Third World participants to discuss issues of mutual concern and to formulate joint programs. Upon returning to Canada, the Canadian representatives sponsored provincial workshops, culminating in a national seminar held February 24, 1983, in Ottawa, with the financial assistance of CIDA.

CIDA's role with NGOs

CIDA has recognized the value of NGOs both in Canada and in the developing countries. CIDA's former president, Marcel Massé stated:

The leadership of NGOs in Canada in response to the challenge is exemplary. Not only do Canadians participate in development through their taxes but millions of Canadians take the extra step of "taxing themselves voluntarily" by making contributions to NGO development programs . . . The NGO program is a real people-to-people program. It is development that reaches the poorest of the poor.

Even Prime Minister Trudeau recognized the value when he stated in New York in March 1978:

Surely we need this [NGO] sector. We need to develop alternate styles of work and leisure and we need to demonstrate that there are other ways of doing the community's work. On a broad second front we must give encouragement and sustenance to these efforts. There is no threat here, only boundless opportunity.

CIDA's contributions to NGOs jumped from \$32 million in 1975-76 to \$165 million in 1982-83 a six-fold increase in seven years. Some of the larger contributions in 1982-83 were:

| NGO | Amount (\$ millions) |
|---|----------------------|
| CUSO | 14.14 |
| Jeunesse Canada Monde | 6.21 |
| Cdn. Catholic Organization for Development and Peace | 7.90 |
| CARE Canada | 3.68 |
| Mennonite Central Committee | 1.76 |
| Fédération des caisses populaires Desjardins | 3.63 |

CIDA also established a program to fund directly international NGOs. The funding is modest, though it grew from \$7.17 million in 1979-80 to \$17.93 million in 1982-83, a 146 percent increase in four years. In 1982-83 it funded such groups as:

| NGO | Amount (\$ millions) |
|--|----------------------|
| Environment Liaison Centre | .12 |
| Int'l Planned Parenthood | 5.40 |
| Pan-African Institute for Development | .69 |
| Foundation for International Training | .38 |

Yet, in spite of all the glowing words and funding increases, CIDA's support for NGOs is a drop in the bucket

NGOs best route

compared to its overall aid program. Contributions to NGOs in 1982-83 represented a paltry 8.5 percent of the total Official Development Assistance (ODA) of \$1.68 billion. Most of the funds went to the "big bucks" projects in aid of Canadian industries. Somewhat embarrassed by this fact, CIDA fills its annual reports with stories about the NGO human-to-human programs. The space given to the stories is quite disproportionate to what CIDA actually funds.

Under a recent strategy change to a "Country Focus" approach, CIDA seeks to involve Canadian NGOs in a larger role in the agency's bilateral programs. It means much greater funding opportunities. But there are drawbacks. It also means greater control of the NGO programs by CIDA officials, something the independent-minded NGOs fiercely resist. CIDA and the groups are negotiating. The success of the NGO programs has been based on their ability to function unencumbered by the whims of government bureaucrats.

Another twist to the funding problem is that the CIDA NGO Division has been interested in funding Third World NGOs directly. However, it is prevented from doing so by the Third World governments. The governments are wary of the so-called Non-governmental Organizations receiving large amounts of foreign financing and so becoming threats to often fragile political systems. CIDA has been working with some governments to provide funding through country-to-country bilateral programs, but with

little success. Kenya is one of the first countries to transfer some of its CIDA funds to local NGOs. It is supporting a number of initiatives by KENGO and the National Council of Women of Kenya.

Expand NGO role in aid

CIDA is only a small part of the First World's aid giving machinery. But it is the Canadian one, and the one we must monitor and demand performance from. Right now it seems to have been converted to an instrument of national *trade* policy rather than national *aid* policy. Our aid program should be revamped to meet the original objectives of CIDA: that is, to help Third World countries to launch sustainable development programs that will meet the needs of their people. A major factor in the revamping will be to expand the role of the NGOs which can carry out the small-scale human-to-human programs. Their role should be expanded from 7 percent to 25 percent of the agency's program. This should be done gradually over a number of years, so as not to "shock" the groups with excessive cash which could distort their efforts.

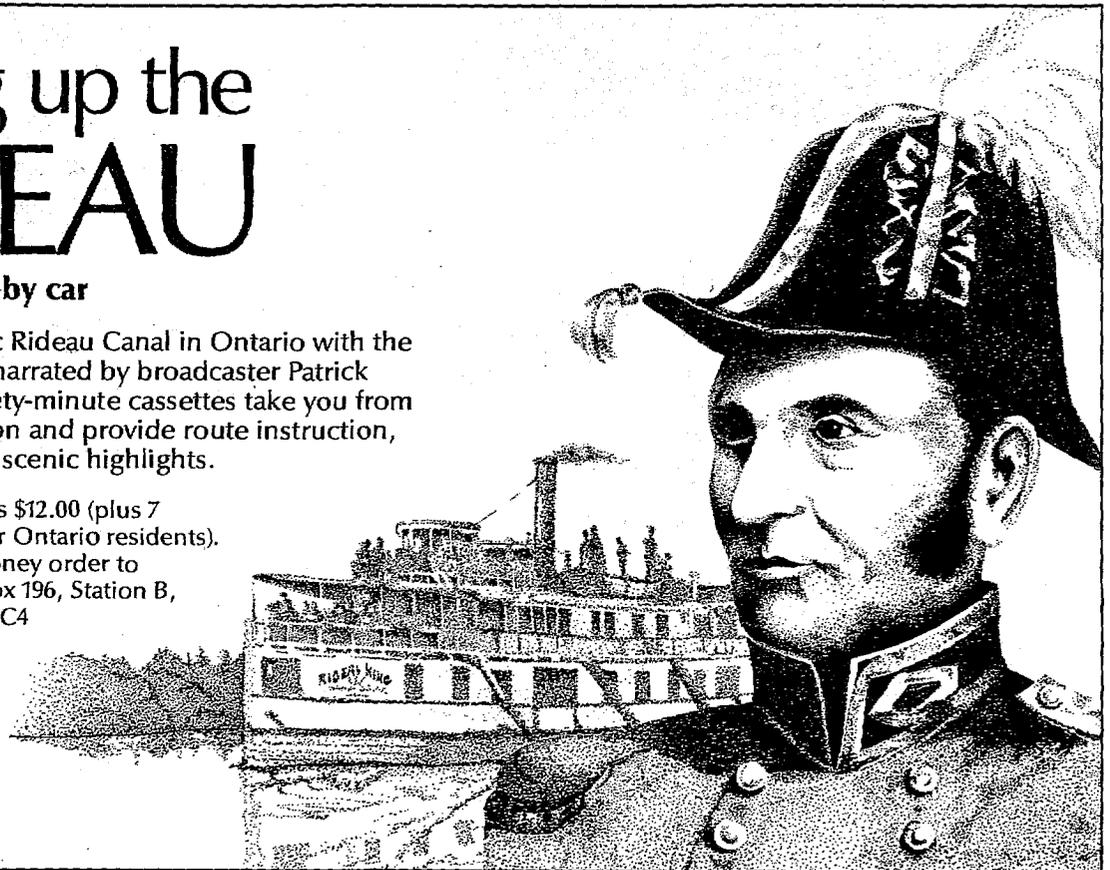
There are many in CIDA who would like to see such changes made and who would also like to see CIDA engaged in more small-scale human resources projects. However, their voices do not yet carry enough weight against long-standing entrenched interests run by the old guard, supported by a strong Canadian business lobby. □

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Legacy of Grenada: Caribbean militarization

by David A. Simmons

On October 25, 1983, another episode in the continuing drama of the United States' dedication to the "restoration of democracy" began to unfold. The military solution — the US answer to Caribbean and world problems — had consequences far greater than the White House imagined and Caribbean political analysts could have envisaged. It exposed the inability of countries such as Canada and Britain to influence US actions in the Caribbean, and the inherent weaknesses in organizations such as the Commonwealth and the Organization of American States (OAS) in attempting to restrain direct US intervention in their areas of influence. Furthermore the invasion has emphasized the divisions within the Caribbean community, already displaying cracks under the strain of economic difficulties.

Eight months after the invasion, 250 US military personnel and over 600 Caribbean troops remain in Grenada while a provisional government struggles to revive democracy. For some people the invasion was necessary, given the brutality with which the military regime disposed of Maurice Bishop and the other individuals of the New Jewel Movement (NJM). For others, general opposition to communism and the threat of communism to the region provided sufficient justification for the invasion. However, for many others invasion of a country can hardly ever be justified.

Grenada moves left

Grenada, a tiny Caribbean island (population 110,000), received world attention in March 1979 when Maurice Bishop engineered a military coup that overthrew the repressive "parliamentary dictatorship" of Eric Gairy. The initial reaction of the governments of the Caribbean and the US ranged from indifference, to profound concern, to outright hostility.

Under the leadership of Bishop the country embarked on a different process of decolonization. The constitution was suspended and the new government showed total disdain for the Westminster model of democracy. Despite these changes, the youthful and unquestionably popular revolutionary regime was looked upon as a source of hope and inspiration not only by a majority of Grenadians but by the youth of the entire Eastern Caribbean.

One month after coming to power the Bishop government established full diplomatic relations with Cuba and later established close ties with the Sandinista in Nicaragua. Not long after this, the US began placing obstacles in the path of Grenada's attempt to build a new airport, and President Reagan drew world attention to Grenada as a threat to the United States' regional security.

It was this combination of the threat of a US invasion and its constant provocative activities which provided a justification for the Grenadian regime to enlarge its People's Revolutionary Army, establish a militia and stockpile a large quantity of arms. The US continued its pressure by refusing to accept Grenada's ambassador to the United States, and by attempting to block multilateral aid to Grenada by the World Bank, the Caribbean Development Bank and other regional and international agencies. In 1981 the Caribbean Basin Initiative (CBI), an aid package consisting of grants and trade incentives for Caribbean countries, was announced by the Reagan administration. Grenada was deliberately excluded because of what Reagan termed their abuse of human rights and refusal to hold elections.

Canada supported Grenada

Despite US pressures, Grenada continued to receive international assistance. Canada, already a large donor of aid through its CIDA programs, continued its assistance to the Bishop government. In fact, Prime Minister Pierre Trudeau indirectly gave great political support to the Grenadian experiment and to the notion of "ideological pluralism," a political philosophy which was being advocated by the Bishop government and many Caribbean scholars. Addressing the CARICOM (the association of Commonwealth states in the Caribbean) leaders in St. Lucia in February 1983, Trudeau affirmed Canada's commitment to provide \$350 million in aid to Caribbean countries by 1986, regardless of their domestic politics. He stated that "When a country chooses a socialist or even a Marxist path, it does not necessarily buy a package which automatically injects it into the Soviet orbit." Trudeau also discounted US President Ronald Reagan's claims of hemispheric insecurity by stating that "the internal systems adopted by the countries of Latin America and the Caribbean, whatever these systems may be, do not in themselves pose a security threat to this hemisphere."

Although a strong critic of the US invasion, Canada has pledged financial assistance to Grenada for the completion of the international airport. Canada's relationship with the region has not been damaged, despite the Organization of East Caribbean States' (OECS) reluctance to inform or solicit Canada's opinion prior to the invasion. The claim by the Chairperson of the OECS, Prime Minister Eugenia Charles of Barbados, that Trudeau was not informed because she was unable to make telephone contact, is a lame

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A Caribbean divided

excuse. More fundamental is the fact that the leaders who invited the US to invade Grenada were convinced that Trudeau would adhere to his February pledge and not support armed intervention. Despite Canada's stated preference for democratic styles of government, Trudeau's acceptance of ideological pluralism means that Canada is committed to working with countries espousing different or even left-leaning political systems. However, the US commitment to the use of military force does not allow pacifist countries like Canada to play a meaningful role in the politics of the region.

Britain opposes invasion

Britain, although boasting of strong historic ties to the Caribbean and a limited colonial presence, was not prepared to deploy military forces in support of a Commonwealth country threatened by "communist subversion." Prime Minister Margaret Thatcher of Britain, an ardent supporter of Ronald Reagan's, in a BBC world service call-in program criticized the US invasion and observed that her country "... try to extend our beliefs, not by force but by persuasion." She went on to say that she hates "repression and communism. There are many people in the world who would love to be free of it. But that does not mean to say we can just walk in and say to them, 'now you are free.'" However, Thatcher's inability to talk Reagan out of his planned invasion demonstrates US willingness to ignore a trusted European ally, even at a time when the deployment of nuclear missiles in Europe left Europeans wanting to be convinced that Reagan was not trigger-happy.

The British and Canadian inability to influence US policy in the Caribbean, and their unwillingness to meddle in the internal affairs of these islands, underscores the ineffectiveness of the Commonwealth in playing any significant role in the Grenada crisis. At the Commonwealth leaders meeting held approximately one month after the invasion, the Organization of East Caribbean Countries (OECS), which had issued an invitation to the United States, came under fierce criticism from other Caribbean and African leaders for allowing the US to violate the Commonwealth's principle of non-intervention in the internal affairs of a member country. The profound concern among African states was that South Africa was now provided with a precedent on which a similar invasion could be mounted against Angola.

Whatever deep division the invasion caused among Commonwealth countries was not in the end important because the Commonwealth had no enforcement capabilities. Also, Britain and Canada, the two most powerful members of the Commonwealth, were not prepared to go any further in their condemnation of the United States. However, the forum provided those countries with another opportunity to denounce both US and OECS action, another indication of the global condemnation the invasion would receive.

Discord at OAS

The discord which surfaced at the Commonwealth meeting concerning Grenada paled in comparison with the deep divisions which became apparent at the Organization of American States (OAS). Mexico and Colombia, two leading US allies, joined fifteen of the twenty-eight mem-

bers in condemning the US invasion, which they considered a violation of Article 18 of the OAS Charter. The OAS, desperately trying to shake off the US-domination label, felt insulted that no attempt had been made to use its offices as a mediator in the Grenada crisis. This contributed to the resignation of Alejandro Orfila, the Organization's Secretary General, one-and-a-half years before his term was to expire, in protest against what he felt was the ineffectiveness of the OAS in the settlement of hemispheric troubles.

The English-speaking OAS members' support for the invasion exacerbated the crisis of credibility they had been experiencing at the OAS and heightened the suspicions of Latin American states. This suspicion arose over the English-speaking Caribbean, and in particular Barbadian, support for Britain in the Falkland Islands conflict. This distrust was emphasized by the Latin American refusal to support the nomination of Val McComie, the Barbadian-born Deputy Secretary General of the OAS, to the top post on the retirement of Orfila — a direct response to Barbados' heavy involvement in the invasion of Grenada. Moreover, the acceptance of US intervention in the hemisphere and the disrespect for national sovereignty by the Caribbean states is a particularly sore point for Latin American states whose history is spotted with incidents of US intervention. It is not a precedent they would like to see established, given the volatile atmosphere of Central America.

Discord at CARICOM

The greatest casualty of the US invasion is the CARICOM Community of which the English-speaking countries are members. The last two years have been difficult ones for the Community as it has tried to overcome economic and trade difficulties facing the region. It is not just the fact that Belize, the Bahamas, Guyana and Trinidad opposed the invasion, but it is the lingering personality clashes and deep ideological differences some of the leaders share on the question of regional security and the future of CARICOM which threatens the community. Both Guyana and the Bahamas shared similar views with Prime Minister George Chambers of Trinidad, who stated his opposition to the invasion on the grounds that "it is a matter of principle, of upholding the sacred rights of territorial sovereignty." In addition, the decision not to inform Chambers of the invasion plans and the resulting criticism he was subjected to, deepened his resolve for isolation. Chambers has since shown no great urgency for thawing his relationships with the other Caribbean leaders who supported the US military intervention.

The fears of many regional experts is that the ideological complexion of CARICOM will be challenged and it will be replaced by a more conservative organization which rejects the present doctrine of ideological pluralism. Edward Seaga, the Prime Minister of Jamaica and a long-time opponent of the Bishop government, has indicated his desire to see a CARICOM II Treaty which would be the same as the present treaty but would recognize a majority rule. Seaga's desire for this change stems from his inability to expel the Bishop government from CARICOM by simply obtaining a majority vote. In addition, Seaga has been pushing for human rights observation and parliamentary

government as the litmus test for future and continued membership in the Community.

Ideological pluralism threatened

Ideological pluralism and the unanimity rule are the pillars on which the Community stands. Ideological pluralism defines the climate in which the two political ideologies of parliamentary democracy and democratic socialism were allowed to coexist without threatening the established patterns of inter-relationships. This doctrine had been enshrined in Caribbean politics, given the existence of both variants of government in the region.

The unanimity principle employed by CARICOM requires the affirmative votes of all Member States of the Community before any decision becomes legal and binding. This principle has in the past stymied the efforts of Seaga to revoke Grenada's membership in the Community and thwarted his efforts to accept the Dominican Republic's application for membership. In the wake of the Grenada invasion, Seaga has gone on record as saying that the Grenada crisis has solved two of the Organization's major problems — the unanimity rule and the inability to expand. In his proposal for another CARICOM Treaty he stated that he would like to see the majority principle adopted.

Despite some obvious shortcomings of the unanimity rule, the major concern is that the majority principle would allow the more powerful and influential countries to dominate the affairs of CARICOM. In light of the deep divisions in CARICOM over foreign-policies and the distrust among leaders, any attempt to force a majority rule may become the proverbial straw that will "break the Community."

Thus far the only regional organization which seems to have benefited from the US-led invasion of Grenada is the OECS. The OECS regards the renewed interest by Washington as an opportunity for receiving large amounts of aid and preferential treatment for their fledgling economies. They expect that Washington will be as generous to them as it has been to Grenada. Since October Grenada has received US\$72.2 million in aid from Washington. Some, like Eugenia Charles of Dominica and John Compton of St. Lucia, have also used the Grenada crisis to blast the left wing movement as well as to solidify their grip on power. Prime Minister Vere Bird of Antigua, using the anti-communism wave of the post-invasion period, called a general election one-and-a-half years ahead of schedule. Bird, in his acceptance speech, was insistent that his clean sweep of the poles was a vote of confidence for this stand against communism and the left wing movements in the region.

Militarization of the Caribbean

A much deeper threat to the OECS and CARICOM is not the bogey of communism or the claim that Grenada was "a threat to the entire region." Rather, it is the recent surges of militarization and the presence of US military personnel that is of major concern to the region.

Since the US-led invasion of Grenada, the leaders of Barbados and the OECS countries have been intensifying their efforts to create a regional defence force. Prior to the invasion, these islands had agreed to undertake a coordi-

nated approach to providing a regional coast guard service. Everyone at the time thought that the agreement was aimed at providing cooperation in immigration control, fishery protection, protection of offshore installations, assisting each other in national emergencies and fighting off threats to national security. Since the Grenada crisis these leaders have become much more candid concerning the intended mandate of the regional defence force. One Prime Minister is quoted as saying that the security force is intended to provide protection "against mercenary adventure, other external aggression, domestic revolution or other violent episodes".

The legality of this agreement is questionable, in view of the fact that the leaders harbor notions of its deployment to "defend democratically elected governments." A clear distinction should be made between giving assistance to a regional partner to fight off external aggression, and collaborating to prevent nationals of a country from removing, by "undemocratic" means, a ruling party from office.

By participating in the US-Caribbean militarization plans the leaders of the region have mortgaged the future, not in terms of the North-South dialogue to overcome their economic difficulties, but on an East-West ideological platform that demands an armed presence to preserve the status quo. To honor this obligation the US has allocated US\$15 million in military assistance to the region for 1984 and is providing a paramilitary training for some 250 men on six islands. It is expected that the security force, which will be based in Barbados, will number between 1,000 and 1,800 and will cost approximately US\$100 million over five years.

The question many people ask is what are the guarantees that political stability will be maintained? There are none. A major concern is that the creation of those armies will fuel further conflicts and make the islands more dependent on the US. An even greater concern is that like Grenada, the guns will be used not to protect the people, but against the people, by some power-hungry leader in a desperate bid to cling to power.

Where no guns were before

The Grenadian crisis, instead of confirming the irrelevancy of military presence in the region, has permitted many leaders to conclude that their future survival may require the use of the gun. This view has driven some Caribbean leaders unashamedly into the US camp, in conflict with their CARICOM colleagues holding different political views. These political differences, although not the single factor threatening the region, will, in combination with the economic problems and growing isolation, render dialogue impossible.

The divisions which have surfaced among CARICOM countries will be evident at the next Caribbean Heads of Government meeting being held in the Bahamas this summer. Already ominous signals are being sent by Trinidad, the bank-roller of CARICOM, that its leader might not attend. In addition, the recent delivery of three Coast Guard cutters by the US to three OECS countries has shown their determination to proceed with the militarization plans. These areas of conflict and disagreement make the future of CARICOM very uncertain. □

Politics of Torture

by Alexander Craig

"Torture? Nasty business, isn't it? Well, except maybe after a prison riot, it could never happen here. And a lot of the people who oppose those governments aren't exactly progressive or peaceful either." The ever-present shrug — almost as ubiquitous as torture itself — comes into play, and Neville Chamberlain's famous observation in his radio broadcast after the German annexation of the Sudetenland is our guiding principle; "a quarrel in a far-away country between people of whom we know nothing."

That dismissal of almost half-a-century ago represents a philosophy that is still alive and well, and living in many people's minds. Yet torture and other forms of attacking and limiting people's human rights are everyday, routine realities in many countries throughout the world. As a consequence, internal stability is seriously threatened — and with it regional peace, order and progress. Just think of Central America — how many people in the rich countries gave it a second thought five or ten years ago?

Imagine the most excruciating torture, physical or psychological, or both, and more than likely it has already been conceived and practised somewhere in the world. Surveying tortures carried out in various countries today, one comes across many for which barbarity is an insufficient description.

What torture?

People in the First World, the developed, industrialized countries of the West, are physically remote from torture. Even more significantly, they are psychologically removed. Full information is at times difficult to get, especially in the crucial early stages of detention and interrogation. Governments clamp down on release of information in the sacred name of national emergency or national security.

In the latest global survey by Amnesty International *Torture in the Eighties*, published in early 1984, reports of torture and ill-treatment from ninety-eight countries are set out. The most detailed part of the book, however, is devoted to more than one-third of the world's governments which have used or tolerated torture or ill-treatment of prisoners between January 1980 and mid-1983. Some very ugly wars, internal as well as international, are going on in today's world. Atrocities are committed on all sides. International terrorism is a severe challenge to the international system, and a danger to people's lives in many countries. It

is *governments*, however, which universally and collectively condemn torture, and any attempt to restrain, if not entirely abolish it, must start with them. Some condemnations are more equal than others. For example, in December 1977, the military government of Argentina admitted to holding 3,600 people in official detention, but would not allow that they were political prisoners; instead it described them as "criminals who call themselves 'political prisoners.'"

Who tortures? They can be professional soldiers, civil servants, physicians. Detailed information is difficult to obtain. Whoever they are, people are available to perform the routine, day-to-day tasks of forcing out information, or intimidating or punishing. As Albert Camus warned us in



AMNESTY INTERNATIONAL

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his celebrated attack on capital punishment, "Reflections on the Guillotine," "behind the most peaceful and familiar face slumbers the impulse to torture and murder." In the First World we can relax because we know the system helps to ensure that such impulses are kept slumbering. In much of the rest of the world, however, many people experience a chronic anxiety unknown to us. In, say, El Salvador, if you are seen talking to the wrong person, or if you did not get your voting card stamped correctly, or if you are just not liked or suspected, organizations such as the feared Treasury Police might grab you and assign you to the torture chambers.

Governments always involved

Government, then, or the system of government, tortures. Often the system is nearer chaos than organization. In many countries each branch of the armed forces has specialized intelligence services concentrating on torture — and sometimes they not only compete with each other but also with various branches of police forces — federal, regional and parapublic. Take Argentina, for example, a country which in 1930, before the military began a half-century of repeated interventions, was as developed as Canada or Australia. The armed forces, claiming to be the most- and best-organized body in the country, caused, before their humiliating defeat by Britain in 1982, an untold number of their compatriots to disappear in a hideous internal war of revenge. Estimates range between 10,000 and 25,000 Argentines, the vast majority of them detained either in error or merely because they were progressive-thinking, who lost their lives over the last decade. Few records seem to have been kept; the system just went completely out of control, with tragic consequences.

If they achieved nothing else, the Argentine military helped to turn "disappear" into a transitive verb. The world has now reached such a state that Amnesty International finds it must, in its book *Torture in the Eighties*, give a definition of "disappearance": it "has occurred whenever there are reasonable grounds to believe that a person has been taken into custody by the authorities or with their connivance and the authorities deny that the victim is in custody." Highly influential figures, in the Reagan administration and elsewhere, choose to treat governments such as that of Argentina before Alfonsín as "authoritarian" rather than "totalitarian." Not that the form of torture in question, affecting as it does a wide circle around and beyond the victim, is unprecedented: "People who had incurred the displeasure of the Party simply disappeared and were never heard of again. One never had the smallest clue as to what had happened to them. In some cases they might not even be dead." (Winston Smith's Oceania, in 1984.)

Torture in, the Soviet Union or elsewhere in the Eastern bloc, can be more sophisticated. Prisoners of conscience are confined, compulsorily, to psychiatric hospitals. Or they are thrown in with common criminals, who are allowed, when not actually encouraged, to attack them.

Defining torture

Being carried out in so many places, in such different ways, torture might seem to resist easy or satisfactory definition (remember how many years it took the UN to

reach agreement on defining "aggression"). Nonetheless, it is worth stressing that when the UN adopted the Declaration against Torture in 1975, Article 1 read,

torture means any act by which severe pain or suffering, whether physical or mental, is intentionally inflicted by or at the instigation of a public official on a person for such purposes as obtaining from him or a third person information or confession, punishing him for an act he has committed, or intimidating him or other persons. It does not include pain or suffering arising only from, inherent in or incidental to, lawful sanctions to the extent consistent with the Standard Minimum Rules for the Treatment of Prisoners.

Article 2 states, "Torture constitutes an aggravated and deliberate form of cruel, inhuman or degrading treatment or punishment." There were then 144 members of the UN, and they adopted this Declaration unanimously.

There are, of course, a number of high-sounding "universal" declarations, "reinforcing" human rights, and condemning all sorts of cruel, inhuman or degrading treatment or punishment. The cynic might remark that all the standards, covenants and declarations are worth as much paper as, say, the Russian constitution is printed on. With, however, this one important difference: compared with previous generations, human rights are today a legitimate concern not just of foreign policy but also of international law. This means a plethora of definitional problems. Just what are "rights" or "human rights" or "basic human rights?" Whether or not there should be "hierarchies" or "priorities" of rights, the disputes between East and West over economic versus political, social versus civil rights are well known. Most of us in the West would agree with Andrei Sakharov that:

Among the rights which are extremely important for any normally functioning society, and which are not realized in the USSR and in the countries of Eastern Europe, are the rights to strike and to form associations independent from the authorities. Based on the example of these rights, it becomes increasingly clear that without the existence of political and civil rights, social and economic problems cannot be effectively solved.

For the indefinite future, there will, it seems, be vast areas of international disagreement. In a world of nation states, what else is likely? The international system, moreover, does not have human rights as a fundamental priority. To take for example the most powerful country in the world, the foreign policy of the US has always had strong elements of moral and, even more, economic drive in its formulation and execution. But its primary concern above all is security. Secretary of State Shultz put it explicitly when he addressed the 86th Annual Washington Day Banquet of the Creve Coeur Club of Peoria, Illinois, on February 22 of this year on "Human Rights and the Moral Dimension of US Foreign Policy." "There are countries," he told his listeners in Peoria, "whose internal practices we sometimes question but which face genuine security threats from outside — like South Korea — or whose cooperation with us helps protect the security of scores of other nations like the Philippines."

Who Tortures? Why?

What many commentators and pressure groups see as a further impediment to progress in human rights is the covert way in which much of diplomacy has to be conducted. Henry Kissinger speaks not only for himself, one assumes, when he warns that making human rights policy "a vocal objective of our foreign policy involves great dangers. You run the risk of either showing your impotence or producing revolutions in friendly countries — or both."

Yet some progress can be and has been made. *Torture in the Eighties* devotes a chapter, "Pressure for Improvements" to constructive changes in the situation in Northern Ireland and Brazil as far as torture is concerned. In each case responding in part to international pressure from both intergovernmental organizations and non-governmental groups, and to domestic unease, the governments in question tightened up control over subordinate officials behaving in undisciplined and oppressive fashion.

Progress slow — if at all

In too much of the rest of the world, unfortunately, torture continues unabated. In part this is due to the con-

straints of the international political system as indicated above. In addition, however, the large scale abuse of power by which many governments retain their hold can only continue thanks to virtually unrestrained recourse to official terror and torture: as Secretary Shultz said in Peoria, "Where a system of government is built on repression, human rights will inevitably be subordinated to the perceived requirements of political survival." Amnesty International publicizes the valiant work being done by bodies such as the Moroccan, Syrian and Indonesian bar associations, and the Detainees' Parents Support Committee in South Africa. Globally, bodies such as the International Council of Nurses and the World Psychiatric Association have called on their members to observe explicit guidelines and to refuse to cooperate in "acting contrary to scientific or ethical principles."

There are many abuses of power in today's world, and torture, although it can be severe and widespread, is only one. Nonetheless, a prosperous and stable country such as Canada can make some contribution to its reduction. A country which depends so much on international trades as Canada does should recognize the value of long-term stability and thus dependability and predictability. A glance at the world's torture map will show how counter-productive and short-sighted has been developed countries' support for dictatorial regimes. Furthermore, over and above Canada's concern with its image in the world, official concern with calling attention to and halting torture could help stem the flow of international refugees, many of whom have been put to flight by the use or threat of torture.

Non-governmental organizations, international and domestic, have important, indeed basic roles to play. Amnesty International's *Torture in the Eighties*, for example, spells out in detail a number of preventive safeguards and remedial measures. Much remains for governments to promote the proscription of torture from the level of declaration and standard to that of accepted international law and, perhaps one day, custom. The UN is currently drafting a convention that would make torture a crime under international law. Yet in the world today torture seems to be on the increase, and to becoming more "refined" and thus difficult to oppose effectively. In the short-term Canada could join in helping finance and otherwise aid the International Rehabilitation and Research Centre for Torture Victims (RCT) in Copenhagen.

Dealing with the problem of torture on a more long-term basis gives rise to complex and interminable debates. Enormous differences exist between countries and cultures, agreement on priorities and hierarchies of rights is hard to reach, apparently intractable problems arise over what are seen as "double standards." But torture must be attacked internationally, for it, like human rights in general, is no longer a matter of simply domestic concern and jurisdiction. A great deal remains to be done in defining standards, in getting them accepted, and in seeking to restrain violations of such standards. Thanks to the work of bodies as diverse as US congressional committees, the International Commission of Jurists, the World Medical Association, Amnesty International, and many others, no longer can the excuse be offered: "We had no idea what was going on." □



Baljit Singh, blinded by police in Bihar, India, after being arrested in November 1980. He was held down and then had his eyes punctured with a bicycle spoke and medical syringe. Acid was then poured into his eyes.

Book Reviews

Canada — a principal power?

by Allan Gotlieb and Jeremy Kinsman

Over the past quarter century changes in the world systems for peace and security, trade and payments, and in the distribution of power have been awesome. The roles of both superpowers have changed dramatically, and as a consequence, the perspectives and the roles of most other international players.

Canada's foreign policy has undergone a thorough adaptation over these decades. Some of the attempts to chronicle it have lamented the apparent Canadian "decline" in international influence from those years at the end of the Second World War when our navy was reputedly and artificially the third-largest in the world. Canadian internationalist diplomacy generally operated in the late forties and early fifties within a rough consensus among nations on what had to be done on most of the issues. In those years the USSR was still constrained by the isolation of Stalinism. It has been a mistake of commentators to assume that Canadian performance in those circumstances was the norm for Canadian involvement. Indeed, this brief period of creative Canadian diplomacy occurred almost at the beginning of our national diplomatic history. In the 1920s and 1930s we hardly had any: Mackenzie King's nature was not as suspicious as Stalin's but he still kept us away from international engagements as a function of national interest.

Pearsonian activism

The internationalist activism of Mike Pearson and his contemporaries rubbed King the wrong way, largely because King could not see how it served specifically Canadian interests. In a broader and more significant sense, of course, it did, in that this motif prolonged beyond the war itself Canada's global engagement, a newly discovered vocation which suited our geography as well as our aspirations. The remarkably positive and confident idealism of the time about the potential for collective security suited Canada's interests as they were then defined. Then the external environment changed, and with it, our assessment of this potential. Canada also changed and so did Canadian relationships. In the process, Canada's role and objectives in the world became centred on more specifically national interests, not because management of foreign policy was more self-interested, but because these external and inter-

nal changes obliged us to change in the way we related to the world.

That forty years since the end of the Second World War is only the length of one full working career, yet it is virtually the life span of Canada's active diplomatic history, given the sparseness of Canadian foreign representation and contacts prior to the Second World War. It is also the scope of a major scholarly work recently published by two Canadian foreign policy specialists in Toronto universities, David Dewitt and John Kirton.

Canada as a Principal Power. John Wiley & Sons, Toronto, 1983, 478 pages, \$24.95.

The authors see Canadian foreign policy as having passed through three "perspectives" since 1947, from a "Liberal-Internationalist Perspective," then a "Peripheral Dependence Perspective," to emerge in the last few years in a "Complex Neo-Realistic Perspective." This last period is roughly synonymous with an "Era of Bilateralism" they identify with the government of Pierre Trudeau elected in 1980.

The three perspectives are set out at the book's beginning as a theoretical framework for the examination of Canada's place and purpose in the world. The authors depict something of a struggle between the first emphasis and the second. "Debate has been between those who see Canada as an internationalist middle power and those who see Canada as a dependent satellite in a superpower dominated world." Against this debate, their study "in contrast; develops, defines, and comparatively tests a complex neo-realistic perspective that may account more accurately for recent Canadian foreign policy."

In doing so, the study tries to "integrate the study of Canadian foreign policy more closely with that of international politics generally." This is a task which the authors believe has been infrequently or inadequately done by others. They claim that "most students and practitioners of

*Allan Gotlieb is Canadian Ambassador to the United States. Jeremy Kinsman is the Embassy's political Minister. This is the third time they have jointly authored an article in *International Perspectives*. Their preceding one entitled "North-South or East-West?" appeared in the January/February 1983 issue.*

Review Article

Canadian foreign policy have approached their respective tasks with a single vision of the world system that surrounds them and of their own country's place within the globe. They believe that the world order established in the aftermath of the war has been sustained in its central features up to the present day." In the view of the authors, study of Canadian foreign policy has "devoted too little attention to the profound impact of a changing global environment on the international position and behaviour of Canada itself."

"Interests" or dilettantes?

Practitioners of Canadian foreign policy believe they have really been doing this all along. However, the White Paper at the outset of the Trudeau years, *A Foreign Policy for Canadians*, followed by the Third Option study, did represent a sea change in the way those practitioners related external to internal policy environments. Professors Dewitt and Kirton give this new emphasis, reinforced later by the policy of bilateralism, the serious positive attention it deserves as being now in the main stream of Canadian policy-making. However, there may be on their part a tendency to over-stress the suggestion that it is only in recent years that practitioners have "got it right." It is not easy to get it right, but if it is right for today, it may not have been right to do it this way a couple of decades ago. The point is that earlier emphases were right for their times. But times change, and in identifying the changes, and in bringing together themes and data which accomplish the very ambitious task of charting the inter-relationship of Canada and the world over the last forty years, the authors indeed tell the reader a great deal about the world and Canada which may not have been brought together in a book that way before. In doing so, they have realized a service and an achievement of real merit.

Structure of the book

In an opening chapter, the authors outline the three theoretical perspectives which they believe have sequentially characterized Canadian foreign policy in the last forty years. The "liberal internationalist perspective" is associated with a mediatory "middle powermanship" in world affairs. The "peripheral-dependence perspective" was characterized by a contraction in relations with the outside world and ad hoc responses to developments the US, steered primarily by corporate interests in Canada. The "complex neo-realistic perspective" is influenced primarily by the need to project Canadian interests into relationships abroad. It has accompanied the decline of the US in world affairs and the diffusion of power in the world, and looks out on the world from Canada's position as a *principal power*, a "member of the top tier" of world players.

To provide a chronicle of events to trace this progress, a second chapter outlines the major doctrines and decisions which have gone into Canadian foreign policy since the Second World War. The reader is led through several eras which the authors identify as: Internationalism, 1947-1957; Independence, 1957-1963; Federalism, 1963-1968; National Interest, 1968-1980; and, finally, "the era of Bilateralism." 1980 to the present. This progress toward bilateralism is meant to be the journey which moved theoretical perspectives toward "complex neo-realism."

A third chapter attempts to quantify growing Canadian interaction with other global actors to support the thesis that there has been an increasingly conscious effort to find in the world a variety of partners for Canada's own development experience. Three subsequent chapters entitled "Population, Energy and Trade," "The Societal Process" and "The Governmental Process" establish, first, the basic characteristics which qualify Canada as a principal power, and then, the way in which both institutions and interest groups in Canadian society have pressed the Canadian government to pursue an interest-based foreign policy.

Second part — case studies

The second part of the book provides four case studies, each of which is meant to substantiate the thesis. They are, in separate chapters, "Immigration Policy: The Case of Refugees"; "Energy Policy: International Oil and Gas Exchanges"; "Space Policy: International Space Activity"; and "Canadian Policy towards the Middle East." The material which is presented to the reader in the first three of these case studies demonstrates that Canadian interests have emerged more distinctly in recent years and that Canadian influence has been increasingly deployed in strategies meant to advance these interests.

The authors' choice of functional case studies is thoughtful. Both energy and space policy relate to the search for Canadian comparative advantage. They illustrate efforts which successive Canadian governments have made to enhance our competitive opportunities via our international relationships. In the case of energy, the impulse was originally one of self-protection after 1973.

The authors trace the ways in which the changes in the world environment and in Canada forced us to seek new ways to deploy our influence to our advantage. These efforts came to a particular focus in "Bilateralism." Bilateralism as a theme of Canadian foreign policy deserves the attention which the authors pay it. Their main assertions here are seminal, and are roughly as follow.

- The decades ahead loom as being highly competitive for Canadian economic interests, and deeply unpredictable in terms of regional peace and security issues.
- Multilateral instruments for keeping the peace and reducing further barriers to trade may have gone about as far as they can for the time being.
- The ability of the superpowers to control events has eroded, along with their actual influence in the world. A diffusion of power has occurred, leading to a proliferation of partnerships for Canada outside the traditional area.
- Predictability and continuity in foreign relations need a conscious effort to secure the viable and productive long-term relationships upon which they depend.
- The reach of our relationships will be global in that we have important relationships in all parts of the globe but we have to be selective in concentrating our resources and our political efforts on those relationships which are most promising for Canadian interests.

— The development of such relationships is fundamentally a political exercise in that the objective is to acquire, over time, influence which we can deploy to encourage economic and other desirable characteristics of the relationships to expand and prosper.

These features make the conduct of bilateral relationships considerably more strategic than in the past. The authors insist that the management of those strategies be comprehensive and central or they will not work.

Bilateralism needs central management

The greatest of Canada's relationships is that with the USA. It is Canada's greatest foreign policy challenge. Much has been written about it and the authors of this book provide a fair description of the progress toward our ability to deal with the relationship in a strategic manner. To strategize is to choose, which requires control. The authors correctly emphasize the importance of institutional organization in this respect and the need for central management of all aspects of foreign policy within the Canadian government. They see the recent organizational changes in the Department of External Affairs as achieving this purpose.

As the authors correctly assess, the emergence of conscious strategies to develop such bilateral relationships required the recognition beforehand that Canadian interests were different from those of any other country. The experience in developing some of the Canadian cultural and economic institutions which have emerged in the last twenty years has consolidated this sense of distinctiveness and has contributed to the self-confidence likely to favor this sort of comprehensive approach to foreign relations, which the authors associate with "complex neo-realism" and bilateralism.

But bilateralism is not by any means the whole of the landscape, or even its main feature. The global issues — East-West, North-South, the international trade and payments system — remain central preoccupations of Canadian foreign policy. The two perspectives coexist. Kirton and Dewitt might have emphasized this point more strenuously. But their case study on the Middle East is apparently meant to work in the opposite direction — as a demonstration of a turning away from Canadian liberal-internationalist concern in favor of self-interest. The example is unconvincing.

Peace keeping when it works

In developing new relationships of substance with various Middle East countries such as Saudi Arabia and Kuwait, Canada was recognizing the enormous importance since the early 1970s of the surplus revenue Gulf states. Our role in peace and security in the eastern Mediterranean, in efforts to find peace between Israel and its neighbors, has been more modest since 1957 because our experience has been unhappy, not because of these new relationships. Our expertise and internationally accepted role was in the area of peace-keeping, which we had learned does not work in the absence of some basic political understanding between superpowers and among the regional powers. This is a change of perspective forced by circumstance, but not to the point where we saw ourselves able to abandon our belief that peace-keeping forces *should* be rooted in the UN and to join the multinational forces for Lebanon which

were recently evacuated. If anything, that disinclination was in deference to the concerns for effective universally-managed machinery which had been at the centre of the old "liberal-internationalist" legend.

Canada as a Principal Power was written before Prime Minister Trudeau's recent peace initiative. (But one of the authors [John Kirton] gives his views in an article elsewhere in this issue. Ed.) That enterprise is by now a well-documented expression of the sort of internationalist perspective on peace and security issues which so animated Canadian efforts in the 1950s, in the sense that it deployed Canadian resources and influence in favor of improving a global situation. Mr. Trudeau had been a North-South activist as well, but the nuclear fear issue was a more domestic and urgent intervention. But there was a clear similarity. The multilateral system was not adequately dealing with these central global issues. On East-West relations, as the opening declaration of this year's world survey by the IISS states, "rarely has the need for effective crisis resolution been so great, and the prospects for achieving it so limited." So Canada laid on a concentrated national diplomatic effort, using bilateral techniques because the main players so distrusted the multilateral machinery's ability to deal with their main interests. There may be change here in Canadian approaches since the Pearson years but it is not one of fundamental perspectives.

Foreign policy of Canadians or of interests?

The perspective from which Canadian leaders have seen the world has always been that of Canadian interest. Though the authors are right to underline the efforts of the early Trudeau years to project Canadian interests outward, leading to a stress on bilateralism, the vocation for creative Canadian internationalist diplomacy remains lively. Though the world landscape has dramatically changed, making multilateral machinery less effective for promoting Canadian interests, there is a coherent framework for Canadian foreign policy which is simultaneously thematic and concrete, multilateral and bilateral. Professors Kirton and Dewitt recognize that these trends coexist. This is one of the main points of their book, even if they are sometimes prone to see a change of means as a change in perspective.

But this book is a good account of what has gone on in the minds of Canadian policy-makers as they tried to link our foreign policy objectives to changes in the external world. Its assessment is necessarily a Canadian one and, perhaps, as we have said above, assumes too much control by those who make the policies over the environment in which they have to work. The greatest realism of all is to recognize that the world will never be of our making, but to nonetheless be determined to reduce its risks and improve its quality, at the same time as we promote our own self-interest. This is what Canadian foreign policy is still about.

A final comment: the book reflects an enormous amount of research, and covers four or five decades of history in considerable detail. Getting through it all is a tougher chore for the reader than it should be. This is a book with good ideas, but its writing is sometimes too dense and at times awkward for easy access to its ideas and information. The prose in the narrative portions which cover Canadian diplomatic history and experience flows more easily, but one wishes that the theoretical and analytical chapters could have been composed in more straightforward

Book Reviews

ward terms. Practitioners always resist the elaboration of theoretical frameworks to describe what occurred incrementally, but the theoretical structure which this book erects in its opening chapters could have been less complicated and formal without damage to the ideas and analysis of this very worthwhile volume — a work which takes Canadian academic analysis of Canadian foreign policy into the 1980s where it belongs.

How Newfoundland joined Canada

by J.W. Pickersgill

Documents on Relations between Canada and Newfoundland, Vol. 2, 1940-49 edited by Paul Bridle. Ottawa: Canadian Government Publishing Centre, 1984, 2106 pages (in two parts), \$30.00 for two volumes.

The 2000 pages of documents in this volume (which is published in two parts) constitute almost the complete story of the way in which, and the methods by which, two countries were successfully united into a single country by peaceful means — a rare achievement in the history of the modern western world.

This second volume contains more than official documents, though these alone are comprehensive. The official documents are filled with information about the background of events as well as the record of what happened at every stage in the process of completing Confederation. They include copious extracts from the press and other reports of the changing state of public opinion. The record of Parliamentary proceedings in Canada and Britain is included, and there are many extracts from scholarly works relating to Canada's relations with Newfoundland, including most of the references to Newfoundland in the Mackenzie King Record taken from the Prime Minister's diaries.

The documents disclose how fortunate Canada was to have been represented in St. John's by such able and knowledgeable High Commissioners and what a priceless advantage it was to have, as Editor, Paul Bridle, who in one capacity or another in the Department of External Affairs, was associated with the conduct of Canada's relations with Newfoundland from the beginning of the movement toward the union until it was successfully achieved in 1949.

While the two-part volume is comprehensive, some of the background against which the union developed is contained in Volume 1 of the *External Affairs Documents on Relations between Canada and Newfoundland*, which was published in 1974. That volume dealt with relations in defence, civil aviation, and economic affairs. Canada is very lucky that this earlier volume was also edited by Paul Bridle so that unusual coherence is given to the whole documentation.

Mr. Bridle's introduction to Volume 2 is an indispensable summary of the abortive attempts to bring Newfoundland into the Canadian confederation between 1864 and the sad days of the 1930s when the Canadian government failed

to seize the opportunity to help that stricken country. Instead, we treated Newfoundland's fate as almost irrelevant to Canada's future.

Even as late as 1943 the Canadian attitude to Newfoundland is described in one of the documents in these words: "The Canadian attitude to Newfoundland is very like the American attitude to Canada, an amicable indifference coupled with a complete ignorance of local susceptibilities. No doubt the reaction of Newfoundlanders to Canada and Canadians is in many ways similar to our reaction to Americans, except for the one big difference that the Newfoundlanders have two great neighbors instead of one."

That was, of course, no longer the attitude of official Canada. Even before war broke out in 1939, perceptive Canadians in and out of government were aware of the global importance of Newfoundland in the development of civil aviation. In 1939 the government at once recognized the crucial geographical importance of Newfoundland to the defence of Canada; and that importance was more widely appreciated in 1940 when there was a danger that Britain, like France, might be overrun by the enemy. Canadians in government were increasingly conscious from 1940 that, if Canada did not take a large enough part in the defence of Newfoundland, the United States might face our country with another Alaska on our Atlantic coast.

The mating game

It was not until July 12, 1943, that the Canadian government indicated publicly that union might be a possibility. In reply to a question in Parliament, Mackenzie King said: "If the people of Newfoundland should ever decide that they wish to enter the Canadian confederation and should make that decision clear beyond all possibility of misunderstanding, Canada would give most sympathetic consideration to the proposal."

The phrase "make that decision clear beyond all possibility of misunderstanding" left no doubt that the Canadian government would wait for the initiative to come from Newfoundland. It also begged the question of how such a clear decision could be made.

Many Newfoundlanders believe that there was conspiracy between Britain and Canada to engineer the union. The documents leave little doubt that most British politicians and civil servants concerned with Newfoundland believed a union with Canada would best serve the interests of the people of Newfoundland. There is a very comprehensive argument to this effect in a memorandum by Sir Alexander Clutterbuck reproduced on pages 130-133. But the documents disclose that even after the second referendum resulted in a majority for confederation, Mackenzie King, and even Louis St. Laurent briefly, were not sure that the result represented a decision which was "clear beyond all possibility of misunderstanding." The vote was taken on July 22, 1948, and it was not until July 30 that Mackenzie King announced that the Canadian government accepted the vote as a decision by the people of Newfoundland in favor of union with Canada.

The Canadian government, until that date, had done nothing overt to influence opinion in Newfoundland in favor of confederation. It is doubtful whether Mackenzie King even knew of the indirect assistance given by C.D. Howe to the Confederate Association in raising funds for

its campaign (see pages 910-11), and it was certainly not known to the public either in Newfoundland or in Canada.

Part II of Volume 2 records every stage in the negotiation of the Terms of Union which were signed on December 11, 1948. It recounts the various stages in the legislative approval given to the Terms of Union in the Parliaments of Canada and Britain and also the fascinating story of assuring the presence of a Newfoundlander in the Canadian Cabinet on the day of union and of the way a provincial government composed by Newfoundlanders of Newfoundlanders was established.

There were no precedents to follow in consummating the union but it was arranged smoothly and with dignity. All Canadians who are interested in the way Confederation was completed in 1949 owe a debt to the Department of External Affairs and especially to Paul Bridle for providing the essential contemporary documents in such a well-organized and scholarly fashion.

But that is not our whole debt to Mr. Bridle. He noted that the documents included only a few indications of the attitude of the government of the United States to the union. He has filled that gap with a fine article based on thorough research in the records in the United States, which appeared in the November/December, 1983, number of *International Perspectives*. This article shows clearly that the American government followed a consistent policy of non-intervention in word and deed which, in some degree, indirectly advanced the cause of confederation.

J.W. Pickersgill served in the Prime Minister's Office under Mackenzie King and Louis St. Laurent from December 1947 to June 1952, and one year as Secretary to the Cabinet. He became a Minister in the St. Laurent government and was elected to Parliament for Bonavista-Twillingate, Newfoundland, in 1953. He continued as M.P. until 1967, in opposition from 1957 to 1963, and in the Pearson government until September 1967. He was President of the Canadian Transport Commission from then until 1972, when he retired to private life.

Grand strategy, size small

by James Macintosh

Strategy and the Defense Dilemma: Nuclear Policies and Alliance Politics by Gerald Garvey. Toronto: D.C. Heath Canada Ltd., 1984, 136 pages, \$31.95.

Strategy and the Defense Dilemma outlines the features of a radically revised American foreign policy, one that Gerald Garvey thinks is more closely in keeping with the international economic and strategic realities of the 1980s. The arguments and recommendations explored in his book are the product of Pacific-oriented, American quasi-isolationism. They are also suggestive of at least some strands of conservative thought in America's increasingly confusing ideological potpourri.

The heart of *Strategy and the Defense Dilemma's* argument is neatly summarized in "No more suicide pact, no more free rides." By this Garvey means that American-extended nuclear deterrent guarantees to NATO Europe and Japan have become dangerously incredible in Soviet eyes and increasingly unappreciated by American allies. By his view, the United States should gradually but explicitly decouple its strategic nuclear forces from extended deterrent functions and turn its foreign and defence policy attention more towards its own direct economic interests, primarily in the Pacific Rim.

The "dilemma" in the title is a genuine one. It concerns the *credibility* versus *affordability* of the two contemporary options for "defending" America's allies. The extended deterrent threat of using central or theatre strategic systems to counter a Soviet attack against US allies is, according to Garvey (and many others), simply incredible. However, the alternative — a significant conventional force buildup — is unaffordable. Hence, the dilemma and the need for a new strategy.

Garvey's "segmented strategy" would operate on three levels and would address three basic types of decoupled deterrent requirement: "Primary Deterrence," "Frontal Deterrence" and "Local Deterrence." According to this scheme, "Primary Deterrence" (essentially an Air Force responsibility) would focus solely on preventing a direct Soviet nuclear attack against the United States. Here, the central strategic forces would consist of reduced numbers of very accurate, single warhead Minuteman ICBMs (for selective counter-force retaliation), "ultimate deterrent" Trident SLBMs (for "assured destruction"), and a reinvigorated manned bomber force of B-1s and Stealth aircraft. "Frontal Deterrence," primarily an Army responsibility, would combine a sizeable reduction of US forces in Europe with the explicit reliance on short-range battlefield nuclear weapons and a very early first use policy. "Local Deterrence" would involve a significantly enhanced naval presence throughout the western Pacific, one capable of performing what Garvey calls "constabulary" functions. The idea behind his "segmented strategy" is to isolate the United States from possible escalation (should war occur) and to improve the chances of effectively meeting and containing any violence in areas that matter to increasingly important US global economic interests in the Pacific Rim and the Middle East.

Garvey discusses a number of important points (i.e., the inherent problems of extended deterrence, escalation and escalation control, manoeuvre versus positional conventional defence, "high-tech" solutions to conventional balance problems, any number of strategic weapon system questions, and naval power projection strategies.) A number of his assessments are probably sound (he rejects Reagan's notion of "space-time" or horizontal escalation as well as high-tech and manoeuvre defence schemes) and he is certainly correct in identifying the credibility versus affordability dilemma as a genuine problem. However, the discussion is always insubstantial. Further, there are occasional factual errors, the evolution of American strategic policy is poorly portrayed, the Soviet Union is treated simplistically, and Garvey exhibits ambivalence on whether or not the allies should be allowed to "buy back" into extended deterrent guarantees. The analysis of interna-

Book Reviews

tional economic trends and conditions also seems unsophisticated.

One interesting oversight is of particular interest to Canada. Nowhere in *Strategy and the Defense Dilemma* is Canada mentioned and only rarely is there any reference to Central and South America. This omission probably reflects the author's assumption that Canada and the remainder of the Western Hemisphere are already part of the American "economic outreach." This easy assumption, if true, should alarm us, particularly given the world view of clear (American) economic self-interest advocated by Garvey.

The main problem with *Strategy and the Defense Dilemma* is its inadequate attention to supporting what is a very complex argument. The book is far too short to deal properly with such a grand view. The ideas are not necessarily wrong or lacking in merit, but they do need much more extensive exercising and defence.

James Macintosh is a Research Associate in the Research Programme in Strategic Studies at York University in Toronto.

Letters to the Editor

Becoming more upright

Dear Sir,

Professors David Dewitt and John Kirton ("Canada and Middle East Realities," *International Perspectives* January/February, 1984) are not wrong in contending that Canada's Middle East policy has moved towards balance in recent years. But we have some distance to go! Canada remains second only to the United States in its partiality for Israel in United Nations voting, and it is less willing than almost all its allies, to say nothing of the non-aligned, to treat the Palestine Liberation Organization (PLO) as the spokesman for the large majority of the Palestinian nation. (If we really doubt the popular support enjoyed by the PLO, why not press the Israelis to permit the free elections on the West Bank that would resolve the issue? In the meantime we must rely on the public opinion polls, conducted by Israelis and others, that show overwhelming support for the PLO.)

Dewitt and Kirton appear to accept that Canada is still regarded by the Arabs as biased against them. They contend, however, that this really does not matter because the Arabs are buying an increasing quantity of Canadian goods. Fair enough, but how much more would they buy if Canada was regarded as a friend? Or at least fair? Canadian diplomats recently returned from postings in the Middle East appear unanimous that our partiality for Israel is costly in terms of trade.

I am more concerned that Canada's perceived tilt reduces its capacity to contribute to the peace process. It also fosters the image of Canada as a follower of the United

States in its support of an increasingly militaristic and expansionist regime.

Other readers of my "Canada's Middle East tilt" (*International Perspectives*, September/October 1982) have objected that to focus attention upon the Canada-Israel Committee (CIC) is to imply a denial of the right of Jewish-Canadians to lobby for a cause they hold dear, or is even a complaint that they do it well. Nothing of the sort. Jewish-Canadians have exactly as much right to lobby as any other Canadians, and if lobbying were a competition, with Canada's policy the prize for the most professional, the CIC would deserve to win. Arab-Canadians, and other Canadians concerned about justice for the Palestinians, lack comparable resources, organization, skill and zeal.

Politicians and bureaucrats often do act as if policy-making were simply a matter of balancing pressures. Policies calculated to serve Canada's interest, however, are unlikely to result from such a passive process. Still, pressure groups should be given a hearing. Often they provide relevant information and cogent argument. Both the public and the decision-makers, however, should make allowances for their particular interests, resources and tactics.

No one can object to the CIC's goal of friendly relations between Canada and Israel, or to its efforts to shape Canadian policies to that end. It would command more respect, however, if it were as prepared to criticize Israeli policies, especially when they violate international law and sap Canada's traditional sympathy for the state of Israel.

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Sectoral free trade

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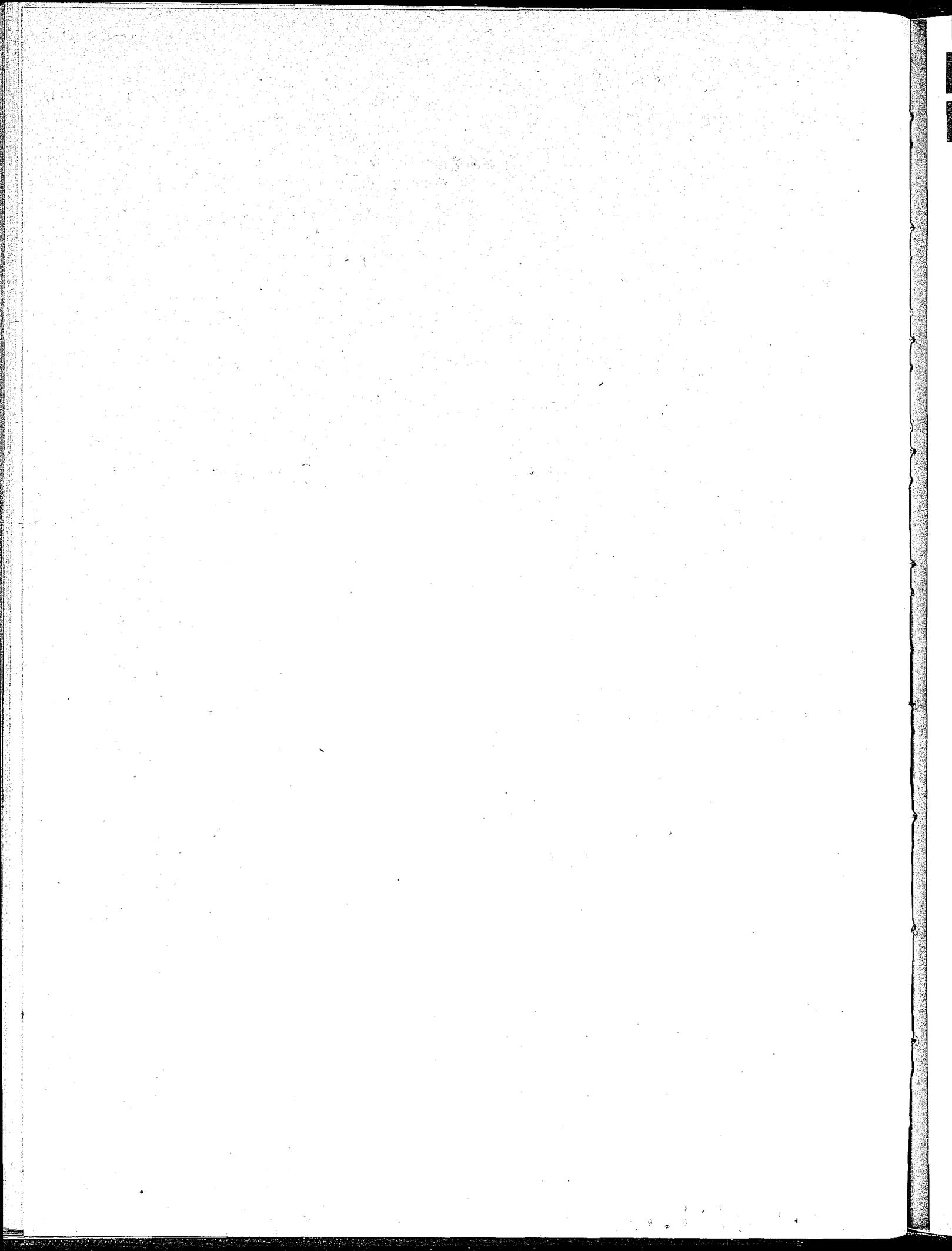
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International Perspectives

Sectoral free trade
by Earl H. Fry 3

Canadian policy and US business interests
by Donald Barry 8

The Pacific challenge
by Stuart L. Smith 11

Stalin's pact with Hitler
by Eric Koch 13

The struggles of Bangladesh
by Clyde Sanger 16

Jamaica's development
by Robert Anderson 19

Canadian security
by John Starnes 23

Nuclear winter
by Paul Buteux 27

Book Reviews 29

Letters to the Editor
Newfoundland, Canada:
Pickersgill and Bridle 31

International Canada
Centre supplement reference material on Canada's foreign relations presented by the Department of External Affairs.

Sectoral free trade

by Earl H. Fry

In the May/June edition of *International Perspectives*, Canada's former Minister for International Trade, Gerald Regan, concludes that Canada should work towards liberalized trade ties with the United States because the "status quo is simply not a viable option for Canada's future." In an accompanying article, Michael Smith, the Deputy US Trade Representative, pledges that the "US is prepared to match the pace, step-for-step, that Canada wishes to walk or run."

The impetus for discussions on liberalized trade between the two nations originated in August 1983 with the release by the Canadian Government of *A Review of Canadian Trade Policy*. In this document, Canadian officials expressed a willingness to explore possible sectoral free trade arrangements with the United States. Informal preliminary discussions between Canadian and US representatives were launched in Washington in December 1983 and Gerald Regan and US Trade Representative William Brock met in Washington in February 1984 and again in Ottawa in June to explore the liberalization of trade ties between the two North American neighbors. Both sides have now agreed to push forward with the sectoral free trade discussions and have expressed optimism that agreements in one or more sectors can be concluded within the next year or two.

No other dyad of nations in the world comes close to matching the volume of trade between Canada and the United States. Almost 70 percent of all Canadian exports are destined for US markets and in 1983 alone Canada sold more than 50 billion dollars (US) in exports to the United States. Almost 19 percent of US exports headed north of the border in 1983, nearly twice the amount which ended up in Japan, America's number two trading partner. Two-way trade between the United States and Canada was actually greater in 1983 than the total two-way trade between the United States and the ten members of the European Community (88.5 billion dollars (US) compared to 86.2 billion dollars (US).

Prospects

Yet, in spite of the close trade ties which already exist and the good intentions which have been expressed by government representatives in both capitals, sectoral free trade pacts will be very difficult to negotiate and a great reservoir of "political will" must be expended on both sides of the border if the initiatives are to succeed. From an economic standpoint, sectoral free trade between Canada and the United States would in most cases benefit Cana-

dian producers and consumers to a greater extent than their American counterparts, simply because of the vast difference in the size of the two markets. Politically, the potential pros and cons associated with sectoral free trade are much greater for policy makers in Ottawa than in Washington. As Canadian history succinctly illustrates, governments have been toppled because of efforts to move toward greater economic integration with the United States. Thus, the issue could be very volatile for politicians in Ottawa, whereas it continues to have a very low profile in Washington. For the international economy, a sectoral free trade pact consistent with GATT provisions would be a welcome breath of fresh air in an atmosphere permeated by protectionist odors.

Nonetheless, a meaningful and effective sectoral free trade arrangement will be extremely difficult to negotiate for a number of reasons.

Lack of consensus

Both US and Canadian officials are now in the process of querying a variety of industrial groups which are possible candidates for inclusion in a sectoral free trade arrangement. As starkly illustrated by the responses forthcoming from Canada's Textile and Clothing Board, it is very difficult to attain general consensus on the merits of free trade. Several American sectors have given similar responses. For example, some US firms have operated facilities in Canada for a number of years and perceive that Foreign Investment Review Agency (FIRA) restrictions, the imposition of performance requirements on new investors, and Canadian tariffs now provide them with certain competitive advantages over US firms which have not yet established operations north of the border. Thus, free trade is viewed by these firms as an undesirable option. Some US enterprises also have looked at the ten-to-one difference in market size and have concluded that Canadian firms would probably make greater headway in volume, in the US market than American firms would make in Canada's much smaller consumer market. As a consequence, they believe that the trade-offs would favor Canadian businesses; therefore, they have second thoughts about the merits of free trade

Earl H. Fry is the Special Assistant in the Investment Policy Division of the Office of the US Trade Representative. The views expressed in this article are solely those of the author and do not reflect the policy positions of the US Government in general nor the Office of the US Trade Representative in particular.

An American perspective

within their specific sector. In addition, certain US businesses believe that the Tokyo Round will produce virtual free trade in their specific sector; consequently, they consider the current discussions superfluous.

On the other hand, it is feasible that a consensus in favor of sectoral free trade will be reached within certain industry groups in the United States, especially those which will benefit from rationalization and global product mandating. The sectors will be fairly limited in scope and the next step will be to achieve a similar degree of support in the same sectors in Canada. This quest to achieve a commonality of interests and support in two distinct nations among what are often highly heterogeneous groups (in terms of the size of firms, their activity in regional markets, their role within larger conglomerates, their experience in the multinational arena, their future market strategies, etc.) is proving to be formidable.

Auto Pact model

The 1965 Automotive Products Trade Agreement (otherwise known as the Auto Pact) has been highly praised in the recent report of Canada's Federal Task Force on the Canadian Motor Vehicle and Automotive Parts Industries. The Auto Pact has increased Canadian automotive employment both in absolute terms and as a share of total US-Canadian automotive employment. The Pact has also facilitated increased productivity to the point where the substantial productivity gap that once existed between Canada and the US in 1965 has been eliminated. Moreover, the price gap has also gradually narrowed and today Canadian vehicle prices before taxes are lower than those in the United States.

The Task Force report goes on to emphasize that "A vital aspect of this agreement was that it recognized Canada's need for certain safeguards," adding that these safeguards "were in the form of certain production to sales ratios and Canadian value added commitments that had to be met before duty-free entry to Canada was granted." In effect, the Auto Pact provided investment performance requirements which would later be incorporated and expanded into other economic sectors by FIRA which began operations in 1974.

Unfortunately, the Auto Pact serves as a very poor model for future sectoral free trade arrangements between the United States and Canada. First of all, the North American automobile industry is dominated by a very small number of large firms with a shared perception of gains to be made from rationalization and the imposition of safeguards within the North American market. These conditions exist in very few other sectors in the United States and Canada. Secondly, the United States has little inclination to include in any new sectoral free trade arrangement the safeguard and guarantee provisions which were granted to Canada in the Auto Pact. And, finally, the approval mechanism used to steer the Auto Pact through GATT could not be used today to achieve multilateral agreement on a new sectoral free trade pact. In essence, the Auto Pact simply cannot serve as the free trade model for the future, other than as an illustration of the willingness of both national governments to liberalize trade links in an important industrial sector.

Problems with FIRA

Positive changes have occurred in FIRA over the past couple of years because FIRA's powers have not been expanded and the investment review process has been streamlined.

Nonetheless, the changes in FIRA have simply been administrative. Restrictive policies could be strengthened at any time under any circumstances. Indeed, it is likely that FIRA standards were weakened because of the recent economic recession and the need to stem the precipitous rise in unemployment in Canada. Once economic conditions improve, the old restrictions could be reimposed and indeed FIRA and National Energy Program (NEP) provisions could become even more restrictive.

Ideally, Ottawa will eventually agree to abide by OECD and GATT "national treatment" investment standards and make this commitment a part of a law passed by Parliament. Hopefully, the GATT Tribunal recommendation on local sourcing which was graciously accepted by Ottawa will serve as a major step towards continued investment liberalization.

Without doubt, foreign control of non-financial industries in Canada is still the highest among the OECD nations, but the foreign influence is definitely decreasing. For example, *CALURA Annual Reports* show that between 1970 and 1980 the foreign share of the Canadian oil and gas industry decreased by almost 30 percent. The decrease in the agricultural sector was 7 percent, in mining 28 percent, in manufacturing 9 percent and in retail trade 10 percent. Rowland C. Frazee of the Royal Bank of Canada noted in his October 1981 speech to the Canadian Club in Winnipeg that foreign investment accounted for 33 percent of net Canadian capital stock in 1961, compared to 27 percent in 1971, and 23 percent in 1977. Foreign control of all non-financial industries may well fall below 20 percent by the 1990s, a situation far different from that which prompted economic nationalists in the late 1960s to call for federal government controls.

Canada actually experienced net disinvestment in the period 1973-1982 and Canadian investors have flocked to the United States and other foreign markets. From 1975 through 1982, US direct investment in Canada increased by about 66 percent, whereas Canadian direct investment in the United States catapulted by more than 225 percent during the same period. Today, on a per capita basis, Canadians have invested twice as much in the United States as Americans have invested in Canada. As more Canadians invest overseas, pressure will mount on Ottawa to set up a relatively open investment market so that foreign governments will not retaliate against Canadian investors. Moreover with the implementation of the Tokyo Round provisions, many US companies in particular will be in a position to service the Canadian market from the United States. As Harold Crookell of the University of Western Ontario has pointed out in *Regulation of Foreign Direct Investment in Canada and the United States*: "To add the National Energy Program (NEP) and an expanded FIRA at around the same time is to make US investors feel unwelcome at precisely the time they are presented with a reasonable alternative. It is like inviting them to leave and then providing free suitcases."

Sectoral free trade could provide Canada with an opportunity to attract some of the funds which will be needed to carry forth with an energetic economic expansion program. But sectoral free trade by definition implies an absence of discriminatory non-tariff barriers. Sectoral free trade simply cannot exist when one party to the agreement imposes performance requirements which distort trade flows. Non-tariff barriers such as employment and export quotas and distribution guidelines cannot be permitted within a sectoral free trade area. Moreover, both US and Canadian companies covered by a sectoral arrangement should be free to source materials or services solely on the basis of market conditions. In addition, free trade in the targeted sectors should include provisions permitting the free movement of capital.

The number one comment made by US businesses which responded to Washington's initial inquiries about sectoral free trade concerned the future role to be played by FIRA in a free trade area. From the US vantage point, there is no problem with FIRA and the Canadian Cabinet continuing to screen direct investments made within a designated free trade area. However, this screening process within the free trade sectors should be limited to issues which are applicable to both Canadian and non-Canadian investors in a non-discriminatory manner. The screening of investments on the basis of "significant benefit to Canada" criteria and the imposition of performance requirements should be eliminated in order to insure that free trade actually exists within the targeted sectors. Moreover, one would hope that Ottawa would agree to approve in a *pro forma* fashion any transaction which involves a US enterprise acquiring any other company which happens to have a subsidiary or other business venture in Canada falling within the free trade sector. The only logical rationale for disapproving of such a transaction would be questions relating to financial solvency, possible criminal conduct, or national security concerns.

In spite of these US protestations, this investment screening issue remains dear to the hearts of a fair number of Canadians and it represents a major potential obstacle to the successful culmination of a sectoral free trade pact.

Responsibilities

As much as US officials would be interested in concluding sectoral arrangements in certain product areas with Ottawa, they do not want to do so in violation of GATT obligations. The best of all possible worlds for the United States would be to negotiate an across-the-board free trade area with Canada. GATT provisions would clearly be fulfilled in such an arrangement but, unfortunately, Canadian officials consider that such a broad pact is still unacceptable to the Canadian populace.

GATT Article XXIV permits free trade areas and customs unions as an exception to the most-favored-nation principle. To qualify for this exception, the parties involved must satisfy the following conditions:

(1) Duties and other regulations on commerce imposed by the countries entering into the agreement may not be higher or more restrictive, with respect to nations outside the agreement, than those which the countries in question had in place prior to the agreement being made;

(2) The commitment to eliminate duties and other regulations should apply to "substantially all" trade between the parties;

(3) Very few restrictions on trade between the countries entering the agreement may be retained, such as restrictions taken for balance of payments purposes or limitations on imports during a period of domestic production restraints;

(4) An "interim agreement" leading to a free trade area can be justified if it includes a plan and a schedule for the formation of a full-fledged free trade area within a "reasonable" period of time;

(5) Countries desiring to form a free trade area must notify the GATT secretariat of their intentions and provide each side with sufficient information and time to carefully examine the implications of the proposed arrangement.

The two other options available to the United States would be to seek a waiver for the sectoral free trade pact under GATT Article XXV:5 or to ignore GATT altogether. The Article XXIV route discussed above provides some hope because of the ambiguity associated with the "substantially all" and "reasonable period of time" clauses. GATT has reviewed more than 40 proposed free trade arrangements and has never formally disapproved any agreement. The free trade areas which have been reviewed range from an estimated six percent of trade in the European Community's arrangement with Tanzania, Uganda, and Kenya, to an estimated 93 percent of total trade in the case of the United Kingdom-Ireland accord. However, because Ottawa has stated publicly that it is not prepared to work for a full free trade area, the merits of the US case would be rather tenuous at best. The option of ignoring GATT standards and procedures altogether would be the worst choice, because it would denigrate the US commitment to a liberal international trade regime and open the door for other advanced industrial nations to flagrantly abuse GATT provisions. The Article XXV waiver route may be the most feasible option to pursue, but even in this case the sectoral free trade arrangement provides a weak basis for a waiver. Moreover, the waiver precedent would probably encourage other nations or groups of nations to apply for waivers for trade arrangements which are essentially protectionist in nature. In particular, one must be concerned that a Canada-US sectoral free trade arrangement based on an Article XXV waiver might provide the pretext for the European Community to further tighten its trade accords with the former colonies found in the ACP (African, Caribbean, and Pacific) grouping of nations.

Public Opinion

The Canadian public is probably somewhat ambivalent concerning sectoral free trade arrangements with the United States, even though a Gallup poll taken in the spring of 1983 showed that 54 percent believed Canada would be better off if tariffs between the US and Canada were removed, 29 percent stated Canada would be worse off, and 17 percent were undecided. In essence, Canadians generally support greater free trade between the two nations but the issue is not near the top in their hierarchy of concerns. Canadian officials will have to sell the negotia-

An American perspective

tions by promising that new jobs will be created and that Canada will be in a better position to compete effectively in the international trade arena. With unemployment still hovering near Depression levels, Canadians are indeed very concerned about job creation strategies and might welcome sectoral free trade if they could be convinced that 1) a substantial number of new jobs will be created; 2) sectoral and regional worker dislocation will be minimal (particularly in Quebec and to a lesser extent in Ontario); and 3) American influence over the Canadian economic and political sectors will not noticeably increase.

Parts of the Canadian media can be expected to play up the possibility of "creeping" American influence because it has traditionally provided an element of sensationalism which helps to attract viewers or listeners or sell newspapers and magazines. Moreover, far greater media attention will probably be accorded to spokespersons for businesses which perceive that they will be affected negatively by sectoral agreements than to those that might profit from freer access to American markets. With such media coverage, the Canadian public's interest in the negotiations will be heightened and their perspective of sectoral free trade might become more negative. As a result, it may be extremely difficult for the Canadian negotiators to make the concessions necessary to reach an agreement acceptable to both sides.

In addition, no one can doubt the sincerity of Canadian trade officials who have taken the lead in the sectoral free trade discussions. On the other hand, the free trade proposal represents a major about-face for recent Canadian Governments and is almost comparable to a "born again" conversion. Some sceptics might suggest that the trade initiative was viewed by the Liberal Party leadership as a political ploy to preempt the issue in the recent election campaign. At the time, the Liberals were running scared and had been bitterly attacked by the Progressive Conservative opposition for eroding the once healthy Canadian investment climate. The Liberal Party was then fighting an uphill battle and needed to create an image of being pro-business and of sponsoring certain programs which rely on the private sector for the creation of new jobs rather than going again to the public trough. The trade policy document fits in very well with this political strategy, but how far will the new Canadian government be willing to go in implementing such a significant program? Major battles linked to this issue will undoubtedly ensue in future Cabinet meetings and the outcome of such a struggle is still uncertain.

Subnationalism dilemma

In terms of economic policy making prerogatives, Canada has the most decentralized governmental system in the OECD group of nations. The provincial governments are very powerful and can be expected to oppose any concessions which will be perceived as injurious to their regional industrial base. In addition all three major federal parties have well-defined regional political bases and must often cater to the parochial interests and concerns of their regional constituencies.

Several of the current impediments to trade and investment flows on both sides of the border are attributable directly to provincial and state policies. These policies

include Buy American and Buy Canadian provisions, government procurement codes, local content and sourcing restrictions, and subsidy schemes. Because of the nature of the Canadian and US federal systems, it may be very difficult to alter to any significant extent these practices which work against liberalized trade arrangements. Moreover, individual provinces must be convinced that they will not be shortchanged by any Canada-US agreement. For example, will it be possible to build a consensus on the merits of free trade in petrochemicals, red meat, and textiles among the governments in Alberta, Ontario, Quebec and Newfoundland? Some people would insist that such consensus-building would quickly assume Sisyphian proportions.

Intervention

The Canadian Government will continue in the future to pursue interventionist policies in the economic sector regardless of whether the Liberals or the Conservatives are in power. In contrast, the US Government continues to pride itself in being the least interventionist of all the major industrialized nations and considers that gradual deregulation in several important economic sectors will further enhance America's reputation as the great bastion of capitalism. Even if a Democratic Party administration were to come to power in the near future and espouse significant industrial policy priorities, the difference in the degree of interventionism between the two North American nations would remain quite striking.

The United States cannot expect that Canada, for the sake of sectoral free trade, will all of a sudden see the light and begin in earnest to dismantle its Crown corporations and deregulate some of its highly oligopolized economic sectors. Although many Canadians are disenchanted with the dreadful performance records of several Crown corporations, they generally accept active government involvement in the economic sector. As a result, any American effort to persuade Canadians to deregulate for the good of liberalized trade relations would be foolhardy and counterproductive.

Conclusion

In both political and economic terms, the establishment of an across-the-board free trade area is the preferable policy solution for both Canada and the United States. Such an arrangement, which could include exempted industries, relatively long phase-in periods, and clearly delineated trade adjustment mechanisms, would be in full accord with GATT provisions and would be a welcome departure from the protectionist battles which currently plague the international economic system. Both nations would benefit from the enlargement of markets and the opportunity to further rationalize their economies, thus providing the North American countries with a better opportunity to compete effectively against Japan, the European Community, and the newly industrialized states. Across-the-board free trade would also be much simpler and less time-consuming than the current laborious process of trying to "match" sectors, and would build on the trade features of the Auto Pact and Defense Sharing Arrangements which already provide sectoral coverage for more than one fourth of the two-way trade between Canada and the USA.

It is also likely that the Canadian consumer would be the primary beneficiary of a free trade agreement. Competition would increase in Canada and product and price selection options would proliferate. Canadian businesses would also have the opportunity to expand in America's huge market and would no longer have to worry about being "ambushed" in protectionist skirmishes pitting Washington against Brussels and Tokyo.

Although an arguable assumption, it is also conceivable that in a free trade arrangement, Ottawa's influence in Washington would increase to a greater extent, in relative terms, than the US federal government's influence in the Canadian capital. The US would be required to consult with Canada much more frequently on a wide variety of issues which might impact upon trade. The major cost to Canada would be an even closer linkage to the American dollar and US monetary policy, but this would not be a substantial change from what currently exists. US officials would also have to be very sensitive to Canadian concerns and avoid any rhetoric or actions which might smack of political integration. Any hints of political integration from Washington would rightfully lead Ottawa to abrogate any free trade accord.

Unfortunately, current political "realities" suggest that across-the-board free trade is not an acceptable option

to the Canadian Government. Therefore, the tedious and very complicated process of reaching a consensus on sectoral free trade arrangements should continue, and Ottawa must continue to take the lead role in determining the pace and scope of discussions. Even if only one or two minor sectoral agreements are reached, this is a step in the right direction towards liberalized trade and away from protectionism. Any arrangement, however, must go through the GATT Article XXIV or XXV process and receive proper authorization before being implemented.

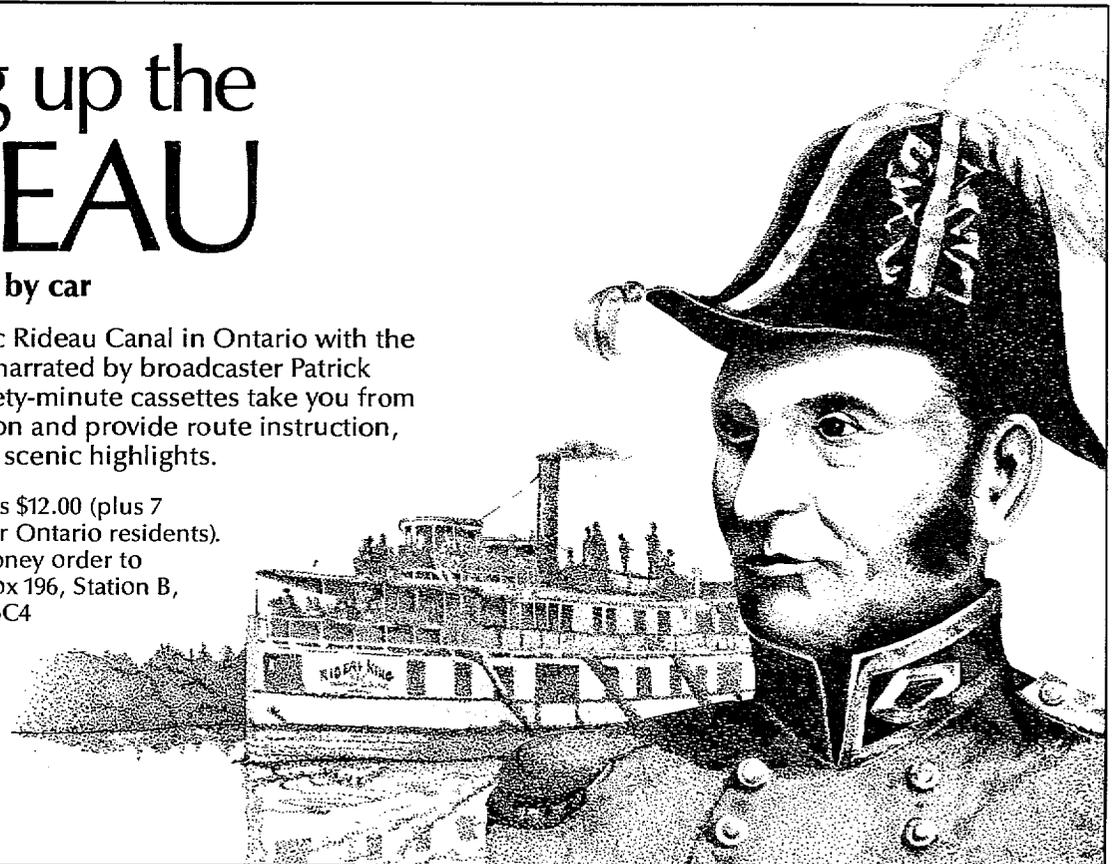
As discussed earlier, the quest for a consensus among industry groups and national and regional governments for sectoral free trade is much more difficult and arduous than many people realize. However, the difficulty of the quest only serves to accentuate the importance of the issue at hand. Any new sectoral free trade arrangement consistent with international obligations, no matter how menial or insignificant it may first appear to be, is preferable to the trade relationship which currently exists between the two North American neighbors. Ideally, the bilateral negotiations would also lead to more effective multilateral discussions on the liberalization of global trade and investment flows. Therefore, the ultimate goal must not be the creation of a Fortress North America, but rather the strengthening of liberalized trade relations at the international level. □

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Canadian policy and US business interests

by Donald Barry

One of the most striking features of recent Canadian-American relations has been the dramatic rise in US congressional involvement in bilateral issues. Congress is an active participant in most of the irritants now before the two countries. Examples range from the stalled Pacific salmon treaty and acid rain to auto, lumber and steel exports. Most observers agree that Ottawa and Canadian businesses ought to strengthen their capacities to influence Congress in order to protect Canadian interests. Indeed, Ottawa has already improved its own ability to deal with Congress through more sophisticated lobbying and public diplomacy efforts to gain the support of domestic groups in the US whose interests correspond to Canadian concerns and whose views help shape those of American legislators. Such efforts will not be fully effective, however, unless they are matched by concern for the way in which Ottawa pursues its own bilateral policies. In particular, they are not likely to have any great impact on congressional attempts to retaliate against Canadian policies that arbitrarily disadvantage US constituent interests.

This is illustrated by three recent Canadian measures in which Congress has become involved: border broadcasting, the National Energy Program, and the Foreign Investment Review Agency. Canadian policy-makers have tended to see these measures solely in domestic terms and have defended them as necessary means of ensuring Canada's cultural and economic viability. Consequently, they have regarded congressional intrusion into these issues as unwarranted, based on misunderstanding of the purposes of the policies. This view, however, misses the mark, for American legislators have not challenged Canada's right to pursue measures to ensure its cultural and economic sovereignty. What they have challenged are the harmful effects those policies have had on US interests.

The dynamics of congressional involvement in these cases are similar. American interests affected by a Canadian measure approach the US government and Congress for support. The administration, which may in varying degrees share their complaints, takes its case to the Canadian government; but Ottawa refuses to cooperate. What happens next depends on the administration's ability to devise an appropriate response. If it cannot act effectively Congress may take matters into its own hands with unpredictable, sometimes harmful, consequences. No amount of explanation, lobbying or public diplomacy by the Canadian

government is likely to affect congressional behaviour at this stage. Congressional concern diminishes only if Canada modifies its policy or if other circumstantial changes reduce the policy's impact on American interests.

Border broadcasting has been on the Canada-US agenda for more than a decade. The issue arose from the Canadian government's effort to strengthen Canada's television industry by ending the drain of domestic advertising dollars to US border stations reaching Canadian viewers mainly through cable TV. The measures included the 1971 CRTC ordered deletion of commercials carried on cable TV in Canada and 1976 legislation removing tax concessions for Canadian business advertising on US stations and aimed at the Canadian market. The measures achieved their revenue goal. But this came at the expense of American television stations in several states along the Canadian border. Claiming losses of over \$20 million annually the stations formed themselves into a potent pressure group to lobby the US government and Congress to force Canada to modify its measures.

The broadcasters first approached the US State Department during the commercial deletion phase of the Canadian policy. The State Department asked for consultations with Ottawa. Ottawa not only refused the request but went on to eliminate the tax breaks for Canadian advertising on American stations. The broadcasters accordingly took their case to Congress where they found a receptive audience for their cause among border state legislators. Retaliation followed in 1976 after the broadcasters persuaded their legislative allies to link the Canadian advertising law to a recently passed US tax law restricting American foreign convention travel, making modification of the advertising restrictions a condition for relief from the convention law. The convention measure had a serious impact on the Canadian convention industry, which estimated its resulting losses at more than \$100 million. The Canadian government immediately protested the action. But while Ottawa declared a moratorium on commercial deletion, it refused to modify the advertising law, insisting that it was a non-negotiable issue of the country's cultural sovereignty. The linkage lasted until late 1980 when it was finally overturned by a countervailing congressional coalition which had its own domestic reasons for opposing it.

In the meantime, the broadcasters took their case to the US Special Trade Representative, claiming that the Canadian law discriminated against American trade under the terms of the US Trade Act. The STR agreed with the broadcasters as did President Carter who, in September

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1980, asked Congress to retaliate by passing a "mirror" law denying American businesses a similar tax break for advertising on Canadian stations. However, the broadcasters, arguing that the measure would not restore their lost revenue, have kept up their pressures on their legislators. Canadian efforts to thwart the broadcasting lobby and its congressional support have been ineffective.

A 1982 threat to remove tax concessions for American purchases of Canada's Telidon failed to materialize owing to widespread opposition from the US communications industry. But the issue is far from dead in Congress. Indeed, its importance there has increased. Influential US legislators, who are not involved in the broadcasting dispute, have come to see it as an important test of mechanisms designed to protect American interests against discriminatory trade practices. They have threatened stronger action if the still pending mirror legislation fails to produce a change in the Canadian law. The Canadian government, however, continues to refuse possible compromise solution, most recently rejecting a US proposal that would allow Canadian businesses to deduct a portion of their advertising costs on the American stations based on their Canadian and US audience shares.

Given Ottawa's continuing intransigence, the continuing pressures of the US broadcasters on Congress and the willingness of their legislative allies to continue the fight, it is unlikely that the final salvo in the broadcasting dispute has been fired.

The National Energy Program (NEP) was one of the most contentious issues in Canada-US relations during 1981 and 1982. The NEP, which was part of the Trudeau government's October 1980 budget, was designed to restructure economic and political power in Canada and to achieve 50 per cent Canadian ownership of the country's foreign (mostly American) dominated energy sector by 1990. The Program combined low domestic energy prices and higher taxes with a system of preferences that favored Canadian over foreign energy firms.

The NEP sparked vigorous protests from American energy interests who approached the Carter and Reagan administrations to support their cause. Their concerns, which were heightened by a spate of Canadian bids to acquire American energy companies, focused on several aspects of the Program. These included provisions limiting oil and gas exploration on Canadian lands to companies with at least 50 per cent Canadian ownership, the system of depletion allowances based on levels of Canadian ownership, Canadian sourcing requirements, and a 25 per cent back-in clause giving the Crown a retroactive share of existing oil and gas discoveries without compensation. The Reagan administration was also concerned that the NEP concept might be extended to other sectors of the economy, and argued that the program violated Canada's OECD obligations on energy.

The NEP was first raised by the outgoing Carter administration in the fall of 1980 and repeatedly questioned by the new Reagan administration after it came to power in 1981. Ottawa initially refused to budge from its policy, arguing privately and publicly that it was in integral part of the Canadian nation building process. The explanation, however, had no impact on US interests, who asked why they should have to pay the price for Ottawa's policy.

Although the Reagan administration strongly opposed the NEP's provisions, it attempted to prevent the dispute from further disturbing an already troubled bilateral relationship. But the administration came under strong pressure from US legislators who argued it was not doing enough to aid American companies affected by the NEP. This in turn led to a variety of legislative proposals to retaliate against Canada. These included a moratorium on Canadian investment in the US and stricter financing requirements for Canadian firms trying to acquire US companies.

Ultimately, however, the measures were never implemented and congressional pressures began to diminish. This was partly due to the harmful effects such retaliatory measure would have had on US interests and the administration's resistance to the proposals. It was also due to the emerging global energy glut and the recession which reduced American companies' exploration activities and hence the NEP's effects on their operations in Canada. The same factors induced the Canadian government to slow the pace of Canadian takeover activity and to eliminate or modify some of the NEP's more contentious features including domestic sourcing requirements and the controversial back-in provision. These moves have mollified US concerns, although the back-in and depletion allowance provisions remain bones of contention between Washington and Ottawa.

FIRA

Like the NEP, Canada's Foreign Investment Review Agency (FIRA) became a serious irritant in Canada-US relations in the early 1980's. FIRA had actually been in existence since 1974 when it was created in response to nationalist pressures to control the unusually high levels of foreign investment in the Canadian economy. (Eighty per cent of that investment comes from the US.) FIRA'S early activities attracted little attention. That changed in 1980 when the Trudeau government launched a vigorous campaign to extend national control over foreign investment and to enlarge FIRA's role in this process. Ottawa's new policy quickly provoked American ire. US businessmen complained about lengthy delays by FIRA in processing investment applications, secretive and arbitrary review procedures, export performance and domestic sourcing requirements, and the government's plans to extend performance review to existing foreign investment in Canada. The Reagan administration was also alarmed by what it saw as Ottawa's violation of the principle of national treatment of foreign investment.

Early consultations between the US and Canadian governments proved fruitless. The Canadian government steadfastly refused to modify its policy arguing that the need to control foreign investment was vital to Canada's viability. But this argument, which was frequently repeated before American public audiences, failed to address US concerns about the impact of its foreign investment requirements on American business. Not surprisingly, it did nothing to dampen US pressures on Ottawa to alter its measures.

The Reagan administration, pressed by US businesses and Congress, eventually decided to lodge a formal complaint with GATT, contending that local sourcing and ex-

Matching the two

port performance requirements extracted from foreign investors by FIRA violated Canada's commitment to maintain a non-discriminatory investment climate. The administration's handling of the issue was highly effective. It had the advantages of meeting congressional demands for action and registering its own opposition to the Canadian policy while removing a thorny issue from the play of bilateral politics. A GATT panel completed its deliberations in January 1984. It rejected the American export performance complaint but upheld the charge that Canadian sourcing requirements unfairly restricted international trade. Ottawa announced that it will comply with the GATT decision.

By this time, however, FIRA had faded significantly as an issue between the two countries. In mid-1982 Ottawa had announced that it would not proceed with its plans to expand FIRA's mandate and that it would streamline the organization's review requirements and procedures. These moves, spurred by the recession and the Canadian government's new view of foreign investment as an important catalyst in Canada's economic recovery, have signalled a more receptive approach by Ottawa toward outside investors.

Impact and restraints

The border broadcasting, NEP and FIRA examples show how Canadian domestic policies can develop into bilateral irritants due to the impact of those measures on American interests and the successful efforts of these interests to enlist US government and congressional support for their causes. They also demonstrate some of the constraints on Canadian efforts to influence Congress.

Fundamentally, these issues were created because Ottawa ignored the implications of its policies for US constituency interests. By all accounts the measures were formulated solely by the relevant domestic departments. The Department of External Affairs was not consulted even though its mandate not only includes explaining and defending Canada's policies in the US but also assessing possible American reactions to contemplated Canadian initiatives.

This problem was compounded by the Canadian government's refusal to cooperate with US government calls for consultation. This deprived Ottawa of a potentially important ally in dealing with the protests of American interests and their supporters in Congress. Moreover, Canada's own attempts to influence congressional actions were ineffective. Congressional reactions could be contained only if the administration could come up with a suitable retaliatory response, if Canada modified its policies, or if other changes affecting the consequences of the measures

on US interests diminished the pressures for action. We have seen that in the broadcasting case the administration's "mirror" law retaliation was not accepted by the broadcasting lobby or its congressional allies. Since Canada has not changed its policy in the meantime and other factors have not intervened to reduce the policy's impact on US interests, congressional pressures for retaliation continue. In the NEP example, policy adjustments made by Ottawa combined with the recession and the oil surplus helped reduce the Program's effects on American businesses and their efforts to involve Congress. Consequently, the issue's bilateral significance has diminished. In the case of FIRA, the US government, by bringing the issue before GATT, managed to defuse business and congressional pressures for retaliation. This action coupled with Ottawa's policy modifications have all but removed FIRA from the Canada-US agenda.

These cases suggest that Canadian lobbying in the US cannot compensate for Ottawa's failure to take into account the external implications of its domestic policies. Canadian lobbying did not stem congressional pressures for retaliation because it did not address US concerns about the effects of those policies on American interests. Moreover, since no US government, congressional or private interests stood to benefit from the Canadian measures, Canada did not have allies it could call on to help overcome the pressures of the opposing groups. In Congress, for example, legislators who did not have any stake in these issues were simply unwilling to challenge congressional supporters of the various lobbying groups. They did not have any incentive to do otherwise.

It is important for Canadian officials to take these factors into account when they contemplate future nation-building strategies. Awareness of the bilateral effects of such policies requires more effective integration of the Canadian policy process, in particular a greater involvement of the Department of External Affairs when such initiatives are being developed. It also requires willingness to consult with US administration officials about the bilateral implications of proposed Canadian measures. Timely consultation can alert Canadian officials to likely American reactions to these policies while generating greater US understanding of them. It can oftentimes lead to adjustments affecting the timing and implementation of policies. Such changes could allow Canada without sacrifice, to accomplish domestic goals with fewer bilateral disruptions. Moreover, through prior consultation with US officials the Canadian government can frequently acquire important allies in helping to defend its policies against possible American domestic challenges. □

The Pacific challenge

by Stuart L. Smith

A profound change is underway in the world's economy. The new agenda is being set in Japan, a nation ironically thrust into such a prominent role by the oil shocks of the 1970's. The irony arises out of the fact that Japan was the one nation that was supposed to be least able to sustain those same oil-related adjustments.

Admittedly, while Japan sets the agenda, the United States of America will likely remain dominant in the global economy for the foreseeable future. But the directions set by Japan, and improved upon by the United States, will have enormous implications for Canada. Canada cannot afford to lag too far behind either the United States or Japan in economic performance; too large a lag would mean the loss of our best people south of the border and would reduce our will for national survival. We must therefore examine the new world economic order and find a place within it for a competitive Canada.

The United States is now and always will be Canada's major trading partner. After that, however, Canada's trade with the Pacific is much larger than with the Atlantic and the trend is rapidly accelerating. Never again will Canada's Atlantic trade be even close to that with Pacific nations. The sooner Canada begins to think of itself as a Pacific rather than an Atlantic nation, the better it is likely to do. This should guide the courses taught in universities and in business schools, the sales agencies and trade offices set up, the languages and customs studied. Perhaps it is time to replace the usual Atlantic-centre with a Pacific-centred one in the Canadian consciousness.

The oil shocks caused all countries, but especially Japan, to emphasize products and production methods that saved energy and raw materials, these being commodities for which Japan is dependent upon other nations. Central to these savings have been a number of technologies which, although not altogether new, were brought to a very advanced state in the 1970's: namely, robotics, micro-electronics and the development of new materials. The United States, after suffering serious damage to many of its key industries, recognized the importance of innovative technology and has established leadership in additional areas, including information software, life sciences and biotechnology.

As automation advances, it has become easier to move the production of mature, mass-produced items to newly industrializing countries where wages are still low. For the advanced nations, a greater proportion of world trade every year is represented by innovative, high value-added,

knowledge-intensive products and related services. In these fields, the United States and Japan are predominant, with Western Europe struggling to keep up.

On the other hand, raw materials are declining as a proportion of world trade. More specifically, Canada has local supply problems in some instances (e.g. forestry and fisheries), and international supply side problems with "unfair" competition from the Third World producers of metals. Beyond, that, however, there are serious long-term demand limitations as a consequence of various factors, including:

- a) substitution of new materials (e.g. fibreoptics for copper, electronics for newsprint, composites for steel, ceramics for aluminum);
- b) increased quality and durability of products; and
- c) lightweight, down-sized, energy-efficient items.

To put it succinctly, for Canada, while food and energy production will continue to be a significant source of wealth, many other basic commodities may run into serious problems. As for manufactured goods, products can frequently be more cheaply produced elsewhere. Canada is obliged to automate its industries and to enter into knowledge-intensive industries producing sophisticated, high quality products with a high research content for world markets.

The need for this change must be emphasized as strongly as possible. The world is now poised on the threshold of a golden era in the advance of fundamental and applied knowledge. It is a cascading effect as discoveries in one field permit new doors to open in other seemingly unrelated areas. Fundamental discoveries are being made week by week to the extent that historians will probably look back on the 1980's and 90's as a time of the most accelerated scientific advances in human history.

All this new knowledge will have a major impact on the world's economy. New products, new materials, new machines, new cures, new methods will be discovered, patented and marketed. Canadians cannot simply expect to be purchasers of all these discoveries if we have none to

Dr. Stuart L. Smith is the Chairman of the Science Council of Canada. This article is based on an address to the Empire Club of Canada.

Canadian industry

sell. The habit of selling off natural resources will not be sufficient to buy Canada's way into the status of an advanced country in the New World. The way has to be earned by being competitive and successful in at least some of the more advanced industries.

The Canadian record so far is not very encouraging. There have been some real successes in telecommunications, transportation, office equipment, lasers and space. While these prove that Canada can compete successfully we are hardly represented at all, in fine chemicals, pharmaceuticals, advanced software, precision instrumentation, medical devices, fine ceramics and new composites. There is a need to set a serious national priority to have one or more successful companies in each of these fields. It may be necessary for government to share the risk with venture capitalists in setting up some of these companies or in building upon existing small companies. Governments, including those at the provincial level, should assist wherever possible in order to give such new companies a reasonable Canadian market with which to get a start. In some instances, branches of multi-nationals should be singled out and a special effort should be made to acquire genuine world product mandates in one or more of these important fields.

Joint ventures

Two other major thrusts are needed. First, there are enormous opportunities for Canada to enter into joint ventures with Japanese companies; these should be encouraged. The Canadian branch of such a joint venture might well benefit from Japanese production expertise and could logically be assigned the North American market to serve from a Canadian base. The Japanese branch might serve the rest of the world, using Canadian science and technology wherever possible. This kind of arrangement could help Canadians overcome the common problem of having superb science which is rarely turned into successful commercial products. Japan is seriously worried about its lack of basic scientific discoveries, so such partnerships with Canada could be very useful to both sides.

Canadian science is often used, of course, by United States companies but the industrial benefits to Canada are sometimes quite minimal. In some cases, the scientist or his or her invention is simply taken to the United States, perhaps a Canadian branch is set up but it usually does not export. There are exceptions, of course.

Secondly, there is the very delicate matter of how to make use of intellectual property which presently resides in Canadian universities. Universities are rightly wary of

permitting their major function to be undermined by the commercialization process. However, Canada has little alternative but to find ways to use its university resources, despite the problems. There is not enough industrial research nor are there the large companies from which new innovative ones can spinoff, ready to go into action as they do in the US. The universities, like it or not, may represent Canada's only important asset in this vital contest.

Business attitudes

Some comment must also be made about Canadian business attitudes. The most important pools of capital, including those controlled by leading business families and institutions, are almost all invested in retailing, finance, real estate and resources. High value-added manufacturing and research-intensive industries are very tiny portions of the portfolios of major capital aggregations. They are invested in conservative investments in industries which would be located here even if Canada were part of the US. For these investors, the market seems to pay an insufficient premium to draw them into the kinds of risky products that are needed to compete in the future. As a result, government plays a larger and larger role in the higher risk, new technology industries. Either by ownership, as in the aircraft industry, or by procurement as in the space industry, or by special financial arrangements such as in the transportation industry, government is drawn more and more into filling the vacuum left by the private sector. This is not a healthy situation and stands in sharp contrast with the Japanese experience.

In Japan, there is constant dialogue among capitalists and the trained business people and government concerning the long term interests of the nation and the ways in which such interest can be maximized. Government does not tell business what to do. In fact, information from the business people that normally forms the basis for whatever national policies are eventually adopted. Once a policy adopted, it guides both government and the private sector. Such teamwork does not prevent fierce competition, lobbying or even complaining. It does focus attention, however, on the strategic interests of the nation. Canada is not Japan but surely it can learn from that process.

In summary, then, Canada's wealth will have to come from new and complex sources, requiring a change in institutional structure and in international orientation. Canada must react to events in the Pacific; be part of the great future of that area and, most of all, learn from its successes. As a Pacific nation, the potential is there to secure the future. □

Stalin's pact with Hitler

by Eric Koch

On August 23, 1939 — ten days before the outbreak of World War II — Hitler and Stalin convulsed the civilized world by concluding the Nazi-Soviet Pact. This exercise in blood-curdling cynicism has remained unique in the history of the modern world. Yet, seen from both points of view, there was a certain logic to it. Its forty-fifth anniversary presents a good opportunity to examine the motivations of both parties and to see whether it has any relevance to Soviet-German relations today.

The Pact seemed to be a total disavowal of everything the two dictators had stood for. Hitler had proclaimed his loathing of Bolshevism in *Mein Kampf* in 1925. On January 30, 1937, four years after he came to power, he declared in the Reichstag that the Bolshevik dogma was the worst poison that could be given to any people and that no German should have anything to do with "these international parasites". Any people which accepted help from a "Bolshevik State" was doomed.

Similarly, Stalin had missed no opportunity to lash out at "fascist beasts" and throughout the middle and late thirties had called on all peace-loving nations to stop Nazi aggression. He had thrown thousands into prison camps for being suspected of pro-Nazi sympathies. In 1938 a veterinarian in Kiev was sent to jail for treating the German consul's dog. At his direction Communist parties all over the world denounced anyone who had a good word to say about the Nazis.

And now the two arch-enemies made a deal. In *The Gathering Storm* Chrchill called it "cold-blooded, but at the moment realistic in a high degree".

It consisted of two parts, the public part and the "secret additional protocol". In the public Non-Aggression Pact, which has been universally approved even by strongly anti-Stalinist Soviet historians, the two powers undertook to remain neutral towards each other if one of them should be involved in war. As Stalin knew, Hitler's army was already mobilized to crush Poland and this gave him a free hand. In the secret protocol, which did not become known to the world until the Nuremberg trials in 1946 and which Soviet historians still hush up, they agreed to split up Poland, with Russia taking all territories east of the rivers Narev, Vistula and San. These territories included the Polish Ukraine and Byelorussia. The USSR was also allotted "spheres of influence" in Finland, Estonia and Latvia, and given the right to reincorporate Bessarabia which after the First World had been given to Rumania. Germany declared itself "disinterested" in the Balkans.

Ribbentrop in Moscow

At noon on August 23, 1939, Hitler's foreign minister, the former champagne salesman Joachim von Ribbentrop — a pompous, violent, servile, disagreeable and arrogant social climber — landed in Moscow in the Führer's personal Condor plane for a twenty-four hour visit to sign the treaty. It was the first time Swastika flags were seen in Moscow, other than in anti-Nazi movies. Ribbentrop reported later that he felt "like being among old party comrades". Stalin could not have been more affable. He greeted Ribbentrop with the words, "Well, we certainly did cuss each other out, didn't we?" and later said that although they had poured buckets of filth on one another there was no reason why they should not make up their quarrel. In his toast to Hitler at the banquet in the Kremlin during the early hours of August 24 he declared, "The Germans love their Führer" and called Hitler a *molodetz* — a Russian slang expression for 'one hell of a fellow'. He also said he knew the Germans desired peace and he gave his "word of honour" that the Soviets would never betray Germany.

A week later Hitler declared in the Reichstag that his diplomatic turnabout vis-a-vis Stalin was final and that Germany would henceforth live in peace with the Soviet Union.

Since this is decidedly not what happened, it is easy to assume that the statement was hypocritical and that Hitler was resolved to break the Pact as soon as it had served its purpose, i.e. as soon as he had crushed Poland. His intention to obtain *Lebensraum* — living space — in the East for eighty million Germans and to crush "International Bolshevism" had been an integral part of his program from the beginning.

But the statement may not have been entirely hypocritical because, however reluctantly, he may have been prepared to wait. In 1939 "International Bolshevism" did not seem to him to be as much of danger as it had in 1925. He thought he was beginning to see signs that Stalin was moving away from the dogma of world revolution and was returning to the 'Russia First' foreign policies of the Tsars. There was a tradition of German-Russian cooperation going back to long before Bismarck, and it was no coincidence that the weekly S.S. newspaper *Das Schwarze Korps* reminded its readers after the treaty had been announced that twice before Russia had saved Prussia — in 1762 during

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Forty-five years later

the Seven Years War and once again in 1812, through an alliance against Napoleon.

However, in August 1939 Hitler was less concerned with the long term than with his immediate objective to isolate Poland. He was spoiling for war. In the spring he had told the Rumanian foreign minister, Gafencu, who was on a visit to Berlin: "I'm now fifty. I would rather have the war now than when I'm fifty-five or sixty."

On March 31, sixteen days after Hitler entered Prague, England guaranteed Polish independence, a guarantee which France subsequently endorsed. Hitler thought it highly unlikely that the West would honour this guarantee any more than it had honoured its promises to Czechoslovakia the previous September. "I saw my opponents at Munich," he told his generals on the eve of the Pact, "They are little worms." He also said, "My only fear is that in the last minute some *Schweinehund* will present me with a mediation plan."

Ribbentrop had been German ambassador in London from 1936 to 1938 and had reported to him that the prominent people in or close to the government he had met all preferred him to Stalin. Bolshevism, not Nazism, was the enemy.

On August 8, Hitler told Carl J. Burkhardt, the League of Nations High Commissioner in Danzig, that all his actions were directed against Russia.

"If the West is too stupid to understand that, I may be forced to arrive at an understanding with the Russians, beat the West, and after the West's defeat turn with all my strength against the Soviet Union."

There was another reason why an arrangement with Stalin was of great benefit to Hitler. Trade talks with the USSR had begun earlier in the year and were now going to accelerate. These were not a part of the Pact but closely related to it. Russia was to supply a third of Germany's total needs of oil, large quantities of iron ore, cotton, phosphates, chromium, manganese, rubber supplies from the Far East and a million metric tons of feed grain. The shipments would help Germany survive a British blockade should Hitler's assumption prove wrong and Britain fought after all. In return the USSR would receive German armaments, machinery and many types of industrial products.

Stalin's view

Stalin's ideas when he signed the Pact were somewhat different from Hitler's. For one thing, unlike Hitler, he was sure the West *would* fight if Poland was attacked, and the longer and bloodier the war, the better, so that the German army would be in a gravely weakened state when it was eventually ready to attack Russia. Moreover, Hitler's observations notwithstanding, he was still a doctrinaire Marxist-Leninist and calculated that an exhausting war between the capitalist powers would help smooth the way to world revolution.

Unlike the Western leaders, Stalin had read *Mein Kampf* and was almost certain that Hitler was planning to attack him. But he assumed he would do what he had told Burkhardt, i.e. first defeat the West — which included Britain — and only then attack him. He did not think Hitler would act like a suicidal maniac and invade Russia before he had defeated Britain. In June 1941, Hitler took him by surprise only because Stalin expected the attack a year

later, in June 1942, after the expected defeat of Britain. In 1939, Stalin signed the Pact for the same reason that Tsar Alexander I signed the treaty with Napoleon at Tilsit in 1807; to gain a breathing space. He knew in 1939 that the Red Army was not ready to resist the Nazis and he made good use of the time he gained.

In Stalin's eyes the difference between Nazi Germany and the western capitalist democracies was merely one of degree. He thought of Britain and France as accomplices of Hitler. Throughout the thirties his foreign minister, Maxim Litvinov had tried to find the basis of common action "to stop Nazi aggression", but the appeasers were not interested. Since Litvinov's efforts to achieve collective security had failed, Stalin made up his mind to deal with the Nazis. After Munich he replaced Litvinov with Molotov. It was wiser to have a non-Jewish foreign minister. On March 10, 1939, he made a speech to the Eighteenth Party Congress in which he said he was not going to fight France's and Britain's battles for them — pointedly adding that there were no visible grounds for any conflict between Russia and Germany, even though the West would like to bring it about. It was therefore Stalin, not Hitler, who had taken the initiative for the rapprochement.

When Leon Trotsky heard about the Pact in his final place of exile in a suburb of Mexico City, not long before one of Stalin's men split his head in two with an ice-axe, he wrote: "Stalin's union with Hitler satisfied his sense of revenge. Above all, he wanted to insult the governments of England and France, to avenge the insults to which the Kremlin had been subjected before Chamberlain gave up courting Hitler. He took personal delight . . . in deceiving London and Paris, in springing his Pact with Hitler as a sudden surprise."

But there was another side to it. If Stalin thought of the West as accessories to Hitler, the West regarded Stalin and Hitler as kindred spirits, even if many of their leaders preferred Hitler. After all, obviously the two dictators had a great deal in common. They had the same loathing of liberal social democrats — "social fascists" Stalin called them. There had been occasions during the Weimar Republic when Communists and Nazis joined forces. Moreover, the two dictators used the same methods to deal with their domestic opposition — terror.

Stalin's conduct towards Hitler during the twenty-two months the Pact lasted had much in common with his, and his successors', subsequent conduct towards the West. It vividly illustrates the perennial pattern of Soviet-Western relations. George Kennan observed in *Russia and the West* that Moscow's behaviour towards the Nazi had "the same negative traits . . . which subsequently became so apparent in the case of Russia's relations with the West: the extreme sensitiveness and slyness, the pervasive disingenuousness, the territorial and political greediness, in addition to a diplomatic method characterized by the stubborn reiteration of preconceived positions and demands rather than by anything resembling a reasonable and flexible exchange of opinions. That these traits of Soviet diplomacy irritated the Germans, just as they later irritated the Allied governments, is clear. Whether the absence of such traits could have deflected Hitler from his course is less certain."

Could history repeat?

Stalin's successors in the Kremlin still call themselves Marxist-Leninists. They also happen to be the masters of a vast empire engaged in a gigantic power struggle with a rival empire — a situation very different from 1939. Stalin considered Nazi Germany a capitalist country, a natural enemy of the Soviets, just as the western democracies were, and therefore doomed in the end to become the victim of its own contradictions. This process he felt obliged to help along, if possible, as a prelude to world revolution. In many respects the substance of the Kremlin's attitudes and policies today, if not its style, is not so different from Stalin's. But in the nuclear age Soviet politicians have had to revise their methods. They know that once the world had been blown up there is little joy in having a revolution.

Germany is at the heart of the current power struggle and its historical ambivalence between East and West is reflected in its division between the Federal Republic and the German Democratic Republic. In the last two hundred years German diplomacy has often played the West against the East, and *vice versa*, sometimes with considerable success.

The question therefore arises whether it is conceivable that in a few years' time a government in Bonn, prompted by neutralist and pacifist public opinion, will decide to respond to wooings from the Kremlin and engage in a diplomatic revolution comparable to that of 1939. This time the Kremlin's trump card would not be its own neutrality in a German showdown with the West, but the unification and neutralisation of Germany. Such wooing has come from Moscow before — just before Stalin's death in 1953.

However, since the Federal Republic is a democracy and since even in Moscow total power is no longer in the hands of a single dictator, such an arrangement would have to follow a somewhat different pattern from that of 1939. The events following the downing of the Korean airliner last fall may suggest a possible scenario. As the exchanges between Washington and Moscow became more and more acrimonious, there was a rapprochement between West and East Germany. This is an indication of what happens when an exasperated government in Bonn considers Washington's policies towards the Soviet Union dangerously unreasonable.

The fear that Bonn might one day succumb to Soviet promises and join the GDR serves as an important brake on Washington's militancy towards the USSR. The possibility of having a 'Finlandized' country consisting of eighty million people in the heart of Europe is not only a nightmare to the Americans but also to the French, the British, and many other Western countries. Such an eventuality is also opposed by both major parties in Bonn which solidly support NATO.

Still, in July 1984 West German Foreign Minister Hans-Dietrich Genscher made a statement which in Washington's ears may have contained an unexpected and disturbing echo of August 1939, even though forty-five years later the context is dramatically different. He suggested that East and West Germany should jointly propose a Non-Agression Treaty between NATO and the Warsaw Pact, which had long been a goal of Moscow. According to the *Globe and Mail* of August 8, the United States "does not view such an idea with great favor", but "it is believed that it has not discouraged Mr. Genscher from floating it, in order to provide the Soviets with an example of the way an ally can help the process of detente."

Last spring there was an Aspen conference in Berlin in which a representative of the Alternative List, a left-wing ecological group in the West Berlin City Council close to the Green Party, used a curious phrase to describe the concept of German neutrality. He called it "a relevant phantom". A representative from the Chancellor's Office in Bonn did not like that phrase at all. "The overwhelming majority of Germans", he said, "feel the restoration of Bismarck's nation-state is neither possible nor desirable."

One of the reasons why he was right is that Bonn's foreign and economic policies are now so intimately integrated with those of France and other countries in the E.E.C. that it can no longer take any basic initiatives independently. Therefore, if West Germany decided to leave NATO and become neutral, it would have to carry its Community partners with it — and that is most unlikely.

In short, no diplomatic revolution *a la* August 1939 need be feared, for the time being. Therefore, if next year, or the year after, Konstantin V. Chernenko or his successor calls Chancellor Helmut Kohl *molodetz* — one hell of a fellow — during a late-night banquet in the Kremlin no shivers need rundown anybody's back. □

The struggles of Bangladesh

by Clyde Sanger

During the liberation war in 1971 when the people of Bangladesh broke away from Pakistan, this nation of poets kept writing even as they took to the fields with rifles. One young man, Omar Ali, poured his patriotism into a short lyrical poem that he called *Courageous*:

Even the little bird opens up its wings to fly
Though it falls on branches, on the earth;
I am not looking at the bird.
I only see the courage to fly in the sky
With its small heart.

In the dozen years that followed, Bangladesh — “the little bird” — has been falling all over the place. Democracy crashed to the ground in 1975 when Sheikh Mujibur Rahman, leader of the Awami League that had swept the country and Bangladesh's first prime minister, was murdered in an army coup. Hopes that were raised with the incisive rule of Major-General Ziaur Rahman were dashed again when he in turn was shot dead by soldiers in 1981. Now, in 1984, the second Chief Martial Law Administrator to make himself President, Lt-General Hussein Mohammed Ershad, with a good deal of fluttering and hesitation, is preparing to launch into elections and the uncertain skies beyond. Are we about to see a third *débâcle*?

Quickly it should be said that, however many times the frail hopes of some political and economic take-off seem to collapse, the courage to go on trying remains with the people. Every gloomy thing that could have been said about Bangladesh's prospects must have been said by now, and among the dreary voices has been that of the government itself. In a 1976 report it lamented, “Nowhere in the world is there anything like so much poverty shared by so many squeezed into so little land area.” The right note, however, was struck recently by Roger Ehrhardt in the preface to his study, *Canadian Development Assistance to Bangladesh*, published by the North-South Institute in Ottawa:

Poverty and malnutrition are still much in evidence and severe obstacles to development abound. Yet the situation does not seem as hopeless as it once did, and there are some grounds for tempered optimism.

A good part of this optimism stems from the actions of ordinary (and some extraordinary) people at community

level. As governments flounder under the weight of problems, the people — whether they are small traders or landless peasants or destitute women — have been organizing themselves. It really came down to a matter of survival: organize or be submerged finally in a flood of troubles.

Political problems

First we should see why the Ershad administration has been floundering. There are two broad reasons. The first is a failure of his and previous governments during the 1970s to make progress on what are now identified as the main objectives of the second five-year plan (1980-85), food self-sufficiency and an attack on poverty. But that is a continuing situation, and the more urgent problem — for a president trying to keep his hold on power — is the accumulation of political challenges from the survivors and heirs of earlier regimes. The alliances headed by the Awami League and by the Bangladesh Nationalist Party (BNP) which was founded by President Ziaur have refused to subside under martial law, and threaten to pull President Ershad down.

To an outside observer this can seem surprising. The Awami League was universally popular in 1970-73 as the expression of the country's resistance to West Pakistan and its record of exploiting and then repressing its eastern partner. Sheikh Mujibur Rahman, 13 years a political prisoner, was the honored martyr — but he was not the leader for an independent country. Arnold Smith, who as Commonwealth Secretary-General helped Bangladesh gain diplomatic recognition and international financing, has written in *Stiches in Time*:

... in some ways Mujib was ‘airborne’ and impractical. He had charm and charisma. He spoke and acted like a prophet. But he was not an administrator; nor did he make the effort to build a machine to follow through on his verbal decisions and pronouncements.

By the time he was killed in 1975, his government had become notorious for corruption as well as inefficiency. As well, it was seen as a close ally of the Indian Government, once enormously popular for ending Pakistani rule but increasingly disliked as the threateningly large neighbor. Relations with India have worsened recently for several reasons: its holding back of water on the Ganges through the Farakka dam and another scheme to divert the Brahmaputra waters; its gunboat diplomacy in the Gulf of Bengal in the dispute over South Talpatty island (which emerged from the sea after the tidal bore of 1970); and its

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plan to build a fence round Bangladesh, primarily to stop immigration into Assam.

Despite these disadvantages, the Awami League has kept wide support; and Mujib's daughter, Sheikh Hasina, has led a 15-party alliance with skill through the skirmishing of the past year.

Not so surprising is the survival of the BNP formed by the late president Zia. For he was the soldier-hero who had broadcast the first call for resistance in March 1971; the administrator who had reduced corruption; and the political leader who had hustled around the country by helicopter encouraging community projects of irrigation and self-help schemes, and who besides preached Bangladeshi nationalism and a more equal distribution of wealth. The

diately offered posts in the government. But he has had more setbacks. Because of widespread rioting and a national "protest week", he was forced to cancel the sub-district elections in March. He also bowed to the alliances' demands that parliamentary elections be held before rather than after the presidential elections in which his position was to be legitimized. Parliamentary elections will now probably take place in November; but whether the new MPs can agree on a constitution that will restrain the power of the president, or indeed put up a credible alternative to Ershad in the presidential elections, is doubtful. The Awami League's 15-party alliance wants to return to prime ministerial government with a titular president, while the BNP is in favor of an executive president, in the pattern of Zia's constitution which Ershad suspended but would be happy to restore if he could be the beneficiary as unchallenged president.

All this is at the level of high politics in the capital, Dhaka. Out in the countryside, however, real changes are occurring.

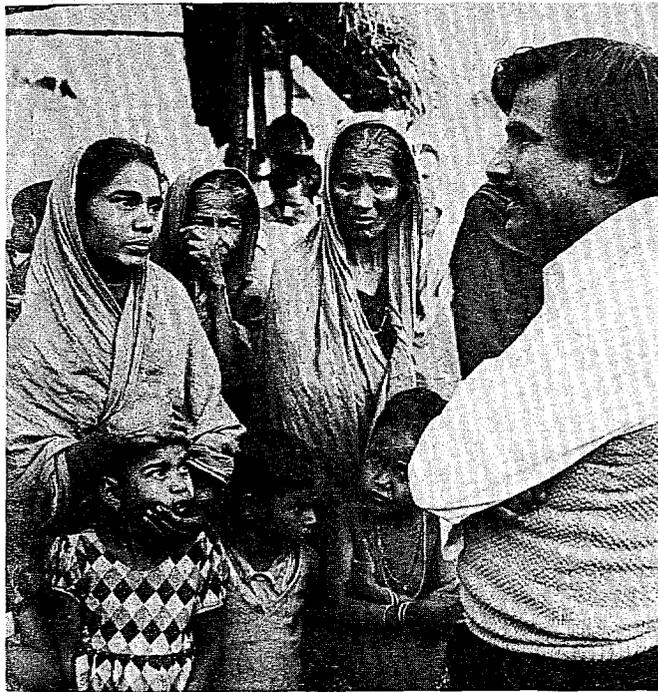
NGO successes

There are at least three reasons why non-governmental organizations (NGOs) are being particularly active and successful now. The first is that they have become better at their job, and have learned from earlier mistakes. The second is that donor agencies in the West, such as the Canadian International Development Agency (CIDA) and British and Swedish agencies, have been channeling more funds to them and pressing the Bangladesh Government to allow them more scope. The third is that, anyway, during a period of political flux like the present, communication and control between officials in Dhaka and their men in the districts (including the land-owning elite) slacken and agents of change — which is what the NGOs are, or try to be — have a freer hand.

What is the job of the NGOs, and what are they trying to change? There are a host of appalling statistics that pinpoint the problems of poverty in Bangladesh. To thrust too many at a reader would be numbing, but the following figures indicate the size of the problem. During the 1970s the population of Bangladesh increased by 2.6 percent a year, but food production by only 1.9 percent. Some 95 million people now live in an area about the size of the three Canadian maritime provinces, and the vast majority depend on agriculture for a livelihood. yet two-thirds of them do not own land; and the land, which could be extremely productive (for three great rivers run through it and spread fresh silt with each year's flood), yields a disappointing harvest. The average yield of 1.2 metric tons of rice per hectare is less than half that of Sri Lanka or Malaysia.

The reasons for this poor yield are interwoven. Landholdings, for the fortunate minority who own it, are fragmented because a father divides it among his several sons. A single holding is usually too small to irrigate economically so only about 12 percent of the cultivated land is irrigated and bears a second crop. The landowners do not spend money to improve their land since they can get better returns from trade — or money-lending at up to 100 percent interest. The share-croppers who lease land by the year rarely have any surplus money to improve yields with fertilizer or better seed, especially as they have to give half their

UNITARIAN SERVICE COMMITTEE



Bangladesh women discuss development plan with USC worker

party's decline after his death, under the elderly ex-judge Abdus Sattar who was elected president in November 1981 only to be ousted by General Ershad's coup in March 1982, has not dimmed the memory of Zia. Indeed, Ershad has tried to wrap his policies in Zia's mantle, pledging himself to finish his "incomplete task", even as he was building up another party — the Janadal or People's Party — as his own political instrument.

The year's skirmishing has pitted President Ershad against the 15-party alliance and the other seven-party alliance led by the BNP and Begum Khaleda Zia, widow of President Zia. Ershad's aim has been to consolidate the Janadal, partly by holding elections first at a new sub-district level and partly by chipping away politicians from either of the two big alliances or the 50-odd other parties that have sprouted in Bangladesh.

He has had some modest success. In July a former Information Minister from the Awami League, Korban Ali, and a former Education Minister from the BNP, Yusuf Ali, were induced to defect to Janadal and were imme-

Politics and development

return to the landowner. And there is a downward spiral as the population increases, the land becomes more fragmented and landlessness spreads.

Women in society

Another set of dismal statistics concerns the position of women, especially rural women. The number of girls in school and the level of female literacy are rising faster than with boys, but are still only half in total numbers. Girls marry at 14 or 15 to a much older man and move to his village. They work 10 or more hours a day at a range of productive jobs — from husking rice and keeping chickens to mending fishing-nets — but rarely earn money. And they usually forego their right of inheritance in order to keep good relations with a brother or (if widowed) a brother-in-law. Meanwhile, as Barbara Brown points out in her 'Women in Bangladesh' article in *CUSO Journal* 1984, a wife 'will understandably try to bear as many (male) children as quickly as possible, to increase her security within her husband's family'. It is not surprising that family planning programs have not achieved their targets of reducing the rate of population growth.

The NGOs, then, have a wide choice of jobs to do. The question that is most difficult to answer is how deeply they should dig through layers of these problems. For the deeper they dig, the more likely they are to hit the stony resistance of the local power elites, the landowners and their allies.

To stick only to organizations with which Canadian NGOs and assistance have been connected, their response to this question has varied. At one end, the Mennonite Central Committee has confined itself to strictly technical training, mainly in agriculture. On the other hand, the Proshika project of training and organizing groups of landless people, which CUSO and later CIDA have supported since 1975 with more than \$3 million, has tackled problems of poverty at different levels. Some of its training, like vaccination of poultry and maintenance of irrigation equipment, is strictly technical. But all the training it has done in "human development" — and most of the 4000 or more village groups formed under Proshika have had such training — inevitably gets into politics as villagers become aware of the power structures around them. Indeed, the first indigenous NGO in this field, the Bangladesh Rural Advancement Committee (BRAC), has published two detailed studies with revealing titles: *The Net: Power Structure in Ten Villages* and *Who Gets What and Why: Resource Allocation in a Bangladesh Village*.

In some cases of individual injustice, Proshika groups have been able to gain redress from powerful local figures. But other attempts to generate income and win some bargaining power in local affairs have failed. For example, some groups put money into irrigation pumps to sell a water supply to the landowners (or their share-croppers). But soon the landowners decided they did not want to rely on such groups — for their interests might conflict — and took to sinking their own tubewells.

The organization that has been forced to confront village authorities has been the Banchte Shekha ("Learning to Live") movement in Jessore district. It is a women's organisation set up (in its own words) "to build confidence and strength of the most exploited groups in the process of

taking control over their lives and attaining human dignity". As a teacher, Angela Gomes, who started it in 1981, saw poor children being kept out of school "because they had no pencil or no nice dress".

She started bicycling round villages, learning about the problems behind such scenes — especially the wretched condition of divorced or widowed women.

She was often chased out of villages by men, but in three years she has managed to set up more than 300 groups who have learned how to argue for their rights, whether it is access to a pond or recovery of some pots that were pawned to buy rice. As well, some 8000 women have enrolled in small business cooperatives and in training courses. This led to the building of a training and production centre near Jessore, and a skirmish with village leaders and "touts" who intimidated the contractors. So 500 women set to preparing the site themselves . . . and the male workers were shamed into returning. Banchte Shekha women have good leadership in the quietly formidable Ms Gomes; they have useful support from CUSO and Inter Pares; they have esprit de corps — a group in Jessore sang us one of their action songs "Amra Bumihin" ("We are the landless"). And they have many tough battles ahead.

Mutual benefit groups

A more conciliatory approach is followed by Humayun Reza, who inspired the rural development program that is supported on a large scale by the Unitarian Service Committee (USC Canada) and CIDA. Humayun believes something that Proshika would deny: that the landless can combine with the small landowners (at least up to 3 acres) in groups working the land for mutual, if unequal, benefit.

He has organized them into groups of 10 families, who before they receive any land have to show their commitment by going through a literacy class and starting a savings club. As a group with this knowledge and discipline, they are able to make more favorable agreements to lease land. The pattern is for 10 families to lease a 10-acre block from several landowners for five years, and pay them only a quarter of the return. But the landowners are happy, since the overall yield is higher, because the group soon adds irrigation and a second crop. These arrangements take time to make, and 10-family groups for small business are growing faster. But the USC program under Humayun Reza has had remarkable success in the Dinajpur district of northwest Bangladesh; and the training centre started there in 1984 will have difficulty producing enough development workers to supervise the thousands of families applying to join the program.

Can all these grassroots efforts thrive in the changing political situation? At present, they enjoy the support of some far-sighted officials, notably Agriculture Minister Obaidullah Khan. But if the government becomes more firmly established at sub-district level and its officials opt for apparent stability alongside the landowning elite, rather than trying to march with change, there could be clashes and the hopes of the landless could be dashed again. The flight of the small bird is as uncertain as ever. □

The events of June and July 1984

international canada

Bilateral Relations

| | |
|----------------------------------|---|
| U.S.A. | 2 |
| Other countries (alphabetically) | 7 |

Multilateral Relations

| | |
|-------------------------------------|----|
| ASEAN | 12 |
| Central America | 13 |
| Economic Summit | 13 |
| EEC | 14 |
| ICARA II | 14 |
| ILO | 14 |
| International Wheat Council | 14 |
| Iran/Iraq | 15 |
| Multilateral Environment Conference | 15 |
| OECD | 16 |
| Pacific Rim | 16 |
| Permanent Court of Arbitration | 16 |
| Starlab Project | 17 |
| United Nations | 17 |
| World Food Council | 17 |

Policy

| | |
|--------------|----|
| Disarmament | 18 |
| Energy | 19 |
| Environment | 19 |
| Finance | 20 |
| Fisheries | 21 |
| FIRA | 21 |
| Human Rights | 21 |
| Trade | 22 |
| Transport | 23 |

| | |
|-----------------------|-----------|
| For the Record | 23 |
|-----------------------|-----------|

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Bilateral Relations

USA

Steel Imports

On June 12, the US International Trade Commission (ITC) ruled in a 3-2 decision that American steel producers had been injured by some imported steel products, including Canadian steel. The Commission determined that certain steel imports constituted "a substantial cause" of injury to the American industry. The vote resulted from a petition by Bethlehem Steel and the United Steelworkers of America for the implementation of a quota system. Canada has consistently opposed restrictions on steel exports to the US. Recommendations for a remedy to the situation followed the initial Commission decision (*The Citizen*, June 13).

Reaction to the vote on the part of the Canadian steel industry was one of disappointment, since while the Canadian portion of the US market is limited to 2.5 percent (\$1.3 billion), it represents a substantial part of the Canadian steel export figures. The categories of steel imports affected by the Commission decision — plates, sheet and strip, structural shapes and units, wire and wire products, and semi-finished products — were all major components of the Canadian steel export business to the US. Algoma Steel Corp. Ltd. spokesman Bill Kissick noted with "disappointment" that "some form of protectionist measure will be going to the president before the election."

Responding to the decision, then-International Trade Minister Gerald Regan stated that he was "extremely disappointed with [the] findings." He noted that he would be meeting with representatives of the Canadian steel industry and provincial governments to "establish an ad hoc committee to examine options and a strategy to protect Canadian interests in the US market." The Minister also mentioned that he would utilize a US commitment for "full consultation with Canada in the event of an affirmative injury finding" by the Commission (External Affairs communiqué, June 13).

As expected, Canadian steel producers acted to forestall or soften any possible curbs on Canadian steel imports, and initiated an intense lobbying effort in Wash-

ington before the ITC presented its recommendations to the President. Producers planned a joint submission to the ITC, advocating the institution of a program of US government adjustment assistance to modernizing and make more competitive the American steel industry rather than resorting to quotas or tariffs. They also stressed Canadian steel exports have not been made available at unfairly low prices. Stelco Inc. spokesman Donald Belch said that the submission would also urge the Commission to examine the import question on a "case-by-case basis under unfair-trade law" rather than on a global basis (*Globe and Mail, The Citizen*, June 14).

Responding in the House of Commons June 19 to a question from Benno Friesen (PC, Surrey-White Rock-North Delta) as to Government representations to the US administration, then-International Trade Minister Gerald Regan stated that the Government had made notice that the US already had "processes to determine where dumping occurs and to take action against the particular country. They do not need to take a general action which would harm Canadian exports." Mr. Regan stressed that the Government would continue to make such representations. Speaking the next day in the House, Mr. Regan reiterated the Government's strategy of coordinating Government and industry efforts to forestall a negative decision on the part of the US administration when the ITC recommendations were made (July 24). Both at the ministerial level and through the Canadian embassy in Washington, Canada had endeavored to convince the US government of the efficacy of existing methods for dealing with the situation — methods were already in effect for "pinpointing the transgressors who may be creating the problem to the extent that it exists." Universal action should prove unnecessary.

Opposition Leader Brian Mulroney, in Washington, DC, for talks with government officials, expressed Canada's concern over the possibility of steel restrictions, and pointed out the possibly harsh consequences for the Canadian steel industry should such restrictions be imposed. Mr. Mulroney told US Commerce Secretary Malcolm Bal-

drige (who himself has taken a role in attempting to defeat proposed legislation for global quotas on imported steel), that Canada did not "deserve this kind of treatment" (*The Citizen*, June 21).

Sam Gibbons, chairman of a congressional subcommittee examining proposed legislation for global steel import quotas, indicated in mid-June that he was sympathetic to Canadian lobbying for the Canadian steel industry and would be prepared to propose an amendment to the legislation which would secure an exemption for Canadian steel imports. The statement was viewed by Canadian steel industry lobbyists as indicative of a growing awareness in the US administration of the uniqueness of the Canada-US steel industry relationship, and as encouraging in attempts to influence the US government's response to the ITC recommendations (*The Citizen*, June 26).

Six Parliamentary representatives from the three political parties, visiting Washington in an attempt to bolster industry lobbying, met with a favorable response during meetings with US congressmen. The MPs endeavored to persuade selected Senators and members of the House of Representatives that steel curbs would "unjustifiably disrupt trade and harm relations" between the two countries, according to a *Citizen* report of June 27. Jim Peterson (Lib., Willowdale) stated that should the proposed global quota legislation come into effect there would be a profound impact on the Canadian steel industry, and should the quota solution set a precedent, "it could very much disrupt what should be a trend towards freer trade." The MPs stressed that Canada, which trades fairly in the steel sector, should not be penalized for the allegedly unfair practices of other countries. Ian Deans (NDP, Hamilton Mountain) pointed out that global quotas might result in retaliation which might extend beyond the steel industry, something that "would be detrimental to the trading relationship that currently exists." Other members of the group included Bill Kempling (PC, Burlington), Russ MacLellan (Lib., Cape Breton-The Sydneys), Doug Neil (PC, Moose Jaw), and Gilbert Parent (Lib., Welland) (*The Citizen*, June 27).

On July 11, International Trade Minister Francis Fox issued a statement in response to the proposed recommendations of the ITC for import measures on certain steel products. Mr. Fox expressed his "serious concern" with the ITC decision to recommend to President Reagan the imposition of quotas and tariffs on imports. "The implementation of these restrictions could well curtail severely exports of Canadian steel," he said. Canada has maintained that across-the-board restrictions affecting Canadian exports are unwarranted. Mr. Fox stated that the "Government will act energetically to avert any threat to Canadian industry," and he announced his intention to secure "full consultation" with the US government through meetings with US Trade Representative William Brock in order to "retain full access to the US market" (External Affairs communiqué, July 11).

Following meetings with Canadian industry, provincial and labor representatives to determine a unified strategy for the safeguarding of Canadian steel exports, Mr. Fox outlined a "worst-case scenario" of possible retaliation. Mr. Fox added that should global restrictions be imposed,

Canada would "exercise our full rights" under GATT, including either compensation or retaliatory measures not restricted to the steel sector. During the period (sixty days) in which President Reagan might accept, modify or reject the ITC recommendations, Canada would continue its lobbying efforts. It was agreed after the joint meeting that global import restrictions would be "vigorously opposed," and an action program was developed aimed at preserving Canadian access to the US steel market to the "maximum extent possible." It was also agreed that continued close cooperation was essential to ensure that Canada's case was presented "forcefully" before the US administration (External Affairs communiqué, July 18). Mr. Fox advocated either a use of anti-dumping procedures or the institution of a system of "voluntary restraint" rather than the imposition of quotas (*Globe and Mail*, July 18).

Indications were that the Reagan administration favored the voluntary restraint approach and negotiation, especially in an election year. The administration had earlier expressed its opposition to instituting protectionist measures, but pressure from the US steel industry had been viewed as a possible determining force in securing some form of protection. For this reason, negotiated restraint programs with major trading partners appeared the most effective means of avoiding the problems created by across-the-board quotas. This would permit Washington to focus restrictive measures on those countries — not including Canada — that the US determined were engaged in unfair export practices (*The Financial Post*, July 21).

Skagit River Valley Treaty

On June 1, then-Secretary of State for External Affairs Allan MacEachen announced the introduction in the House of Commons of a bill to implement the Skagit River Valley Treaty between Canada and the US. The Bill enabled the Government to bring into force the previously signed (April 2, 1984) Treaty, which itself forms part of a Settlement package including both a British Columbia-Seattle Agreement and a Canada-British Columbia Agreement (defining federal and provincial roles and responsibilities). According to an External Affairs communiqué of June 1, the Bill gives legislative authority for the exportation of electric power to the US from British Columbia for a period of eighty years (ordinarily limited under the National Energy Board Act to a period of twenty-five years). It also provides for a "federal guarantee to discharge the financial obligations of British Columbia in the event of the Province's failure to do so." It was noted that the overall Settlement was negotiated through the coordinated efforts of the International Joint Commission (including representatives from the US, Canadian and British Columbian governments, and the City of Seattle), and a Joint Consultative Group on the Skagit River Valley. The US administration has undertaken to introduce legislation to implement the Skagit Treaty in tandem with the Canadian Implementation Act.

Natural Gas Regulation

A Canadian delegation of officials, composed of National Energy Board chairman Geoffrey Edge, Energy, Mines and Resources assistant deputy minister Roland

Prittle, and Northern Pipeline Agency head Mitchell Sharp, was in Washington, DC, in mid-July to lobby for a US government reversal on an impending gas regulation that could significantly affect Canadian gas exports to the US. Canadian ambassador Allan Gotlieb had previously raised the case with the US administration in late June. The regulation, to take effect July 31, would prevent US utilities from transferring to customers the cost of unneeded gas purchases required under existing contracts with gas suppliers (including Canadian suppliers), according to a *Citizen* report July 12.

The regulation was seen by the Canadian government and gas producers as providing a means for US utilities to circumvent contracted supplies of Canadian gas. For this reason, the Canadian delegation argued its case for a reversal or a delay in the implementation of the regulation before the US Federal Energy Regulatory Commission. Canada, while not arguing against the intent of the regulation, has expressed its concern (the National Energy Board writing directly to the Commission) about the "vaguely worded" nature of the ruling.

A spokesman for the National Energy Board noted that one possible consequence of a passing of the regulation as it stood would be a negative effect on the development of a more flexible export price for Canadian gas, with lower export volumes removing the incentive for a lowering of Canadian prices (often considered high on the US market). Another adverse effect might be a slowing of progress on the pre-build section of the Alaska Highway gas pipeline. The present Canada-US agreement for the line's construction guarantees a minimum level of revenue, and with the new gas regulation, US purchasers might foreseeably renege on purchase contracts from Canadian suppliers. However, Canadian officials remained optimistic that the Commission would agree to reconsider the ruling.

Media Awareness

Speaking at a Canadian Public Relations Society conference in Ottawa July 5, Canadian ambassador to the US Allan Gotlieb spoke of an increasing awareness of Canadian issues on the part of the American media. (Opposition Leader Brian Mulroney had earlier touched on the same topic of US media awareness in a speech delivered in May; see "International Canada" — US — Comments of the Opposition Leader, April and May 1984.) Ambassador Gotlieb cited various factors which had tended to alter the past "erratic and stereotyped" US media coverage of Canada, including the upcoming Canadian federal election, the recent Liberal leadership convention, Conservative leader Brian Mulroney's US visit, and former Prime Minister Pierre Trudeau's peace initiative. He noted that while Canada was enjoying a period of publicity in the US, which elicited an increased interest in Canadian issues, there were no indications that the interest would remain. While Mr. Gotlieb acknowledged that the US government had, in the past, recognized the importance of Canada with an increased number of Canadian-interest officials within the bureaucracy and among lobbying groups, he pointed out that US media coverage had tended to stereotype Canadian issues. "They have tended to ignore us because they don't think we are foreign. They expect us to behave like

Americans," he added. Mr. Gotlieb also stated that recent modifications to the controversial (in the eyes of American officialdom) National Energy Program and the Foreign Investment Review Agency had tended to further improve bilateral relations between the two countries (*The Citizen*, July 6).

Disputed Ownership of Island

On June 28, the US State Department issued a formal note of protest to the Canadian government over an incident in which two RCMP officers were landed by helicopter June 18 on the small Machias Seal Island off the coast of Maine, claimed by both Canada and the US. The landing was reported by a US charter boat captain, who charged that the landing disrupted his birdwatching excursion and resulted in the deaths of several rare birds. Republican Senator William Cohen of Maine was reported as stating that the protest note included a suggestion that the two countries establish a process of discussion to achieve a resolution of the ongoing dispute as to ownership of the island. The State Department intended "to pursue this matter and to seek a resolution to the dispute," said the Senator. The US had laid claim to the island on the basis of early treaties defining the northeast boundaries of the nation, including the 1788 Treaty of Paris and the 1816 Treaty of Ghent (*The Citizen*, June 29).

Canada also had laid claim to the island through the same treaty of Ghent, and designated the island a national bird sanctuary in the mid-1970s. At the present time, two Canadian lighthouse keepers and a wildlife official maintain a Canadian presence on the island. With regard to the June 18 landing, Canadian officials countered that the RCMP officers were merely on a "routine" wildlife patrol enforcing bird protection laws endorsed by both nations, the *Citizen* article continued. Canada had sought to limit the number of visitors to the island, increasingly popular for birdwatching because of its breeding Atlantic Puffins and Arctic Terns, under existing bilateral wildlife laws.

Sectoral Free Trade

Speaking before the annual meeting of the Canadian Importers' Association in Toronto June 28, Gary Anderson, deputy assistant secretary for the US Commerce Department, touched on the likelihood of a positive outcome to continuing negotiations on sectoral free trade between the US and Canada, especially in the area of agricultural equipment (see "International Canada" for April and May 1984). The introduction of free trade between the two countries in selected industries had received much attention in the recent past, with the US and Canada endeavoring to remove or reduce duties and non-tariff barriers in these areas. Mr. Anderson noted that while the chances for an agreement in the agricultural equipment sector were "considered very good," the sectors of mass transit and communications were less likely to receive a conclusive resolution in the near future. He noted that little change in US legislation would be required to successfully introduce free trade in the agricultural equipment field, and that the US had no government domestic-purchase requirements for such machinery. Complicated legislative changes in both the US and Canada would, on the other hand, have to

be made in order to bring about freer trade in the area of mass transit (*The Citizen*, June 29).

Garrison Diversion Project

On June 26, a joint US Senate-House of Representatives committee approved a plan to halt temporarily spending earmarked for the controversial Garrison diversion project in North Dakota (see "International Canada" for April and May 1984). Canada has strenuously opposed the water diversion project as presently planned for its possibly harmful effects on the environment of Manitoba. The current decision to halt spending until less damaging alternatives to the proposed plan have been examined met with an encouraged response on the part of the Canadian government which had launched an intense lobbying effort to avert Phase II of the project as it now stands. The plan for a temporary halt was included in a budget bill appropriating \$15.4 billion for energy and water developments for the 1985 fiscal year. The Garrison project received \$53.6 million in development funds, but the halt extends for three months from October through December for the study of less objectionable alternatives in the construction process. A commission, to be appointed by Interior Secretary William Clark, will decide whether the Garrison project might be "redesigned or reformulated" to both reduce costs and potential risks to the environment (both of North Dakota and Manitoba). Because the halt plan was easily approved by the joint committee, reports indicated that final approval from the Senate and the House of Representatives would most likely be forthcoming, according to a *Citizen* report June 27.

Visit of Opposition Leader

Conservative Opposition Leader Brian Mulroney, paying his first foreign visit as leader of his Party, met with US President Ronald Reagan, various advisers, and several key Senators and Congressmen, during a three-day visit to the US in mid-June. Mr. Mulroney, while engaged with the President in discussions on various bilateral issues of interest to both nations, raised the issues of acid emissions and the problem of East-West relations. On the topic of acid rain, Mr. Mulroney spoke to the President of Canada's readiness to see the US join other nations in committing itself to reduce by 50 percent acid rain emissions by 1994. In a later interview, the Opposition Leader stated that the President, while "quite taken" with Mr. Mulroney's enthusiasm for the proposal, felt that further research was needed before such an undertaking might be considered. Mr. Mulroney added that Canada would welcome the opportunity to join the US in a continuing examination of the problem, but considered such research as in no way hindering the setting of such positive objectives as the 50 percent cut (*The Citizen*, June 22).

On the topic of economic cooperation between Canada and the US, Mr. Mulroney suggested to the President that Canada not be taken for granted in attempting to formulate a "firm and productive relationship," the press report continued. Both men spoke of the need to improve further the mutual understanding between the US and Canada. Touching on proposed US legislation concerning restrictions on the importation of steel (including Canadian exports) and the possibility of a loss in Canadian jobs, Mr.

Mulroney pressed upon the President the dangers inherent in protectionist measures. (The Reagan administration had previously expressed its opposition to the restrictive legislation.)

On East-West relations, the Conservative Leader supported President Reagan's recent offer to hold summit talks to improve Soviet-US relations. Any initiative by the President, however slim the hope of a successful conclusion, was justified in the hope of world peace, said Mr. Mulroney. "Risks should be taken to achieve that noble objective," he added.

Mr. Mulroney also expressed to the President his opinion that increased talks between American and Canadian cabinet members, such as those between then-External Affairs Minister Allan MacEachen and US Secretary of State George Shultz, would be of benefit to both nations. An increased awareness of the importance of Canada as ally and trading partner on the part of the US media would also help to improve bilateral relations. "The greatest trading partner of the United States is [Canada] . . . But some people don't know it and when they don't know it, we don't get the kind of treatment we deserve," said Mr. Mulroney. Progress in developing a successful relationship would result from "straight talk and straight-forward action," concluded the Opposition Leader (*The Citizen*, June 23).

Shelling of Hawaiian Island

Controversy over the shelling of the Hawaiian island of Kaho'olawe during military exercises conducted by Rimpac, a joint defence agreement between Pacific Rim nations (including Canada), received media attention in June as a result of protest action on the part of a native Hawaiian group. As part of naval exercises involving a six-week training program held every two years, Canada participates in the shelling of the island along with other Rimpac countries. At present, the island is the object of contention between the US Navy and the native Hawaiian group — Protect Kaho'olawe Ohano — who are attempting to reclaim possession of the island from the US Navy. The group, meeting with and presenting information to representatives from the Canadian Departments of External Affairs and National Defence, and the Prime Minister's Office, advocated a cessation of Canadian participation in the shelling exercises (*Globe and Mail*, June 6).

The Canadian government decided to re-examine Canada's role in the training manoeuvres. Reports indicated that the federal government would take into consideration the decisions of other Rimpac nations to withdraw from the shelling exercises — including Japan, New Zealand and Australia. It was noted, however, that each Rimpac nation had different defence requirements and thus different training procedures.

Making a statement in the House of Commons June 4, Terry Sargeant (NDP, Selkirk-Interlake) called upon the Government to discontinue its participation in the exercises. Mr. Sargeant noted that the shelling, continuing despite the fact that the island had been added in 1981 to the US National Register of Historic Places, posed "an immediate threat to some of the archeological sites." Mr. Sargeant added that several other Rimpac nations had withdrawn in respect of expressed Hawaiian concerns (in-

cluding resolutions from the State Legislature and municipal governments) for their "cultural and religious heritage."

Canada-US Tax Treaty

A new Canada-US tax treaty, released originally in 1980, passed through the Canadian Parliament and the US Congress in late June. Instruments of ratification, necessary for the tax convention to come into force, were to follow the legislative approval, according to a *Globe and Mail* report June 11. National tax analyst Gordon Riehl of Deloitte Haskins and Sells (Toronto) outlined several differences between the new tax treaty and the one it replaced in the *Globe and Mail* article. Mr. Riehl noted that the most "radical departure" from the old treaty centred on capital gains realized by non-residents on the disposition of real property (with selected exemptions), which are no longer exempt from tax in the country where the property is located. Provisions were also included for an increase in the withholding rate on gross rental income on vacation property (other than that considered business income), to 30 percent in the US and to 25 percent in Canada. One other significant change, Mr. Riehl continued, was a reduction in withholding tax (from 15 to 10 percent) "for most intercorporate dividends where ownership is 10 percent or greater." Mr. Riehl mentioned that while several problem areas remained outstanding, the most significant of which was the US system of unitary tax imposed by various states upon a portion of the income earned by multinationals in those states, they were not seen as deterring ratification of the tax convention.

When a measure to establish the proposed legislation with respect to taxes on income and capital was introduced in the Commons June 22, it was accompanied by remarks on the tax convention made by then-Parliamentary Secretary to Minister of Finance Ralph Ferguson. Mr. Ferguson pointed out that the treaty replaces a 1942 convention governing fiscal relations between the US and Canada, one which needed to be "modernized." A "balanced instrument" addressing a "broad range of issues and problems" affecting both individuals and corporations in both countries, the convention and its additional protocols (taking into consideration legislation passed after the original signing) was "eagerly awaited by those affected," added Mr. Ferguson. He also noted that among its provisions were included a reduction in selected withholding taxes, an extension in the scope of exemption for international transport profits, an exemption of social security benefits in the country in which they arise, a liberalization in deductions for contributions to universities and charitable institutions in another country, an address to the problems affecting border workers, and a removal of the two-year exemption for visiting teachers.

CIA Brainwashing Experiments

The issue of a reported apology from the US government to that of Canada for CIA-financed mind-altering experiments conducted at the Allan Memorial Institute in Montreal during the early 1960s again received attention in the House of Commons June 5, when MP David Orlikow (NDP, Winnipeg North) requested further elucidation and a public release of the details of the apology (see "Internation-

Canada" for December 1983 and January 1984). Responding to Mr. Orlikow, then-External Affairs Minister Allan MacEachen stated that a verbal "expression of regret," rather than a written statement, had been received by the Canadian government. When it was suggested that resort might be made to the International Court at The Hague for a satisfactory US consideration to claims for compensation, Mr. MacEachen said that members of the Department of External Affairs "were under ministerial instructions to pursue this case with vigor with the United States authorities." He added that while the Canadian government had "consistently taken the view that the actions of the CIA in funding the research constitutes an infringement of Canadian sovereignty," the decision had been made to proceed with a "diplomatic" resolution to the issue. To resort to the International Court "could only be undertaken after very serious consideration," stated Mr. MacEachen.

Pacific Salmon Treaty Negotiations

Speaking in the Commons June 28, John M. Reid (Lib., Kenora-Rainy River) queried the then-External Affairs Minister Allan MacEachen as to the status of the stalled Pacific Salmon Treaty negotiations between the US and Canada. Mr. Reid mentioned the possibility of appointing a personal representative to the talks, as had been done by the US Secretary of State. (Such a ministerial appointment had been the recommendation of a delegation from the Canadian section of the Canada-US Parliamentary Association following recent meetings in Washington with the four Senators from Alaska and Washington.) Mr. MacEachen indicated that in talks with Secretary of State George Shultz, he had suggested "new steps" and an injection of "some renewed impulse" into the negotiations, including the idea of a personal representative. He added that the Hon. Mitchell Sharp had been offered and had accepted the position of representative of the Secretary of State for External Affairs in the treaty negotiations. Mr. MacEachen cited Mr. Sharp's experience as Northern Gas Pipeline commissioner and his familiarity with the figures currently involved in the negotiations as contributing toward his selection. He mentioned in particular the Senators from the two states most concerned — Washington and Alaska — without whose cooperation and concurrence no treaty agreement with Canada would be possible.

Finance Minister's Comments on US Interest Rates

Emerging from a meeting of Finance ministers at the London economic summit in June, Finance Minister Marc Lalonde criticized harshly the economic policies of the Reagan administration, especially of Treasury Secretary Donald Regan's contention that no link exists between the US budget deficit and rising interest rates. Mr. Lalonde expressed frustration in the continuing attempts by Canada and other participating nations at the summit to secure from the US an acknowledgment of the international repercussions of its high interest rates (*Globe and Mail*, June 9).

Mr. Lalonde stated that there existed common agreement among finance ministers (other than from the US) with regard to the importance of a "reduction in the US

deficit as a means of achieving lower rates." According to the news report, he stated that present high interest rates were having a "deleterious" effect on the international economy — producing higher unemployment in industrialized nations and raising debt servicing costs for undeveloped nations. Mr. Lalonde asserted that the rising rates emanated from the US, seeing "no domestic justification" for the high rates in Canada.

While the Reagan administration had earlier indicated that a \$150 billion "down payment" had been allotted to reducing the deficit, Mr. Lalonde stated that the US administration elected in November would undoubtedly make an attempt at a further reduction in a shift away from current policies. At the same time, he noted several problem areas evident in the US economy, including a decline in housing starts and a rise in the current account deficit, but added that a general global recovery continued to proceed.

ALGERIA

Film Co-production Agreement

A film co-production agreement between Canada and Algeria, signed by International Trade Minister Francis Fox and Algerian Minister of Culture and Tourism Abdelmadjid Meziane, was announced jointly July 14 by Mr. Fox and Communications Minister Edward Lumley. Mr. Lumley reiterated in the announcement the Government's commitment to fostering the development of the Canadian film industry by stimulating increased production. He stated that in addition to "strengthening our economic and cultural ties with Algeria," the agreement complemented "the objectives of the new national film and video policy and the national broadcasting strategy," both of which promote the negotiation of co-production agreements (Department of Communications news release, July 14).

The agreement allows Canada and Algeria to consider future co-productions as "entirely domestic products," and thus eligible for securing both investments under the Canadian Broadcast Program Development Fund as well as other "financing and tax-incentive measures" related to film production that are available in either country.

Films produced under the agreement will be available in at least two of three languages, (French English and Arabic). Mr. Fox expressed the view that the agreement would open up previously limited markets in Arab and African nations for Canadian films, while at the same time providing greater variety in Canadian independently-produced programming in order to meet Canadian content regulations.

BRAZIL

Joint Economic Committee

The fifth session of the Canada-Brazil Joint Economic Committee concluded June 22 after a three-day meeting held in Ottawa. Instituted in 1976, the Committee was

designed as a forum for Government officials to exchange views on both international economic matters and methods for promoting trade and investment between Canada and Brazil. In an External Affairs press release of June 22, then-External Affairs Minister Allan MacEachen announced the successful conclusion of the fifth session. The two delegations — the Canadian chaired by Claude Charland, External Affairs' Assistant Deputy Minister (Latin America and Caribbean), the Brazilian led by Ambassador Rubens Ricupero, Head of the Department of the Americas in the Brazilian Ministry of External Relations — discussed the international economic and financial situation as well as multilateral trade issues. While particular attention was paid to the outcome of the recent London Summit, the delegations also reviewed the bilateral economic and trade relationship. In concluding, the Committee determined to strengthen this bilateral relationship, especially in the economic sector. The sixth session is to be held in Brazil in two years' time.

CAMBODIA

Proffered Aid

While attending a foreign ministers' meeting of the Association of Southeast Asian Nations (ASEAN) in Jakarta in mid-July, External Affairs Minister Jean Chrétien announced that Canada would provide limited aid to a coalition of Cambodian (Kampuchea) guerrilla forces fighting Vietnamese troops in Cambodia. Mr. Chrétien stated that the Canadian government would be giving "a symbolic contribution to the coalition groups in Kampuchea under the leadership of Prince Sihanouk." The coalition consists of three groups, the Communist Khmer Rouges, the guerrilla army under former Prime Minister Son Sann, and the faction operating under former Cambodian ruler Prince Sihanouk (who remains President of the coalition). According to a *Citizen* report of July 13, the aid, amounting to \$20,000, would be channeled to the non-Communist elements of the coalition.

CHINA

Visit of Defence Minister

Zhang Aiping, state councillor and Minister of National Defence for the People's Republic of China, paid an official visit to Canada June 27 to July 6. Mr. Aiping was accompanied by a delegation composed of the Deputy Chief of General Staff of the People's Liberation Army, the Deputy Director of the Bureau of Foreign Affairs of the Chinese defence ministry and selected officials. While in Ottawa, the Chinese delegation met with government officials to discuss general defence relations, including such issues as the possible sale of Canadian defence equipment, and the training of the Canadian Forces. Scheduled bilateral talks and briefings, as well as courtesy calls on Government ministers and visits to a number of military establish-

ments and bases, were held before the departure of the delegation (Department of National Defence news release, June 26).

INDIA

Trade Mission

A trade delegation composed of Canadian businessmen and an official of the Canadian International Development Agency (CIDA) returned from India upon the conclusion of a successful business mission May 21 to June 1. The tour was organized by the Canada-India Business Council (CIBC), with the Federation of Indian Chambers of Commerce and Industry (a partner organization) providing promotion and arranging tour logistics. CIDA's Industrial Cooperation Division sponsored the mission, according to a CIBC news release of June 14.

The Canadian firms sought to establish "long-term links" with their counterparts in India. The focus was on "technology transfer, licensing arrangements and joint ventures, with respect to transport equipment and materials-handling systems." Meetings to secure such links were held in Delhi, Bombay, Calcutta, Lucknow, Varanasi and Madras. Upon their return to Canada, delegation members reported an "extremely enthusiastic" response on the part of the Indian business sector. The mission was regarded as establishing a "solid basis" both for continued and burgeoning business opportunities for Canadian firms in the Indian market, with the expectation of "about \$12 million in new business over the next three years, and substantially more in the longer term."

Conflict in the Punjab

The issue of armed conflict between Sikh and Hindu factions in the State of Punjab in India was raised in the House of Commons June 7, when Dan Heap (NDP, Spadina) questioned the then-Minister of International Trade Gerald Regan as to whether the Government had information about the restoration of communications with the region. Mr. Regan responded that while a curfew was in effect and communications between Punjab and Delhi had been interrupted, the Government had "no reason to believe than any Canadians [were] in immediate danger." Since the situation was a "very troubled one," Canadian consular officials were making "all appropriate efforts to obtain and maintain contact with those Canadians" in the region, said Mr. Regan. Once communications were re-established, the High Commission would also be able to provide information as to the safety of relatives of Canadians living in the Punjab, added Mr. Regan.

Making a statement in the Commons the next day, David Kilgour (PC, Edmonton-Strathcona) deplored the ongoing bloodshed and called upon Members of the House to join him in praying for the restoration of "permanent" peace and reason in the Punjab. Mr. Kilgour, at the same time, extolled the "internationally renowned" peaceful and non-violent characteristics of the Sikh world community.

On June 13, in response to a question from Pauline Jewett (NDP, New Westminster-Coquitlam) with regard to the Canadian government's readiness to assist possible International Red Cross humanitarian and relief efforts, the then-External Affairs Minister Allan MacEachen answered that the Government was monitoring the situation, and would join in an international move to offer assistance. He added that the Government was "distressed" at developments in the Punjab, particularly with regard to Canadians in the vicinity (who numbered approximately fifty). Mr. MacEachen also mentioned that as of June 15, India would require visas of Canadians entering that country. In his view, since the Punjab had been declared a restricted area, the Indian government might be prompted to require foreign nationals to leave the area. However, Mr. MacEachen remained convinced that no "cause for apprehension" about visiting Canadians existed at that time.

INDONESIA

Contract Negotiations

Then-Minister for International Trade Gerald Regan announced June 13 that the Canadian firm of Babcock and Wilcox Canada had been invited by the Government of Indonesia to participate as a preferred supplier in contract negotiations for coal-fired utility boilers in that government's Suralaya project Phase II, units 3 and 4. Units 1 and 2, nearing start-up, were supplied in part by Babcock and Wilcox, and the new contract would be valued in the area of \$220 million. Mr. Regan stated that being selected as a preferred supplier indicated excellent past performance (on the part of the Canadian firm), as well as providing "strong evidence that our technology is highly respected overseas."

Babcock and Wilcox president Joe J. Stewart, noting the assistance and support received from the Government through the Department of External Affairs, the Export Development Corporation, and the Minister for International Trade, stated that negotiations had proved "a tough and lengthy battle." The current bid required agreement by the utility customer as well as various Indonesian government agencies, and was a joint venture proposal in the design, supply and erection of equipment." Mr. Stewart added that his company welcomed the opportunity for further participation in this period of "economic and energy development" for Indonesia (Department of External Affairs communiqué, June 13).

JAPAN

Automotive Imports

Following the submission of forecasts provided by Japanese authorities that Japanese passenger car exports to Canada would not exceed 166,000 units in the current fiscal year extending to March 31, 1985, then-International Trade Minister Gerald Regan announced June 12 an understanding between Canada and Japan for

"the continuation of the orderly development of Japanese motor vehicle exports to Canada." The forecast was based on an anticipated total Canadian market of 917,000 passenger car units, according to a Department of External Affairs communiqué of June 12. However, the Minister noted that Canadian domestic sales had risen by 18 percent since the conclusion of the last understanding between the two countries. As a possibility existed that the Canadian market might expand beyond the projected 917,000 units, a new agreement was included in the understanding whereby a review of the situation in early January 1985 would be possible. Should it be determined that Canadian sales had expanded "substantially" beyond the earlier figure, Japan might then increase exports up to a limit of 170,400 units. The 166,000 unit figure was itself an increase of 13,000 units over the previous year's importation (*The Citizen*, June 12 and 13).

Mr. Regan indicated that the Japanese share of the Canadian market, roughly 18 percent, was in line with its share of the US market. He also stated that the understanding represented a contribution to the consolidation of the recent recovery of the Canadian automotive industry by facilitating "necessary restructuring and modernization" in Canada. The understanding further helped to foster "a mutually advantageous automotive relationship" between Canada and Japan, supported by recent indications of "greater participation" by Japanese motor vehicle manufacturers in the Canadian automotive industry (see "International Canada" — Japan, April and May 1984).

However, the quota agreement figures were criticized both as too low by Japanese automobile dealers and as too high by domestic manufacturers. Speaking in the Commons June 13, Derek Blackburn (NDP, Brant) expressed his disappointment at the increased level for imports and the lack of positive achievements in securing "greater investment commitment." He was answered by then-International Trade Minister Gerald Regan, who stated that the levels indicated in the understanding reflected a desire to "achieve a level that would keep pressure on them [the Japanese] to continue the very good start they have made with negotiations in this country." Mentioning the trade imbalance between Canada and Japan (heavily in Canada's favor), Mr. Regan stressed that present policy created "more jobs by our exports than our imports are costing us."

Visit of External Affairs Minister

External Affairs Minister Jean Chrétien visited Japan July 9 to 11, meeting in Tokyo with Prime Minister Yasuhiro Nakasone and Economic Planning Minister Toshio Komoto. Mr. Chrétien also participated in the fourth annual Canada-Japan Foreign Ministers' Consultations with Shin-itaro Abe, where discussions focussed on a wide range of bilateral and multilateral issues of concern to both nations (Department of External Affairs communiqué, July 5).

Topics covered in the series of meetings included the Third World debt problem, high interest rates and protectionism in the West, and bilateral issues such as the automotive industry and Candu nuclear reactors, according to Mr. Chrétien (*The Citizen*, July 10). Mr. Chrétien urged Japanese auto manufacturers to increase their participation in the Canadian auto industry, and called upon Jap-

anese companies to honor contracts with Canadian coal suppliers who were under pressure to reduce "both volume and price" of shipments "despite massive capital investment to build their capacity to meet Japanese" requirements. The Minister also presented an invitation to Prime Minister Nakasone for a Canadian visit, which was accepted without indicating a time commitment.

LNG Project

The participation of financially-troubled Dome Petroleum Ltd. in a multi-billion dollar project for the shipment of liquefied natural gas from British Columbia to Japan by pipeline and tanker was drastically reduced in late June when Dome chairman Howard MacDonald announced June 29 that his company was abandoning management of the project (see "International Canada" — Japan, April and May 1984). Mr. MacDonald indicated that Dome Petroleum, which had initiated the scheme in 1980, would reduce, if not "completely withdraw," its planned investment, according to a *Citizen* report June 30. Dome, said Mr. MacDonald, was no longer in a position to undertake an 80 percent investment in the scheme, but its withdrawal from management might induce other investors to proceed with the mega-project.

The two minority partners, Union Oil of Canada and Nisho-Iwai of Japan (each committed to a 10 percent investment), would be required to secure additional investment to cover Dome's 80 percent share. Only the Japanese firm has indicated an interest in increasing its investment share, but analysts have noted that any substantial increase might raise problems with Canada's Foreign Investment Review Agency. Union Oil vice-president John Vandermeer stated that "if there are no other partners who join, the project will die on the vine" (*The Citizen*, June 30).

PAKISTAN

Oil and Gas Sector Contribution

On June 20, then-Deputy Prime Minister Allan MacEachen announced a \$40 million increase in Canada's contribution to the development of Pakistan's oil and gas sector, through the provision of Canadian advisers, technical services and equipment. The increase was designed both to enhance that country's oil and gas production capacity and to offset increased oil import costs. (Pakistan currently relies upon the importation of 90 percent of the crude petroleum it consumes annually.) The funds will be administered over the next five years by CIDA in order to improve Pakistan's self-sufficiency in this sector through "expanded training, development and production activities," according to a CIDA news release of June 20.

The plan calls for the development of "specialized curricula" by Canadian advisers hired by CIDA and the teaching of trainers at Pakistan's Oil and Gas Training Institute. Some placement of Pakistani oil and gas personnel in Canadian institutions and industries was also envisaged. Other Canadian specialists would be concerned

with technology transfers — primarily in the fields of oil drilling and well completion. Canadian equipment not normally available would also be provided for increased performance in well "servicing, completion and stimulation."

POLAND

Hunger Strikers

Throughout June, three Polish hunger strikers were stationed before the Polish consulate in Toronto, Ontario, in an attempt to secure for their families exit visas from the Polish government. The three men — Wladyslaw Sliwa, Zigmunt Augustyniak and Grazyna Trzesicka — received the support of MP David Crombie (PC, Rosedale) in the House of Commons June 14. Mr. Crombie requested that the Canadian government, in order to bring more pressure to bear on Polish authorities, contact other signatories to the Helsinki Accord and have them urge Poland to grant exit visas. He was answered by then-External Affairs Minister Allan MacEachen, who stated that official Canadian "representations" had been made with respect to the situation. He added that although the Canadian government had indicated its "readiness to receive the members of the strikers' families," the Polish authorities had "declined to reverse the decisions they have already made." However, Mr. MacEachen expressed the hope that Poland, which had in the past been "cooperative in responding to family reunification cases," would reinforce such an "open attitude" with positive "action" in this particular case. He concluded by saying that he would give consideration to Mr. Crombie's suggestion for joint action by Helsinki Accord signatories, but doubted that such a step "would be effective."

In the House on June 18, Mr. MacEachen was requested by Aideen Nicholson (Lib., Trinity) that the Government press Poland for an extension of visa approval to include all three hunger strikers' families. The External Affairs Minister responded that while Mr. Augustyniak's family had been granted approval for passports, they would not receive them until the strike had ended. He assured Ms. Nicholson that the Government would continue to press for active attention to family reunification issues.

On June 26, Jesse P. Flis (Lib., Parkdale-High Park) indicated in the House that he and a group of fellow parliamentarians had met with the Polish Ambassador in an attempt to assist in the resolution of the visa difficulties. Mr. Flis asked the External Affairs Minister whether he would meet with the Polish Ambassador in order to establish "guidelines for speeding up the reunification of these divided families." Mr. MacEachen stated that a meeting was imminent. He would, at that time, endeavor to "reinforce the concerns" expressed by the parliamentarians and would also seek a means to avoid a "repetition" in future.

Mr. MacEachen again stressed his support for a bilateral approach to the problem when asked that same day by John Bosley (PC, Don Valley West) to reconsider an application to Helsinki Accord signatories. He stressed that among Eastern European countries, Poland's record in

family reunification cases had, in the past, proved "quite sensitive to Canadian representations." The Minister added that he would press for a "sympathetic approach to the humanitarian aspects of these cases." He portrayed Poland's hesitation to issue the visas as an attempt to refrain from "rewarding strikes which are undertaken . . . while cases are being examined by their authorities."

Spokesman for the protestors, Les Prusinski, told reporters that "quiet diplomacy" had not proved effective. He stated that coverage of the case had been noted within Poland, indicating that the Polish authorities would attempt to use the strike as an example to forestall further confrontations. Poland wants "to make it a showcase, to show that they won't give in to them," he added (*The Citizen*, June 28).

The physician attending and monitoring the strikers, Zygmunt Jancelewicz, stated that their condition by the end of June was serious and rapidly deteriorating. Irreparable damage to liver, kidneys and heart were possible in view of the length of the hunger strike, then nearing its fortieth day. Dr. Jancelewicz noted that all three strikers had been living off their muscles after the first week of the hunger strike because of their already slim condition (*The Citizen*, June 29).

The strike ended June 29, without the strikers achieving a commitment from Polish authorities to issue visas. (Poland had previously announced its refusal to consider applications until the strike had ended.) However, the Polish Embassy in Ottawa issued a news release July 2 which stated that the decision to end the strike had been "sensible." Jacques Beaulne, deputy director of the Department of External Affairs Soviet and East European division, was reported as stating that the department would "pursue . . . very firmly" a resolution to the issue (*Globe and Mail*, July 3).

Despite some early reports that an agreement with the Polish authorities had been reached before the end of the strike, later sources, including the Polish Embassy in Ottawa, indicated that no such agreement was in effect. The Embassy reiterated that consideration of the visa applications would commence with the strike's end. However, the strikers expressed optimism that a positive decision was imminent. They mentioned the possibility of continuing the hunger strike should negotiations prove unsuccessful (*Globe and Mail*, July 4).

By mid-July, Polish authorities had notified the federal government through the Polish Ambassador Andrzej Kacala that two members of the hunger strike team (Augustyniak and Sliwa) would be reunited with their families by the end of August. The family of the third striker (Trzesicka) would be considered for emigration and would be "exempted from certain provisions of Polish law applied in their cases and will have their situations reviewed in the near future" (*The Citizen*, July 12).

PORTUGAL

Diplomatic Appointment

The appointment of former Liberal MP Bryce Mackasey as Ambassador to Portugal, an appointment made

without prior consultation with the Portuguese government, raised a protest from that government which expressed "deep concern." Portugal considered the handling of the appointment a breach of diplomatic protocol, which traditionally calls for advance notice before any announcement is made (*The Citizen*, July 12).

Following a complaint lodged by Portugal's Ambassador to Canada Luis Navega, the Department of External Affairs issued an apology for the "departure from international precedent." Prime Minister Turner indicated that the selection had been made by his predecessor, and that he had been unaware that the customary prior consultation had not, in fact, taken place (*The Citizen*, July 13). The apology was issued both in the form of a verbal communication and an unpublished diplomatic note (Department of External Affairs, Spanish desk, telephone interview).

The Prime Minister issued a firm denial that he intended to postpone or cancel the appointment, stating that "if the Portuguese agree to his serving as our ambassador, he will be our ambassador." He indicated at that time that he planned no reconsideration of the case, maintaining that Mr. Mackasey was "our candidate" (*The Citizen*, July 16).

ROMANIA

Nuclear Contract

The Canadian firm of Bingham Willamette, British Columbia, was awarded a contract of \$31 million by Romania to supply heat transport pumps and shut down cooling pumps for that country's Cernavoda nuclear power facility. In making the announcement June 29, then-International Trade Minister Gerald Regan noted that several other Canadian firms had been successful in obtaining contracts for the same CANDU nuclear project (see "International Canada — Romania, December 1983 and January 1984). The sale was financed by the Export Development Corporation (EDC) under a loan granted to the Romanian Bank for Foreign Trade, a loan which covered the sale of two CANDU nuclear power stations by Atomic Energy of Canada Ltd. to Romania. The contract is scheduled for completion in the course of 1987 and 1988 (Department of External Affairs communiqué, June 29).

SOUTH AFRICA

Namibian Administration

An offer by South Africa to withdraw from Namibia if Western governments were willing to take over that territory's administration and defence was rejected by the Canadian government (along with the United States and the South-West Africa People's Organization). South African Prime Minister P.W. Botha, who himself had indicated that the West was unlikely to accept the offer, was answered by a statement from the Department of External Affairs which pledged a Canadian willingness to "play a helpful part in implementing the United Nations independence plan for Namibia that is accepted by all the parties in the dispute." Canada, the United States, West Germany, Britain and France form a "contact group" working toward a negotiated settlement in Namibia. It was this group to which Prime

Minister Botha addressed his offer. The Canadian statement continued, "We see no advantage in replacing the illegal colonial administration of South Africa by another form of outside rule whose legitimacy would not be accepted by the Namibians themselves or by the international community" (*The Citizen*, June 7).

THAILAND

Refugee Aid

Secretary of State for External Affairs Jean Chrétien announced July 12 that Canada would extend \$2 million in refugee aid to Thailand. The funds were to be divided between the United Nations High Commissioner for Refugees and the United Nations Border Relief Operation, and would be provided by CIDA through its International Humanitarian Assistance Program. The aid would be used both for relief in border areas and for holding camps within Thailand. In the former, an estimated 220,000 Cambodians would receive food, medical assistance and shelter; in the latter, another 128,000 refugees would receive basic facilities prior to repatriation or resettlement, according to a CIDA news release of July 12. The aid was intended to assist in relieving the financial burden placed on Thailand by the massive influx of refugees (estimated at roughly 800,000) resulting from the Vietnamese invasion of Cambodia which began in 1978.

TURKEY

Telecommunications Sale

In support of a sale by the Canadian firm of Northern Telecom International Limited of Ontario to Turkey, the Export Development Corporation (EDC) signed a \$US68 million agreement with the Republic of Turkey. The telecommunications equipments supply contract involves the supply of digital switching equipment, telephone sets and related technical services, and forms the first phase in a five-year contract previously negotiated between Northern Telecom International (directing the parent company's international marketing and manufacturing operations) and Turkey's General Directorate of Post, Telegraph and Telephone Administration (a government-owned enterprise responsible for the operation of the Turkish telecommunications system). The signing was attended by Turkish Ambassador Ozdemir Benler, Treasury Deputy Director General Erol Hurbas and General Directorate Finance Director and General Manager Emin Heral (EDC news release, July 3).

UNITED KINGDOM

Canada-United Kingdom Convention

Legislation was tabled in the House of Commons in late June to implement the Canada-United Kingdom Civil and Commercial Convention Act (signed in Ottawa on April 24, 1984). The Convention, according to a Ministry of Justice news release June 26, "simplifies the existing pro-

cedures for the reciprocal recognition and enforcement of money judgments in civil and commercial matters between Canada and the United Kingdom." The Act is also designed to minimize possible consequences for Canadian assets within the United Kingdom, which will soon accede to the European Convention on the enforcement of judgments (to come into effect in January 1985). Once passed, the terms of the Convention apply to judgments rendered by the Federal Court of Canada, and a registry system is to be established for United Kingdom judgments that are "executable in Canada."

In tabling the legislation in the House of Commons June 29, then-Justice Minister Mark MacGuigan stressed the necessity of the Convention to protect Canadian interests in light of the imminence of the European Convention. Mr. MacGuigan noted that some judgments which might previously not have been recognized in United Kingdom courts because "they were based on challengeable, frequently qualified as exorbitant bases of jurisdiction," would, in future, be upheld. The Convention would provide increased protection for Canadian interests. The bill was reported, read the third time and passed on June 29.

USSR

Fishing Incident

A Soviet fishing vessel, the *Anatoliy Bredov*, was escorted by a Canadian fisheries patrol vessel into Halifax harbor following an incident roughly 200 nautical miles off the Nova Scotian coast. The captain of the Soviet vessel

was charged July 11 with bringing his ship too close to fixed fishing gear, after a federal fisheries investigation determined that stationary crab fishing gear had been destroyed June 24. According to Scotian Shelf Crab Fishermen's Association spokesman John Risely, several Soviet and one Cuban vessel had pulled nets through Canadian crab traps. Under Canadian regulations, foreign fishing vessels must remain a half nautical mile from fixed fishing gear. Fisheries Department spokesman Carl Goodwin stated that an ongoing investigation might result in further charges being laid against other foreign vessels operating in the region at the time of the incident. Damage was estimated at approximately \$100,000 (*The Citizen*, July 10).

Over-the-side Fish Sales

A continuing debate about the advisability of selling unprocessed fish to Soviet factory trawlers "over-the-side," re-emerged in mid-July as Soviet vessels arrived off the Nova Scotian coast for the purchase of herring catches. While Canadian processors have criticized the scheme, they are unable to match both the quantity desired and prices paid by the Soviet fleet. The Fisheries Department allows sales of 25,000 tonnes of unprocessed fish, and inshore fishermen contend that economic necessity demands a continuation of the sales. Eastern Fishermen's Federation executive director Allan Billard stated that while undesirable, the over-the-side program was necessitated by an inadequately developed domestic market. Mr. Billard stressed that Canada "should be able to manage our own resource," and he cited "reckless management" as responsible for a surplus herring catch. The Soviet over-the-side contract represents an annual investment of four million dollars (*Globe and Mail*, July 18).

Multilateral Relations

ASEAN

Ministerial Visit

Deputy Prime Minister and Secretary of State for External Affairs Jean Chrétien represented Canada at the annual Post-Ministerial Meeting of ASEAN Foreign Ministers with Dialogue Partners July 12 and 13 in Jakarta, Indonesia. ASEAN, a Pacific regional organization comprised of Indonesia, Malaysia, the Philippines, Singapore, Thailand and Brunei, maintains formal relations — "dialogues" — with six industrialized partners of which Canada is one. During the annual meeting in Jakarta, ASEAN

foreign ministers met with their dialogue partners both collectively and individually. Mr. Chrétien had indicated that his attendance at the meeting was an expression of the growing importance which Canada attaches to increasing its links across the Pacific. Mr. Chrétien had an opportunity to meet not only with the ASEAN foreign ministers, but also with those of Canada's two largest trading partners, the US and Japan. Included on the Minister's agenda was a discussion with New Zealand's defence minister (External Affairs communiqué, July 5).

In his introductory remarks at the dialogue meeting, Mr. Chrétien reaffirmed Canada's intention to increase economic ties with the Pacific nations as a means of ensuring its own future prosperity. He mentioned as important factors in developing these ties, "increased two-way trade, joint ventures and investment both within ASEAN and Canada, and a collective will to reduce impediments to trade and commercial cooperation." Praising the ability of the ASEAN nations to establish a "common sense of destiny and a tradition of mutual support," Mr. Chrétien pointed out the benefits to be derived from consultation. The Deputy Prime Minister also mentioned the necessity of political stability and social progress for attaining joint economic and commercial objectives. He concluded by stating that Canada would continue to work toward a strengthened relationship with the nations of Southeast Asia, a relationship of "developing contacts and expanding mutual awareness" (External Affairs statement, July 13).

CENTRAL AMERICA

Canadian Role

The Inter-Church Committee on Human Rights in Central America, which represents most Canadian religious denominations, published a brief in mid-June which called for an increased role for Canada in the Central American region. The Committee felt that financial constraints, cited earlier by the Government as responsible for not establishing a Canadian embassy in Nicaragua, were insufficient reason for failing to develop a Canadian diplomatic presence in the troubled region. The brief cited several factors which indicated a growing risk of full-scale regional war, including "continuous military conflict, 'covert war,' and grotesque violations of human rights." The Committee called upon the Canadian government to become more active in voicing its opposition to what the Committee perceived as inflammatory US activities in the region. The US, the brief stated, had contributed to the escalating tensions with its high level "verbal tirades," direct and indirect sponsorship of "contra" warfare, "provocative acts," and "sustained economic pressure." It was suggested that a statement from the External Affairs Minister opposing US militarization might prove productive. The Committee also mentioned specifically the role Canada is playing in opposing US efforts to destabilize the Nicaraguan Sandinista regime and asked for an outline of government policy on the issue (*The Citizen*, June 13).

ECONOMIC SUMMIT

London Meeting

The Economic Summit meeting held in London, England, in mid-June saw the leaders of seven of the largest industrialized democracies maintain a cautious appearance of harmony in their final declaration. Representatives from the US, Canada, Japan, Britain, West Germany, France and Italy ended their meetings by con-

cluding that, in general, the world economy and those of the industrialized nations were heading in the direction of recovery. Discordant elements — such as high US interest rates, continued high unemployment and a lack of investment — were downplayed during the Summit. While only general reference was made to the need to pursue lower interest rate policies, several participants (including Britain's Chancellor of the Exchequer Nigel Lawson, Canada's Finance Minister Marc Lalonde and French Finance Minister Jacques Delors) remained critical of US economic policies and concomitant high rates (*Globe and Mail*, *The Citizen*, June 11).

A more concrete initiative was evident in the area of Third World debt, with recommendations forthcoming on alleviating the crisis. Mentioned among these were a re-scheduling of longer-term debt, increasing investment and equity capital from industrialized nations, increasing cooperation between the International Monetary Fund (IMF) and the World Bank, and an easing of interest rate burdens through new debt-servicing arrangements. An examination was also to be made of the possibility of replenishing the IMF with a new issue of Special Drawing Rights, the *Globe and Mail* report continued. It was noted that "retrenchment and self-help" on the part of the debtor countries were seen by the Summit participants as essential for recovery (as well as for the awarding of "rewards and incentives").

Proposals agreed upon included a charter of rights and freedoms entitled "Declaration of Democratic Values," one on East-West relations, one on the Iran-Iraq conflict, and one on international terrorism. The Final Declaration continued the tone of harmony established by Britain's Margaret Thatcher in her opening address, calling for efforts to keep inflation down and restrain public spending. High interest rates were mentioned in passing, as the declaration called for governments to adopt economic policies "which will be conducive to lower interest rates." While mention was made of establishing negotiations for world trade talks, no agreement on a timetable was achieved.

Then-Prime Minister Pierre Trudeau expressed satisfaction with the communiqué on East-West relations, which mirrored several aspects of his own peace initiative. The declaration contained conciliatory wording with regard to the Soviet Union, and mentioned the need for increased political dialogue and long-term cooperation. It stated that East and West have common interests in "preserving peace, in enhancing confidence and security, in reducing the risks of surprise attack or war by accident, in improving crisis management, and in preventing the spread of nuclear weapons." Mr. Trudeau praised the Summit participants for making a separate declaration on East-West relations and for recognizing the need for an acknowledgment of "common interests" with the Soviet bloc. At his press conference he said that the present stand on East-West relations marked an improvement over the harder line taken previously at the Williamsburg Summit. Mr. Trudeau concluded by stating that it was evident that the Summit leaders were increasingly receptive to a thaw in their response to Soviet security interests, and this receptivity was apparent in the current language being used by the US and Great Britain, which was now "less strong."

EEC

Call For Salmon Quota Reduction

On June 4, then-Fisheries and Oceans Minister Pierre De Bané called for the European Economic Community (EEC) to reduce West Greenland's 1984 quota of Atlantic salmon. The call was made in response to a failure by the North Atlantic Salmon Conservation Organization (NASCO) to achieve agreement on the establishment of a 1984 limit for the West Greenland fishery at its annual meeting in Edinburgh, Scotland, May 21-25. The NASCO Commission for West Greenland (composed of Canada, the US, and the EEC) recessed at that time to allow the parties involved time for a reconsideration of the issues. In a Fisheries and Oceans news release June 4, it was noted that 50 percent of the salmon taken off the coast of West Greenland was of North American (primarily Canadian) origin. West Greenland had been limited by international agreement to a yearly quota of 1190 tonnes.

Canada had submitted a proposal to the Commission suggesting a reduction of the West Greenland quota to 310 metric tons. The proposal, which was supported by the US, was blocked by an EEC veto. Mr. De Bané stated that scientific advice indicated that the salmon stocks in the region were "in danger." He added that renewed Canadian efforts in cooperation would be made to convince the EEC of the necessity for "immediate action" for salmon conservation. Canada had itself instituted reductions in order to rebuild stocks depleted up to 40 percent.

Meat Imports

Criticism of subsidized meat products from the EEC entering Canada were placed before the Anti-dumping Tribunal of Canada both in June and July by Canadian producers. In June, statements were made to the Tribunal that exports of canned pork products from Holland and Denmark were having an injurious effect on similar Canadian goods. The Tribunal was told that the subsidized imports were providing unfair competition and were jeopardizing Canadian jobs in the industry, according to a *Citizen* report June 26. The Canadian Meat Council, representing Canadian producers, has called upon the Government to make permanent a temporary countervailing duty on the imports, an action which requires the Tribunal to determine injury to the Canadian industry. A previous investigation by Revenue Canada had established that the imports were being subsidized by the EEC and this resulted in the implementation of the countervailing measure (established April 12). Spokesmen for the Canadian importers of the EEC products countered that the subsidies had been instituted in 1975, and any injury to the domestic industry was more a matter of "fluctuations in world and Canadian prices."

The same issue, but with a different meat product, was raised a month later when the Government instructed the Tribunal to investigate complaints that imports of subsidized beef imports from the EEC (primarily Ireland) were causing injury to Canadian farmers. The Tribunal was asked to determine if imports of deboned beef were depressing prices paid to Canadian beef suppliers. Following the Tribunal's report and consultation with EEC officials, it

would be determined by the Revenue Department whether an imposition of countervailing duties is necessary to offset the EEC subsidies. The Revenue Department has indicated that further study of the claim of injury would be required before any measures were taken (*The Citizen*, July 26).

ICARA II

Canadian Delegation

It was announced July 6 that Joseph Stanford, Assistant Deputy Minister, Africa and Middle East Branch of the Department of External Affairs, would head the Canadian delegation to the second International Conference on Assistance to Refugees in Africa (ICARA II). The Conference, convened by the Secretary General of the UN and held in Geneva July 9-11, had as its objective a review of the 1981 Conference, a consideration of the continuing need for refugee relief, rehabilitation and resettlement, and consideration of provision for economic assistance to African nations burdened with the care of refugees and returnees. The Canadian delegation included officials both from the Department of External Affairs and the Canadian International Development Agency (CIDA) (External Affairs communiqué, July 6).

ILO

Governing Body Elections

On June 24, the International Labour Conference elected members of the Governing Body of the International Labour Office for a three-year term. The Government of Canada returned as an elected member (rather than a permanent member with a non-elective seat) at the Conference, with representation in the respective categories of government, employer and worker. Shirley Carr, Secretary-Treasurer of the Canadian Labour Congress was elected regular member of the Workers' Group, and Albert Deschamps, representative of the Canadian Manufacturers Association, was elected deputy member of the Employers' Group (ILO press release, June 25).

On July 26 Labour Minister André Ouellet announced that Canada would host the Twelfth Regional Conference of American States of the ILO September 17-26, 1985 in Montreal, Quebec. Mr. Ouellet stated that this would act as a further indication of Canada's commitment to the principles of the ILO. This regional conference, held every four to five years, will review aspects of ILO activities in the Americas region (Canada, the US, and the nations of Latin America and the Caribbean). The focus will be on rural development, and labor relations (Labour Canada press release, July 26).

INTERNATIONAL WHEAT COUNCIL

Centennial Forum

In late June, the International Wheat Council held its

100th session along with a Centennial Forum in Ottawa. At a dinner sponsored by the Canadian government for the Centennial Forum participants and Wheat Council delegates and observers, then-External Affairs Minister Allan MacEachen addressed the issue of international cooperation in the grain sector. Mr. MacEachen, expressing the Government's welcome to both member and non-member participants, noted the importance Canada attaches to grain production and trade. He stated that the Council's sessions demonstrated "that all countries, regardless of the size, location, stage of development or economic or political system, have a vital interest in these essential commodities," in a time of expanding population and increased demand. A link was made in the address between the pursuit of strong international cooperation in the grains trade and the "promotion of peace and security," in which Canada had pursued an active role. Canada was aware of the short- and long-term needs for strengthening world food security, and had endeavored to maintain a balance between food aid and development assistance in strengthening the production capabilities of Third World nations. Mr. MacEachen added that Canada was a firm advocate of international consultation and coordination of national policies in the grain sector, in which the Council played a significant role. Through such efforts, policies may be determined to "safeguard and encourage" food grains development, he concluded (External Affairs statement, June 27).

IRAN/IRAQ

Continuing Conflict

In early June the Canadian government announced that through diplomatic approaches to both Iran and Iraq, it had again urged an "immediate end to hostilities in the Gulf war and the commencement of peace negotiations." Canada expressed concern that further escalation of the conflict might cause a spread of hostilities to neutral neighboring states "and beyond." Recent developments had, in the opinion of the Canadian government, increased the need for positive action on the part of the international community to end the conflict. In an External Affairs communiqué issued June 6, then-Deputy Prime Minister Allan MacEachen added that Canada remained "prepared to take all responsible measures which are practicable and within its power to contribute to that end."

ENVIRONMENT CONFERENCE

Canadian Presence

An international environmental conference, held in Munich, Germany, June 24 to 27, brought together representatives from 31 countries from both East and West to develop a strategy for combatting environmental damage. The four day meeting was attended by Canadian Environ-

ment Minister Charles Caccia, who issued a statement at the conference calling for increased measures to alleviate air pollution. While conference participants reached agreement on a joint strategy for fighting pollution, there was no firm commitment to set specific targets on cutting emissions. The issuing of a final document was delayed as the Soviet Union, pressing for the inclusion of some reference to the arms race, and the United States, stating that an environment conference was not the forum for such discussion, worked toward a release which linked environmental protection with mention of international peace and security (*The Citizen*, June 28).

Conference chairman Friedrich Zimmerman of West Germany noted that the results of the meeting established a political impetus for cleaning the environment. However, some participating nations called for immediate action to combat transborder pollution, noting that countries cannot effectively act alone. The Soviet Union, East Germany, Bulgaria, Belgium, Lichtenstein and Luxembourg committed themselves to a 30 percent reduction in sulphur dioxide emissions by the end of the century, a move advocated by Canada and the other members of the international community who reached consensus on the 30 percent target figure at another environment conference held in Canada last March (see "International Canada" for February and March 1984). The United States, Britain and Turkey remained firm in their refusal to commit themselves to specific cuts.

In his statement to the conference, Mr. Caccia provided a report on Canadian efforts in reducing pollution and cleaning the environment. He stated that Canada had engaged in consultations with industry in order to establish better NO_x standards. Along with achieving lower lead standards by 1986 (0.29 grams per litre), the Canadian government had, in cooperation with the provinces, invested \$1 per capita in research for the current year. Mr. Caccia also mentioned the modernization of the non-ferrous smelting industry (the major source of SO₂ pollutants), and the introduction of a fuel-switching policy that would see a wider utilization of cleaner fuels. He added that reductions in SO₂ emissions were proceeding on schedule, with an interim goal of 25 percent by 1990 and a final goal of 50 percent by 1994.

Mr. Caccia pointed out to conference participants that while the costs to governments for such measures would be high, the cost of inaction would prove greater. Potential damage from pollution could disastrously affect the Canadian economy — and those of other nations. Speaking specifically of acid rain, he noted that it was a problem of the "politics of downwind." Downwind countries (among which most nations saw themselves) received environmental damage arising from the industry of nations upwind. Such a situation, said Mr. Caccia, called for immediate cooperative action on the part of all industrialized nations. He concluded by saying that delay could increase damage exponentially. While the international community will never have "a complete body of information and scientific knowledge that will determine conclusively what the causes are," Mr. Caccia called upon the nations at the conference to join what he called the "30 percent club" (Ministry of the Environment speech, June 24).

OECD

Data Guidelines

The Government of Canada announced June 29 its formal adherence to the Organization for Economic Cooperation and Development Guidelines Governing the Protection of Privacy and the Transborder Flow of Personal Data (see "International Canada" for April and May 1984). The OECD was notified of the decision by Canada's Permanent Representative and Ambassador. The formal decision marks a reaffirmation of Canada's commitment to privacy protection, with the OECD guidelines establishing minimum standards to be applied in the handling of personal information, according to a Government of Canada news release June 29. The standards involve the collection, quality, use, disclosure, registration and security of personal information. Individuals are also provided with access rights to information regarding themselves. Economic benefits to be accrued through the transborder flow of information are also recognized by the guidelines, and such flow is promoted among member nations adhering to the requirements established by the guidelines. The Government, which had already applied the guideline principles to most departments and agencies, will now undertake a program to "encourage private sector corporations to develop and implement voluntary privacy protection codes."

Canadian Economic Survey

In late July, the OECD issued its annual survey of the Canadian economy, and while this year's survey indicated a slowing of growth over the next eighteen months, it did note that it would remain above average among the non-Communist industrialized nations. A GNP growth of 3 percent for 1985 (similar to that for 1983) was predicted. The federal government was commended for the turnaround in the economy following the recent recession. As well, the progress in achieving reductions in price and wage inflation was recognized as notable (*The Citizen*, July 25 and 26).

While Canada had succeeded with its "expansionary federal fiscal stance and its relatively accommodating monetary policy," it must work further to reduce unemployment, the report continued. The OECD saw little chance for further improvement in reducing price and wage increases. The report recommended increased efforts in lowering the unemployment figure (currently hovering near 11 percent, and above the OECD average), and suggested more flexible minimum wage levels. Such flexibility might "improve the possibility of achieving stronger non-inflationary growth and increase the utilization of labor." The OECD report concluded by stating that market forces should play a greater role in setting wage levels, and that "somewhat greater wage differentials between skilled and unskilled labor could alleviate the problem."

PACIFIC RIM

Asia-Pacific Foundation

On June 1, then-Deputy Prime Minister Allan MacEachen announced the introduction into the House of

Commons of a Bill to establish the Asia-Pacific Foundation. The creation of the Foundation was regarded as an expression of Canada's commitment to its role as a Pacific Rim nation, and an acknowledgment of the importance Canada attaches to the "trans-Pacific dimensions of [its] national interests." The prime objective of the Foundation will be to foster mutual awareness and understanding between Canada and other Pacific Rim nations, as well as operating to strengthen cooperation in development programs. While working to reinforce Canada's commitment to the North-South dialogue, the Foundation will also encourage creative initiative in several areas, including business and policy programs, public affairs, cultural programs, and educational and training activities. Along with a federal government financial commitment of a grant of \$5 million over five years (excluding future program funding), provincial governments and the private sector will lend assistance to the Foundation.

The Foundation was incorporated by Act of Parliament and proclaimed on June 14, and Mr. MacEachen announced on June 29 appointments to the Board of Directors. Named as Chairman of the Board was John Bruk, former Chairman of the Founding Committee of the Asia-Pacific Foundation. The nine other directors represented a range of academic, labor, government and business backgrounds (External Affairs communiqués, June 1 and 29).

Expanding Trade

Speaking before a delegation of officials from the People's Republic of China in late June, then-Minister of State for the Canadian Wheat Board Senator Hazen Argue spoke of the expanding trade relationship between Canada and the other nations of the Pacific Rim. Senator Argue noted that exports, especially in the grain sector, form a significant part of the continuing Canadian economic recovery. These expanding markets represent opportunities upon which Canada must endeavor to capitalize in order to sustain economic progress. While Canadian exports to the Pacific region reached \$7.7 billion in 1983, the figure was expected to grow significantly in future. Senator Argue emphasized that two-way trade necessitated mutual efforts to negotiate the removal of barriers that might restrict the growth of such trade (Canadian Wheat Board communiqué, June 20).

PERMANENT COURT OF ARBITRATION

Canadian Appointments

On June 29, then-External Affairs Minister Allan MacEachen announced the appointments of the Canadian members of the Permanent Court of Arbitration. The Court, set up under the Convention for the Pacific Settlement of International Disputes of 1899, is composed of members who hold office for six years and are drawn from the four sectors of the legal community: the Bench, the academic community, the public service and the practising bar. The recently appointed Canadian members represent these

four legal constituencies, with the Honourable Mme Justice Bertha Wilson from The Supreme Court of Canada, Professor Ronald St. J. Macdonald Q.C. from Dalhousie University, Mr. Leonard H. Legault Q.C. from the Department of External Affairs, and Mr. Yves Fortier Q.C. of Messrs Ogilvy and Renault of Montreal.

The Canadian members will act as arbitrators and will also serve as the Canadian National Group for the International Court of Justice. For this latter function, they will submit nominations to the Secretary-General of the UN for the election of judges to the International Court, the next such elections being in the fall of 1984 (External Affairs communiqué, June 29).

STARLAB PROJECT

Canadian Withdrawal

It was reported in early July that Canada had reached a decision to withdraw from the international Starlab project, which would have created an orbiting telescope (capable of greatly increased pickup and detail capacity) through the international cooperation of the US, Canada and Australia. Canada had until then played a significant role in the project, including the venture's management. Dr. Ian McDiarmid, head of the National Research Council's Canada Centre for Space Science, stated that Canada had "definitely" relinquished its leadership role in the project, and that while there's "a possibility we may buy back into the project at some point in the future, it would be in a much smaller way." He indicated that the prime consideration in determining to withdraw from the project had been the importance placed upon other space-related developments, including the astronaut program (*The Citizen*, July 9).

Dr. Gordon Walker, senior scientific director of the project, expressed his dissatisfaction with the decision to withdraw. He indicated that the Canadian contribution would have been of great benefit to the future of Canadian astronomy. "We have to move out of our village mentality and start treating science with a little more respect and less of the cavalier, high-handed approach," he said. He criticized the Canadian shelving of the Starlab project for the purpose of performing a study (for \$2.5 million) to assess the desirability of joining in the creation of the US space station.

In an interview, Dr. McDiarmid acknowledged that the interdepartmental committee on space (which had the final decision) did tend to place more emphasis on economic spinoffs of space ventures than on the advancement of knowledge. "The policy discriminates against large basic sciences which are the way of the future," he said.

UNITED NATIONS

World Commission on Environment and Development

An announcement was made June 20 by then-External Affairs Minister Allan MacEachen of an initial Canadian

contribution of \$200,000 through CIDA to the World Commission on Environment and Development. The Commission was established by the UN 38th General Assembly in 1983, and is to recommend "an agenda for action to protect or enhance the environment into the next century," and will also work to increase environmental awareness and cooperation in the international community. Issues involved, which are of concern to both industrialized and developing nations, include acid rain, toxic wastes, deforestation, and desertification.

Canada is represented on the Commission by Maurice Strong, and has issued an invitation to hold a meeting in Canada at a future date. The projected meeting will be preceded by consultations among the scientific, environment and development communities, federal and provincial governments, and industry, according to a CIDA news release of June 20. The Commission is expected to issue its report within two years, which will be considered by both international organizations and national governments.

International Youth Year

In recognition of the International Youth Year (IYY) established by the United Nations for 1985, the Canadian government announced June 28 the creation of a Canadian IYY committee composed of twenty-five members between the ages of fifteen to twenty-four. In making the announcement, then-Minister of State for Youth Céline Hervieux-Payette indicated that the committee was designed to "raise public awareness of the themes and objectives of IYY as well as the concerns and aspirations of young Canadians." Mme Hervieux-Payette added that the mandate of the committee would seek to ensure that the interests of young people would be "integrated with those of other groups in society," along the lines established as objectives of the UN International Youth Year. The names of the Committee members were released in late July by Minister of State for Youth Jean Lapierre, following the first meeting of the Committee July 23-24 in Sutton, Quebec. The Minister sought advice from the members on how best to interpret the three themes of IYY — participation, development and peace. Rosalyn Lawrence of Ottawa was named Chairman (Minister of State for Youth news releases, June 28 and July 27).

WORLD FOOD COUNCIL

10th Ministerial Session

Beginning June 11 in Addis Ababa, Ethiopia, the United Nations World Food Council held its 10th ministerial session. Then-Canadian Agriculture Minister Eugene Whelan, President of the Council, urged participating Ministers and Secretaries of Agriculture and their representatives to renew their international commitment to the ending of hunger in Africa. Mr. Whelan called upon the world's nations, both developed and developing, to work in close partnership in this effort. He pointed out that while progress had been made in increasing food production, the growing supply had been unevenly distributed. While some nations have experienced a surplus, others have continued to lack

a sufficient supply. He urged the Council to develop measures to ensure a more equitable distribution. He mentioned particularly the condition of African nations, and stated that per capita food production had declined over the past two decades. The developed nations were called upon to increase their contributions of food assistance, specifically through the multilateral agencies. At the same time, aid would be effective only if recipient countries formed a commitment to make food security their top priority, said Mr. Whelan. He also noted that Canada was itself committed to increasing its official development assistance (45 percent of which is directed to food and agriculture) to 0.7 percent of GNP by 1990 (Agriculture Canada press release, June 11).

Reports issuing from the session revealed a new will on the part of delegates to consider alternatives to aid and development policies that had proved dismally ineffective for Africa in the past. Mr. Whelan had spoken of the need to deal with both corruption and the sensitivities of the starving African nations. "Let us honestly tackle the political, economic and social barriers that stand in the way of access to food," he stated. It was acknowledged that aid agencies as well as recipient countries must improve performance and efficiency and develop new policies. Council Vice-President Saihou Sabally of Gambia added that the African nations required assistance other than military aid and theory from the East bloc. "We can't eat philosophy and theories," he stated (*The Citizen*, June 13).

Policy

DISARMAMENT

Peace Prize

In late June, then-Prime Minister Pierre Trudeau was awarded the 1984 Albert Einstein peace prize for his worldwide campaign to ease East-West tensions through increased dialogue and a revival of superpower arms control negotiations. The prize, which carries a \$50,000 award, was said by Mr. Trudeau to honor all Canadians who lent their support to his peace initiative. Mr. Trudeau expressed his honor and pleasure at receiving the award.

Head of the Einstein Foundation's selection board, Norman Cousins, mentioned Mr. Trudeau's "unprecedented efforts to break the impasse on arms control" as contributing toward his selection as this year's recipient. The award, established in 1979, was created to maintain Albert Einstein's concerns about problems in the nuclear age (*The Citizen*, June 27).

Mr. Trudeau received the congratulations of the Commons on his award June 28, when Maurice Dionne (Lib., Northumbêrland-Miramichi) issued a statement commending the Prime Minister's efforts on his peace initiative. "Many times he made us aware that 'the folly of mankind is man.' He also tried and succeeded in showing us that it need not be so. Of all his . . . achievements, none demonstrated that more than his final great effort as Prime Minister . . . his mission for world peace."

Peace Institute

On June 28, legislation to establish a Canadian peace

research institute received final Commons approval. Announced were the seventeen proposed directors, whose selection was achieved through negotiation between all three political parties. From among these seventeen will be selected a Chairman and an Executive Director who is expected to set the tone and direction of the institute's activities. The idea for the institute arose from then-Prime Minister Pierre Trudeau's peace initiative for increased dialogue on the issue of arms control, and was mentioned in last year's Throne Speech (*The Citizen*, June 29).

In introducing the legislation to establish the Canadian Institute for International Peace and Security before the Commons on June 28, then-External Affairs Minister Allan MacEachen stated that the Institute would act as an expression of Canadian hopes for a peaceful and secure world and was Canada's way of "injecting fresh ideas and developing new and better solutions for a world troubled by conflict and uncertainty." The principles of the Institute would be to "look outward, to promote scholarship, to encourage public discussion, and to collect and spread information and ideas on international peace and security." Mr. MacEachen stressed the non-partisan, independent, and objective nature of the Institute. And rather than supplant efforts and achievements of other peace and security groups, the newly-created Institute would stimulate "the level of interest in peace and security for the benefit of all." Also speaking in the Commons that day, Pauline Jewett

(NDP, New Westminster-Coquitlam) elaborated on Clause 4 of the Bill, the clause which outlines the purposes of the Institute:

The purpose of the Institute is to increase knowledge and understanding of the issues relating to international peace and security from a Canadian perspective, with particular emphasis on arms control, disarmament, defence and conflict resolution, and to:

- a) foster, fund and conduct research on matters relating to international peace and security;
- b) promote scholarship in matters relating to international peace and security;
- c) study and propose ideas and policies for the enhancement of international peace and security;
- d) collect and disseminate information on, and encourage public discussion of issues of international peace and security.

ENERGY

Natural Gas Exports

Minister of Energy, Mines and Resources Gerald Regan announced July 13 that exporters of Canadian natural gas would be free to negotiate prices with customers for implementation by November 1. With the introduction of this new policy, exporters will be permitted a choice between adhering to the existing two-tiered administered price, or negotiating a price subject to review by the National Energy Board. The latter method will be based on established criteria and subject to subsequent approval by the federal Government (Energy, Mines and Resources communiqué, July 13).

Mr. Regan pointed out that the new policy should achieve a stabilization of gas export sales in the short-term, and would "provide increased sales opportunities over the medium- and long-term." At the same time, the optional negotiation process should "enhance cash flow to producers, promote activity in the natural gas industry, create jobs for Canadians and foreign exchange support for the Canadian dollar, and generate revenues to producing provinces and the Government." The decision reflected Canada's policy of allowing the export of natural gas "surplus to foreseeable Canadian needs." It also allows exporters greater flexibility in meeting international competition in the natural gas sector. The change is regarded as working toward an enhancement of natural gas sales. However, conditions were attached to the new regulations which require exporters to show that "negotiated contractual arrangements will enhance the economic return to Canada, compared with the current system, and are in Canada's national interest." As well, the price of exported gas under the new arrangement must not prove less than the price paid by Canadians. According to news reports, the new pricing policy replaces a "transitional discount plan" that was established in April of 1983 when it was perceived that higher-priced Canadian natural gas was "losing ground to US domestic supplies" during a market glut (*The Citizen*, July 14).

ENVIRONMENT

International Agency

Appearing before the Italian-Canadian Chamber of Commerce in Rome, Italy on June 22, Environment Minister Charles Caccia spoke of the need for the creation of an international environmental agency designed to "adjudicate inequities and possibly enforce remedies." Because of the "basic nature and global dimensions of environmental concerns," such an agency is called for, said Mr. Caccia. Because of the great responsibility concomitant with modern man's capacity to alter the environment, the world community must cooperate in determining possible consequences and effects resulting from activities altering the environment. Mr. Caccia had earlier spoken in Paris before the OECD International Conference on Environment and Economics (June 19) about the same problem. At that time, he had called for a joint protection of our "life support system," and had described the environment as "an asset to be nurtured, to be enhanced, to be restored, instead of depleted and damaged" (Minister of Environment press release, June 19).

Mr. Caccia spoke of the "greenhouse effect" of carbon dioxide in controlling the thermal balance, and noted that scientific study had indicated that increases in CO₂ concentrations had climbed to 3-4 percent per decade (with 95 percent of the emissions coming from the industrialized nations). As nations continue to burn fossil fuels, the CO₂ concentrations would continue to increase, having a continuing "steady, seemingly inexorable, effect." One possible consequence would be a "warmer atmosphere and altered precipitation patterns" resulting in a probable reduction in the capability of "global agriculture to provide food for the growing population," added Mr. Caccia.

Mr. Caccia stated that a more equitable balance must be achieved between considerations of an economic nature and possible consequences to the environment. Since the environment is our "support system," ill-considered activity in the spirit of narrow national self-interest could lead to irreparable damage. Too great a reliance upon the renewability of resources and the safety of technological solutions, could lead to the same dire consequences. For these reasons, all nations should increase their appreciation of the environment's fundamental role in the world's economy. Economy and environment interact and are interdependent. And since the problem is global, so too should be the effort to achieve a solution — thus, the idea of an international environmental agency for cooperative effort (Minister of Environment speech, June 22).

Acid Rain

The problem of acid rain pollution received continued attention in both the press and the House of Commons during this two-month period, with little headway being made in negotiations with the US administration and its agencies for a commitment on the part of the US for immediate and concrete action. Speaking in the Commons June 4, G.M. Gurbin (PC, Bruce-Grey) called upon Minister of State for External Relations Jean-Luc Pepin to say whether the Government had succeeded in impressing or would continue to press upon the US government "at the highest levels" the urgent need for positive action. Mr.

Pepin responded that despite difficulties in convincing the US of the need for such action, he was confident that in the long-term, ongoing negotiations would prove effective. He added that the Government would not consider slackening in its attempts to gain a favorable response on the part of the US when Canada "had a good case, as in this instance."

Following the tabling of a report by the subcommittee on acid rain in the Commons June 7, Environment Minister Charles Caccia answered a question from Stan Darling (PC, Parry Sound-Muskoka) as to whether the Government would adopt the recommendations contained in the report. Mr. Caccia responded that those of a practical nature in the long-term would be injected into the system. He added that the Government had already instituted a plan of action, including a specific percentage of reduction, meetings with provincial Ministers, and a continued registration with the US administration of Canada's desire that the US join in the proposed plan of action (a 50 percent reduction by 1994).

The Committee report had charged that industry and government acid rain programs were more words than action. Chairman Ronald Irwin criticized as "appalling" government and corporate "inaction." Mr. Irwin cited a lack of political will as a major cause for the failure to secure significant reductions in the past. While praising the federal and provincial decisions to introduce cut targets, he stated that the problem had not been positively addressed soon enough. Committee member G.M. Gurbin said that the unanimity of the report cut across all party lines in its "call for action" (*Globe and Mail*, June 8).

Among the sixteen recommendations included in the Committee report were:

- stronger anti-pollution standards on cars by 1986 and a prohibition on leaded gasoline by 1995;
- a revision of the income tax act to allow more deductions for spending to reduce acid rain;
- accelerated capital cost allowances to give companies more tax write-offs sooner to encourage industries to clean up;
- direct grants to companies to help finance pollution controls (*Globe and Mail*, June 8).

Responding to a question in the Commons June 11 with regard to the Committee report's recommendation for automobile and industry emission standards in the near future, then-Prime Minister Pierre Trudeau pointed out that too-precipitous action might prove counter-productive in terms of employment. Mr. Trudeau pointed out that "we have to proceed at a slower pace if we do not want to force certain companies to go under and if we do not want to put workers out of jobs." He added that there existed a distinct possibility that "high unemployment figures would be affected adversely if we were to close down some plants because they had not moved as quickly as we would like in reducing their levels of emissions."

At a conference attended by New England governors and Eastern Canadian premiers in mid-June in Newport, Rhode Island, agreement was reached among the American governors to take a tough stand against recalcitrant polluters. The governors and premiers decided to establish upper limits on sulphur dioxide emissions and to seek redress in court from sources of pollution. A resolution was

developed by the participants calling for the creation of an environment committee to develop a short-term plan for reductions, and for the holding of a joint conference later this year in Quebec. The US governors supported a litigation task force to urge for the filing of a lawsuit against mid-West polluting utilities (*The Citizen*, June 19). In the Commons June 18, then-Deputy Prime Minister Allan MacEachen rejected a proposal by Jim Fulton (NDP, Skeena) that the Canadian government "commit the very substantial scientific and legal resources of Canada to this very important and vital environmental challenge." Mr. MacEachen stated that the US governors must pursue their own objectives, but Canada would remain engaged in negotiations with the US administration to achieve a political solution to the problem. Despite the current difficulties between the two countries on the acid rain issue, Mr. MacEachen felt confident of an eventual conclusive agreement.

FINANCE

Bank Act Amendment

An amendment to the Canada Bank Act, passed in late June, will allow foreign banks operating in Canada to double their share of the domestic market. News reports suggested that among the results would be more vigorous competition (with accompanying benefits for customers), and more branches of foreign banks spread across Canada. Holdings of these foreign banks may now increase from 8 to 16 percent of the total assets of domestic banks. The amendment, with its resulting increased competition, was supported by the foreign banks themselves, as well as by consumer groups and the Canadian Bankers Association (*The Citizen*, July 23).

Revenue Minister Roy MacLaren was quoted as saying that the Bill would allow foreign banks to continue to serve Canadian borrowers, and that a "larger foreign bank sector will make our banking sector less concentrated and should contribute to a business environment more conducive to small- and medium-sized enterprises." The Government hopes, through the increased competition, to have the foreign banks handle more loans around the \$1 million line, rather than the more popular \$5 million figure. Foreign banks have only been allowed to operate in Canada (as full-fledged banks) since 1980, when another amendment to the Bank Act established the 8 percent ceiling. Foreign banks reached the 8 percent level sooner than had been anticipated, and a parliamentary committee recommended in late 1983 that the ceiling be eliminated. It was determined that the domestic banking sector could withstand the increased competition.

Canadian Dollar

The Canadian dollar took another roller-coaster ride through the months of June and July in relation to its stronger American counterpart, but managed to make a slight recovery by the end of this two-month period. By late June, analysts had seen the Canadian dollar reach what

was then an all time low with a trend leading it even lower despite brief but minimal recoveries. As of June 26, the ailing Canadian dollar had posted three record closes on foreign currency markets in under a week. Observers noted that while the Canadian dollar was low in relation to that of the US (which some analysts saw as itself overvalued), it had remained strong in relation to many other foreign currencies (*The Citizen*, June 26).

Remarks on June 26 by Bank of Canada Governor Gerald Bouey preceded a further decline of confidence in the trading value of the Canadian dollar and sparked concern that interest rates would rise even higher. Mr. Bouey stated that allowing the dollar to float is a policy "based upon a fundamental misunderstanding of the nature of financial markets . . . A nation's exchange rate doesn't float in a vacuum. It can only float and find its level within the context of policies and perceptions of policies." He stated that the Bank of Canada would maintain its policy of moderating both the fall of the dollar and the rise in interest rates. Mr. Bouey also noted that Government intervention might prove necessary. He stated that because of the "substantial inflationary risk involved, . . . I have never favored depreciation where it could be avoided" (*Globe and Mail*, June 27).

On June 27, the dollar broke through the 76-cents US level (a level regarded by many money market observers as psychologically important), setting off increased concern that higher interest rates would follow because of the fluidity of the situation. In an attempt to stem the flow of Canadian dollars to the US, the Bank of Canada moved to raise its trend-setting rates (*The Citizen*, June 28).

The Canadian dollar, beleaguered by a strong American counterpart, continued to plunge to all-time lows in the first weeks of July, despite the rise in Bank of Canada rates attempting to bolster Canadian currency. By July 11, when the dollar dropped below the 75-cents US mark, the Bank of Canada immediately intervened to lend support with US dollar holdings (*The Citizen*, July 11).

By July 13, the dollar had posted a slight recovery, reaching a closing of 75.34 cents US. As of July 25, it had reached 75.90 cents US after a continued climb. The rise was attributed to recent higher prime rates posted by the Bank of Canada. And by July 26, the Canadian dollar had regained its place above the 76 cents US level on foreign exchange markets. Analysts had indicated that the recent low levels for the Canadian dollar had been undervalued, and the dollar was returning to a more normal situation. However, they cautioned against seeing the recent turnaround as permanent (*The Citizen*, July 26).

The following are US selling cheque rate equivalents for two-week periods in June and July (Royal Bank of Canada figures):

| | |
|-----------------|-----------------|
| Jun. 1: 1.3005 | Jul. 2: 1.3225 |
| Jun. 15: 1.3075 | Jul. 16: 1.3330 |
| Jun. 29: 1.3225 | Jul. 31: 1.3215 |

FISHERIES

Foreign Penalties

Amendments to the Coastal Fisheries Protection Act

which came into effect June 7, provide for the imposition of stiffer penalties on foreign fishing vessels contravening Canadian coastal fishing laws. Under the recently-introduced amendments, maximum fines for unauthorized fishing or harvesting of marine plants within Canada's 200-mile zone have been raised from \$25,000 to \$100,000 upon indictment, and from \$5,000 to \$25,000 for offences on summary conviction, according to a Fisheries and Oceans news release of June 12. Also included were offences involving unlawful cargo discharges, transshipments, crew transfers and purchases in port.

Prison terms, except for offences involving the resisting or obstructing of fisheries protection officers, have been dropped, under the consensus reached at the UN Law of the Sea Conference. However, all contraventions of Act regulations are now regarded as offences, in an effort to remove "any ambiguity" which may have existed under the previous legislation. As well, courts are now given the power to order the forfeiture of foreign vessels contravening Canadian regulations.

Then-Fisheries and Oceans Minister Pierre De Bané stated that the increased penalties reflected the serious view Canada takes with regard to foreign fishing violations within the 200-mile zone of jurisdiction. He also pointed out that the new figures bring Canada more in line with figures for similar offences in other countries. "However, it's full compliance with our regulations that we are striving for," added the Minister.

FIRA

Oil Industry Decision

A June decision by the Foreign Investment Review Agency (FIRA) to allow the purchase by Diamond Shamrock Corp. of Dallas, Texas, of two Canadian subsidiaries of a US company (Natomas Co. of San Francisco, Cal.) was regarded by oil industry analysts as setting a possible precedent in the field of oil industry takeovers. The FIRA ruling will not require the purchasing foreign firm to either "sell shares in, or divest assets of" the two Canadian subsidiaries. Previously, FIRA had required foreign buyers in the oil industry to ensure some form of Canadianization of acquisitions. Gordon Robertson, vice-president of Natomas Exploration of Canada Ltd. (one of the subsidiaries) called the ruling a "landmark decision." Mr. Robertson saw this as further evidence of an increasingly lenient attitude toward foreign investment on the part of the federal government. The decision included an agreement by Diamond Shamrock to significantly increase exploration and development spending of the subsidiaries and to "ensure that any future properties the company might develop have a 50 percent Canadian content" (*The Citizen*, July 6).

HUMAN RIGHTS

Andrei Sakharov

The case of Soviet dissident Andrei Sakharov and his wife and their detention within the Soviet Union continued

to raise expressions of Canadian concern, both in the press and in the House of Commons. On June 1, Fred King (PC, Okanagan-Similkameen), speaking in the Commons, questioned then-External Affairs Minister Allan MacEachen as to consultations with NATO Foreign Ministers in Washington with regard to the case. Mr. King stated that "abuses of human rights such as those affecting the Sakharovs are major impediments to achieving better relations between our countries." Mr. MacEachen responded that after consultation with the ministers, he considered that it would be "counterproductive for NATO Ministers to make a declaration on this particular case because it might be construed as being a confrontational and political move on the part of the Alliance, when it is really a case of human rights and humanitarian considerations." Mr. MacEachen stated that he, along with the other foreign ministers, felt that it would be more prudent and perhaps more effective in the long run to continue to urge diplomatically the Soviet Union to "respond to our pleas." Representations to the Soviet government would continue, he added. Should more effective methods become evident, such as joint appeal on the part of Helsinki signatories, Canada would consider joining in such an appeal, said Mr. MacEachen.

TRADE

East Bloc Fish Purchases

On June 29, then-Fisheries and Oceans Minister Pierre De Bané announced that sales of Canadian processed fish products to the German Democratic Republic (GDR) were anticipated to reach a total of between \$2.11 and \$2.4 million for the current year. This figure would raise the total sales to the East bloc (GDR, USSR, Poland and Cuba) to a 1984 level of \$17.78 million. The GDR, it was announced, was being allocated an increase in their total allowable catch over the 1983 figure — 14,150 tonnes. This increase resulted from the addition of silver hake to the previous list of cod, redfish, witch flounder, Greenland halibut, and roundnose grenadier. In addition, the GDR would make purchases of various cod and herring products from the Canadian industry (Fisheries and Oceans news release, June 29).

The allocations for all East bloc countries are of stocks surplus to the requirements of Canada's own fishing industry. Mr. De Bané noted that the annual arrangements with the East bloc nations, made under bilateral treaties, would open further new markets for Canadian fish products. With contract negotiations underway, the 1984 allocation for the East bloc reached a total of 141,060 tonnes of surplus fish.

Ministerial-Provincial Meetings

International Trade Minister Francis Fox met with six provincial business development ministers July 9 to 13 in the first of a series of consultations which will include all ten provincial ministers as well as senior business officials. The objective of the meetings is to assess Canada's strengths in international trade and the prospects for expanding exports. Mr. Fox spoke of the "tremendous untapped potential" available in many Canadian firms,

especially small- and medium-sized, which have a "world class product or service" to offer foreign buyers. The talks will also focus on the dangers inherent in the foreign imposition of protectionist measures (such as steel and copper in the US). Mr. Fox indicated that the federal government would cooperate with provincial counterparts to ensure that Canada would be guaranteed "the existence of an open and healthy international trading environment." Increased exports would lead to increased employment, said the Minister (External Affairs communiqué, July 9).

Clothing-Textile Imports

Questions were raised in the House of Commons during June on the issue of clothing and textile imports and the possible damage such imports might cause to the domestic industry. In the Commons June 1, Dan Heap (NDP, Spadina) asked whether the Government would consider instituting import control measures to offset the rising imports coming from countries with lower wage levels. Mr. Heap said that such measures might "enable Canadian clothing manufacturers to establish firm and long-lasting employment on the basis of a reliable share of the . . . domestic market." Minister for External Relations Jean-Luc Pepin pointed out that the federal government must be cautious in implementing any form of protectionist measure, since the entire problem was one of "balance." Should Canada respond to increased low-priced imports in the clothing and textile industry from countries which export to Canada with tariffs and barriers, they will "reciprocate in kind — sometimes in even greater measure against our exports abroad."

Mr. Heap again made a representation to the Government to favor some form of protective measure for the domestic industry. He pointed out in a lengthy explanation the problem facing the Canadian textile and clothing industry created by imports (increasing in the past three years at a rate of from 20 to 25 percent per year) from countries with extremely low wages. Mr. Heap stated that the domestic industry was threatened by the "uncertainty engendered" by the present government policy that permits increased imports. He noted that the problem was one of developing the domestic industry positively, through the complete utilization of a "capable workforce," raw materials and market. Mr. Heap was answered by Ralph Ferguson, Parliamentary Secretary to the Minister of Finance, who stated that the Government's policy for the industry was based on the "complementary elements of industrial adjustment and trade policy." He indicated that because Canada was a signatory to the multi-fibre agreement, Canada might claim "temporary relief" for the clothing sector to allow time "to adjust and increase their competitiveness with respect to disruptive imports from low-cost exporting countries." At the present time, he indicated, bilateral restraint arrangements had been concluded to the end of 1986. Canada had instituted measures designed to safeguard the domestic industry, including "a more controlled flow of import shipments throughout the year, stricter customs inspections at ports of entry and examination of duty drawback and remission schemes." Mr. Ferguson also mentioned the creation of a Textiles and Clothing Advisory Committee to advise the International Trade Min-

ister on issues bearing on the clothing and textile industry in Canada. The Committee submitted for consideration a series of consensus recommendations on proposals for both the global imposition of quotas and the continued reliance upon bilaterally negotiated restraint measures.

Strong opposition to the imposition of trade barriers in the clothing and textile industry came from the Consumers' Association of Canada in mid-July when the Association presented a submission to the Private Sector Task Force on Clothing and Textile Industries. The submission criticized strongly the implementation of tariff and non-tariff barriers for the protection of the domestic industry. The Association held that such barriers are of a level of protection that is higher than for most other consumer goods. It was pointed out in the submission that barriers in this sector would be borne disproportionately by low income consumers, since this group spends a larger income percentage on necessities (such as clothing). The Association regarded import quotas as "an incredibly expensive and inefficient means of helping" the Canadian industry. Such quotas lead to an increase in prices and provide foreign exporters with an incentive to ship higher-priced goods, thus depriving consumers of the widest possible selection of low-priced products. They urged the Task Force to take into consideration price and availability of clothing and

textiles in forming their recommendations for submission to the federal government (CAC press release, July 13).

TRANSPORT

Transborder Carriers

On June 29, Transport Minister Lloyd Axworthy announced the designation of five Canadian air carriers to serve newly-established routes derived under recent air agreements. Mr. Axworthy, while noting that the new designations would increase opportunities for Canadian carriers, expressed the hope that the smaller carriers would be encouraged to "be imaginative and innovative in developing new services for direct air links between Canada and the US." He stated that both the Canadian Transport Commission and the Civil Aeronautics Board would be requested to issue carriers with the appropriate licences for the commencement of services. Mr. Axworthy stressed that approval procedures for future applications would be kept simple, pending the fulfillment of "automatic approval criteria," in order to expedite route start-ups (Minister of Transport press release, June 29).

The carriers designated in the announcement to establish new routes between Canada and the US included Wardair, Air BC, Norcanair, Air Atonabee, and First Air.

For the Record

(supplied by External Affairs Canada)

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- No. 66 (April 26, 1984) Official Visit to Tunisia of Minister for External Relations.
- No. 67 (April 26, 1984) New Fisheries Agreement Reached with USSR.
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- No. 79 (May 9, 1984) Visit of the President of Mexico.
- No. 80 (May 11, 1984) Colloquium on Canada/United Kingdom Relations.
- No. 81 (May 15, 1984) Canada and Italy to Sign Cultural Agreement.
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Jamaica's development

by Robert S. Anderson

An aging orange Volkswagen rolled into the shadows beside Montego Bay's most popular jerk pork and chicken joint. The early night crowd in July 1984 paid it no attention. After all, a full moon was rising over the main tourist strip. Nursing a broken shoe, the skinny driver walked back and forth nervously to talk to the dark shape inside the car. Eventually the shape disentangled itself from the shadows and lumbered toward the barbeque pits. Dressed in mufti green pants, white T-shirt and huge black glasses, he leaned his powerful bulk upon the desk. A glinting machine gun, nonchalantly slung across his back, clunked against the wood. Having ordered his pork, he asked for "Festival", a dumpling Jamaicans prefer to accompany the hot spicy meat. "No flour in town now," was the reply. The machine gun shifted irritably. "Ah maan, no Festival? No dyan flour?" The running shoes scuffed the stones. Some eyes flicked towards him. "Just what de hell is this country coming to?"

Prophecy is thick on the Jamaican ground. A strong biblical consciousness, matched by armies of outside experts make visions of the future blossom in the heat. But what is left when metaphors for the country's development are stripped away, and when the cunning humour about the uncertain future of the people has chilled on the lips? Other models are concealed in these prophecies. The Haitianization of Jamaica, sending boat people sailing precariously to America, clutching pieces of gold. The Colombianization of Jamaica, resulting in a pernicious integration of government and narcotics. The Puerto Ricanization of Jamaica, with an off-shore quasi-state economic arrangement, and of course the Cubanization of Jamaica, where the political party now out of power would integrate the country with a Soviet-guided system while pursuing radical domestic alternatives. Dramatic though they sound, such visions are becoming commonplace perceptions. Each is simply borrowed, after all, from Jamaica's turbulent neighbourhood.

While this speculation is intriguing, it is the recent past which turns out to be extraordinary. What has occurred in Jamaica and its neighbourhood since 1980 is having a profound and contradictory effect in the country. Has the economy performed well under new management? What has become of democracy since the last serious election in 1980? Is there a sea-change in social relations? What happened to Jamaicans' desire to migrate and their decision to return?

The answers to all these questions have vitally affected Canadian relations with Jamaica, and thus indirectly with the Caribbean.

There can be few poor countries where the historic depth and the current range of Canadian interests are so great as in Jamaica. Thousands of Canadians have contact with the country. Jamaica has enjoyed the attention of two recent Prime Ministers; Trudeau appreciated Manley's wit and respected his politics, and Turner, when trying to decide whether to contest the Liberal leadership was playing tennis on the north coast. The Canadian establishment is quite old. Scotiabank opened its first office in Kingston a hundred years ago, and Canadian banks controlled 50% of the country's assets in 1983. Canadian companies have had thousands on their payrolls in Jamaica, although this has not grown much during Seaga's government. Air Canada is the oldest continuous carrier to the island, starting in 1948. The red bauxite soils have yielded millions to Alcan, who are now as heavily in the dairy business as they are in mining. Toronto's Weston family built an exquisite resort on the north coast. The feet of three generations of Jamaicans trudged their paths in Bata's shoes until factories closed suddenly in 1983, defeated by currency exchange regulations and the higglers. Salt fish from Canada's eastern shore fishery has been a staple food for over a hundred years, followed by Canadian flour.

There is now a well-developed trade with Jamaica, overshadowed only by bauxite and alumina imports, which are, after all, an intra-company transfer. In the three years from 1981 to 1983 exports to Jamaica were valued C\$213.5 m; C\$70.0 m in food, C\$16.6 m in paper, and C\$26.7 m in machinery. Jamaica sold C\$41.4 m worth of goods in Canada in this period, apart from the C\$291.0 m worth of bauxite/alumina shipped by Alcan. Some of the exports to Jamaica were financed by CIDA grants and credits, for example \$10 m worth of fish in 1984. Canadian fertilizer through CIDA enjoyed 80% of all sales in Jamaica in 1983 and 1984, and Canadian veterinary drugs through a line of credit have displaced competitors. Bridges around the island have been built by the Canadian program of assistance, and more important, Canadian training programs were conducted for both the police and military forces.

Jamaica is definitely in-between. It is in an economic decline which could lower its per capita income from US

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Canadian interests

\$1199 in 1982 to US \$890 (in 1980 constant dollars) by 1990 — a 26% decline in real terms at present trends. Its relative position would change among nations, and it would be grouped with poor countries in Central America. Jamaica is now between the IMF, which is imposing tough conditions, and commercial bankers who once favoured loans to the island. Few would now. It is also mid-way between the 1980 election and 1988 by which time Seaga must hold a general election, mid-way between the classic Westminster parliamentary model and the single party systems which abound in the neighbourhood. Nor is this all. Jamaica totters between a fertile agricultural abundance and painful scarcity. It lies between Miami and the Latin south, an English island in a Spanish sea. The footprints of direct broadcast satellites (US, and soon the BBC) fall across the island, slowly killing local television programming. Between a new national pride and an old anxiety about scarcity, Jamaica is facing a crisis while it celebrates the 150th anniversary of the abolition of slavery, and the 21st anniversary of its independence.

Economic disappointment

A new economy delivered from socialist bondage was proclaimed but not realized after the election of the Jamaica Labour Party in 1980. There was a vision of hands-on management which would stop the flight of capital; the language of the marketplace became the language of political economy: money and people would be drawn back. Seaga and Reagan were elected in the same month. But the government's appetite for revenue increased, the regulation of business continued through currency exchange regulations, and confidence in Seaga's skill has diminished steadily.

Government revenues have been based only partly upon an inefficient taxation system easily evaded, and have relied mainly on levies on the export of bauxite. Because these exports have been declining steadily, government revenues have declined with them. Loans, both multilateral and commercial, were taken to satisfy current costs and consumption. Jamaica became the world's second largest multilateral borrower in these brief three years! By 1984 there was an official scramble just to pay for the monthly shipments of petroleum for vehicles and electricity generation. A balance of payments, to which Canada gave major support, seemed beyond reach. Due to more exports of bauxite to Canada than imports of food, paper, machinery, etc., there was a very favourable trade balance, but this was negated by the profound imbalance with the US and other countries. Japanese car manufacturers have been chuckling all the way to the bank in Jamaica. To add to the difficulties, official revenue from tourism — a steady industry since 1980 — has been drained by massive "leakages" to private hands, which is fine for private hands, but cannot pay the public-sector wage-bill. One of the most valuable exports — marijuana — has always gone out untaxed. A government drive for exports — at first centered on garments and then on agriculture — remained top priority but simply did not carry the day.

The recent experience in agriculture is extraordinary. Every new crop imaginable is being tried — macadamia nuts, carnations and zucchini — because the traditional exports of sugar, bananas, coconuts and spices have done

so poorly. New techniques and foreign expertise are being underwritten by the government, including a considerable input from Israel. "A thousand Israelis", said a senior government official in 1983 wryly, "could produce almost all the food this country needs, and export some. What is the matter with us?" In fact a year later the Government of Jamaica had to announce a food sufficiency programme to focus on basic items like rice, soya, corn, and milk. The cost of importing them had become unbearable. In addition, the IMF, World Bank, and USAID had insisted on total removal of subsidies on these very foods. But there have been drives for food sufficiency before, and their results have been short-lived.

After the contests between Jamaica and the IMF in the 1970s, Seaga's supporters looked for smoother relations. But Washington has been irritated by the Jamaican way of negotiating, and there have been whispers about bargaining in bad faith: all this in spite of the White House approval of Mr. Seaga's business-like approach, as well as his views on Cuba and communism. All foreign agencies and donors have insisted on much greater fiscal discipline, and Canada appears to have discreetly supported this move. No one could say the results are satisfactory, even when Seaga describes them in his own up-beat manner. There is still a flight of capital from the island, and the demand for emigration is constant.

Private frustration

The key to the new government's deliverance was to have been the private sector. Seaga himself comes directly from the commercial class, and he knew exactly what they wanted — political stability and less regulation. Still in power four years later and likely to remain for another four, he has provided the suggestion of stability. But less regulation was a mirage. Private businessmen have said in surveys, interviews and innumerable speeches that they see regulation as the major obstacle, not just in the byzantine history of currency exchange regulations (at one time four rates operated simultaneously), but in quotas, licenses, and credit. In fact, it is difficult for an outsider to judge which ventures have been profitable, because for centuries fortunes have been made in Jamaica and only part of them reported and recorded. Beside the fading main attractions — sugar, bauxite, bananas, construction — there are side shows like race horses, coffee, and ganja. Banking itself has been enormously profitable, particularly through currency trading. For example the Bank of Nova Scotia's pre-tax profit was 40% greater in 1983 than in 1982. Although Seaga blasted the banks for what he thought was speculation in currency exchange deals, the government had to run to the same banks in 1984 to arrange for payment of oil shipments. Although much regulated, the private sector continued to find ways to move its capital out of the country.

Regulation has also not crippled the resilience of the small scale informal sector, comprised of hustlers and "higglers" who bring shoes and auto parts from Miami and take back spices and US dollars they purchase in the streets of Kingston. Working against the waves of currency devaluations, roaming the country in dilapidated buses, these tough and humorous ladies have become the second force in the retail trade, undermining shopkeepers and distribu-

tors (and making them compete, which they have seldom done before).

Political predicament

Following its sweeping victory in 1980, the popularity rating of the ruling JLP experienced a natural decline through to 1983. Buoyed by the approval of half the population for the Grenada invasion of October 1983, and saying he wished to reassure foreign investors and gain support for his numerous plans, Seaga called a snap election for December 1983. The JLP won merely because it was uncontested by the PNP opposition led by Michael Manley. Thus from the beginning of 1984 the JLP had total control of the entire parliamentary machinery and is not required to go to the polls again until 1988. The situation is without precedent in Jamaica, and has everyone guessing. Its by-product is to render the parliamentary system largely irrelevant. Since virtually every reward has already been squeezed from the political pork-barrel, it appears that the predominance of the JLP has rendered numb those who are not guessing about an election. Meanwhile the PNP has organized itself as an extra-parliamentary opposition complete with shadow cabinet and "constitutional representatives" in each of the sixty ridings, and announced detailed criticisms at its monthly Peoples Forum in Kingston. Local wit has it that "Michael would rather not have to deal with the present crisis anyway," so don't look for great pressure for an election. The Jamaicans who understood and were proud of their parliamentary system have found the whole situation embarrassing. Others felt alienated: one young US-bound emigrant said, "Its not my government, man, this Syrian." Edward Seaga comes from the Lebanese community in Jamaica, previously known as Syrian.

Social impact

The sociological effects of the economic decline have been generating greater and greater anxiety — not among the really poor who already lived in total insecurity, but throughout the middle classes and those who expect to move up into their ranks — the people who voted for Seaga in 1980. Crime, contained somewhat after the lawlessness of the 1980 election year, increased sharply in 1984, particularly violent crime involving guns, including shooting by and of policemen. The man buying jerk pork could have been a special kind of policeman. There is even a lucrative "rent-a-gun" business somewhat cheaper than "rent-a-gunman". There have been military sweeps in both the town and countryside, and reports of capturing large groups of well-armed men have circulated widely. "Politically motivated" killings increased in 1984 over 1983, the police reported.

Life is not all grimness and guns. Jamaicans assert their flare in fashion shows and modelling, cricket and horse racing. There is a beauty contest in every little town. Those thriving under the JLP attend balls and soirees, others have the rhythm of reggae. There is a new play produced every two months. All of these circuses, and the hustling industries which surround them, elevate the players above the grinding routine. Shrewdly recognizing potential revenue, and the potentially nasty side-effects, the

government and a polyglot opposition became locked in a heated debate in 1984 about whether to allow gambling casinos on the island. The decision to do so had apparently already been taken by Seaga but the debate raged on. In this context diversion and style are king, right down to dressing up babies for a malnutrition clinic or a spendid funeral for a poor fisherman. But even in diversion most expressions of colour and class divisions are conserved.

No diversion has altered the desire to emigrate. Current admissions for permanent settlement by desired destination countries simply have not satisfied demand. New visa requirements for visitors to Canada have created long line-ups. The demand is so intense for U.S. entry that fraud and ingenuity are used to bypass regulations. Ironically, Seaga promised to "bring them back" — some came and left again, others shrewdly kept a foot in each country. At age of retirement, however, such people decide to stay. "After all," said one, "who wants to die in the cold?"

Reports of unemployment in the labour force (1.1 million persons over age 14) have been steady at around 27% for the whole period, though at times the labour force contracts and so the real effects are even greater. Meanwhile, sudden strikes and lockouts in both public and private sectors became a regular feature by 1984, even strikes in the Bank of Jamaica which is under the supervision of the Prime Minister. Demands for contraction of the civil service, pressed by the IMF on behalf of many other agencies and resisted successfully for years, finally resulted in the cut of 6,000 positions in 1984; 10,000 had been demanded. This "compression" of the civil service further undermined Seaga's former support base in the middle class, although the effects are heaviest among lower income groups who count upon public sector "casual" and impermanent wage labour.

Food politics became much more serious in mid-1984 when the government finally acquiesced to IMF, World Bank and USAID demands for complete removal of subsidies on cooking oil, rice, corn meal, flour, skim milk, and other basic food. As these items disappeared from the market (for a variety of reasons) street talk and hot-line radio discussions brought the first recollections of the late 1970s back to Jamaicans who would otherwise prefer to forget. The impending food crisis, and the fear of riots like those which occurred in the Dominican Republic two months earlier, caused Seaga to create a food security program, optimistically intended to supply 400,000 people with free food stamps worth .33 a day for three basic food commodities. A program of feeding in school was to be expanded five-fold to supply a nutritious snack to 600,000 students. Few observers believed such targets could be reached, regardless of costs. But the fact that it was necessary to introduce them is the extraordinary thing. "This is a relief situation now, we are not talking about economic development," said a vice-president of one of the country's top food companies, himself upset by a visit to a west Kingston slum. Nevertheless, in the face of all these facts, Seaga reiterated bravely in July 1984 that, "if there was no IMF we would still be carrying out these programs because they are our programs. The only difference is that the IMF wants a faster pace for their implementation."

Canadian interests

In Canadian eyes Jamaica has always stood in-between the few rich countries and the sea of poor countries as a country one could count on. Among Jamaicans, Canada has been perceived as being in between the US (and earlier Britain) and all those other countries (rich or poor) who, "don't speak our language or know anything about us". Almost American, with a dollar nearly as strong, accessible if chilly, Jamaicans could also count on Canada. "A decent people," a public health nurse told me. Even within the younger generation, raised on the fact of American predominance, the Canadian connection was deemed useful because it was "in-between". Over 80,000 Canadians visited Jamaica last year and 26,000 Jamaicans visited Canada along with 2,500 temporary agricultural workers to Ontario.

Two signs of the depth of Canadian-Jamaican relations will explain the extent to which these countries see each other in this way. The IMF talks tough and Canada would generally endorse its painful recipe for "structural adjustment", yet Canada has been formally representing Jamaica within the IMF's system of executive directors. So the Canadian voice must remain silent on the IMF's treatment of the island. And when Ottawa protested the Grenadan invasion and not having been informed about it, Seaga chose not to criticize Canada publicly and apologized privately for the embarrassment caused. During Trudeau's customary lunch at the Commonwealth Conference soon afterward, he asked CARICOM leaders about bilateral relations following the Canadian protest; the replies were predictably positive. On the surface nothing had changed.

Questionable conclusions

Can Jamaica's economic decline be arrested — and at what point? Are there unseen sources of resilience and growth to which the government and people can turn? Where is the discipline required to achieve these goals? Can 'reliance' and 'sufficiency', buzz words of the 1970s, mobilize many Jamaicans now? Can the favourable agricultural factors be translated into abundance, feed most people and still be exported to Toronto? Can a sense of security be created in which a man can safely raise a dozen goats, a woman can leave her goods in the market to go to the health clinic, or the corner store operator can stop sleeping beside his fridge at night?

Is it not curious that Jamaica has been so much favoured by the most powerful nation on earth — only 11/2 hours flight to the north — yet experiences these difficulties and has a people who feel so utterly vulnerable? While some efforts have been made to achieve a balance of payments, Jamaica was living beyond its means. Its debt service ratio is now about 40%. At what point does the cost of structural inequality become decisively intolerable? Will those who believe in the inevitability and desirability of class conflict win the day? What role will the man with the machine gun play? Would flour and dumplings make a difference to him?

Alternative models of development are already present in the neighbourhood. It is not yet clear how changes in leadership and government in Washington, Ottawa or Kingston could make any one model a more likely future for Jamaica. □

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Canadian security

by John Starnes

The Kellock-Taschereau Royal Commission was set up in the wake of the defection of Igor Gouzenko from the Soviet Embassy in Ottawa. Its revelation, in 1946 that there was evidence of widespread espionage activities in Canada had a profound effect upon the way Canada treated security questions thereafter. The RCMP, which had been responsible for dealing with Axis spies and saboteurs during World War II was called upon in 1946 to cope with this new and largely unsuspected threat from the Soviet Union and its allies. Gradually the RCMP increased its resources and improved its methods for dealing effectively with the different threat posed by Communist subversion.

At the same time the government moved to establish better means of vetting employees with access to sensitive information. Criteria were drawn up for establishing, among other things, what political views and associations of individuals could be considered grounds for firing, transfer to less sensitive positions or denial of employment in the civil service. Not surprisingly a degree of conflict arose between the rights and civil liberties of individuals and the duty of the government to protect the state from those who might seek to subvert it. The conflict was sharply illustrated by a number of cases which occurred while Lester B. Pearson was Minister for External Affairs and subsequently Prime Minister.

Pearson became convinced that a review of the government's security procedures and practices was desirable. In the third volume of his memoirs, *Mike*, he wrote:

When I became Prime Minister we changed our entire security structure. I had no quarrel from my experience of those earlier days with the conduct of Canadian security affairs. I found the RCMP men with whom I had anything to do reasonable and understanding. They did not have the traditional secret police image. Still, I was not satisfied with the machinery, especially the procedure for appeal, and I tried to improve it. I did not like our very close association with security agencies in other countries, especially with the FBI. But we were close allies, doing intelligence work together, as well as security, and it was difficult to refuse to pass on information we possessed. I often thought, however, that this collaboration could get us into trouble. I think that the procedure was abused at times, especially on immigration questions where, again, there was not enough effective protection for the rights of the individual. The quality of the information that was gathered also worried me, but I am sure this was characteristic of all police evidence. I used to say when I was going through

some of it, "Now look, how do you know that this might mean anything at all?" "Well," the security people said, "we have to weigh and evaluate it. However ridiculous the information may seem, we take it all down and then we try to evaluate it." I would hate to trust my future, in a pinch, to any security man's evaluation, no matter how honest and sincere he might be, when there is no appeal from it and when you cannot see the evidence against you.

Three important facts

Three important facts about the maintainance of internal security in Canada which must be stated as preface to further discussion. First, Canada does not have and never has had an "offensive intelligence service" capable of operating outside Canada for the collection of intelligence and the furtherance of Canadian government objectives. Although a good theoretical case can be made for such a service, the fact is we do not have such a capability and we are quite unlikely to have it in the foreseeable future. Second, many Canadians do not perceive that they are threatened by foreign espionage activities, international terrorism or the activities of groups and individuals in Canada working to subvert the system. Third, successive Canadian governments, over many years, have never learned the knack of using effectively information derived from intelligence and security sources. In particular they have often failed to take sufficient account of such information in the formulation of foreign, defence, trade and security policies.

The fact that there is no agency capable of gathering secret intelligence in other countries makes the service charged with protecting Canada from activities such as espionage and international terrorism very dependent upon friends and allies. It places a premium upon being able to maintain close associations with security and intelligence agencies in other countries. Pearson may have disliked this but he appeared to recognize that it was necessary if Canada was to deal effectively with activities as unusual as espionage and terrorism. It is not possible in any field of endeavour requiring cooperation with other countries, to escape paying the price for that cooperation. If we

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Counter intelligence

accept valuable information from other countries we must expect to have to pay for it. Usually, in the field of espionage and security, this will be done by providing the donor countries with equally valuable information or by actively assisting their counter-espionage and counter-terrorist operations.

If on occasion one is unable or unwilling to reciprocate, that is unlikely to affect the relationship adversely. Every country has difficulties in cooperating in these matters from time to time. However, if the association becomes one-sided or a pattern develops whereby a country consistently refuses information or assistance, the relationship is likely to wither. Gradually the kind of information a security service needs to do its job no longer is obtainable.

That Canadians do not believe themselves threatened by espionage and international terrorism can be attributed, in part, to their perceptions of these activities, the relatively sheltered existence enjoyed in North America and reluctance to learn from past experience. Many Canadians apparently are unwilling to believe that anyone would wish to carry out unfriendly activities against them. We tend to think that we are universally liked and that others perceive us as we see ourselves — peace loving, honest brokers filled with good-will towards everyone. In addition, Canadians have the habit of denigrating Canada's importance as a nation and hence, cannot understand how anyone would wish to make us targets for espionage and disinformation operations. "What secrets do we possess that could possibly interest the Russians or anyone else?" a senior and influential Cabinet Minister argued some years ago with genuine conviction. It may be a comforting philosophical argument for politicians but it is quickly forgotten when, as sometimes happens, they find themselves personally or professionally affected.

In fact, Canada is an important nation. Not only important but, in relative terms, powerful. We have been for many years, and we still are inextricably allied with the United States and a number of European nations in various defence and other arrangements. This alone makes us an obvious espionage target. In addition, the three thousand mile frontier with the United States makes Canada an attractive launching point for intelligence and terrorist operations against our powerful neighbour.

Soviet threat

Despite continuing economic problems Canada remains a strong post-industrial nation with the capacity to develop and to produce sophisticated technology and equipment. In recent years the Soviet Union, using all the considerable means at its disposal, and especially the KGB and the GRU, has mounted a massive world-wide collection effort to gain access, by hook or by crook, to Western technology.

For example, in the past ten years the Russians have been successful in building an impressive microelectronic industry with design and production line technology acquired in the West. More than anything else this has accounted for the greatly increased sophistication of their various weapons systems. By methods ranging from fully licensed sales to illegal diversions (sometimes arranged through Canada) and outright espionage and theft, they

have acquired technology in areas such as robotics, computers, radar, inertial guidance systems, lasers, metallurgy, integrated circuits and electronic quality silicones. These efforts have been skillfully complemented and assisted by disinformation themes which sought to play upon the Western belief in the 1970s that expanded East-West trade and technology transfers somehow would achieve benign results, and upon Western failure fully to appreciate the true nature of Soviet objectives.

In addition to these considerations, there is the third one mentioned: the inability of the government to make effective use of information and knowledge derived from intelligence and security sources in the formulation of various policies.

This is illustrated by our attitude to Soviet bloc espionage activities in Canada which are seldom considered and dealt with in a sufficiently broad framework. Intelligence activities rarely are taken into account at the official and Ministerial level when policies and strategies are being formulated for the conduct of other relationships with the Soviet Union. Indeed, sometimes the Government seems, almost deliberately to shun the notion that there is or could be any direct relationship between the Soviet Union's espionage activities and their attitudes and policies in other areas. This is not a peculiarly Canadian failing. Many Western governments seem unable or unwilling to recognize that Soviet espionage activities are an integral and important part of the general strategy and goals of the Soviet Union.

Indeed, to put it more strongly, a tendency has developed over the years to regard the Soviet government's espionage activities as being apart from its other activities. It is true that such activities are seen as being unacceptable and there is agreement that they must be countered, but those who consider themselves politically sophisticated tend to regard that as a price which must be paid for doing business with the Russians. Those "sophisticates" hold that Soviet espionage activities, no matter how reprehensible, should not be permitted to impede the cultivation of Canada's relationships with the Soviet Union.

Such an approach is a form of political astigmatism; as dangerous as it is naive. However, this is not to accept the thesis advanced from time to time that our society is riddled with KGB agents and that there is a red under every bed. That is a nonsensical, exaggerated claim which, in its way, is almost as harmful as believing that Soviet espionage activities are a mere aberration which need not be taken into account when assessing relations with the Russians.

There is another side to this coin. There are, indeed occasions when counter-espionage operations are of secondary importance to other, broader Canadian interests. These, however, should be the exception rather than the rule. Over time the balance seems steadily to have tipped in favour of those who argue that tough counter-espionage measures, and particularly giving publicity to exposed espionage activities, could adversely affect Canadian-Soviet relations or some particular negotiation or event.

The judgements involved sometimes are difficult to make and, since invariably they are taken in secret they seldom are open to public scrutiny. Successive Canadian governments appear to have erred on the side of caution, although there is little evidence to support the theory that a

tough stance on Soviet espionage activities — for example, expulsion of the culprits with publicity — ever seriously has damaged our relations with Russia. Indeed, a case can be made that by redressing the balance the relationship would become healthier, less hypocritical and, in the long-term Canada's interests would be better served.

Espionage

During the debate in the last parliament on the bill to create the civilian Canadian Security Intelligence Service (CSIS), various aspects of the bill were criticized but few concrete suggestions for amendment were put forward. One example was the criticism that the bill did not offer a sufficiently precise definition of espionage and that this was a serious flaw in the legislation. Those making the criticism, however, did not offer a definition of their own, which is not surprising since it is difficult to do. The *Random House Dictionary of the English Language* describes espionage as; "the systematic use of spies by a government to discover the military and political secrets of other nations." Fine so far as it goes but it does not go nearly far enough. However, even if one could come up with a satisfactory, succinct definition it may not be wise to enshrine it in legislation. To do so might only serve to restrict the kind of counter measures that could be taken without affecting or diminishing the activities of those carrying out espionage activities. How espionage is defined depends upon whether one is on the giving or the receiving end. Canada is on the receiving end, and has been for over 45 years. Canada does not carry out espionage activities in other countries.

Thus, perforce, what others do determines the perception, and, if you wish, the definition of the activity. This fact, and not some theoretical notion of what constitutes espionage, has to govern the perception, and if need be, the definition of the word and the nature of the counter-measures employed. With something as dynamic and fast changing as espionage it cannot be otherwise.

It might be instructive to consider for a moment what might be entailed if Canada were to carry out espionage in other countries on the Russian model. The activities would be world-wide in their scope. In relative terms unlimited financial, human and other resources would be made available. The training facilities would be among the finest in the world. The technical laboratories and special facilities would be among the best obtainable. Virtually all Canadian diplomatic and consular missions would have a complement of highly trained intelligence officers. In addition, a good proportion of our nationals working within various international organizations, such as the United Nations and its specialized agencies, would be intelligence officers. Throughout the world a network of secret agents would be operating under carefully manufactured false identities, with their own secure, direct communications with Ottawa.

The classic view of espionage is the acquisition by clandestine means of secret information of a political, economic, scientific and military nature. However, there are a number of other activities, which, although they may not fit the classic view of espionage nevertheless have to be considered and countered. The never ending attempts by the KGB and others to compromise Canadians through black-

mail, entrapment and coercion comes to mind. Literally scores of such attempts have been reported in the past twenty-five years and it must be assumed there are some such attempts which go unreported and thus are unknown to the authorities. The victims have included officials, journalists, politicians, diplomats, cypher clerks, businessmen, academics, tourists and sportsmen — the KGB's tastes are eclectic. The unsavoury methods used are designed to take advantage of the human frailties of individuals they consider some day may be of use of them.

Other examples of activities by Soviet bloc agents in Canada which can be said to be encompassed by the term "espionage" are: harassment of ethnic groups for political and other purposes; the creation of agents of influence who, consciously or unconsciously serve some Soviet purpose; the collection (sometimes by quite legal means) of data intended eventually to be used for intelligence purposes — records of births and deaths, street maps and directories, telephone books and federal and provincial government regulations and forms; the provision of clandestine financial support for causes and political groups serving some interest of the Soviet Union and; the provision of ideological and military instruction for groups and individuals whose avowed aim is the destruction of Canada's institutions and those of her allies. It might be added that it is not unlawful for Canadians and Landed Immigrants to receive such training abroad.

Disinformation

Disinformation could be said to be subsumed by the world espionage. However, in recent years, disinformation has become so important it deserves special attention as a separate activity. In the Soviet Union responsibility for disinformation lies within the First Chief Directorate of the KGB which, generally speaking, conducts KGB operations abroad. Service "A" or Active Measures evolved in the early 1970's from Department "A" of the First Chief Directorate, then known as the Disinformation Department. Its officers are among the most gifted and creative members of the KGB, with extensive knowledge of the language, customs, cultures and changing life-styles of other countries.

Those serving in Active Measures are capable of producing, from the Department's own resources, skilled forgeries, fabrications and literature the origins of which can be cleverly disguised. However, the Department also can draw upon the extensive resources of "S" Directorate, which handles KGB secret agents operating throughout the world under false identities — in other words what are known in the trade as "illegals." In support of their activities, "S" Directorate gathers extensive information about other countries. Applied to Canada this might include; passport application forms and regulations, citizenship and immigration forms and regulations, Unemployment Insurance forms and regulations, provincial motor vehicle registration and licensing forms and regulations and a great many other similar documents. Such collection efforts also extend to obtaining samples of the signatures and handwriting of Ministers and officials at the federal and provincial levels and of keeping these current.

Counter intelligence

Ideas for Active Measures can originate from anywhere within the KGB and indeed from within the Politburo itself. Active Measures, whether involving only a single operation or a number of carefully co-ordinated operations in several countries, usually are executed by regular KGB officers stationed abroad under diplomatic cover.

The extent to which the Russians and their friends, including the Cubans, have stepped-up their espionage and disinformation activities throughout the world is a cause for concern. Perhaps more important, however, is the much more aggressive manner in which these activities are being carried out. At times the aggressive nature of some recent operations appears almost to border on the irrational.

It has been argued that this new aggressiveness means that these activities may no longer be fully within the control of the Soviet government. Given the nature of the Soviet government, however, and the manner in which the apparatus works it is highly unlikely, if not impossible, that important initiatives in espionage or disinformation could be taken without the explicit knowledge and approval of the government. If the KGB and others were not fully within the control of the Politburo there would be cause for concern. But there is even greater reason to be concerned about the implications of the more likely possibility that the Soviet government, in fact, approves the more aggressive stance being displayed by the KGB and the GRU. That possibility raises some very serious questions about the management of future relations with the Soviet Union and about Soviet Grand Strategy.

It is quite possible that the Soviet Union under Andropov deliberately embarked upon a campaign of increased and more aggressive intelligence activity throughout the world. After all Andropov, several years ago, is reputed to have said "the area of historic confrontation between socialism and capitalism is the whole world — all spheres of social life; economic, ideology, politics, and the KGB operates in an area where there are not, nor can there be, truces and breathing spaces."

The Soviet leadership may have concluded that by adopting such a stance they had little to lose, and possibly, much to gain. They may have calculated that the worst result of increasing Soviet espionage and disinformation activity would be a temporary worsening of relations with those countries in which their subversive activities are discovered. From experience they would know that such wors-

ened relations would rarely do permanent damage to Soviet interests.

Increased Soviet activity

The extent of increased Soviet espionage activity can be illustrated from available statistics of Soviet officials who have been expelled from different countries in the last few years. Such statistics do not give a complete picture. Obviously a significant proportion of espionage and disinformation activity remains undetected. In addition, the offended country may, for its own reasons, choose to keep secret some activities which are discovered.

From the beginning of 1978 until August 1983, 316 Soviet officials have been expelled from 43 countries. Of the 316 a good proportion were expelled in the first eight months of 1983. From January to August, 1983 there were 111 Soviet officials expelled in 16 countries, and from August 1983 until the present 110 have been expelled in 14 different countries.

Countries are understandably cautious about revealing, even to their closest allies, more than is absolutely necessary about their successes and failures in dealing with these activities, the precise targets involved or the damage sustained. There is a necessary exchange of information about espionage activities among the security and intelligence agencies of a great number of countries. However, except between the closest of allies, these exchanges tend to deal mainly with tradecraft, identification of agents and the disposition of particular cases. Rarely do they involve detailed information about targets — especially when the information might be politically damaging to a government. All this, of course is known to the other side who, with customary shrewdness have no doubt reckoned the odds against more effective international arrangements being put in place.

In a very free society like Canada's perhaps there is little which can be done to completely prevent others from exploiting the vulnerabilities which are at the same time our greatest strength — the inherent rights to liberty and freedom, the ability to travel freely, to associate freely, to protest and to dissent. Exploitation can, however be limited and, on occasion stopped through a specially staffed, well-trained and properly controlled security agency with sufficient investigative and other powers. It is to be hoped the recently established Security Intelligence Service will be such an agency. □

Nuclear winter

by Paul Buteux

Recently, considerable attention has been given to the arguments of Carl Sagan and his associates that nuclear war could result in global climatic catastrophe. The essential thesis is that following a nuclear war, severe and prolonged low temperatures would result which in extreme cases would be severe enough to eliminate human life on the planet. Thus an important conclusion of the Sagan *et al* studies is that a nuclear war conducted in the northern hemisphere would have very serious consequences for the global ecosystem as a whole, and that catastrophe would not be restricted to the northern hemisphere alone. It is not possible to assume therefore that a relatively undamaged south would ensure species survival. Further, "nuclear winter" could be brought about by the detonation of "somewhere around 500-2,000 warheads;" far fewer than the number of warheads presently in the strategic arsenals of the two superpowers.

Quite apart from underlining the overwhelmingly apocalyptic character of the nuclear winter thesis, its authors have drawn a number of more specific conclusions concerning nuclear doctrine and policy. First of all, the threat of nuclear winter is offered as one further argument against the desirability and possibility of developing a credible first-strike posture. Even if it were theoretically possible to effect a successful first strike against the strategic forces of a superpower, the number of warheads necessary to do this would be well above the nuclear winter threshold. The accomplishment of a "successful" first-strike would involve national suicide nonetheless. In addition, the risk of nuclear winter undermines nuclear doctrines and military plans premised on a capacity for limited strategic nuclear exchanges. The likelihood of escalation following such exchanges provides yet another mechanism by which the threshold of climatic catastrophe could be crossed. For example, the efforts of the Carter and Reagan administrations to develop strategies of limited nuclear options are considered futile and dangerous because they contain no effective safeguards against the possibility of climatic disaster.

The possibility of nuclear winter is not restricted to the consequences of a central strategic nuclear war. Large-scale "theatre nuclear war" in Europe could also cross the threshold of disastrous climatic effects. Indeed, in Sagan's view, because of the density and proximity of military and population targets in Europe, the threshold of climatic catastrophe may be significantly lower than for a central strategic exchange. The situation in Europe is made even more disturbing by the planned modernization and expansion of both the French and British nuclear forces. If cur-

rently planned programs are completed, each country will have sufficient warheads to cross the climatic threshold. No longer would the capacity for initiating global catastrophe be restricted to the superpowers, but a "theatre" war involving the nuclear forces of the two West European nuclear powers and the intermediate and medium-range forces of the Soviet Union could eliminate life on the planet also.

This gloomy estimate of the possibilities of total catastrophe inherent in the arsenals of the nuclear powers is not susceptible to technological fixes. For example, suggestions that the development of "earth penetrator" warheads might significantly raise the numbers of weapons required to cause the onset of nuclear winter are dismissed. These weapons, through a combination of high accuracy and sub-surface detonation, would enable hardened military targets to be attacked with relatively low-yield warheads. The problem here, according to Sagan, is that the development of such weapons would likely be provocative and destabilizing in their first-strike implications, and would encourage the refinement of counterforce strategies. Similarly, ballistic missile defence does not offer a way out either. Quite apart from the very considerable doubts that must exist about the effectiveness of any ballistic missile defence, in so far as ballistic missile defence itself involves the detonation of nuclear warheads, and in so far as the existence of a missile defence encourages an attacker to increase warhead numbers, then the climatic threshold is more readily crossed. And, of course, no program of civil defence could deal with the consequences of a nuclear war on this scale.

In these circumstances in which neither doctrinal nor technological solutions to the prospect of global disaster in the event of nuclear war are possible, major efforts at arms limitations are seen as the only possible route to global security. Thus Sagan suggests that the primary object of arms control should be, in the first instance, to bring strategic nuclear arsenals below the levels that risk climatic catastrophe. Historically, it is pointed out, such levels have been regarded as sufficient for mutual deterrence.

Emotional reponses

The Sagan thesis generates strong emotional responses. It attempts to provide visions of the apocalypse with a scientific foundation, and in the process it presents a fundamental challenge to the premises and the adequacy of the strategic policies of all the nuclear powers, although those of the United States are singled out in particular. In

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A skeptical view

effect, it suggests that the whole trend in nuclear policy since the early 1960s has been wrong, and that it is necessary radically to reorient policy on the part of all the nuclear powers towards a dramatic reduction in the total number of nuclear weapons deployed. The thesis is seemingly a powerful one, the conclusions that flow from it appear persuasive; and yet, in many ways it is irrelevant to the political and strategic realities of the world in which we live.

It should be noted first of all that the nuclear winter thesis rests on a methodology based on modelling, and that the conclusions result from the assumptions built into that model. Many of these assumptions have been challenged, and the possibility of their verifiability questioned. In short, the scientific validity of the thesis has been challenged; and, certainly, using this methodology different assumptions of equivalent plausibility would produce different results. More significantly however, whatever its scientific status, the nuclear winter thesis is redundant. Using readily available information about nuclear weapons effects, anyone of sufficient diligence and acumen could construct a Doomsday model; there are many possible permutations of nuclear weapons use by which we could conceive of the elimination of life on this planet. Some people of some imagination understood this in 1945; far less imagination was required after the testing of the hydrogen bomb in 1952. A more complete scientific explanation of how nuclear weapons could bring about Doomsday may serve to heighten our emotional reaction to the possibility, and may also serve to remind us of the ethical imperative of conducting our politics in such a way as to keep the risk of nuclear war as low as possible, but it does not tell us anything important that we do not already know.

Regardless of the scientific validity of the modelling on which it is based, the nuclear winter thesis and the conclusions and prescriptions which flow from it are crucially deficient in a very important respect. Like much thinking about security in the nuclear age, the Sagan arguments are completely apolitical; politics as a relevant variable is simply not considered. There is nothing in the model to account for the outbreak of nuclear war, or to assess the prospects of why a decision to go to nuclear war would be taken. Again, there is no explanation of why anyone *as a matter of policy* would wish to conduct nuclear war on such a scale as to risk nuclear winter. We are left with purely mechanistic explanations of the possibility of accident and inadvertent escalation to disaster. These explanations have been around for a long time, and we do not need a nuclear winter thesis to give them credibility, for their credibility — or lack of it — rests on grounds other than those suggesting the possibility of climatic catastrophe. The possibility of conceiving of a catastrophic nuclear war, even in the absence of a theory or description of how it might occur, is regarded simply as sufficient justification for the policy prescriptions offered, and for the criticisms made of current policies and doctrines.

Many of these criticisms have been directed at the supposed trends towards counterforce targeting, pre-emption, limited nuclear strikes and the like. But the publicists of nuclear winter fail to establish the functional status of these policies because they fail to distinguish between de-

claratory and operational nuclear doctrines, and because they ignore the relationship between deterrence and the need to plan for the possible use of nuclear weapons. No account is taken, for example, of the impact on US strategic doctrine of the political need to provide for credible extended deterrence, or of the fact that large numbers of warheads may be necessary to meet the criteria of assured destruction under a wide range of possible contingencies.

Much is made of the argument that the prospect of nuclear winter further discredits the notion of limited nuclear war by making planning and the actual resort to limited nuclear war even riskier in its potential for catastrophe than would otherwise be the case. However, the parameters of what constitutes a limited nuclear war are usually unspecified, or are established in such a way as to confirm the thesis of climatic disaster. Just as it is possible to *conceive* of nuclear winter, so also it is possible to *conceive* of a managed limited nuclear war occurring below the disaster threshold. To conceive of something does not by itself tell us anything about its plausibility, which is something that has to be worked out in an appropriate context. It may be that the "limits" in limited nuclear war are more constraining than has been thought in the past, but in terms of practical consequences of this, I know of no responsible political leaders (including members of the Reagan administration) who have advocated putting any form of the perceived limits to the test of experience.

Static view

The prescriptions that flow from the nuclear winter thesis represent responses to what is an essentially static view of the problem of security. That the dynamic and complex strategic interactions of the nuclear powers might be a necessary component of such security as we possess is not taken into account. The positive security implications of such political objectives as maintaining alliance cohesion, providing for flexible options in a crisis, and maintaining existing structures of security fall outside the purview of the nuclear winter theorists. They are content with a simpler view of the requirements of deterrence and security in the nuclear age.

This simplicity is reflected in the prescription that strategic arms limitation should bring strategic arsenals below the nuclear winter threshold. At one level, it is difficult to see how much further this goes beyond the basic arms control premise that it is desirable to bring about the lowest possible balance of nuclear forces consistent with security. At another level, given the value-laden and political complexity of the concept of security as it operates in international politics, simple nostrums such as "more weapons mean less national security" are at best misleading, and at worst downright dangerous. Essentially, they represent attempts to "freeze" the fluid relationships that have characterized the political and strategic interactions of the nuclear powers. Fortunately for some of us "who love this planet" these attempts have failed in the past, and are unlikely to be successful in the future. What is important, is that the relationship between the nuclear powers be managed in such a way as to reduce the political risks of nuclear war to a minimum. It is imperative that we conduct our political relationships in such a way as to avoid nuclear war, but it is surely still worthwhile to try, through nuclear

planning, to produce policies and doctrines that complement political objectives and which, should our best efforts fail, hold out some prospect of avoiding total disaster.

The nuclear winter thesis is yet another example of the current fashion for "catastrophism." Unless we act immediately and in ways radically different from the ways in which governments and political communities usually act, then catastrophe will follow. As a result of the constantly expanding list of potential catastrophes with which we are confronted, the ethical demands on political action con-

stantly expand too. Thus also, the moralizing tone of those who threaten us with nuclear winter: it is not enough to address ourselves to the task of maintaining our disparate and multitudinous political objectives in an anarchic world of sovereign states, but we must act in the interests of generations yet unborn. That we should frighten ourselves with the potential consequences of nuclear weapons is probably a good thing to do from time to time, but fear can paralyze action, and those who would frighten us too much, do not encourage reform, but despair. □

Book Reviews

Herbert Norman

by A.R. Menzies

E.H. Norman: His Life and Scholarship, edited by Roger W. Bowen, University of Toronto Press, 206 pages, \$24.95.

The Department of External Affairs and Herbert Norman were both born in 1909. In this 75th anniversary year it is a happy coincidence that a collection of essays, mostly prepared for a 1979 symposium at St. Mary's University in Halifax, should be published about Canada's greatest Japanologist and talented diplomat, who unfortunately took his own life in Cairo in 1957.

This book is divided into three equal parts, dealing with Norman's life, his historical writing about Japan, and finally three speeches and an essay by him. All reveal aspects of the man, his environment, his remarkable grasp of European history, his approaches to the analysis of Japanese history, and the heavy pressures of the US Senate McCarthy Committee on him. However, the book leaves significant parts of his career unexplored. A rounded biography of this unusual historian and diplomat has yet to be written.

Part One contains five essays on parts of Norman's life. Professor Edward Reischauer suggests that his boyhood in rural Nagano Prefecture made Norman "more aware of the poverty and problems of rural Japan and the deep roots of its traditional ways."

As one who followed seven years after Norman at the Canadian Academy in Kobe, Japan, Victoria College in the University of Toronto, and Harvard University, I was disappointed that there was no treatment of the influence on him of these institutions. Victor Kiernan has written a general essay on the intellectual leaders and movements in Cambridge in the 1930's but was not close enough to Norman to give us an intimate description of his study of European history there, on which he drew so effectively for

comparative purposes in his writing. However, his comments on Norman joining the Communist Party there are informative.

This collection of essays does not contain any by his contemporaries in the Department of External Affairs, except for a short one by Arthur Kilgour who served with him for less than two months before his death in Cairo in April 1957.

I first met Norman when he was repatriated from Japan in August 1942 in an exchange of diplomats and civilian internees. We found that we had much in common in our educational backgrounds, as well as historical and current interest in East Asia. I worked closely with Norman for over a year on a research project related to Canada's war effort. As a young bachelor I enjoyed many meals prepared by his gracious wife, Irene. On such social occasions Norman was a lively conversationalist and colourful raconteur because of his wide reading and remarkable memory. He enjoyed good food, classical music, theatre, and fine art.

In his work assignment Norman was able to follow the war in the Pacific as the Japanese advance was halted and then pushed back, and the Allies began to develop post-war policies. Norman's doctoral thesis, published in 1940 as *Japan's Emergence as a Modern State*, describing the transition from the Tokugawa military feudal government to a modernizing capitalist structure following the restoration of power to the Meiji Emperor in 1868, was regarded as a landmark study. The suicidal fanaticism of Japanese soldiers in the Pacific campaign rendered them beyond the human understanding of most Westerners. Norman's scholarly analyses of the Japanese government structure and its socio-economic roots in *Japan's Emergence*, in his *Soldier and Peasant in Japan: The Origins of Conscripted* (1943), and in his 1945 paper on the *Feudal Background of Japanese Politics*, encouraged others trying to understand the social motivations of the Japanese military expansion in a reasoned, rather than emotional way. According to Reischauer, these "were probably the most influential scholarly works shaping American and all Western political

Book Reviews

attitudes towards Japan during the war and early post-war years."

Following the Japanese surrender on September 3, 1945, the General Headquarters of the Supreme Commander for the Allied Powers (GHQ, SCAP) asked the Canadian Government to second Norman to serve as the civilian head of a US Counter-Intelligence Unit in Japan. He stayed until January 1946; then spent seven months in Washington as Deputy Canadian Representative on the eleven-power Far Eastern Commission (F.E.C.) responsible for the formulation of Allied policy for occupied Japan. In July 1946 he went back to Japan as Head of the Canadian Liaison Mission. There he looked after Canadian interests and made thoughtful suggestions for Canadian positions on occupation policies to be advanced in the F.E.C. in Washington. The book under review would have been improved if it had taken into account, even in editorial interpolation, Professor Michael Fry's 1982 paper on *The Occupation of Japan: The MacArthur-Norman Years* and my own 1983 paper on *Canadian Views of United States' Policy Toward Japan 1941-52*. Both of these papers discuss Norman's contributions to Canadian views on occupation policies and also directly on the implementation of F.E.C. directives by SCAP in Japan.

Norman's influence was greatest during the early democratization period in Japan. By the time the Cold War became pronounced after the Soviet take-over of Czechoslovakia in February 1948, and the Chinese Communists were gaining the upper hand in the civil war, many began to regard Japan more as a forward defence post in the Western Pacific than a defeated enemy to be controlled. When North Korea attacked the South in June 1950 Japan became the essential rear base of the United Nations Forces sent to Korea to assist in repelling aggression. When Norman was recalled to Ottawa in October 1950 for a security review in connection with charges raised in the U.S. Senate Internal Security Sub-Committee, he had already served over four years on this assignment. The winding down of the occupation, and the major new concern with Canada's role in the Korean conflict would have provided less scope for Norman's historical knowledge of Japan.

After serving as Head of the American and Far Eastern Division from 1950-53, Norman was posted as High Commissioner to New Zealand. I believe it was a mark of Lester Pearson's admiration for the socio-economic analytical abilities demonstrated by Norman in his studies on Japan that he named him early in 1956 to be Ambassador to Egypt where he could refocus his analysis on the new movement of Arab socialism led by President Nasser.

No one could have predicted that the Suez crisis would break out just two months after Norman's arrival in August 1956, that British and French forces would invade to preserve the *status quo* of the Suez Canal Treaty regime, that Pearson would play such a prominent role at the United Nations in sponsoring the United Nations Emergency Force (UNEF) to end the confrontation, that Norman would be called upon to play such an active role in persuading President Nasser to accept Canadian forces as a leading element in UNEF, and that in the midst of all this the US Internal Security Sub-Committee should renew its allegations against Norman, ignoring the results of the security

clearance by the R.C.M.P in December 1950. It is a tragedy that Norman should have found these pressures intolerable and taken his own life on April, 4, 1957.

Part Two of the volume contains five essays on Norman's scholarship, his methods of analysing Japanese history and his influence on Japanese and American historians. These are of special interest to experts in Japanese history.

Reischauer says "his role in re-establishing intellectual contact between Japanese historians and the outside world was a significant service. "From the moment of his post-war return to Japan in October 1945, he treated Japanese scholars as old friends and intellectual equals. Maruyama Masao observes that "he was a historian of the world before he was a historian of Japan . . . He could hold a room in rapt attention with a rich profusion of historical anecdotes. Japanese were impressed by the breadth of his analyses, cross-cultural comparisons, and his empathy with critical insight into Japanese society. Others remarked on his enjoyment of cultural pursuits, his aestheticism, and the beauty of his prose.

During and after the war many young Americans took up Japanese studies, and it was natural that they would try to go beyond Norman's pioneer analysis. At the 1968 convention of the Association for Asian Studies, Professor Yamamura Kozo criticized Norman as an economic historian, apparently because he had failed to foresee questions that would arise 30 years after his study was written. Then in 1975, Professor George Akita of the University of Hawaii asserted that "Norman did not employ primary sources, that he was reliant on secondary sources in English (rather than Japanese), that his work lacked originality, and that he worked hastily and distorted sources." His criticisms were refuted by other American scholars, saying they focused on the minutiae of footnotes.

An ideological factor was also introduced into the debate, as to whether Norman followed the leftist materialistic determination or the socio-economic school of historians. The eminent Japanese historian, Professor Toyama Shigeki, comments that "Historical materialism tries to demonstrate that class struggle and socialist revolution are the inevitable results of the economic factor in history. However, by making his frame of reference the development of capitalism and modernization, Norman tried to indicate his confidence in the advance of freedom and progress towards democracy."

The editor's inclusion in Part Three of three speeches and an essay by Norman broadly on the subject of man's search for individual freedom in a democratic society, was, I assume, intended to support his concluding comment. "At the very time Norman was accused of being a communist he was expounding on the virtues of liberal persuasion, free speech, and human reason . . . Had more careful attention been given to his public pronouncements, his enemies would have better understood Norman's passion for freedom and democracy."

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Letters to the Editor

Sir,

In your last issue you published a review by J.W. Pickersgill of my *Canada-Newfoundland Documents, Volume 2*. The collection, which is a chronicle of Newfoundland's movement into Canada, shows Pickersgill intervening at two stages — in 1943, in a memorandum advocating an effort to make Canada better known in Newfoundland; and in 1948, in the rationale he provided Mackenzie King for inviting Newfoundland to join Canada on the basis of a 52.3% vote of its people.

In view of the interest which Pickersgill (Deputy Head of the Prime Minister's Office during the war and Head of it for many years thereafter) had taken in the Newfoundland question in the 1946-49 period (see his *My Part in Newfoundland's Confederation* in *The Book of Newfoundland, Volume III*), I had been puzzled, when preparing my collection, by the absence of further documentation of his role. I knew that his interventions had been behind the scenes but I thought that they would have left more trace.

They did. Recent research has uncovered memoranda on Newfoundland which Pickersgill addressed to Mackenzie King at two critical junctures — the first in November, 1946, when officials were trying to interest the government in thinking in positive terms about Newfoundland as a tenth province; the second in April, 1947, when the government was preparing to receive a delegation from the Newfoundland National Convention.

In historical terms, both memoranda are worth more than a passing glance, for they present confederation in terms of Canada's broad national interest as well as in terms of King's own place in history. In a significant sense these considerations constituted the positive element in King's thinking about Newfoundland; the negative element was his strangely persistent and pessimistic concern about the effect on the Maritime provinces of Newfoundland's entry on terms that would satisfy it. Confederation happened partly because a majority of Newfoundlanders felt it would be in their interest and partly because a way of reconciling the above opposing considerations was ultimately found.

The documents, the second of which carries the additional interest of King's handwritten comments, follow.

Paul Bridle
Ottawa

20.X.46

Secret and Personal
Prime Minister

I have lately been giving a good deal of thought to the *Newfoundland question*. As you probably know, I have thought for many years that it is bound sooner or later to be the "touchstone" of our nationhood and place in the world. If we let ourselves get shut off from the Atlantic as we largely were from the Pacific by the Alaska award, our inevitable fate is to be a weak and irresponsible satellite of the U.S.A. With Newfoundland in Confederation and the responsibilities and opportunities it brings we continue our

course as a responsible neighbour and junior partner of the U.S.A. — a course set by yourself and one of the great achievements of your career, as I see it.

With the Newfoundland Convention in session it is almost certain some kind of overture will be made before many weeks pass. With statesmanship, I believe the union could be effected this time and I should greatly like to see it numbered among your achievements. Having exceeded the length of service of Sir John Macdonald, and in far more difficult times, it would be fitting for you to complete the structure of Confederation which he began. Please excuse this hasty handwritten note done at home on a Sunday evening.

J.W.P.

Editor's note: The following memorandum bears a number of marginal comments in MacKenzie King's handwriting. These are presented in italics within square brackets more or less where they appear in the original. King also underlined a number of passages. These are italicized.

Secret and Personal
For the Prime Minister
Re: Newfoundland

April 25, 1947.

During your absence, I have reflected a good deal on the observations you made to Gibson and me on the subject of Newfoundland the day before your departure. I do not for a moment question the gravity of the difficulties you foresee in effecting and consolidating Newfoundland's entry into Confederation. They are clearly very formidable. But what I have come to feel is that the overwhelming fatigue from which you were then suffering may have had the effect of magnifying the difficulties, not absolutely, but in relation to the advantages of bringing in Newfoundland. It is because I feel deeply that *the whole future of Canada depends on the fate of Newfoundland*, [?] and because I am so very anxious that the bringing of Newfoundland into Confederation may be the crowning triumph of your unparalleled career, that I venture to send this note.

I do not intend to discuss the more immediate and obvious advantages of union: they are to be found in the official papers on the subject. What concerns me most is *the effect on our national outlook and national psychology*. In this, I assume that if we do not take the responsibility for Newfoundland, the United States sooner or later will. [Not much likelihood for some time; these are not the alternatives.]

I admit, at once that the idea of having the Americans guarding our front door (as they do our back door from Alaska) has a certain attraction. It would probably reduce our outlay for national defence; it would reduce our exposure to external attack; and conceivably (though this I doubt) it might reduce our liabilities in the event of another war.

Letters to the Editor

But what I feel is that these gains would be bought at a great price. *With Newfoundland in American hands; [?] our international importance would be greatly reduced; our responsibilities in world affairs would inevitably decline; and, with that decline, our voice in determining our national destiny. [The question is what about our own provincial situation at this time. It is a matter of timing and of terms.]*

Obviously, it would be national suicide for us to pursue a policy opposed to that of the United States; to that extent power and geography limit our independence. But, within that limit, there are two courses open to us. The first is to bear our full share of international responsibility and thereby to maintain the right (and the will) to exert a large measure of influence on American policy. *[This ignores the effect of action of the provinces upon Canada at this time.]* The second is to say we cannot be independent of the Americans anyway, therefore let them take as much of the burden and responsibility as possible and let us keep our responsibilities to a minimum. *[No thought of this.]*

It seems to me that our attitude to Newfoundland is the touchstone. If we accept the responsibility for Newfoundland, that means we are going to continue to play an adult role as far as we can; *[We are playing the role of quarrelling children at present.]* if we shirk it, that means we are seeking a position of dependency.

Moreover, I fear the effect of the latter course on our own domestic situation. In the last seven years we have witnessed a great growth of national unity despite the stresses and strains of war; we have since 1945 also seen the resurgence of divisive forces as soon as the external responsibility slackened. *What I would anticipate, if we seek shelter within the outstretched and seemingly protecting arms of the United States [Aside from the question.]* and thereby avoid most of our external responsibilities, is that Canada would become a mere collection of quarrelling and ultimately divided provinces and communities without national will or national purpose. On the other hand, the very difficulties of bringing Newfoundland into the national structure would be national problems and a national responsibility. The admission of Newfoundland would, above all, be conclusive evidence that Canada was as serious and as purposeful in world affairs in peace-time as we undoubtedly are in war.

Believing this, I feel that the handling of the Newfoundland question may well be largely decisive in determining the verdict of history on the careers of the public men who have to face that issue. During my illness I have been reading a good deal about Sir John A. Macdonald. For nothing was he assailed more bitterly than for his alleged lack of prudence in bringing British Columbia into Confederation on the terms to which he agreed. And the arguments against including B.C. in 1870 were far stronger than any which can be advanced against Newfoundland's entry in 1947. Yet without Macdonald's vision, courage and apparent lack of prudence in 1870 and 1871, Canada would not exist today. [?]

Similarly Seward was reviled in 1867 for begging the United States by paying Russia five millions for Alaska. I doubt if Alaska has ever paid a money return to the United States, but it is not pleasant to think where North America would be, strategically, today, if the Russians had retained their sovereignty of Alaska. [True.]

It has been my great privilege to be associated in a humble way with your career for nearly ten of the twenty years you have been Prime Minister. I cannot begin to express my pride in your achievements or my gratitude that, at times, I have had a little share in them. Feeling as I do that our whole destiny as a nation is bound up with this question of Newfoundland, I am sure you will understand why I am so eager to have it settled while you are Prime Minister. To me it seems that if your service to Canada which is already unique not only in years, but in so many other ways, could be rounded out by the completion of our national structure, no career could begin to rival yours at any time in the future.

I know, of course, we must not seem too eager, and that delicate management will be needed if union is to be achieved. But there is no one whose experience or skill in these matters begins to approach yours — and that is an additional reason why I feel so anxious that you personally should have a part in seeking to bring about the completion of Confederation.

As Prime Minister of Canada, you have been unrivalled both in peace and in war: nothing can compare with your record of social and humanitarian legislation; and the achievement of receiving a national vote of confidence for your guidance of the nation through the greatest war in history is unique in the world. Perhaps you should not be expected to add to those achievements, but I trust you will forgive me for hoping and desiring to see you numbered among the "Fathers of Confederation" as the one who completed the labours others had begun. That must be my excuse for this long note.

J.W.P.

[My observations related wholly to the matter of timing — our internal difficulties with the provinces and adding to them, unless we could settle them first. (2) The effect (word undecipherable) on the government of any agreement including more in the way of financial obligation unless we secure in advance agreement of leading parties in Parliament and agreement by provinces (not formally but in a general way.)

Perhaps we can secure a conference of Dominion and Provinces: which would settle our affairs and lay the ground for the other. I believe we could but for elements in the Cabinet opposed to any conference. If we can't we shall be adding to our difficulties.

It is an issue large enough for a general election.]

Paul Bridle is a retired Canadian diplomat who worked on the Newfoundland question between 1945 and 1949 and who was Acting High Commissioner for Canada in St. John's when Newfoundland joined Canada. In the November/December 1983 issue of International Perspectives he contributed an article on US attitudes to Newfoundland's joining Canada, in supplement to his two-volume study for the Department of External Affairs, Documents on Relations between Canada and Newfoundland, Vol.2, 1940-49, which was reviewed by J.W. Pickersgill in the July/August 1984, issue of International Perspectives.



The 75th Anniversary of the Department of External Affairs

When the Department of External Affairs opened its offices over a barber shop at the corner of Ottawa's Bank and Queen Streets on October 12th, 1909, it bore little resemblance to any other foreign office and precious little, except in name, to the present organization. The Department of External Affairs in 1909 had an Ottawa-based complement of nine: five male clerks and two female typewriters (as they were called), directed by the venerable Sir Joseph Pope and his assistant, W.H. Walker, and reporting to the Secretary of State. It was not until Dr. O.D. Skelton replaced Sir Joseph as Under Secretary in 1925 that a start was made on the formation of a professional foreign service. Today there are nearly 8,000 Canadian and foreign personnel serving at home and at 177 posts in 82 countries abroad.

The Department of 1909 was an exercise in house-keeping. Its purpose was to improve, "the administration of that class of public affairs which relate to matters other than those of purely internal concern," to quote the Hon. Charles Murphy who introduced the legislation creating the Department in the House of Commons. Almost unnoticed in the debate that followed was Clause 3, which gave to the Secretary of State "the conduct and management of international or intercolonial negotiations so far as they may appertain to the Government of Canada." Instead, the debate reflected what the Department would become at the time: an agency to handle relations with foreign consuls in Ottawa and manage records.

Certainly, a central clearing agency and archive for "that class of public affairs which related to matters other than those of purely internal concern" was overdue. Before 1909, departments of government initiated their own international negotiations on an informal basis, and without reference to one another. Formal communications with foreign governments were the prerogative of the British Foreign Office, and a cumbersome process. When a department of the Canadian government had official business to conduct with another country, the minister responsible would send a message through the Secretary of State and the Governor General to the Colonial Office in London which would then pass the request through the Foreign Office to the appropriate British diplomatic post

abroad. The reply of the foreign government retraced this route. Nowhere in this slow and inefficient procedure was there a Canadian central records office to keep track of the correspondence or its follow up. Consequently, the potential for confusion and misunderstanding was enormous. The new Department of External Affairs was designed to bring a measure of coherence where none had existed before. This may not have seemed, at the time, terribly significant. Canada was a dominion where the practice of self government perforce was evolving to meet the demands of growth and greater responsibility. With the creation of the Department, the administrative apparatus essential to the evolution of a sovereign entity was now in place, as was the necessary legislative framework.

For the time being, then, the Department was little more than a post office with a minimal role in the formulation and implementation of Canadian external policy. It is true that Sir Joseph Pope had important functions in the resolution of fisheries disputes and in more general Canada-United States matters. He was a confidant of the Prime Minister and was often consulted on important correspondence. Policy, however, was not Sir Joseph's forte. When Loring Christie was recruited to the Department as Legal Advisor in 1913, it was he who assumed the role of foreign policy advisor to Sir Robert Borden, the Prime Minister. In 1912, the External Affairs Act was amended to transfer it from the jurisdiction of the Secretary of State to that of the Prime Minister. There it would remain until 1946, when Louis St. Laurent became Canada's first, separate Secretary of State for External Affairs.

In the 1920s, the Department began to develop into an agency for the direct administration of Canada's external relations. In 1919, Sir Robert Borden had headed the Canadian segment of the British Empire delegation to the Paris Peace Conference. As a signatory to the resultant treaties, Canada became a member of the League of Nations. The Paris office of the Commissionaire Generale, which dated from 1882, had been under the Department since 1911 and, in 1921, the Canadian High Commission in London, which dated back to 1880, was brought within the Department's mandate. In 1923, by authorizing a Cabinet minister to sign the Halibut Fisheries Treaty in Washington,

Canada for the first time asserted its right to sign as well as negotiate its own international agreements. In 1925, an officer was stationed in Geneva to represent Canada at international conferences and to monitor the activities of the League of Nations and the International Labour Office. Canadian legations were opened in Washington in 1927, in Paris in 1928 and in Tokyo in 1929. Slowly, during this first inter-War decade, as Canada assumed more and more responsibility for the conduct of its own diplomacy, a Canadian persona emerged on the international stage and, to all intents and purposes, the Department of External Affairs became the Canadian foreign office presaged in the original legislation of 1909.

The first major period of growth in personnel occurred during the late 1920s and early 1930s. Under the leadership of Dr. O.D. Skelton, a cadre of bright young men was recruited to form the nucleus of Canada's foreign service. Never before had the Canadian public service attracted such highly qualified candidates. In the 15 years that Skelton was Under Secretary, 31 of his 40 career officers had post-graduate degrees from universities outside Canada and half of these had studied at two or more foreign universities. Twenty-two had studied in Britain, of whom seven were Rhodes scholars. Eleven others had studied in France and eight in the United States. Nineteen had taught in universities, 10 had practised law, eight had seen military service and six had previously been public servants. Prime Minister King noted in his diary in August, 1929 that the department had expanded "into the most conspicuous and in some respects the most important department of government."

An organization chart for July, 1929 is instructive. Apart from the addition later that year of John Read as the department's legal advisor, this basic organization lasted into World War II.

In practice, of course, the division of labour could not be so neatly categorized. Dr. Skelton assigned work indiscriminately. For example, Lester Pearson's duties that year also included lighthouses in the Red Sea, international tariffs on cement, the nationality of Anglo-Chinese children living in Canada, aviation licences in Canada and Switzerland and the protection of young female artists travelling abroad. Everyone was directly responsible to the Under-Secretary. Every letter and telegram came in and went out over his desk and he alone was responsible for every recommendation to the Prime Minister.

These developments all prepared the Department to handle the massive growth in activity that accompanied the onset of World War II. New and substantive responsibilities such as intelligence and censorship were added to the Department's mandate. External services were greatly expanded as well. In 1939, there were 11 Canadian posts abroad; in 1945, there were 26. After Canada's separate declaration of war on 10 September 1939, High Commissioners were sent to Australia, Ireland, New Zealand and South Africa. In 1942, Ministers were appointed to the USSR and to China. Ministers also were accredited to a number of allied governments then located in London or Cairo: Belgium, the Netherlands, Czechoslovakia, Greece, Norway, Poland and Yugoslavia. After the liberation of France, the Canadian Minister, following a period in Algiers as representative to the French Committee of Na-

| Position | Occupant | Duties |
|---------------------------|------------------|--|
| Under-Secretary | O.D. Skelton | General |
| Assistant Under-Secretary | W.H. Walker | General, passports, immigration, consular appointments |
| Advisor | L. Beaudrey | United States, France, and the Continent, Treaties |
| First Secretary | L.B. Pearson | British Empire and League of Nations |
| Second or Third Secretary | H.L. Keenleyside | United States, Asia |

tional Liberation, returned to Paris (with the rank of Ambassador). In addition, several posts were opened in Latin America.

The Second World War saw the emergence of a new Canada. This was a Canada prepared to assert its right to influence Allied policy. This was a Canada that had stood, after the fall of France, second only to Britain against the Axis powers. This was a Canada completing its transition from an agricultural to an industrial state. This was a Canada that now demanded that a new principle apply in the executive structures and in the policy commitments of the emerging United Nations organizations: namely, that each country should have a voice in decisions commensurate with its contributions. Here was the genesis of a new international concept: "Middle Power." Of course, this was a special moment in time. The world stage was uncrowded. The Axis powers had suffered total defeat. Europe was in disarray. Asia and Africa were just beginning their progress to independence. The parameters of the Cold War were unclear. The United States was inexperienced in its role as Western leader. In these circumstances, Canada often found itself a necessary linchpin between the new world and the old, between the developed and the developing. At the United Nations, in the new Commonwealth, or in the formation of a new Western Alliance to stem the Soviet advance in Europe, Canada found an active and important role. When career foreign service officer L.B. Pearson became Secretary of State for External Affairs in 1948, Canada's commitment to an activist foreign policy was confirmed. While it is true that Canada had emerged from the war as one of the strongest of the Allied powers, both in economic and military terms, it is also true that this new found influence was considerably enhanced by the professional reputation and initiative of its foreign service.

The record of Canada's contributions to international peace and stability in the decade or so following World War II have been documented in detail elsewhere. Suffice it to observe that when the Nobel Peace Prize was awarded to Mike Pearson in 1957 for Canada's contribution to the settlement of the 1956 Suez Crisis through the creation of the United Nations Emergency Force, this seemed to many a fitting climax to a decade of dedicated work at the UN, in NATO and elsewhere in a world threatened by the prospect of destruction. This is not to suggest that Canadian foreign policy was any less activist in the 1960s. However, as the world stage filled with new international actors, problems, definitions and trends, the opportunities for distinctive Canadian contributions changed character. There was still Canadian initiative and participation in UN peacekeeping, now spread beyond the Middle East to the Congo and Cyprus. South Africa was obliged to leave the Commonwealth, thus confirming, to Canada's satisfaction, the organization's multi-racial character. The Canadian quest for disarmament continued. Still, the nuclear community expanded rather than decreased, and the world proved distinctly unready to abandon the nation state as the basis of its political organization. The North Atlantic Community concept became a memory, as did hope that the UN might provide the organizational structure for a new world order. Likewise, Canada's honest broker and interlocutor role changed with the passage of time. Few countries any longer required Canada's advice on how to deal

with the United States. The new challenges were within the Commonwealth, "la Francophonie", and between North and South generally, or in complex areas like the Law of the Sea, in which Canadian negotiators played a major role.

The decade of the 1970s saw an important evolution in foreign policy reflecting a changing international scene and Canadian priorities. Essentially, Canadian foreign policy sought to adapt our traditional political and economic interests in Europe to the reality of an enlarged and strengthened European Economic Community, while pursuing new and challenging opportunities in the Pacific Rim countries. Strong ties with the United States remained a key element in foreign policy, while Canada's progressive aid policies



Sir Joseph Pope, Canada's first Under-Secretary of State for External Affairs

laid the basis for the advocacy of a North-South dialogue, which sought to bridge the gap between the developed and developing nations of the world in the interests of international peace and stability. At the start of the decade, the government published *Foreign Policy for Canadians*. In brief, it laid emphasis on the interrelated needs to foster growth, safeguard sovereignty and independence, work for peace and security, promote social justice, enhance the quality of life and ensure a harmonious natural environment.

In 1971, the support services of various departments operating programs abroad were incorporated within the Department of External Affairs. Efforts were then begun to ensure that Heads of Post in various countries around the world administer Canadian government activities in their area as a coherent whole. In April, 1981, the responsibility for immigration programs abroad was transferred to External Affairs, together with the foreign service staff of the Canada Employment and Immigration Commission; these

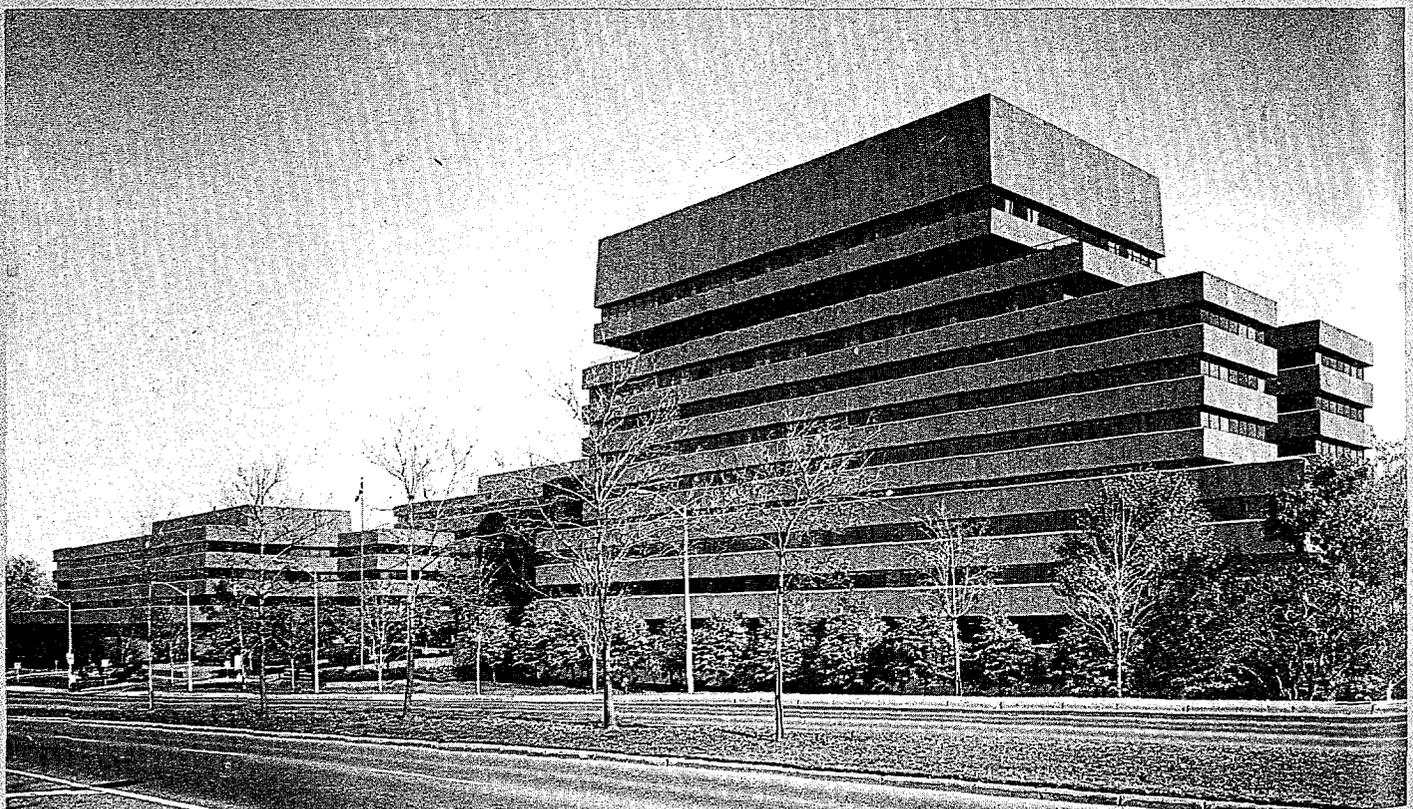
programs include the recruitment of immigrants, the admission of refugees and the entry into Canada of tourists, students and temporary workers. Similarly, the field staff of the Canadian International Development Agency was brought into the Department.

In January, 1982, the Canadian government initiated a major reorganization of its economic and external affairs departments. The international trade policy and trade promotion functions of the Department of Industry, Trade and Commerce, including the Trade Commissioner Service, were transferred to External Affairs. This change, together with those noted above, had the effect of creating a new Department of External Affairs, with a much expanded mandate. In September, 1983, a second phase of the new organization was implemented in order to integrate more closely the political, social, economic and trade functions of the Department. This was done by concentrating the responsibility for all geographically-formed policies and programs in five new geographic branches, each headed by an assistant deputy-minister. A new External Affairs Act provided the legislative basis for these changes, as well as for the appointment of two additional Cabinet ministers to be associated with the Secretary of State for External Affairs. There were now Ministers for International Trade and for External Relations (the former responsible on the political level for the Department's international trade and export promotion activities, including responsibility for the Export Development Corporation and the Canadian Commercial Corporation, the latter supporting the Secretary of State for External Affairs, with responsibility for, *inter alia*, international social, cultural and humanitarian affairs and

relations with francophone Africa). The objectives of this reorganization were to ensure policy and program coherence in the conduct of the entire range of Canada's relations with the outside world; to give policy-making in the trade and economic area a higher priority in the formulation of Canadian foreign policy; to ensure that the conduct of foreign relations served Canadian trade and economic objectives; and to improve the services provided to exporters in highly competitive world markets.

Thus today's Department of External Affairs is a much different creature from that of 1909, 1929, 1949 or 1969. Its headquarters, the Lester B. Pearson Building on Sussex Drive, is the nerve centre for the conduct of Canada's relations around the world. When acid rain destroys our lakes, when peacekeepers defend an airport in Nicosia, when a Canadian is accused of smuggling drugs into Turkey, when refugees flee a war-torn city seeking a new home, or when the price of world oil suddenly surges ahead, Canadians still rely on the Department of External Affairs to look after their interests, direct their aid, resolve conflicts or promote peace. In 1984, Canadians also look to the Department for much more.

External Affairs has had to rewrite the book on traditional foreign policy initiatives to embrace an increasingly crucial aspect of Canadian life — our balance of international trade. With the jobs of three million Canadians riding on it, trade has become the root of Canada's economic worth. The Department has been charged with the responsibility of nurturing that root by adapting its operations to accommodate and safeguard Canadians' access to the international marketplace.



Lester B. Pearson Building, headquarters of the Department of External Affairs

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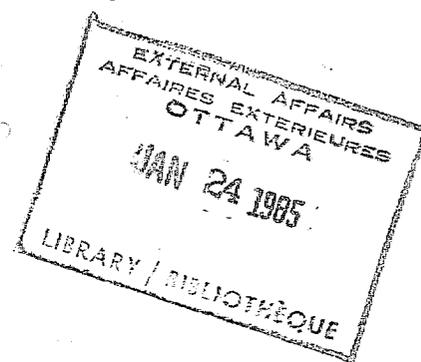
International Perspectives

The Canadian journal on world affairs

Economic integration with the USA

International Perspectives

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Contents

November/December 1984

Economic integration with the USA *by Anthony Westell*

| | |
|---------------|----|
| Author's Note | 3 |
| Introduction | 4 |
| The Argument | 5 |
| Appendix | 23 |
| Footnotes | 26 |

| | |
|---------------|----|
| Throne Speech | 27 |
|---------------|----|

| | |
|--------------|----|
| Book Reviews | 28 |
|--------------|----|

| | |
|-----------------------|----|
| Letters to the Editor | 30 |
|-----------------------|----|

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Editor's Note:

*Sometimes a subject becomes so big it needs the whole magazine to spread around in. Sometimes one author comes along who can do the whole thing. That is what happened with this issue of **International Perspectives**.*

If there are two dominating themes in Canadian foreign policy in the eighties they are relations with the United States and foreign trade. When combined, they tower over everything else — and account for the most interesting squirmings. A couple of years ago, we had the Liberals turning diplomats into salesmen with the move of the foreign trade service into the Department of External Affairs. Now with the new government of Progressive Conservatives we have the de-fanging of FIRA and of the National Energy Policy, in order to look more winsome to US government and business.

Anthony Westell of Carleton University in Ottawa has taken over this whole issue to examine that surpassing question of what we do about our relations with the United States. He applauds those measures that are directed to increasing the closeness of the embrace — in all its aspects — between Canada and its southern neighbor. Much of his purpose is to expose the futility of earlier policies (e.g., the "Third Option") of attempting to keep our distance from the US.

International Perspectives is proud to make this contribution to what can only be termed now a "Great Debate," and we expect to return again and again to this subject — especially since there are many more views than the one expressed in this issue.

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The Canadian journal on world affairs

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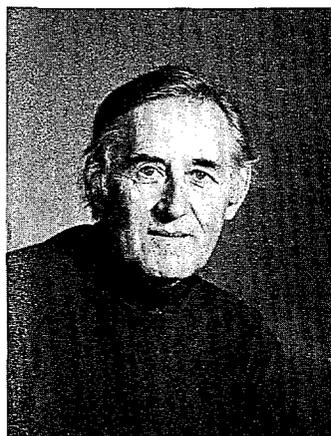
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Author's Note

At the invitation of The Carnegie Endowment for International Peace I was able to spend 1980 as a Senior Associate reading, talking and writing about economic relations between Canada and the United States. While based in New York City, I travelled in North America, and toward the end of the year, the Endowment enabled me to organize in Washington, D.C., a conference on Current Research into US-Canada and US-Canada-Mexico Relations. It was then that the idea of a long article or a short book began to take shape in my mind,

but it was time to return to my teaching position in the School of Journalism at Carleton University, and to writing my weekly column for the *Toronto Star*. I continued to read and think about the Canada-US relationship, but the opportunity for sustained writing did not occur until last year when I was again able to obtain leave, this time for six months. Lansing Lamont, whom I had known when he was *TIME* bureau chief in Ottawa, had recently become Director of a new Canadian Affairs program at the Center for Inter-American Relations in New York. He kindly arranged for me to become the first Visiting Associate with his program, and I was able to spend most of the six months writing, revising and editing this long article. It hardly needs to be said that neither the Endowment nor the Center made the slightest attempt to influence my views on the Canada-US relationship, and I owe them both a debt of gratitude for the support they provided to me. This article was completed some months ago and has been slightly revised to take account of the recent election of a new Canadian government.



Anthony Westell

Introduction

This article begins with my analysis of the failure over the past dozen years of the Canadian government's strategy for managing the relationship with the United States. It is presented not as a balanced review of all the facts and opinions, in the manner of the objective journalist or the academic seeking neutral truth, but as a criticism of the policies that sprang from a misguided nationalism. I go on to propose a new strategy in which Canada would boldly take the initiative in seeking a closer and more cooperative relationship with the United States. Call it continentalism if you wish; the word is respectable and needs to be brought back into the language of debate on the relationship. After all, Canada does share most of a continent with the United States, and that alone demands a high degree of cooperation between the two countries. Canadian policies that ignore the high and rising level of interdependence are certain to fail, and in failing will further undermine Canada's national confidence. On the other hand, policies that recognize interdependence and manage it effectively will enable Canadian governments to concentrate energy and resources on other problems.

It would be easy to cite facts, figures and opinions in support of my arguments, but I have avoided for the most part the use of statistics and footnotes. I prefer to ask the reader to look at my case in the light of his or her own observations of the world: is the trend toward the indepen-

dence of national states such as Canada, or toward the recognition and management of their interdependence? It may be useful at this point to define what I mean by interdependence, and by two other words I shall use frequently.

By *interdependence*, I mean the recognition by countries that they are dependent on each other in the sense that their economies are parts of an international system beyond national control, and that in order to prosper they must coordinate their national policies, each having regard for the interests of the others.

To *integrate* is to bring together parts to make a whole, or to remove barriers that impose segregation. Businessmen may be said to be integrating the economies of Canada and the United States when they regard the two countries as one market for the purpose of planning investment and production. Governments may be said to be permitting or even encouraging integration when they reduce or remove tariff and other barriers that segregate the two economies.

Nationalism has meant different things in different countries at different times in history. I use the word here to refer to the modern Canadian brand of nationalism which is restrictive and defensive, because it arises from fear or envy of the United States.

Economic integration with the USA

by Anthony Westell

The Option and the Problem

In a seminal article published in 1972 reviewing the history of Canada's relationship with the United States and looking to the future,¹ Mitchell Sharp, then Secretary of State for External Affairs, wrote:

The real question facing Canada is one of direction. In practice, three broad options are open to us:

(a) we can seek to maintain more or less our present relationship with the United States with a minimum of policy adjustments;

(b) we can move deliberately toward closer integration with the United States;

(c) we can pursue a comprehensive long-term strategy to develop and strengthen the Canadian economy and other aspects of our national life and in the process to reduce the present Canadian vulnerability.

Sharp clearly preferred (c) which he called the "third option," a phrase that was soon capitalized and accepted into the language of political discussion in Canada. Although it seems never to have been formally adopted by the Cabinet, the Third Option became the strategy of the government in the 1970s and into the early 1980s.

The goal of reducing "the present Canadian vulnerability" was, on the face of it, modest. The means by which the goal was to be reached were hardly controversial. The government would seek over time to strengthen the national economy and to diversify trade, build national unity and encourage the growth of Canadian culture. As that is about what any Canadian government would claim to be doing at any given time, the significance of the Third Option has to be found in its context, in the underlying purpose of the strategy. That purpose was to set a "direction" for Canada in the development of its relationship with the United States. As Sharp rejected both the status quo (Option a) and a deliberate move to closer integration (Option b), the Third Option was clearly intended to steer Canada away from further involvement with the United States and toward greater national independence. As Sharp wrote, the Third Option "assumes that the conti-

mental tide can be stemmed to some extent." It would be an exaggeration to describe the strategy as outright nationalism, but it certainly inclined the government in that direction.

A dozen years later, it is obvious that the strategy did not achieve its goal. Canada did not achieve greater independence, and its vulnerability was not reduced. On the contrary, it was driven by forces largely beyond its control into a closer and more complex relationship with the United States, while efforts to implement the strategy eroded US goodwill, leaving Canada dangerously exposed to changes in US economic policy. At home, far from strengthening national unity, Third Option policies alienated some provinces and large sections of the business community. By common consent, the national economy is weaker now than it was in 1972.

Why it never worked

There are several possible explanations for the failure of the Third Option strategy, and it is worth looking at them briefly.

First, these have been exceptionally difficult economic times, and it may be said that the onslaught of inflation, the energy crisis and the world recession simply destroyed a strategy that might have worked in a more prosperous era. Perhaps so, but the reality is that Third Option policies made Canada's economic problems worse rather than better.

Second, nationalists may argue that the strategy was not sufficiently nationalist. In other words, it would have worked if the government had been tougher in moving Canada away from the United States by controlling flows of capital, imposing an industrial strategy on the economy, restricting the importation of US cultural products, and so on. The answer is that even if such drastic policies had been practicable in other respects, they lacked public support. The only major party to put a frankly nationalist platform to the voters, the New Democratic Party, has not succeeded in emerging from its third-party position in Parliament. There was broad public support for the mildly nationalist policies of the Liberal Party in 1980, but certainly no con-

sensus on what form a national industrial strategy might take. By 1984 the situation had changed remarkably. The Liberals had quietly abandoned their appeal to nationalism, and the Progressive Conservatives put at the forefront of their enormously successful campaign a promise to restore economic and defence relations with the United States.

A third reason for the failure of the Third Option strategy may be that it was fundamentally in error from the start. The direction it tried to set for Canada was wrong because the democracies were moving in the 1970s and 1980s not toward greater national independence but toward the acceptance, often reluctantly, of the reality of interdependence and the consequent limitations of sovereignty. By directing Canadians toward the impossible goal of greater national independence in relation to its neighbor, trading partner, cultural cousin and military ally, the strategy generated acrimony, frustration and a sense of national failure that further undermined confidence.

I argue that this last is the correct explanation for the failure of the strategy. I seek to show that the Third Option grew from shallow nationalist roots and took a view of the future that proved to be quite wrong. So why, you may ask, should we now concern ourselves with an article by Sharp that experience has shown to be fallacious? Because the Third Option did for some years provide the framework for government policy toward the United States, and in fact it has never been replaced by a new comprehensive statement of strategy. The Liberal government edged away from it, and even began talks with the United States on the possibility of free trade in selected industrial sectors. The Conservative government has promised new policies, but has yet to define them, let alone propose longer term goals for the relationship. Sharp's article remains a useful analysis of the relationship and of Canada's options. By examining the article and the policies that flowed from it, we can see where Canada went wrong and, perhaps, how to avoid making the same mistakes in the future.

Origins of the Third Option

The Third Option was a product of its turbulent times, a response to the politics of the changing world of the 1960s and early 1970s. In Canada, several streams of opinion had combined to create a climate of nationalism, and in the United States President Nixon abruptly announced a new attitude toward Canada, in effect ending the special relationship. The Canadian government's response to these pressures, not surprisingly, was to proclaim a strategy intended to enhance Canadian independence. But looking back, we can see that many of the nationalists' arguments were faulty, and that Nixon's policies were shortlived. The times were in fact changing faster than anybody then realized, and the Third Option strategy that might possibly have been appropriate in the conditions of 1972 was soon out of date.

The era of rapid change and rising turmoil, in Canada as in the other affluent democracies, had begun in the 1950s

and accelerated through the 1960s into the 1970s. New technologies of transportation and communication were changing the mechanics of politics, the style of social life and the organization of business. In the process, they were eroding the concept of national sovereignty. The reaction of Canadian nationalists and of Nixon, an American nationalist, was in essence to seek to protect the old against the new.

Conservative nationalism

Conservatives were naturally dismayed by the changes they saw all around them in Canada, by the decay of the British tradition and the encroachment of American influences. George Grant, the philosopher, wrote his powerful *Lament for a Nation*, analyzing what he feared to be the inevitable triumph of American liberalism over Canadian conservatism. The impossibility of building a conservative society in an era of rapid change made possible by liberal values, he said, was the impossibility of Canada. Donald Creighton, the historian, raged against Liberal governments which, in his view, had betrayed John A. Macdonald's vision of Canada. More usefully, another historian, W.L. Morton, strove to define the Canadian identity and to preserve it from the corrosion of American ideas. While a powerful influence among the intellectuals and students, the three distinguished academics had little to contribute to practical politics, to the conduct of Canadian affairs. They helped to make nationalism acceptable in political circles, but at the heart of their thinking was the empty idea that Canadians ought not to be Americans. They were yearning for the British Canada of their youth at a time when Britain had ceased to be a useful model for Canadians, and for a return to the values of a more stable and orderly society at a time when technology was forcing change. Among the political parties, curiously, the Progressive Conservative Party was the least influenced by this traditional Tory nationalism. In recent years it has moved slowly toward the right of the political spectrum — that is to say, toward the American Republican version of conservatism, although it has refrained from embracing the extremes of the so-called neo-conservatism.

Socialist nationalism

While traditional conservatives were dismayed by the rush of change, many socialists and social democrats found in it the opportunity to renew a fading faith in the vision of a better society. So much seemed possible. It was an era of decolonization and rising nationalism in the Third World, of anti-imperialism and liberation for all in the democracies. Revolution was the most overworked word in political discourse. The United States was readily identified as the headquarters of oppressive capitalism and aggressive imperialism, particularly when it went to war in Vietnam. A vaguely Marxist New Left sprang up in the United States to challenge liberal values, and in Canada it was easy, but of course foolish, to see the country as a colony about to be liberated from the American empire and ready to build a socialist society.

The American New Left's branch plant in Canada was the Waffle, a coalition of radicals with various interests but able to organize around the central issues of anti-Americanism, Canadian nationalism and socialist idealism. As a caucus within the New Democratic Party, the Waffle at

tracted public attention and exerted considerable influence until the leaders of the party decided it had to be put down because it had become a threat to their positions and an embarrassment to the image of responsibility they had been building. Some of the more extreme members of the Waffle were in effect expelled from the NDP, but the majority were absorbed into the mainstream and civilized. However, to assimilate the Waffle the party leaders had to adopt a measure of its fervent nationalism — or had at least to give a higher platform priority to their own more moderate nationalism. Holding the balance of power in the House of Commons between the elections of 1972 and 1974, the NDP was able to push nationalist issues, and it was in fact largely responsible for the final shape of the Liberal government's legislation establishing the Foreign Investment Review Agency.

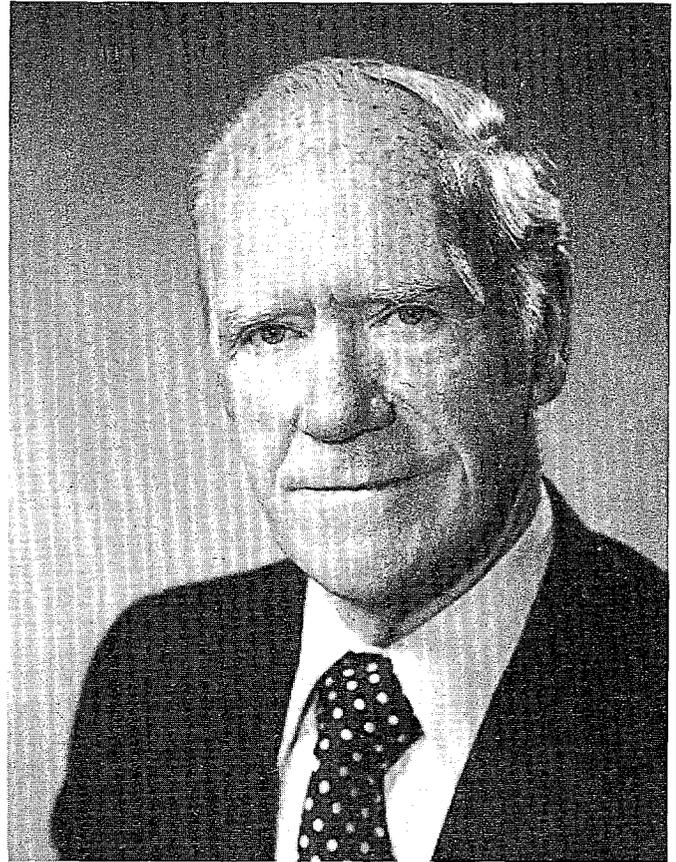
Since those heady days, socialist ideas have lost much of their influence in Canada, as in other democracies. Socialist and social democratic parties have shown themselves to have no convincing answers to the economic problems of the times, and when they have won power and attempted nationalist solutions, as in France, they have discovered that it is impossible to isolate a national economy from the international system. In opposition, they have proved very often to be spokesmen for conservative trade unions whose interest is mainly to preserve the industrial status quo. It is not surprising that in fashionable politics the New Left has given way to the New Right. In Canada, while the NDP has secured its position as one of three major parties, it has ceased to be a persuasive voice for either socialism or nationalism.

Economic and cultural nationalists

The third and most important stream of nationalist opinion in Canada was a loose coalition of, mainly, Liberals and Conservatives organized in the Committee for an Independent Canada and in other groups and lobbies concerned to defend economic and cultural sovereignty. This stream was influential because it had access to the two major parties and to governments, because it represented real property interests, and because it had a body of respectable evidence with which to support its nationalist arguments.

The Royal Commission on Economic Prospects, under the leadership of Walter Gordon, a successful Toronto accountant and public servant, had drawn attention in the 1950s to the rising tide of US investment in Canada and to the problems it might present. As Finance Minister in the Liberal government in 1963, Gordon had proposed measures to control the tide, but the weight of political and business opinion was against him. At his persuasion, however, the Liberal Cabinet later appointed a Task Force on Foreign Ownership and the Structure of Canadian Industry to examine the phenomenon of foreign direct investment which gave foreigners control of significant sectors of the Canadian business economy. The report of the task force published in 1968 saw both the advantages and the problems of such investment which established in Canada subsidiaries of US and other foreign corporations. On the one hand, the foreign, often multinational, corporations brought to Canada new capital, technology, management and the possibility of access to US and other world mar-

kets. On the other hand, the subsidiaries were often "truncated" operations — branchplants performing limited functions under direction from a head office abroad, using technology created by research and development programs in other countries, and allowed to supply only the small Canadian market. In short, the foreign subsidiaries in Canada were intended to perform a minor and low-skill role within an international business operation rather than to develop as dynamic Canadian companies. This analysis was substantially confirmed by a more thorough study in 1972 by the federal Working Group on Foreign Direct



Hon. Mitchell Sharp

Investment in Canada under the direction of Herb Gray, then a junior minister in Prime Minister Trudeau's first cabinet.

Harnessing foreign investment

But what to do about the problem? The two federal studies were cautious in their conclusions. They saw dimly that foreign investment in Canada was part of a worldwide change in the organization of production and distribution as major business corporations became multinational rather than national in scope. Canada could not contract out of this process, and so the answer was not simply to bar foreign investment and to buy back from the multinationals their Canadian subsidiaries. But at the same time foreign ownership was creating serious problems for the economy and encroaching on national sovereignty. The answer had

to be to find a way to maximize the benefits of foreign investment while minimizing the costs. To attempt this neat trick, Gray's Working Group suggested a mechanism to review proposals by foreigners to invest in Canada to see whether the projects served Canadian interests. The Liberal government accepted the suggestion in part and established the Foreign Investment Review Agency (FIRA). The agency's mandate was not to prevent or even limit foreign investment, but to ensure that it would provide employment for Canadians, encourage research and development in Canada, open foreign markets for Canadian products, or serve some other Canadian interest. If the proposal did not appear to serve such Canadian ends, the agency could negotiate with the foreign investor to obtain, if possible, an improvement in the project. This process explains why FIRA always approved far more investment proposals than it rejected.

The economic nationalists tended to ignore the qualified conclusions of the two federal studies. They seized upon the evidence that foreign investment could indeed cause problems, passed lightly over the view that in other respects the investment was necessary and beneficial, and largely ignored the fact that events in Canada were related to an international process of change. Many complained that FIRA was an inadequate response to the problem, arguing that foreign control in Canada was rising rapidly, that US corporations were "deindustrializing" Canada by moving jobs south of the border, and that Canada was losing its ability to manage its economic affairs because major business decisions were being made in New York, Chicago or Houston instead of in Toronto, Montreal or Vancouver.

With these alarming ideas, the nationalists were able to raise considerable public concern, and to exert pressure upon politicians. It is apparent now, however, that their fears were misplaced or at least exaggerated. The proportion of the Canadian economy under foreign control peaked in the mid-1970s and has been declining ever since. "Deindustrialization," which is a shorthand term for the very real problems of the manufacturing industries, turned out not to be a plot by US multinationals against Canada, but the result of an international trend to shift production of standard goods from high-cost plants in the affluent democracies to lower-cost plants in Japan and in developing countries just entering the industrial age. This new division of international labor has proved to be just as much of a problem for the United States, which has relatively little foreign investment, as it has for Canada. As for the worries about the nationality of corporate control, they receded into the background as the 1970s continued and it became apparent that the great problems of inflation and recession affected all the developed countries without regard for who owned what in the corporate world. None of this is to say that foreign ownership and control did not present real problems. They did, and in some sectors problems still remain. Canada still has to make difficult adjustments to a changing world economy and to changing concepts of sovereignty. The criticism is that the economic nationalists tended to misunderstand the problems and to promote the wrong solutions.

Coalition of nationalists

One of the reasons that the economic nationalists were able to lead public opinion so effectively was that they were allied with cultural nationalists, particularly those in publishing and broadcasting. These artists and entrepreneurs — writers, editors, publishers, radio and TV performers and station owners — were concerned for two reasons by the competition from US books, magazines, TV programs, films and other products. First, they feared that the US imports would overwhelm the Canadian identity they were seeking to define and express in their work. Second, they felt their careers and business enterprises threatened by US products that were in effect dumped in Canada at low prices. For example, the popularity of US magazines produced at huge expense for the vast US market and then shipped into Canada made it hard if not impossible for a Canadian magazine to compete for general readership. The appeal of US television stars and the resources lavished on production made life tough for Canadian producers working in a smaller market. The waves of paperback books pouring into Canada crowded out the efforts of Canadian writers and publishers. And Canadian academics trying to develop Canadian studies in schools and universities often resented the influence of US textbooks and of US academics teaching in Canada.

Fearful for Canadian culture and for their place in it, these nationalists tended to make common cause with the economic nationalists, adopting, popularizing and distributing the often technical arguments against foreign investment and control. Few of the cultural nationalists, however, were prepared to urge a ban on the importation of US cultural products in the way that economic nationalists were urging a ban on investment, because it would have been seen as an unacceptable interference with the free flow of ideas — censorship, in fact. There was also the awkward fact that the Canadian public enjoyed US products and would have objected strongly to any attempt to forbid access to their favorite magazines, television programs and films.

And so the cultural nationalists in the main were content to ask the federal and provincial governments to give them the resources with which to compete with US products. The requests were not unreasonable because the Canadians clearly were faced with unfair competition from the United States, and the governments responded with a variety of grants, subsidies and tax advantages. The result was a boom in the Canadian cultural industries without any serious interference with the flow of information and entertainment from the United States. Canadian literature flourished as publishers, old and new, sought out and promoted promising writers. New magazines appeared and some survived. The number of theatrical companies multiplied, as did the production of Canadian films. New radio and television stations appeared and regulations ensured that they broadcast a quota of Canadian material. This was all splendid in terms of cultural activity and employment in Canada, but it would be hard to argue that the Canadian culture is now better defined or the identity now more secure. Canadian consumers obviously enjoy much of the new production, but they continue to be avid consumers of US cultural products.

US nationalism

While these streams of Canadian nationalism deeply influenced public opinion and eventually the Liberal government, the decisive pressure for action probably came from an outbreak of US nationalism. Without warning or consultation, the Nixon administration announced in 1971 a new economic policy intended to strengthen the US trading and payments position at the expense of its major competitors. Included in the policy was a 10 percent surcharge on imports entering the United States, with the intention of discouraging Americans from buying foreign goods. As Canada depended heavily on exporting its products to the United States, this threatened to be a serious blow. In the past US governments had usually recognized Canada's special economic relationship and had made provision for Canadian interests. But now the Nixon government refused any concessions. This came as a great shock to the Canadian government which soon concluded that it had to reexamine the whole question of Canadian dependence on US markets. The view that Nixon was seeking a fundamental change in the relationship was confirmed the following year when the President visited Ottawa and in an address to Parliament applied what he called the "Nixon Doctrine" to Canada:

The doctrine rests on the premise that mature partners must have autonomous independent policies; each nation must define the nature of its interests; each nation must decide the requirements of its own security; each nation must determine the path of its own progress . . . It is time for Canadians and Americans to move beyond the sentimental rhetoric of the past. It is time for us to recognize that we have very separate identities; that we have significant differences; and that nobody's interests are furthered when these realities are obscured.

While this was presented as new policy, it was in fact the reassertion of a very old idea — that the United States, Canada and other countries should act as independent powers. It was an attempt therefore to deny the reality that the democracies were becoming more interdependent, and for this reason it was generally welcomed by Canadian nationalists. The Canadian government, shaken by Nixon's economic policies and seeking a strategy that would reduce Canada's vulnerability in future, saw in Nixon's statement the assurance that the United States would not object if Canada adopted a more nationalist and independent position. Hence the Third Option, but what could not be foreseen, of course, was that Nixon would soon be gone from office in disgrace and that the worldview of the United States would change.

In summary, when Sharp acknowledged in his article that the Third Option was a response both to rising Canadian concern about the relationship with the United States — that is, to concern fostered by nationalists — and to Nixon's policies, he was referring to forces that were seeking to preserve the past rather than to shape the future, to ideas that were already out of date and certain to fail in the test.

Failure of the Strategy

"The basic aim of the third option," wrote Sharp, "would be, over time, to lessen the vulnerability of the Canadian economy to external factors, including, in particular, the impact of the United States and, in the process, to strengthen our capacity to advance basic Canadian goals and develop a more confident sense of Canadian identity."

This was to be achieved by means of a "deliberate, comprehensive and long-term strategy" for the economy, and by encouraging the cultural industries. The economic strategy, in essence, was to diversify Canadian trade so that there would be less dependence on the US market, and to assist the specialization and rationalization of production and the emergence of strong, Canadian-led firms. The government followed this general prescription through the 1970s and into the 1980s, although not always in a coherent way or with the sensitivity to US interests that Sharp implied would be necessary. Trade with Japan, West Germany and other important markets was promoted with some success. To stimulate Canadian business enterprise, the government created crown-owned companies such as the Canada Development Corporation and Petro-Canada, offered tax incentives to private investors, and favored Canadian over foreign companies in the National Energy Policy. Although FIRA was not specifically designed to assist Canadian business by discouraging foreign competitors, it may have had that effect. From time to time, the government made efforts to develop an industrial strategy, but it ran afoul of business, labor, the provinces or economic conditions, or a combination of all of those forces, and made little progress. In the area of culture, the government used tax measures to divert advertising revenues from US magazines and border television stations to Canadian enterprises; supported book publishers and film makers; financed Canadian studies abroad; and tried generally to encourage the development of a Canadian identity.

So why were the results of the strategy so very different from those predicted by Sharp? One answer, as we have seen, is that it was based on out-of-date ideas about the world. Another is that Sharp and his advisers entirely misread the future. They were wrong in almost all their assumptions about the shape of things to come.

The economic outlook

As Sharp saw it:

The present may be an auspicious time for embarking on this option. Our trading position is strong. We are regarded as a stable and affluent country with a significant market and much to offer our global customers in the way of resources and other products. Our balance of payments has been improving in relative terms. We are no longer as dependent on large capital inflows as we once were.

Within a year, Canada was entering the era of the energy crisis, rapid inflation followed by recession, the threat of Quebec separatism and of western alienation. The economy weakened, the standard of affluence fell in rela-

tion to other countries, Canada was forced to borrow heavily abroad and the dollar dropped in value. In the eyes of much of the world, Canada went from being a stable, well-governed and prosperous country to a country that was badly managed, economically backward and so divided that it might not survive as a single state.

Government, business, labor

In prescribing in very general terms a national industrial strategy implicit in the Third Option, Sharp acknowledged that:

The close co-operation of government, business and labor would be essential . . . It is not expected that the pursuit of this particular option will radically alter the relation between Government and the business community, even if the Government were to concern itself more closely with the direction in which the economy was evolving.

In fact, there was little or no cooperation among government, business and labor on economic problems in the 1970s, and certainly no consensus on an industrial strategy. Business was generally suspicious of any attempt by government to direct the economy and opposed to nationalist measures. Labor at least claimed to favor more government planning and more nationalist policies, although it was always reluctant to cooperate with government. The government, for its part, could not articulate a strategy acceptable to either business or labor. For this among other reasons, relations between the government and the business community declined through the 1970s. By the end of the decade, the leaders of organized labor could hardly bring themselves to speak to the Prime Minister.

The provinces

Sharp recognized also that the Third Option strategy would require the cooperation of the provinces, but he saw no long-term difficulties in that:

It is true that in the diverse circumstances that are bound to prevail in a country like Canada, the task of aggregating the national interest is not always easy. There may be problems, therefore, in achieving the kind of broad consensus on objectives, priorities and instrumentalities on which the successful pursuit of anything on the lines of the present option is likely to hinge. Part of the problem may derive from a divergent assessment of short-term interests. In terms of longer-range goals, it is much less apparent why federal and provincial interests should not be largely compatible or why the elaboration of this option should not enhance and enlarge the opportunities for cooperation with the provinces.

Most of the provinces, however, thought otherwise. They were suspicious of all federal attempts to direct the economy, resentful of any industrial policies that might encroach on their jurisdiction over natural resources, and inclined more toward free markets than to government planning. These basic disagreements with the policies implicit in the Third Option contributed to the deterioration of federal-provincial relations in the 1970s.

US reaction

Sharp saw that the reaction of the United States to the Third Option might be crucial, and he weighed the pros and cons, noting that "Much would depend on what policy instruments were selected in support of this option and how we deployed them." But he concluded:

On any reasonable assumptions, however, such impact as the option may unavoidably have on US interests would be cushioned by the time-frame over which it is being projected and should be relatively easy to absorb in a period of general growth and prosperity.

Sharp pointed out also that the Canadian strategy would not be inconsistent with the Nixon Doctrine that no self-respecting country should always be economically dependent on another.

As events turned out, the years following were not those of growth and prosperity to offset for Americans the impact of Canadian policies, but years of stagflation that irritated every difference. And Nixon was succeeded by Presidents Ford, Carter and Reagan, all of whom sought closer and more cooperative relations with Canada. The Canadian government, however, persisted in policies intended to promote greater independence. In the end, increasing friction and confrontation led to a crisis of sorts in 1981.

As the circumstances were so completely at odds with Sharp's expectations, it is not surprising that his strategy utterly failed to achieve his objectives. Trade with the United States continued to grow so that there was no significant diversification; the United States continued to absorb about 70 percent of Canada's exports. US ownership and control in the Canadian private sector declined, but Canadian corporations (including some of those established for nationalist reason by the government) rushed to invest in the United States, creating new linkages and business attitudes. It cannot be said, therefore, that Canada is any less vulnerable, any more independent of the US economy. Indeed, taking into account the deterioration in relations between the governments in 1981 and the inclination in Washington to respond to nationalist policies in Canada with counter-measures, Canada became more vulnerable than before. Relations improved after 1981, and are better now under the Conservative government than under the Liberals, but the vulnerability remains. The capacity to advance basic Canadian goals is certainly no stronger, and the goals themselves remain to be defined. Nor is there a more confident sense of identity; in fact, the economic failures of the past dozen years have tended to undermine national confidence. The Third Option, therefore, has contributed to a worsening of relations between government and business and labor, a worsening of federal-provincial relations, and a worsening of relations with the United States — with little if anything to put on the positive side of the account.

World wouldn't hold still

It would be unfair, however, to place the blame for the entire misadventure on Sharp. While the Third Option was not presented as a statement of official government policy, Sharp was certainly not simply speaking for himself. Indeed, in his foreword, he acknowledged "the advice and assistance of my colleagues in the Government." He could

not foresee in 1972 that the energy crisis was about to bring fundamental changes in the world economy, or that inflation was getting out of hand, or that the worst recession in half a century was looming ahead. Further, Sharp retired from the government in 1978 and bears no responsibility for implementing the strategy beyond that time.

The Liberal government, however, did persist with the strategy in the changing circumstances, and thereby made it more difficult to cope with the harsh economic realities of the times. The goals of the National Energy Policy (NEP) introduced in 1980, for example, were not unreasonable, but the timing and the nature of the policies contributed to the flight of capital, the embitterment of opinion in western provinces toward the national government, and the postponement of major energy projects. FIRA and the proposal to extend its powers discouraged foreign investors. It managed even to upset some Canadian businessmen who, for a variety of reasons, were concluding that the climate for enterprise and investment was better in the United States. The outflow of capital drove down the value of the Canadian dollar, forced up prices and interest rates and contributed to the recession.

Pressure from the United States, criticism within Canada and the economic circumstances combined in 1981 to force the government to withdraw the plan to strengthen FIRA and to modify NDP. So from these measures flowing from the Third Option, the gain was little, the loss was great. And the reason fundamentally was that the government was seeking to drive Canada in the wrong direction.

The Real World

The direction of the developed countries in the past decade has been toward the recognition of their economic interdependence and of the need, consequently, to cooperate in the management of the increasingly complex international system. It is a fact also, although not so widely acknowledged, that the democracies have been losing their national identities and coming instead to share a common popular culture. The major cause of this trend toward the integration of societies has been the new technologies of transportation and communication which have shrunk the world and made all countries neighbors. Where democracy prevails and the power of governments to intervene is limited, people, ideas, goods and capital can move swiftly from country to country, continent to continent. Major corporations now organize their business on a continental or even global scale, introducing a new international division of labor. Television joins all the democracies to a vast network of information and entertainment programming, with the rest of the world looking in when it can. Governments recognize that they cannot individually solve the problems of inflation, recession and pollution, and so they seek new ways to cooperate without surrendering their freedom of national action.

On another level of experience, masses of people suffering economic hardship or political oppression at home

have become aware that a better life may be available in the affluent democracies. Pressing against every border, millions have been admitted as immigrants or refugees, or have slipped illegally through the controls. This floodtide of people, coupled with extensive migration among the affluent countries, has changed the appearance and the way of life of many of the great cities in the democracies. The cities are becoming multinational rather than national in character, home not to one nation but to people of many races, colors, languages and cultures.

Your state or mine?

During the 1970s new challenges were posed to the notion that national borders corresponded to distinctive social systems rooted in national cultures. In particular, it became increasingly difficult to sustain the conventional idea that national borders defined independent economies. That is not to say that nation-states withered away. They remained the principal units of political, economic and social organization, and an important source of identity for their citizens. But the democratic societies became increasingly alike and national governments were forced to modify their concepts of sovereignty in face of the reality of interdependence. In his 1972 article, Sharp had glimpsed this future:

The whole conception of distinctness is, of course, changing. There are challenges facing modern society that transcend national boundaries. There are areas of economic activity that can no longer be performed efficiently except on a scale that exceeds national dimensions. There is a whole host of linkages that lend cumulative substance to the reality of interdependence. This is a global trend from which Canada can neither claim nor expect to be exempt.

He argued, however, that Canada was already so closely linked to the United States that further integration would be a threat to its identity, and he wrote:

The third option — a comprehensive strategy to strengthen the Canadian economy and other aspects of our national life — assumes that the continental tide can be stemmed and to some extent contained within bounds that approximate more closely the wider, global thrust of interdependence.

This seemed to say that the strategy was not really expected to reverse the trend toward integration, but merely to slow it until the rest of the world could catch up. So perhaps there was always an ambiguity, or even a contradiction, at the heart of the Third Option. On the one hand it promised to set a direction for Canada away from further integration with the United States, while on the other hand it implied that the long-term trend would be toward integration at a pace in step with the world.

Events, however, overtook any confusion that might have existed in the minds of Sharp and his colleagues. The pace of the international trend toward interdependence and integration accelerated, and so also did the pace of the integration of Canada and the United States. But the trend was not without resistance. Great movements in affairs always produce counter-movements, and there were in most countries significant forces seeking to protect what

they regarded as national interests by raising barriers against foreign goods, services and ideas. National governments were at times forced by political pressure to yield to protectionists, often against their better judgment. There remains a real danger that if recession and unemployment persist, the international order struggling to be born will be aborted by an old-fashioned trade war.

Painful adjustment

Nowhere have the pressures toward interdependence and integration on one hand and the backlash against them on the other been more apparent than in the Canada-US relationship. As there have been no substantial barriers to the flow across the border of capital, ideas and entertainment, the technologies of high speed travel and instant communications have had free rein. The two countries have been drawn into an ever closer and more complex relationship, and at the same time have been trying to adjust to structural changes in their economies as they move into a post-industrial era — that is to say, as they move from the production of industrial goods to the production of knowledge and services. In response, nationalist and protectionist pressures have appeared in both countries to resist integration itself, or at least the terms of the deal. But the process of integration has continued, in defiance of the Third Option and of US threats of reprisal against Third Option policies.

Trade between the two countries has continued to grow so that Canada has not been able to reduce its dependence on the US market. And while the flow of capital into Canada for direct investment declined, the flow of Canadian capital into the US for business investment accelerated, for three main reasons.

First, Canadian corporations growing to maturity in their own small national market look for new opportunities and find them in the United States. To cite one highly visible example, real estate companies, having developed city centres, suburbs and shopping plazas in every major city in Canada, have turned for new business to the great cities and the fast-growing sunbelt region of the United States. Second, manufacturing companies recognize that they need markets larger than those in Canada if they are to become big enough to compete with foreign countries. For example, Northern Telecom realized that it could not generate in the Canadian market enough revenues to support the research and development programs it would need to remain competitive with foreign companies. The best way to grow for many Canadian corporations is to create a subsidiary in the United States. Third, intervention in the economy by federal and provincial governments has persuaded some Canadian entrepreneurs that the climate for business and the rate of return on investment is better in the United States.

The significance of this interest in the US market is that Canadian corporations have been becoming continental, or even international, in their outlook. Canadian entrepreneurs view the United States not as a remote and difficult environment, but as a market only an hour or so away by jet in which they can do business as easily as at home, or even more easily. If taxes become too high in Canada, or regulations too oppressive, they turn their energies to the United States where the business culture

and for the most part, the language, is almost identical with their own.

While private capital for business investment was flowing from Canada to the United States, Canadian governments and other public authorities were borrowing heavily in the United States to finance new developments and growing debts. And so, during the decade, the total of private and public capital investment across the border rose substantially and created new economic links. This meant that with the change in the international monetary system and the rapid fluctuation in the value of currencies, the value of the Canadian dollar was fixed even more obviously than in earlier times by markets in New York. To maintain the value of the dollar, or to manage the movement of the value up or down as markets dictated, the Canadian government has little option but to keep interest rates in Canada roughly in step with those abroad.

The agony of interdependence

The growing realization in all the democracies that their economies were interdependent has brought about a change in the nature of relations between countries. As the 1981 report of a colloquium organized by the Royal Commission on Conditions of Foreign Service² put it:

Two closely related developments in the scope and content of international relations are the growing importance of the economic component of relations between nations and the increasing interdependence of national economies. Economic interdependence means that traditional adversary-style relationships are no longer tenable. The contagious nature of economic diseases is perhaps one of the most significant postwar developments in terms of its effects on relations between nations.

In other words, national governments have come to understand that they cannot export their economic problems. In the long term, one country cannot continue to be prosperous if its trading partners are suffering hard times. Inflation spreads rapidly from one country to another. Capital flows to the country where the rate of interest or the prospect of profit is highest. To solve their problems, countries have to coordinate their national policies, and that limits freedom of action.

The Royal Commission report noted also that "an increasing proportion of Canada's international relations is conducted by the business community." This is particularly true in relation to the United States where most of Canada's foreign business is done. Somewhat the same point was made in an article discussing Canada's relationship with the United States by Allan Gotlieb, then Under-Secretary of State for External Affairs, and Jeremy Kinsman, then Chairman of the Policy Planning Secretariat at the External Affairs department, published in 1981: "The economic dynamics are those of the private sector and they are the bases of the relationship. Much of the substance of economic cooperation and interchange between private sectors takes place on its own terms."³ But as we have seen, the Canadian private sector has become increasingly continental in outlook, in contradiction of the Third Option strategy.

And structural changes too

On another economic front, Canada has been trying to grapple with structural changes in the world economy. With commendable foresight, the Economic Council of Canada had warned in 1975 that a new division of international labor was occurring and that Canada would have to shift from industrial to post-industrial production:⁴

Business enterprises in the future will be increasingly research oriented and the most advanced countries will tend to develop and export technological know-how, follow-up services, and a variety of other intangible products in which the principal ingredient is intellectual capital.

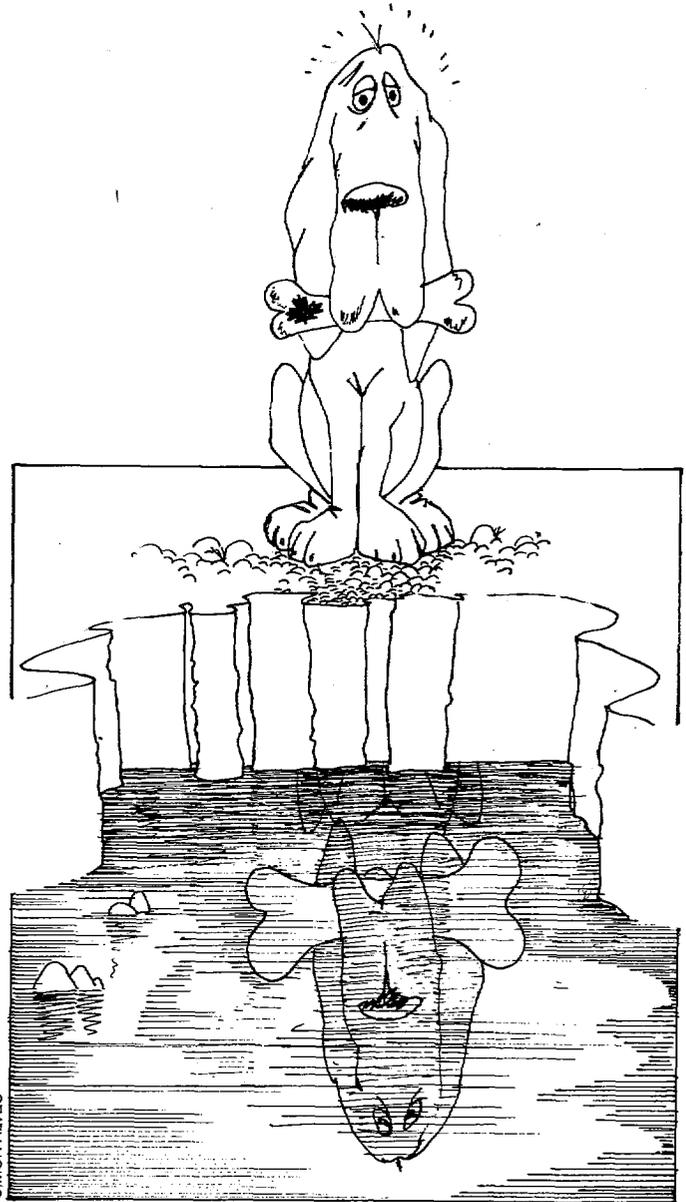
But because the Council recommended free trade as the best way to drive the Canadian economy through this difficult transition, its report was attacked by nationalists and ignored by the government. Nevertheless, the structural changes predicted by the Council were happening, not only in Canada but also in the United States, Europe and even Japan.

Developing countries such as South Korea, Hong Kong, Brazil and many others began to emerge as industrial economies with new factories and cheaper labor able to produce a huge range of products at costs far below those in Canada and the other affluent democracies. By the 1980s, the decline of the old industrial sectors in Canada and the United States had become apparent to all. There was an urgent need to phase out the sectors beyond recovery, to modernize others, and to enter the international race to build new industries based on scientific research and the development of new technologies. With a small home market and a relatively inefficient industrial base, Canada's ability to make this jump was in doubt. The best hope, said the Standing Senate Committee on Foreign Affairs, in Ottawa, after a seven-year study,⁵ was in free trade with the United States. Again, the proposal was attacked by nationalists and ignored by the government. It was not as if the government, or indeed the nationalists, had a real alternative strategy to offer. There was no agreement on what form an alternative industrial strategy might take, and therefore no effective action.

Energy policy

There was, however, a strategy of sorts for the energy sector. It was nationalist in character but came about more by political accident than by long-term design. With the rapid rise of oil prices in the 1970s, the Liberal government had become concerned about the fact that the industry in Canada was dominated by multinationals. It appeared that their enormous profits derived from soaring prices might be used to buy up Canadian-owned sectors of the economy, or siphoned out of Canada. The government's first step, in 1975, was to create a publicly-owned corporation, Petro-Canada, to compete with the foreign corporations and to provide an inside view of the industry. While popular with the public, the government's initiative disturbed much of the business community which saw it as a step toward nationalization, and the Progressive Conservative party thought it worthwhile to promise that if elected to office it would privatize Petro-Canada — that was, to sell it to private interests. The PCs were willing also to consider free

trade with the United States, and there was talk in the party even of a full-fledged common market. But when the PCs actually won the election in 1979 and formed a government, the situation quickly changed. Prime Minister Joe Clark found that Petro-Canada was too popular to be privatized, and there was little response to his call for a national debate



SIMON ALVES

on the possibilities of free trade. The Canadian public, after all, had been exposed for years to nationalist attacks on foreign ownership and on the concept of free trade, with very little argument on the other side of the issue. And the multinational oil companies were everybody's favorite villains.

The Liberals, meanwhile, were beginning to look for new policies with which to appeal to the public, and as usual in such circumstances they were swayed by the energetic, enthusiastic, left-of-centre nationalists in the party leadership. In the normal course of politics, Liberal policies would have been exposed to considerable debate be-

fore being adopted by the national party and put before the public. Nationalist policies might well have been modified, or even rejected in favor of free trade, as they had been, for example, at the national party conference in 1966. But in 1979, the Conservative government blundered into an election when the Liberals were only at the beginning of their policy-making process. Trudeau needed policies at once on which to fight the 1980 election, and he took the only ones available — the mildly nationalist proposals then on the table. These included plans to strengthen FIRA so that it could begin to investigate the performance of foreign corporations already established in Canada, and to empower it to assist Canadians seeking to compete with foreigners who applied to invest in Canada. Equally important, the Liberals promised a National Energy Policy that would not only keep down the price of oil and gas, but also reduce the level of foreign ownership in the industry to not more than 50 percent by 1990. There were suggestions also that NEP would be the first stage of a more general industrial strategy for Canada. Both the FIRA and NEP schemes, in essence, were proposals to discriminate against foreign ownership in Canada with the intention of increasing Canadian ownership and control.

New energy policy

It is questionable whether the Liberal platform had a significant influence on the outcome of the election. The opinion polls suggested that the Conservatives were behind the Liberals from the start of the 1980 campaign and long before the Liberals announced their program. The public appears to have voted *against* the Conservatives rather than *for* the Liberals. However, the new Liberal government was entitled to claim a mandate for its policies, and it moved swiftly in October 1980 to implement the NEP. There was no attempt to consult or even to advise the US government although there were large US business interests at stake. Indeed it seems that the Energy department in drafting the program did not bother even to inform the External Affairs department, which might at least have been able to warn of the likely US reaction. There was much support in Canada for NEP, not only from traditional nationalists and from the public opinion conditioned to dislike foreign investment, particularly oil companies, but also from a new breed of nationalists. These were businessmen, mainly in the energy industry, who saw an opportunity to enlarge their own Canadian companies at the expense of foreign competitors, with the assistance of the federal government.

There were also of course many critics of NEP and FIRA. Businessmen feared more government intervention in the economy, and disliked in particular the plan to enlarge Petro-Canada by nationalizing foreign-owned oil companies. The governments of the oil producing provinces, led by Alberta, saw NEP as a dangerous encroachment by the federal government on provincial control of resources, and as an attempt to divert into the federal treasury an unfair share of revenues from the oil and gas industry.

In the United States, Ronald Reagan won the presidential election only a few days after the NEP had been announced in Ottawa. The government he formed was both more nationalist and more ideological than had been usual in Washington. It was nationalist in the sense that it

intended to reassert US authority in the world by a show of strength and will, and it was ideological in the sense that it wanted to replace liberal with neo-conservative policies and so reduce the role of government in US society. Translated into foreign economic policy, that meant that the conservative ideologues manning the new administration would push for free trade, free movement of capital, and the maximum freedom abroad for US business. The Reagan people, many of whom lacked experience in government and knew little about the US-Canada relationship, soon discovered that the US's principal trading partner and ally, Canada, was moving in the opposite ideological direction. FIRA and NEP were protectionist, discriminatory and offensive to US investors who made their displeasure known in Washington. The new US government protested to Canada about some aspects of FIRA and NEP and an angry squabble ensued, sometimes breaking out of the channels of Quiet Diplomacy and into public view.

Jumpy capital

The US businessmen complained about Canadian policies not only to the Reagan administration but also to Congress, where the members were already hearing complaints from constituents about Canadian capital flowing into the United States and buying up US corporations. Paradoxically, the NEP intensified this situation because Canadian businessmen who were alarmed by the interventionist policies of the Canadian government decided that the United States might be a safer place for their capital. Thus the NEP not only drove US capital out of Canada, but also frightened some Canadian capital which then sought opportunities in the United States. Some members of Congress reacted rather like nationalists in Canada, objecting in principle to Canadian control of US corporations, and suggesting that a US version of FIRA to screen Canadian and other foreign investment would be a good idea. Others argued that as the Canadian government was interfering with US investment in Canada, the US government should reciprocate by interfering with Canadian investment in the United States. A variety of measures intended to punish Canada were introduced in the Congress, and although few had any real chance of becoming law, they further poisoned the atmosphere of the relationship.

To conciliate the United States, the Canadian government agreed not to proceed with the plan to broaden the scope of FIRA. Indeed, it went beyond that to promise that existing procedures for screening investment would be made less onerous for US and other foreign businessmen. The government also modified some aspects of the NEP, and announced that it had no intention of introducing similar strategies for other sectors of the economy. These were certainly concessions to the United States, but they were not quite the abject surrender to pressure that some commentators have suggested. As we have seen, the nationalist policies had been hastily adopted for the 1980 election and were not overwhelmingly popular with the full Liberal Cabinet. As the economic crisis deepened in 1981 and 1982, and as opposition to the government grew in Canada, there was little stomach for new adventures in economic nationalism, or for new battles with the provinces and the business community at home and the

United States abroad. The left-of-centre and nationalist wing of the party lost influence, the right-of-centre and business-oriented wing gained the ascendancy in the Cabinet.

The NEP had been based on the idea that energy prices would continue to climb through this century as world oil resources declined. However, international oil prices instead began to fall, forcing a reconsideration of the NEP. The development of high-cost Canadian oil resources in the Arctic, the tar sands and the coastal waters now looked less attractive than it had a few years ago. Major projects have been postponed, and some of the Canadian companies on which the government was relying to compete with the multinationals are in financial difficulties. So in the end the NEP may prove to have been hardly worth the trouble it caused with the United States. Canada could perhaps have served its interests better simply by regulating more closely the activities of foreign-owned oil companies, taxing their profits more heavily, and expanding the role of Petro-Canada.

Together again

However that may turn out to be, both the Canadian and US governments had obviously decided by 1982 that it was time to end the "crisis" in the relationship and restore things to a more normal footing. Both let it be known that they were turning from public confrontation to quiet diplomacy, and it was said that new ministers in Ottawa and Washington had established warmer personal relations. That did not of course mean that all problems had been solved, or even that they were considered solvable, but only that the two governments would try in future to discuss their differences in a spirit of friendship and cooperation. Some anger toward Canada remained in the Congress, and there was still antagonistic legislation on the agenda, but US political attention turned toward more pressing domestic and international issues. The major question arising from the conflicts of 1981 was whether they were temporary flare-ups quickly doused, or whether they were symptomatic of a widening gulf between the two countries.

Stephen Clarkson, in his book *Canada and the Reagan Challenge*,⁶ was the most persuasive of the commentators arguing that 1981 had in fact been a turning point in the relationship demonstrating that the two countries were on diverging national courses. Clarkson saw the United States as committed to neo-conservative policies at home and abroad and determined to keep Canada in its place as an obedient junior neighbor, while Canada was committed to interventionist policies at home with the intention of reducing dependence on the United States. But it is now apparent that neither country is going in the direction Clarkson expected. The Reagan government is becoming less ideological and more pragmatic in its domestic policies and certainly in its relations with Canada. In Canada, the Liberal government has been replaced by a Conservative government which eschews both economic nationalism and intervention in the market.

As already noted, the election of the Liberal government in 1980 with its mildly nationalist and interventionist policies was more of a political accident than a reflection of public opinion, and over the longer term Canadian opinion has appeared to be moving to the right — that is to say,

toward a lesser role for government in the economy. It is not hard to argue now that Canada and the United States are on converging rather than diverging courses. To put it another way, the crisis of 1981 was probably an aberration and not the evidence of a long-term trend: two nationalisms clashed, to the alarm of both governments, which quickly modified their positions and returned to the task of managing their economic interdependence and integration. It would be quite wrong to assume, however, that there will not be serious disputes and fierce rows in future. The closer the relationship, the more interests are likely to be in conflict and the more bilateral disputes there will be. Rows are not evidence that the relationship is in trouble; they are evidence merely that there are a great many issues to be negotiated and, where possible, settled, in a dignified way. One quarrels, after all, not with strangers but with family and friends.

The growth of the Canadian cultural industries in the 1960s and 1970s has already been noted and the point made that this did not significantly reduce the exposure of Canadians to US ideas. In fact, the spread of cable-TV systems and the availability of the US Public Broadcasting System increased the exposure of Canadians to US television so that, by 1983, foreign, mostly US, programs attracted 85 percent of viewing in the peak evening hours on the English-language networks. The introduction of pay-TV and the decision to allow Canadians to receive foreign programs directly from satellites seemed likely to make even more US programming available. The increase in the number of movie houses improved access to US and other foreign films, and US magazines remained highly popular. Toronto and Montreal joined the US baseball leagues, and hockey was established as a continental sport. It is hard to measure the impact of such communications, but it is reasonable to assume that people sharing the same entertainments will come to share many of the same values and concerns, and that these will find their way onto the political agenda in both countries.

Growing alike

It is probably no coincidence that in recent years Canadians have been abandoning their own political culture and adopting the US model, without realizing what they are doing, and often with the encouragement of nationalists who might have been expected to defend traditional Canadian ideas and institutions. As that may seem a surprising assertion, it should be briefly explained. The United States grew out of a revolution against established authority, and its political system sought to guarantee the rights of the individual by limiting the power of authority, the state. The Bill of Rights prescribed areas in which government might not legislate, and the division of powers among the executive, legislative and judicial branches was intended to ensure there would be no abuse of the state's authority. In contrast, Canada was created by the established authority, the British Parliament, and its system, although designed by Canadians, naturally reflected this fact. Respect for authority and the supremacy of Parliament have been the central principles of the culture. While Americans were expected to be wary of the power of the state and to rely on private initiative, Canadians were expected to see government as the agency through which

they could best express the public will, curb private power, and advance the general welfare. It is a reasonable generalization to say the the US political culture was rooted in "liberal" values, the Canadian in "conservative" values.

But over the past dozen years, Canadian interests have changed. It is thought desirable now to have a Charter of Rights and Freedoms to protect the people from the abuse of power by authority. Respect for Parliament has declined, and it is widely thought that the judiciary is a surer defender of the public. The system of cabinet government in which policy is made by ministers and reviewed by Parliament is no longer understood. The popular demand is that Parliament should be more like the US Congress, in which the members share with the President the responsibility for making policy. The news media in Canada now are less content to report the debate between government and opposition and instead offer their opinion on affairs. Taking their example from the US media, they seek to be the adversaries of the government which they hope to catch in every sort of wrongdoing so that Canadians will be properly alert to the failings of authority. These changes in the Canadian political culture may prove to be for better or for worse. The point is that the new values are unmistakably "liberal," and they bring Canadian ideas more into conformity with US ideas.

Where we are

In summary, the trend of economic and of cultural affairs through the 1970s was toward increasing integration of the Canadian and US societies. The flows across the border of trade, capital and ideas all expanded, despite the efforts of politicians. This reality was obscured from time to time by nationalist and protectionist backlashes in both countries, but the underlying trend was clear. The driving force was not a conspiracy by continentalists, or a lack of nationalist zeal on the part of Liberal governments, or treason in the business community. It was the new technologies that were eroding the national borders established in simpler times. The technologies created new opportunities to increase wealth or to enjoy a broader range of entertainment, and the private impulse to take advantage of those opportunities overrode the attempts of governments prompted by nationalists to protect sovereignty and identity.

We seem now to be in a new stage of accelerating technological change. Satellites and computers are again transforming the processes of communication without much regard for political boundaries. The means of production and distribution are changing, the international economy is being restructured. In the developed democracies, governments, business and perhaps labor are looking for a new relationship so that they can better manage what may be called post-industrial capitalism. And governments, recognizing the limits of national sovereignty, are attempting to discuss their differences and coordinate their policies in all sorts of international organizations. In such circumstances, it is a dangerous delusion to pretend that Canada can somehow disentangle itself from the United States, achieve greater economic independence and develop a distinctly different culture and way of life. Canadians have been trying to do that for a dozen years under the

banner of the Third Option, and the reality is that the country is worse off in every respect than when it began the attempt.

The Right Option

The Third Option strategy failed not merely to reduce the vulnerability of Canada to economic events in the United States; it left Canada more vulnerable at a time of particular danger. Canada continues to be heavily dependent on the US market for its exports, but it has endangered much of the goodwill it used to enjoy in Washington, at a time when Congress is discussing protectionist measures intended to protect US jobs against foreign competition.

Canada's nationalist policies and its claim to be a wholly independent country with values diverging from those of the United States did not go unheard in Washington. Americans who used to think of Canadians as close cousins are now more inclined to accept the Canadian claim to be quite a different breed. Canadian policies designed to discriminate against US investment have, not unnaturally, strengthened the idea that if circumstances demand, the US will be justified in discriminating against Canadian interests. In short, if economic problems persist and the United States attempts a protectionist policy, Canada will not automatically be granted an exemption, or even the courtesy of special consideration. Canada may well be treated as just another foreign competitor seeking access to the US market, and the US government, if it is willing to negotiate at all, will drive a hard bargain. That might be extremely damaging to Canada, even catastrophic.

Canada is the only major industrial country without guaranteed access to a market of over 100 million people, and so is more dependent than most countries on the goodwill of its trading partners for access to markets. Despite the Third Option policies, that still means access primarily to the US market, and any US measures that seriously interfere with Canadian exports quickly result in unemployment and falling living standards in Canada. The impact on national unity would be serious if the provinces or regions, in desperation, were tempted to try to make their own deals with the United States. Canada has of course some strength in economic negotiations with the United States: it is the largest market for US exports, an important source of raw materials, and is the depository of billions of dollars of US business investment. But the uncomfortable fact remains that the United States is more important to Canada than Canada is to the United States, and in a clash of economic nationalisms, there is not much doubt which country would suffer more.

Burying the Third Option

Apparently realizing the danger of the position, the Liberal government backed away from its more openly nationalist policies, modifying both FIRA and NEP. In addition, two of its senior diplomats and policy makers,

The events of August and September 1984

international canada

Bilateral Relations

| | |
|----------------------------------|---|
| U.S.A. | 2 |
| Other countries (alphabetically) | 7 |

Multilateral Relations

| | |
|------------------|----|
| Central America | 13 |
| EEC | 13 |
| Fisheries | 14 |
| IMF | 14 |
| NATO | 15 |
| Population Forum | 15 |
| United Nations | 15 |
| UNESCO | 16 |

Policy

| | |
|-------------|----|
| Cabinet | 17 |
| Defence | 17 |
| Disarmament | 18 |
| Finance | 19 |
| Foreign | 20 |
| Immigration | 20 |
| Trade | 21 |

| | |
|----------------|----|
| For the Record | 22 |
|----------------|----|

"International Canada" is a paid supplement to *International Perspectives* supplied by External Affairs Canada. Each supplement covers two months and provides a comprehensive summary of Canadian government statements and of political discussion on Canada's position in international affairs. It also records Canadian adherence to international agreements and participation in international programs. The text is prepared by *International Perspectives*.

Bilateral Relations

USA

Air Agreements

On August 21, then Minister for International Trade Francis Fox and US ambassador to Canada Paul Robinson Jr. signed two air transport agreements designed to facilitate air service between the two countries. One agreement established an experimental program at Mirabel Airport, permitting both Canadian and US carriers to develop "innovative pricing and service concepts" providing a greater number of options for transborder travel. The program is geared to an expected increase in passenger volume at Mirabel, and follows a significant growth in freight operations, according to an External Affairs communiqué August 21.

The second agreement was also intended to implement in a practical way the air transport liberalization policy announced by the Transport ministry in June 1984, stated Mr. Fox. This agreement simplifies the administrative process for "smaller" or "secondary" air carriers, both Canadian and US, flying transborder routes. This simplification procedure, it was hoped, would allow greater flexibility for expansion purposes.

Beirut Embassy Attack

External Affairs Minister Joe Clark delivered a message of condolence to the US through American Secretary of State George Shultz on September 20, following a terrorist attack on the American Embassy premises in Beirut, Lebanon, which claimed American lives. The Minister expressed in his text "deep shock" at the "brutal and senseless attack" against the compound, and extended to Mr. Shultz, to "the families of the victims, and to . . . colleagues in the foreign service" his "deepest sympathies." Mr. Clark noted the "often appalling risks to which their [foreign service personnel] commitment exposes them" (External Affairs communiqué, September 20).

Reagan-Mulroney Meeting

Immediately following the September 17 swearing in of Brian Mulroney as Prime Minister, the Reagan administration extended an invitation for a Washington meeting

on September 25. The invitation was viewed by the press as an attempt to solidify the relationship established between the two leaders earlier in the year on June 21, when Mr. Mulroney was still leader of the Opposition. White House spokesman Larry Speakes stated that the visit was an outgrowth of Mr. Mulroney's campaign call for "better ties with the United States, and more frequent meetings with the President" (*Globe and Mail*, September 19). Mr. Speakes indicated that the President would seek to secure from Mr. Mulroney his views on "East-West relations, Atlantic Alliance cohesion and arms control measures," all primarily global rather than specifically bilateral issues. The goal of the Mulroney presence was to re-establish the "special relationship," especially in the trade and investment sectors, that had existed between Canada and the US prior to controversies that had arisen in the early 1980s over nationalist measures in Canada.

Press reports had been quick to note, prior to the meeting of the two leaders, the closeness in world views expressed by both Prime Minister Mulroney and President Reagan. While Prime Minister Trudeau had several times disassociated himself and Canada from the US interpretation of the East-West situation, Mr. Mulroney had expressed stronger support for American policy. A cornerstone of his election campaign had been the refurbishment of the US-Canada "special relationship" of "mutual trust." In August, responding to the Canadian Centre for Arms Control and Disarmament, Mr. Mulroney had affirmed a belief in the desire of the US administration to achieve "nuclear arms agreements that will be credible and verifiable . . . I feel that present American foreign policy is based on a consistent, underlying principle: to obtain from the Soviets agreements that will produce a mutually acceptable code of international conduct." Mr. Mulroney had also expressed his intention to see Canada "pull its weight within the NATO alliance," welcome words for the Reagan administration (*The Citizen*, September 22, 25).

Out of the September 25 meeting emerged a decision to hold similar working meetings at least yearly, as well as to have Canadian Cabinet members meet with their US

counterparts. By all reports, the "chemistry" between the two leaders was good. At the same time, Prime Minister Mulroney in post-meeting remarks stressed that a pro-US stand meant in no way a subservience on the part of Canada but rather the maturity of an "excellent relationship" (*Globe and Mail*, September 26).

In his departure statement, Mr. Mulroney stated that there existed a "tremendous potential for improved cooperation and joint development" between Canada and the US. This would, said Mr. Mulroney, include a continued Canadian contribution of ideas toward the "common search for peace and security." Stressing that Canada would seek to renew the economy through the establishment of a "climate for vigorous economic growth," the Prime Minister called for an intensification of consultation between the two countries, "more coherence in the management of our relationship and more action on our shared priorities" (PMO press release, September 25). The statements indicated that the Conservative government would be welcoming foreign (US) investment capital, and this was further emphasized by the renaming of the Foreign Investment Review Agency (FIRA), "Investment Canada."

While the meeting revealed a Canadian willingness to accept increased US investment, it also showed that Canada would, in Mr. Mulroney's words, "open lines of communication with any country that would help us find peace." This "independent stance in foreign policy" would not, however, alter the "special relationship" or the desire for "prior consultation and frequent communications" (*The Citizen*, September 26).

Steel Imports

Canada remained determined during this two-month period to secure exemption for its steel exports from the possible imposition of US tariffs or quotas on imported steel, as recommended last July by the US International Trade Commission (ITC) (see "International Canada" for June and July 1984 — US — Steel Imports). Canada continued to press its case to head off the possibility that President Reagan would accept the ITC recommendations for the imposition of restrictions, by sending officials from the Department of External Affairs to Washington in mid-August for discussions with US counterparts in the Commerce Department and the office of the US Trade Representative. It was reported that while the Commerce Department favored an "orderly marketing arrangement" with selected countries offering a "threat" to the US industry (the solution most favored by the Canadian government and steel industry), the Trade Representative's office had advocated a combined global quota system coupled with orderly marketing arrangements (of voluntary limits) with countries not posing a significant threat (*Globe and Mail*, August 15).

While US officials expressed sympathy with Canadian concerns with regard to a possible exemption, they were unwilling in mid-August to commit themselves to such a suggestion for the President's consideration. The inter-agency group, headed by US Special Trade Representative William Brock, to whom Canada made the appeal, was "far from decided" whether to recommend acceptance, rejection or modification of the ITC proposal, the *Citizen*

reported August 18. A spokesperson for the Brock office indicated an "appreciation for Canada's situation," and expressed a realization that quotas "would be very disruptive" for the Canadian steel sector.

A backlash was reported in the Canadian arm (representing 150,000 members) of the United Steelworkers Union of America, when it became evident that the Union's US leadership had extended its support for the imposition of quotas against imported steel. Several Canadian locals, including Stelco Steel, had debated a resolution condemning the Union's stand on the issue, demanding that the Union "not pursue any policies that save the jobs of American members at the expense of Canadian members" (*Globe and Mail*, August 20).

Both then Prime Minister John Turner and then International Trade Minister Francis Fox issued statements on the matter. The Prime Minister wrote directly to President Reagan August 27 on the subject of steel and copper import restrictions, stressing the "unique nature of Canada-United States trade in these products." He continued that the threat of an implementation of import restrictions was "the most acute issue on the bilateral agenda," and added that Canadian suppliers had been both "responsible and responsive." Common interest would suggest an avoidance of "market distorting import measures," wrote the Prime Minister (PMO press release, August 30). Mr. Fox, following a meeting with William Brock, released a statement August 29 which underlined the government's "strong opposition" to restrictive measures. He had indicated to Mr. Brock the strong two-way trade between the US and Canada related to the steel industry as well as "future prospects." Mr. Fox emphasized at his meeting with Mr. Brock that Canada remained ready to enter consultations "with respect to any untoward rises in volume of imports of certain steel products with a view to understanding the underlying market forces and agreeing on appropriate remedial action if required" (External Affairs communiqué, August 29). However, Mr. Fox later told reporters that the possibility existed that Canada would retaliate with trade barriers against selected US products, should President Reagan's final decision go against Canada. The right to respond in such a manner to possible US restrictive measures was acknowledged by US officials to exist under the General Agreement on Tariffs and Trade (GATT) (*The Citizen*, August 30).

While US steel producers continued their own lobbying, pressing President Reagan to accept protectionist measures in the steel sector, there were indications in the press that the President favored a compromise plan whereby traditional trading partners (including Canada, Japan and the EEC) who had exhibited self-restraint and fair trading would not be penalized for the trading practices of other nations — those the ITC determined to be harming and disrupting the domestic steel industry (*The Citizen*, August 28).

In early September, a US coalition of retail, manufacturing, farming and consumer interests called on President Reagan to ignore demands for restrictions on offshore steel, citing the possibility of increased steel prices, "higher consumer prices and possible retaliation" (*The Citizen*, September 5). Layoffs in US industries relying on imported

steel and restricted access to foreign markets for US products were stressed by the group of organizations as sufficient reason to refuse an implementation of quotas.

Following an announcement by the Reagan administration that ITC recommendations had been rejected by the President, International Trade Minister James Kelleher issued a statement September 18 reflecting the Canadian government's attitude to the decision. Mr. Kelleher viewed the rejection as reflecting "a firm commitment to resist protectionist action" and as recognizing that "fair traders" such as Canada should not be penalized by global measures. He noted at the same time that a potential threat still remained from proposed US legislation that might restrict Canadian access to US steel markets (External Affairs communiqué, September 18). Consultations were held among the Minister, officials from the provinces, the Canadian steel industry, and union representatives, and in an External Affairs communiqué of September 26, Mr. Kelleher stated that the threat of restrictive action had been effectively removed. This followed meetings between Finance Minister Wilson and US Treasury Secretary Regan. Mr. Kelleher noted that the consultations between the various interested parties had determined a common objective: "to retain access to the US market and preserve jobs for Canadian steelworkers." At the same time, it was noted as a shared concern that Canada "not become a dumping ground for foreign steel or a diversion route for offshore steel destined for the US market."

Representatives from the Canadian steel industry expressed pleasure with President Reagan's decision to negotiate individual agreements with selected steel exporters (Canada not among them) to prevent "surges" in which exports have jumped "rapidly, excessively and unfairly," cut subsidizing and limit "predatory trade practices" (*Globe and Mail*, September 19). They welcomed the decision that would allow Canadian steel to enter the US unrestricted — a fair indication that the US administration recognized the "fair" trading practices of the Canadian industry. However, the steel community remained apprehensive about impending Congressional legislation on steel quotas (designed to limit the import ceiling to 15 percent) (*The Citizen*, September 19).

In making the US announcement, seen by many as a strong administration endorsement of free trade, William Brock indicated that the "surge" agreements (to be negotiated over the next ninety days) were intended to limit the import share of the market to 20 percent (now standing at 25 percent). He also described the original ITC recommendations as "not in the national interest" (*Globe and Mail*, September 19, 20). Credit for the Canadian exemption was given, for the most part, to the Canadian willingness to consult with the US, monitor exports, and cooperate in the lengthy lobbying effort that preceded the President's decision.

Copper Quotas

The copper exporting industry in Canada joined the steel industry in receiving from the Reagan administration a favorable decision with regard to the imposition of import quotas and tariff barriers. US copper producers (a coalition of eleven lodging the complaint) had appealed to the ITC

for relief from import penetration of the domestic copper market. The ITC had considered the case and then had forwarded to President Reagan a recommendation for the imposition of restrictive measures to protect mining employment in the US. The group of eleven producers appealing to the ITC had chiefly complained of the Chilean government-owned copper industry (claiming last year nearly 56 percent of the copper import market), and had requested a reduction in global percentile quotas. Canada, however, under the requested quota would actually have received a percentage higher than its recent export sales to the US, although the figures are expected to rise, according to the US Department of Commerce (*Globe and Mail*, September 8).

President Reagan, in his decision to reject the ITC recommendations and refuse to impose restrictive measures, reportedly felt that any such measures would raise prices and threaten more jobs in the industry than would be saved. The Canadian copper industry welcomed the decision, seeing a possible negative effect on copper pricing had the measures been instituted. Quotas, according to industry spokesmen, would also have dampened the prospect for reopening Canadian mines now inoperative, thus hampering the ability to cope with any future surge in US demand.

Garrison Diversion

Presidential commission hearings into the future of the Garrison Diversion Project in North Dakota, a project strongly objected to by the Canadian federal and Manitoba provincial governments, continued during September (see "International Perspectives" for June and July 1984 — US — Garrison Diversion). The commission has until the end of the year to reach a decision on whether to recommend alterations to the irrigation scheme (requiring a two-thirds majority). While North Dakotan government officials and farming representatives called for a continuation of the project as planned, a spokesman for the US conservation group the National Audubon Society, told the commission that the project would benefit less than 1 percent of the state's farms (*Globe and Mail*, September 11). The Society's spokesman, Nathaniel Reed, supported Canadian claims by stating that the plan "as authorized and designed" would violate the Canada-US Water Boundaries Treaty, and would destroy existing fauna patterns through "tremendous environmental damage." Mr. Reed suggested that the commission recommend a new project plan, "free of political direction and influence." He bolstered the Canadian argument against continuation of the diversion as it stands by saying that the US government agency (the Bureau of Reclamation) responsible for construction was "not being responsible to Canadians" in its suggestion that the project can be halted at various stages in future. Noting that no phase of the project could effectively stand alone "economically or functionally," Mr. Reed indicated that the agency's claims were merely an attempt to "avoid confronting Canadian concerns." While federal funding for the project has been frozen until such time as the commission formulates a decision, the Lonetree Reservoir section has now reached a completion stage of 10 percent.

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Speaking before the commission, Dennis Davis of Environment Canada said that "present technology" would not prevent a transfer of fish and pollutants from the Missouri River into Canadian territory (the Hudson Bay drainage system). He suggested the possibility of a water transfer through pipeline from the Missouri River to areas of North Dakota. The commission was also requested by Manitoba Agriculture Minister Bill Uruski to develop alternative plans and to consider the Garrison Diversion Unit a "dead plan." Both men appealed to the commission to avoid the possibility of a trans-border transfer of bacterium (*Globe and Mail*, September 12).

Dr. Roger D. Needham, professor of geography at the University of Ottawa, Ontario, conducted a research project in both Manitoba and the Dakotas earlier in 1984, and pointed out in a *Citizen* article of September 13 that the commission had a vast amount of evidence to examine in its brief four-and-a-half month period of investigation. He pointed out that while the creation of the commission in itself indicated a US recognition that "economic and environmental impacts [could] be severe and international in scope," it remained uncertain that a decision to discontinue construction could be reacted to with necessary speed. Dr. Needham questioned whether "the legislative and institutional means presently exist or have been considered to allow federal and state authorities to act immediately on alternatives that are technologically and spatially different from Garrison."

Codfish Exports

A US International Trade Commission report released September 11 revealed a majority decision that prices for dried, salted codfish exported from Canada to the US had been "continually lowered" in an action detrimental to US suppliers. The majority report also concluded that the Canadian Saltfish Corp. had unfairly gained access to financial information about Codfish Corp. of Puerto Rico through discontinued talks of a joint venture. The Puerto Rican concern brought the action against Canadian exporters to the ITC, claiming that since its incorporation in 1982 it had been hampered in its development by Canadian undercutting. Talks of a joint venture between the two companies, cut off by the Canadian firm when it deemed the proposal economically unfeasible, were viewed by the commission as indicative of a "suspicious" manoeuvre by Canadian Saltfish Corp. to gain advantage (*Globe and Mail*, September 13).

A minority report of one commission member held that suggestions that Canadian exporters were acting as a cartel to expel the US firm from the market were "inconsistent with uncontradicted evidence provided by the Canadians and developed by commission researchers." The lone dissenting member noted that Canadian prices had entered a decline prior to the US company's entry into the market, and were consistent with world prices. The case proceeded to the US Commerce Department for a December 26 decision on acceptance or rejection of the ITC finding.

Joint Defence Project Contract

On August 7, then International Trade Minister Francis Fox and then Defence Minister Jean-Jacques Blais an-

nounced the award of an \$85.8 million contract to Spar Aerospace of Toronto, Ontario. The contract, awarded by Canadian Commercial Corporation (CCC), provides for the development and supply of three naval Infra-Red Search and Target Designation (IRSTD) Systems in a joint Canada-US defence project. Funding came from both the US and Canada, proceeding under the Canada-US Defence Development Sharing Agreement. Mr. Fox noted at the time of the award that this was the largest contract to have been concluded under the Sharing Agreement. According to a CCC communiqué of August 7, the IRSTD systems (electro-optical) "offer 360-degree infra-red passive surveillance capability" for use in the detection of both airborne and surface features (including aircraft, missiles, ships, icebergs and coastlines). The systems act as a complement to radar in military applications.

Spar chairman Larry Clarke noted that the contract indicated a greater degree of involvement in defence for the company, and would involve "a critical mass of work." Spar became prime contractor on the project because of its previous work in the field of signal research and the use of computers in separating "clutter" from enemy objects, it was reported (*Globe and Mail*, *The Citizen*, August 8).

The IRSTD system, unlike radar, is electro-optical, "passive" and emits no signal and therefore cannot be detected or jammed electro-magnetically. It also provides improved navigational possibilities, according to Mr. Clarke. The project, to take approximately four-and-a-half years, calls for the production of two development models for the US Navy and one for Canada's Defence department.

Salmon Treaty Talks

Following the September 25 Reagan-Mulroney meeting in Washington, President Reagan informed Washington State Governor John Spellman that the suspended Canada-US west coast salmon treaty talks would be resumed. In a communication from the capital, the President told Governor Spellman that the fishing issue had been raised during the Presidential-Prime Ministerial discussion, and agreement had been reached for a resumption of negotiations. For over a decade, western states (including Alaska) have been attempting to resolve differences with Canada over fishing rights on the west coast through the formulation of a mutually-satisfactory salmon treaty. The problem of specifying the division of migratory flows has plagued negotiations in the past, as the two countries have sought to both protect salmon stocks and establish provisions for an equitable catch for both countries (*Globe and Mail*, September 27).

Governor Spellman had previously communicated with President Reagan his desire to speedily secure a treaty with Canada. He had stated that the election of a new government in Canada would be a particularly opportune moment for "new initiatives" in the search for a treaty — the treaty being of "paramount importance." In his communication, President Reagan had said that he shared with the Governor his sense of "urgency" in achieving a resolution with Canada, the *Globe and Mail* article continued.

Hydro Exports

On August 16, the National Energy Board (NEB) announced in Ottawa that three licences had been granted to the British Columbia Hydro and Power Authority for the export of electricity to selected western states. Time periods for the licences extended from four to six years, with several considerations being cited by the NEB as determining factors in establishing licensing lengths (NEB news release, August 16).

One licence provided for the export of "firm" power and energy (up to 2,000 MW and 6,000 GW.h per year) for a four-year period. While BC Hydro had requested a six-year term, the NEB determined that there existed a firm power and energy surplus to Canadian requirements for four years.

A second licence was for a six-year export of "interruptible" energy (not to exceed 15,000 GW.h per year) less any amount exported under the first licence. The NEB was satisfied that this amount would be surplus in the foreseeable term of the agreement.

Because simultaneous exports would not result in a net export, a third licence allows the export of up to 3,000 GW.h per year for "unscheduled circulating loop power and energy flows" occurring with interconnections with Washington state.

The NEB also established a requirement that all exporting licence allotments be subject to interception by BC and Alberta utilities on equal terms should need arise.

Postal Pact

Canada Post Corporation President R. Michael Warren and United States Postal Service Postmaster General William F. Bolger announced the signing of a comprehensive agreement between Canada and the US August 8. The agreement was designed to both improve transborder service and develop and expand the mail market. The two postal heads indicated that the new pact would, in effect, "evaporate the border" and make of North America "a single coordinated postal network. Revenues for Canada Post were also expected to make an increase. Mr. Warren cited recent improvements in both the "speed and reliability" of service, including the rate of "on-time" delivery. Growth would continue in a "competitive and business-like manner," he added. Mr. Warren had earlier commented that transborder mail delivery had been inconsistent and did not meet "acceptable standards" (*The Citizen*, August 9, Canada Post communiqué, August 8).

Provision was also made for the creation of a joint service improvement task force, which would establish a market development program for the increase of volume. Mr. Warren and Mr. Bolger agreed to meet occasionally for monitoring purposes. The task force is mandated to "develop common transportation links; adapt machinery to sort according to each others' system of postal coding; ensure that processing plants move toward a common mail exchange network and develop improved processing methods that will reduce damage and lower costs." At the same time, the agreement also established service "performance targets" for transborder mail, which will now receive equal treatment with domestic mail.

Niagara Chemical Dump

The proposed US plan for cleaning a chemical dump in Niagara Falls, NY, requires improvements in order to secure the safety of Lake Ontario water, then Environment Minister Charles Caccia said late in July (see "International Canada" for April and May 1984). He called for more studies of the deep rock formations (called Rochester shales) lying beneath the dump, citing evidence contained in an Environment Canada report. Should the pollution problem not be resolved sufficiently, he added, the possibility existed that a number of water treatment plants would have to be constructed (*The Citizen*, July 30).

The dump was used by Hooker Chemical and Plastics Corp., now Occidental Chemical Corp., and contains deadly chemicals which Canada fears will endanger Canadian water and resources. Occidental had previously reached an agreement with the US Environmental Protection Agency (EPA) and New York state for containment of leakage. Recent reports indicated seepage was occurring, but provision for clean-up had not been made under the original settlement. Mr. Caccia stated that the Canadian government would seek to secure from the US government a "proper management" of the site to ensure that no leakage enters the Niagara gorge.

Occidental Chemical Corp. issued a statement in early August acknowledging that toxic wastes were, in fact, seeping from its dump into the Niagara River (a major water supply source for that region of Canada). However, Occidental dismissed the findings as similar to earlier studies, and maintained that the seepage posed "no significant threat to health, aquatic life nor to the environment" (*Globe and Mail*, August 14). Company research had found that chemicals were "migrating" from the landfill to the Niagara gorge. Environment Canada officials perceived the statement as further evidence that the gorge face was acting as a "pathway for contaminants." Occidental repeated its commitment to do "whatever is technically feasible to protect human health and the environment." The company outlined proposals for containment, including:

- a review of its original clean-up plan;
- the plugging of open wells resulting from pump tests;
- the installation of a fence along the gorge;
- a continuation of sampling and analyzing of chemical levels;
- the taking of samples at a nearby pumping station.

Following the Occidental statement, New York state's health department began a process of evaluation in order to determine what action must be taken by Occidental in clean-up procedure. Meanwhile, Canadian conservation officials welcomed the proposals as a significant improvement over earlier plans, seeing them as "reasonable steps," but remained unsure whether further recommendations would be made for the imposition of tighter controls (*Globe and Mail*, August 15).

Ocean Ranger

A federal-provincial royal commission investigating the February 1982 sinking off the coast of Newfoundland of the US-registered oil drilling rig *Ocean Ranger* released its findings in mid-August (see "International Canada" for

December 1983 and January 1984). The conclusion of the commission, that the sinking was due to a combination of factors, was similar to the findings of separate American investigations. Cited as contributing factors were design defects, the storm's severity, poor training of the crew and inadequate provision of safety equipment. The rig's US owner, Ocean Drilling and Exploration Company was particularly criticized with regard to the latter two contributing factors. Without an adequate understanding of the rig's ballast control system, the crew were unable to rectify mistakes that compounded to the point of sinking. The report also admitted that the ballast system was "unnecessarily complicated." Thus, prime consideration for fault rested with the lack of "knowledgeable human intervention" (*Globe and Mail, The Citizen, August 14*).

The commission also considered the safety regulations for offshore drilling of the Canada Oil and Gas Lands Administration (COGLA) as "unclear," with guidelines remaining "too vague," and designation of chain of command "equivocal." Among its recommendations, the report called for the development of "enforceable regulations" to ensure that rigs "operating in Canadian waters are suited to sea and weather conditions." The commission's report suggested that rather than introduce interim measures, the federal government should legislate regulations that would enforce standards for offshore rigs in Canadian waters. Imposing "guidelines" which are "subject to interpretation," merely resulted in "inconsistent application." A commission spokesman was quoted as saying that "if the federal government does not toughen up and impose regulations, this entire report may be wasted" (*The Citizen, August 18*).

Representatives of families of *Ocean Ranger* victims expressed "anger and a sense of betrayal" with the release of the commission's findings. Said spokesperson Margaret Blackmore, earlier frustration had been replaced with anger when the report acknowledged that blame rested with both oil companies and governments for neglecting offshore safety. "The long litany of neglect spelled out in the report is unbelievable and disgusting," she stated (*The Citizen, August 17*). However, many lawyers representing families of victims have indicated an interest in using the commission's report as evidence in their presentations (*The Citizen, August 18*).

AUSTRALIA

Defence Delegation

A delegation of Australian officials, led by the Honourable Brian Howe, Minister for Defence Support of Australia, visited Canada August 7 to 10. The delegation first met in Ottawa with representatives from the Departments of External Affairs, National Defence and Regional and Industrial Expansion, and continued with a viewing of an Ottawa-based computer manufacturing firm. This was followed by a visit to Montreal for exposure to Canadian design and manufacturing capabilities in the aerospace, defence and advanced technology sectors, according to an External Affairs communiqué of August 8.

Then International Trade Minister Francis Fox indicated that the presence of the Australian delegation continued the growing interest on the part of both countries in increasing projects of industrial cooperation. Areas under consideration for such joint efforts included "defence-sharing, cross-licensing . . . joint marketing, joint venturing and the sharing of technology." Mr. Fox noted the possible benefits to be accrued to Canada by the Australian policy of developing and implementing industrial offsets with regard to government procurement. Anticipated cooperative efforts would, according to Mr. Fox, provide pricing benefits, offset provisions and deliveries, and provide mutual support in developing exports to third countries.

BELGIUM

Joint Business Committee

On August 30, then International Trade Minister Francis Fox announced the establishment of a Canada-Belgium Businessmen's Committee, designed primarily for the promotion of closer "economic and commercial relations" between the two countries. The Committee would be co-chaired by representatives of both nations, and members would be drawn from active trade-oriented firms in Canada and Belgium. Holding meetings twice yearly, the Committee would endeavor to "broaden and deepen" economic and commercial relations, forge links between business representatives of the two countries, "encourage investment," and seek "joint commercial ventures in third countries." At the time of the announcement, Mr. Fox expressed his satisfaction that the "dynamism" of the private sector had "demonstrated leadership in spurring economic growth" (External Affairs communiqué, August 30).

BULGARIA

Agricultural Delegation

A senior delegation from the People's Republic of Bulgaria met for discussions with then Agriculture Minister Ralph Ferguson and other Canadian agricultural representatives in late August. The Bulgarian delegation was headed by Vasil Tzanov, President of the State Union for Agriculture and Forests of the Council of Ministers, who was accompanied by Alexander Petkov, Minister of Agriculture. Major topics discussed in the Ottawa meeting with Mr. Ferguson were agricultural trade and bilateral cooperative agreements. Mr. Ferguson expressed his optimism for increased opportunities in the field of export sales and scientific cooperation between Canada and Bulgaria, particularly in purebred beef and dairy cattle. The Ottawa consultations were followed by tours of Ontario farms and food processing facilities and further meetings in Western Canada with government and industry leaders.

CHILE

Seizure of Dissident

While accompanied by two senior Canadian diplomats from the Santiago embassy, an unidentified Chilean political dissident was seized September 10 by Chilean police officials. He was being escorted from the Canadian embassy to the refuge of the *Vicaria de la Solidaridad*, Santiago's Catholic archdiocese human rights agency, when the group was accosted by Chilean police who forcibly removed him. Despite the presence and immediate protests of Canada's first secretary and consul Donald McGillivray, the removal of the dissident was effected. Upon notification of the incident, Canadian ambassador Clayton Bullis expressed his "extreme concern," and indicated that contact with the Chilean authorities would be made.

In a *Globe and Mail* article September 11, it was reported that the dissident had been among several protesters representing the Committee for Life who had entered the Canadian embassy in an attempt to read a statement denouncing the Chilean government. Chilean secret service police had been present at the time. Ambassador Bullis stated that the man "must be let go," and embassy officials were later informed by Chilean authorities that the unnamed dissident had been seized "by mistake" and had been released. However, Mr. McGillivray noted that no confirmation of the release had been received by the Canadian embassy.

CUBA

Export Credit

On August 29, then Agriculture Minister Ralph Ferguson announced the extension of a \$15 million line of credit to Cuba in order to facilitate the sale of food and agricultural products exported from Canada. Canagrex, the Canadian Agricultural Export Corporation, arranged the credit terms between a Canadian financial institution and the Banco Nacional de Cuba. Mr. Ferguson stated that a potential for \$25 million in purchases might be expected from the credit package. Increases in agri-food trade would centre on such products as "soya bean meal, corn, seed potatoes, beans and turkey," according to an Agriculture Canada press release August 29. Mr. Ferguson indicated that the line of credit would support Canadian exports to Cuba, which have, in recent years, been faced with increasing competition from European and South American sources. Under the terms of the agreement, credit will be applied to purchases made by Cuba's Alimport, with Cuba selecting Canadian exporters.

DENMARK

Canadian Protest

The Canadian government issued an official protest in early August over the July 28 visit of the Danish cabinet

minister responsible for Greenland to the island of Hans, located between Greenland and Ellesmere Island. Both Canada and Denmark have disputed ownership of the small island since negotiations establishing the border between Greenland and Canada were concluded in 1973. When it was discovered that the boundary bisected the island of Hans, ownership was left in abeyance, which has resulted in frequent protests against claimed attempts at establishing sovereignty over the disputed territory. Canada, in this latest protest, noted that the Danish representative had left behind a Danish flag on the island. Talks are expected to resume at a future date to establish ownership (*Globe and Mail*, August 15).

GREECE

Air Agreement

Canada and Greece signed a new bilateral Air Transport Agreement August 20, it was announced by then External Affairs Minister Jean Chrétien and then Transport Minister Lloyd Axworthy. The agreement was signed by then Minister of State for Multiculturalism David Collette, on the part of Canada, and by Greek ambassador Emmanuel Megalokonomos. The new agreement allows Olympic Airways of Greece to extend its international route into Toronto and Montreal, while at the same time making provision for the granting of future traffic rights to CP Air for the development of services into Greece (External Affairs communiqué, August 14).

GUINEA

Civil Aviation

A project agreement was signed between Canada and Guinea August 24, providing for the acquisition by Guinea of Canadian goods and services in the aviation sector for a total value of \$21.6 million. The agreement, signed by then Minister for International Trade Francis Fox and Guinea's Minister of Transport H.E. Chef de Bataillon Abdourahmane Kaba, will be financed by the Canadian International Development Agency (CIDA). Included in the purchase will be a DASH-7 de Havilland aircraft. CIDA's bilateral development program in Guinea maintains as a priority the field of civil aviation, and this current project, in addition to the aircraft, will encompass "aviation equipment and parts, technical assistance and training" as well as the rehabilitating of airfields in the Guinea interior in an effort to widen socio-economic development opportunities (External Affairs communiqué, August 24).

Accompanied by a Guinean delegation of officials from the Transport ministry and from the State corporation Air Guinea, Chef de Bataillon Kaba visited Ottawa, Montreal and Toronto. Discussions were held with Canadian government and industry representatives involved in Guinean projects of development and expansion.

HONG KONG

Sino-British Agreement

External Affairs Minister Joe Clark expressed his congratulations September 26 to both the United Kingdom and the People's Republic of China over the successful conclusion of discussions and negotiation over the future of Hong Kong which resulted in the initialling of an agreement. Mr. Clark stated at that time that communications received from both sides had indicated a positive reaction to the final form of the agreement. The agreement, designed to ensure the continued "stability and prosperity" of Hong Kong, provides for a guarantee of the "essential elements" of Hong Kong systems for fifty years following the 1997 transfer of proprietorship. Mr. Clark expressed his hope that it would thus provide reassurance to both residents of Hong Kong and relatives and friends living in Canada. The government, in view of Canada's strong commercial and financial ties with Hong Kong, welcomed the agreement as a "significant and constructive step" in maintaining the economic prosperity of the area (External Affairs communiqué, September 26).

INDIA

Hydroelectric Project

An announcement was made August 6 by then International Trade Minister Francis Fox and then External Affairs Minister Jean Chrétien of Canadian financial support totalling \$620 million for the export of both goods and services to India for the 540-megawatt Chamera Hydroelectric Project on the Ravi River in northern India's Himachal Pradesh state. Parallel loan agreements were signed in New Delhi August 3 by CIDA, the Export Development Corporation (EDC) and India's National Hydroelectric Power Corporation. These goods and services were reportedly to be matched by a similar domestic investment on the part of India. Total cost for the Chamera project is estimated at \$1.3 billion.

Mr. Fox stated that the scale of the joint Canadian support investment would facilitate an extension of Canada's export of technical expertise and machinery to the Indian market as well as contributing to a material advance in that nation's development. The power generated by the projected development would significantly affect India's economic development through an increase of hydro resources, according to an External Affairs communiqué of August 6. Canadian assistance to the project will involve engineering services (project management, technical training, construction assistance, and procurement services), as well as machinery.

Attack on Diplomatic Personnel

On August 16, then External Affairs Minister Jean Chrétien issued an expression of regret over an incident occurring the previous day in which demonstrators gained forcible entry, through a police cordon, into property occupied by the Indian Consul General in Vancouver. The

protestors were acting in response to Indian government policy toward India's Sikh minority. The act of violence also received from Mr. Chrétien a condemnation of "illegal acts against diplomatic facilities in Canada by groups or individuals pursuing political objectives in other countries." Mr. Chrétien reiterated the Canadian government's intention to honor its responsibility to ensure the protection of diplomatic or consular facilities and personnel. Canada will not tolerate such acts of violence, said the Minister, and would proceed with the prosecution of apprehended perpetrators. In view of Canada's long and friendly relationship with India, Mr. Chrétien termed the incident deplorable and suggested that groups campaigning against policies of a third country in such a manner and on Canadian territory were hindering rather than furthering their own cause (External Affairs communiqué, August 16).

INDONESIA

Diagnostic Centre

CIDA President Margaret Catley-Carlson announced August 7 that Canada would be providing \$8 million for the establishment of an animal disease investigation centre in Yogyakarta, Java, Indonesia. While funded by CIDA, the project would be administered by Ontario's Ministry of Agriculture and Food, and would work toward the improvement of treatment and control of animal diseases on Java. The agreement establishing the funding was signed on the part of Canada by Art Wright, CIDA's Vice-President for Asia and Dennis Timbrell, Minister of Ontario's Agriculture and Food Ministry, and on the part of Indonesia by the Chargé d'Affaires Soewandi Kusumoadinoto, and Dr. Daman Danuwidajaja, Indonesian Director General of Livestock Services. The Ontario ministry will supervise construction and equipping of the Centre's laboratory, and will coordinate Canadian technical assistance, according to a CIDA press release of August 7. It will also provide veterinary staff for training purposes for the development of "diagnostic programs" and the establishment of "operational procedures." It was also announced that the Indonesian contribution toward the diagnostic centre would include land, site preparation and maintenance. The centre is intended to strengthen field services and "increase communications" between other existing research centres throughout Indonesia.

PAKISTAN

Border Attacks

Following an increase in border attacks from Afghanistan into Pakistan during August, then External Affairs Minister Jean Chrétien issued a statement of Canadian government concern on August 29. Expressing the government's "deep disturbance" with regard to the increasing violations of "Pakistan territory and air space bordering on Afghanistan," Mr. Chrétien called for the "im-

mediate cessation of such attacks." The condemnation continued with the remark that "these most recent deplorable incidents, along with the escalation of Soviet and Afghan military activity within Afghanistan, are another tragic dimension of the occupation of Afghanistan by Soviet forces. Canada, said Mr. Chrétien, would continue to provide humanitarian assistance to Pakistan in its efforts to aid the growing number of Afghan refugees crossing its borders. Canada would also continue to support UN efforts to settle the ongoing conflict through "a restoration of the independence, sovereignty and genuine non-alignment of Afghanistan" (External Affairs statement, August 29).

POLAND

Prisoner Amnesty

On August 2, then External Affairs Minister Jean Chrétien issued a statement welcoming the Polish Parliament's July 21 decision to grant political prisoners an amnesty. The amnesty included four KOR [Committee for Social Self Defence] activists who, according to an External Affairs communiqué of August 2, had had their trial recently suspended. The Minister was encouraged to see the amnesty as a "positive step" in establishing a dialogue between the Polish government and the people. He concluded by calling for a resumption of "full civil and trade union rights" and the pursuance of a reform process.

Travel Sanctions Lifted

It was announced August 17 that restrictions on the number of scheduled and charter flights by Poland's LOT airline, imposed in February 1982, had been lifted in response to the amnesty for political prisoners granted by the Polish government in late July. This "goodwill gesture" would provide in future for the allocation of flights to be handled by the "appropriate Canadian authorities under the laws and regulations in effect" (External Affairs communiqué, August 17).

SOUTH KOREA

Business Conference

A conference between Canadian and South Korean businessmen was held in Soeul, South Korea September 17-19, the third joint meeting of the Canada-Korea Business Council (Canada-based) and its Korean counterpart. A group of more than fifty Canadian business executives, led by Council Chairman Bruce Howe, met to confer with an even larger Korean delegation on several trade issues, including the growing trade imbalance (now nearing \$400 million in Korea's favor for 1984). Two-way trade between the two nations has increased 25 percent over 1983, and is estimated to reach \$1.7 billion for the current year. In tandem with the general discussions on trade and economics, groups met to discuss the possibility for increased trade in several sectors, including "energy, resources, manufactur-

ing and services" (Canada-Korea Business Council press release, September 6).

TRINIDAD & TOBAGO

Financing Assistance

Designated for support of the third phase of Trinidad and Tobago Telephone Company's (TELCO) modernization program, \$US 228.2 million in financing agreements was arranged between Canada's EDC and a group of Canadian and foreign banks. Acting as agent for the agreement is the Canadian Imperial Bank of Commerce. The loans will support sales to TELCO (responsible for domestic communications) by several Canadian exporters, including Northern Telecom, Bell Canada International and G.M. Best Group. The new agreement for the third phase follows previous (August 1983) sales support strategies by EDC, and will be guaranteed by the Republic of Trinidad and Tobago. While assisting the export of Canadian goods and services in the telecommunications field, the agreement will also finance "local costs associated with TELCO's" proposed modernization program (EDC news release, September 10).

UNITED KINGDOM

Export Market Report

Part of a series of government market studies designed to assist Canadian exporters in identifying overseas sales opportunities, the *Export Market Report on the United Kingdom* was announced August 16 by then International Trade Minister Francis Fox. Being Canada's largest European trading partner (and third largest export market), the United Kingdom maintains a two-way trade with Canada of \$4.3 billion. The figures for 1984 (in the first six months) are already running ahead of those for the same period in 1983, despite "depressed levels of demand and a high priced Canadian dollar," according to an External Affairs communiqué of August 16.

Mentioned in the report as areas for potential increases in sales of goods and services were: "high technology products; general building products; primary and semi-fabricated products in the non-ferrous sectors; secondary manufactured products; secondary and service industries equipment; and agricultural, fish and food products." Also expected is a continuation of British investment in various aspects of Canadian development, as well as licensing agreements and joint venture manufacturing opportunities. Tourism was also mentioned in the report as a significant aspect of two-way trade. Mr. Fox advocated effort on the part of Canadian exporters to successfully take advantage of the marketing opportunities available in the United Kingdom, and the assistance services offered by the Canadian government.

Royal Remarks in Ottawa

Her Majesty the Queen, making a cross-country Canadian tour from September 24 through to October 7, was greeted by enthusiastic crowds despite the fact that her visit followed closely upon that of his Holiness Pope John Paul II (see this issue — VATICAN — Papal Visit). Unlike his Holiness, Queen Elizabeth issued statements that remained on a level to keep all political feathers unruffled. Her addresses to diverse groups of Canadians all stressed commonality and harmony, and steered clear of controversy. In Ottawa September 26, the Queen was introduced by remarks made by Prime Minister Brian Mulroney. Following an expression of the pride felt by Canadians in receiving Her Majesty, Mr. Mulroney cited the monarchy as an institution of continuity — one of strength, adaptability and relevance. The Commonwealth itself, continued the Prime Minister, might be used as a tool in the maintenance of international peace, through a strengthening of common values and traditions.

The Queen responded by acknowledging the great potential of the Canadian nation, but added that the potential could only be successfully realized through "stable institutions." In a period of rapid change, there must exist a reconciliation of such change with the "maintenance of good order." While Canada had seen fit to modify or modernize traditions as "conditions alter," she continued, there remained in Canada a unique system of federalism within Parliamentary Democracy — in the preservation of which lies "the best hope of human freedom." Canada has shown a readiness, concluded the Queen, to "initiate and innovate with imagination and boldness" (Government copies of speeches, September 26).

USSR

Trade Imbalance

Once again, criticism has come from Soviet representatives with regard to the trade imbalance existing between Canada and the USSR (see "International Canada" for December 1983 and January 1984 — USSR — Trade Imbalance). Making a statement at an agricultural gathering in late September, Igor Konovalov, agricultural trade commissioner to Canada, indicated that the USSR might consider a cut in the amount of Canadian grain imported by the Soviet Union, should Canada not reciprocate with an increase in the purchase of Soviet manufactured goods. He noted in his statement that in 1983 the USSR made purchases from Canada of more than fifty-three times that made by Canada from the Soviet Union. Echoing earlier words of corner interested Soviet officials, Mr. Konovalov stated that "Canada must show more understanding for the fact that trade is a two-way street." He added that the USSR might shift previous Canadian grain purchases to those countries more willing to purchase Soviet manufactured products (*Globe and Mail*, September 28).

Clark-Gromyko Meeting

On September 25, External Affairs Minister Joe Clark and Soviet Foreign Minister Andrei Gromyko held a short

session in New York to discuss Canada-Soviet relations. The atmosphere was later described by spokesmen as "friendly and relaxed," as the two counterparts analyzed briefly the state of the Canada-USSR relationship. Mr. Clark told reporters after the meeting that while he had raised the question of possible Soviet compensation for the Canadian victims killed in the Soviet downing of Korean Airlines flight 007 in 1983, he had received no official response. However, said Mr. Clark, because of the lack of time for "substantive discussion," this was no reason to believe that some eventual solution to the issue might not be achieved (*The Citizen*, September 26).

For his part, Mr. Gromyko indicated a desire for Canada-Soviet relations to continue under the new Mulroney government the "reasonably good" footing initiated by the Trudeau government. He stressed the need for a "strengthening" of the bilateral relationship, especially in the economic and scientific fields in which the greatest scope lies. Mr. Gromyko added that efforts should be made to make such contacts "more regular and substantive."

VATICAN

Papal Representative

As a "gesture to the Vatican" in advance of Pope John Paul II's visit to Canada, the Liberal federal cabinet reached a decision to make the papal representative, Archbishop Angelo Palmas, "dean" of the diplomatic corps in Canada, according to External Affairs spokesperson Dilys Buckley-Jones (*The Citizen*, August 8). Previously, the privileged status of dean of the corps had been held by the ambassador who had been in Ottawa for the longest period of time. The dean represented the collective diplomatic corps in its dealings with the Canadian government. While Archbishop Palmas, because of his seniority, was already dean of the corps, the new cabinet decision meant that his successor would automatically assume the position. Despite the fact that the decision broke with diplomatic tradition, the policy change received little opposition from the corps itself, politicians or non-Catholic church organizations. The granting of such senior status to the papal representative has been used as a courtesy gesture in the past in Latin American and many western European countries.

Visit of Pope John Paul II

The official September visit of Pope John Paul II to Canada began and continued with a series of addresses given across the nation that zeroed in on Canadian domestic issues of a secular nature, primarily the economy, native rights' issues and aid to the Third World. However, the Pope endeavored to relate his statements on outstanding Canadian social problems to both the current international situation and the spiritual plane. From the beginning of the visit, the Pope acted as advocate of social change for the enrichment of human life within Canada.

Speaking before a fishing community in Flatrock, Newfoundland, September 12, the Pope outlined the dangers inherent in an economic structure that permitted pro-

longed unemployment and issued a call for change. The speech was an economic warning with "political overtones," according to a *Globe and Mail* article September 13. The Pope reiterated his concern for the detrimental effects generated by unemployment, both for society and the individual. Failure to secure employment was depicted as an affront to human dignity, and the Pope joined Canada's Roman Catholic bishops in an endorsement of their 1983 New Year's statement entitled *Ethical Reflections on the Economic Crisis* which had severely criticized the nation's economy and called for reform. The Pope appealed "to those in positions of responsibility, and to all involved, to work together to find appropriate solutions to the process at hand, including a restructuring of the economy." It was emphasized in the speech that Canadians, government and populace alike, must stress "the primacy of the human person in the productive process" and place human needs before financial gain. He also made suggestions for the alleviation of the distress caused by unemployment and a recessive economy, including "collective agreements between workers and management" and variations on joint ownership. While speaking specifically about the fishing industry in eastern Canada, it was clear that many aspects of the Pope's address were directed to the nation, and the continent, in general. Related to the problems facing the Newfoundland fishing community was, the Pope continued, the possibility that world food production would become "controlled by the profit motive of the few rather than by the needs of the many." The development of any such trend would endanger the "security and distribution" of world food supplies. And it was the Flatrock, Newfoundland, speech which set the tone for the remainder of the tour.

Addressing crowds in Midland, Ontario, on September 15, Pope John Paul again touched on the subject of native rights, a topic he had earlier made reference to in a Quebec City speech, at which time he had stated that native Indians and Inuit must be the "architects" of their own future. In the Midland address, the Pope stated that Canadians must face the "challenge" of native rights. Now, he said, was the time to "heal all the divisions that have developed over the centuries between the original peoples and the newcomers to this continent." This second reference to native rights again stressed the need for cooperation in easing the tensions surrounding the issues of land claims, resource rights, and demands for increased native self-government, according to a *Citizen* report September 17.

The Winnipeg, Manitoba, homily of September 16 was a plea for the entrenchment of minority language rights. Speaking in a province divided on the issue of bilingualism, the Pope called for efforts on the part of both individuals and government to "encourage and preserve" the language and cultures of ethnic minorities. Multicultural interaction within the framework of federalism was praised as an effort to live with "mutual respect for the unique cultural identity of each other [which] has providentially created that atmosphere of respect for cultural diversity which characterizes Canada." Pluralism of traditions did not negate the unity of a society such as Canada, continued the Pope (*The Citizen*, September 17).

The economic note was again sounded in Edmonton, Alberta, September 17, when the Pope called "develop-

ment" the "new name for peace." He referred to the absolute necessity for efforts on the part of wealthy nations to eliminate Third World poverty in order to establish a lasting peace. "The progress of the disadvantaged," continued the Pope, was an element of Christianity's "universal dimension of injustice and evil." Speaking of the growing economic disparity between nations of the North and South, the Pope warned that inevitably, "the poor South will judge the rich North." The alleviation of Third World deprivation was an issue not only of economics but also of freedom. The North must not amass "to themselves the imperialistic monopoly of economic and political supremacy of others." Once again, the message was apparently designed to reach a much larger audience than that physically present, including the US.

The text of a speech prepared for delivery September 18 before a gathering of native peoples in Fort Simpson, N.W.T., added further papal endorsement of native rights. Included was an expression of the need for "building solidarity among the aboriginal peoples of this country" to secure a greater degree of self-determination. He appealed specifically to native youth to develop a receptivity to accepting "leadership roles and responsibilities." Condemning oppression, the Pope proceeded to proclaim "that freedom which is required for a just and equitable measure of self-determination." Participation in self-governing is a right, continued the Pope, but a right which carried with it corresponding duties in the development of native potential (*Globe and Mail*, September 19).

In Ottawa, on the final leg of his tour, the Pope spoke at a reception given by Governor-General Jeanne Sauv  at Government House September 19 before a group of church, government and diplomatic representatives. A philosophical call was issued for those in positions of responsibility to work toward a "new vision of humanity." The recently elected Progressive Conservative government, and the nation as a whole, was urged to "resist any temptation to grow tired" in accepting refugees, according to a *Globe and Mail* article September 20. Canada must display the political will to "see society's problems in terms of . . . living people" in this new "vision," a perspective designed to inspire action and overcome "complacency, insensitivity and selfishness." Canada must act in concert with other nations to overcome the global challenge of "conflict and injustice." A strong plea was made for efforts at world disarmament, the proffering of assistance to the Third World to alleviate health and educative problems, and the advancement of liberty and religious freedom. The speech restated the major aspect of all previous addresses on the tour, namely the "dignity and sacredness" of every individual. Only through internal and external dialogue and cooperation will a nation successfully further its interests, not through recourse to "sterile confrontation." Governor-General Sauv  responded that Canadians had understood the message given by the Pope during his tour, and would not "rest in complacency" in their own security. "Canada has followed you, heard you and understood your words," she added (*Globe and Mail*, September 22).

The Pope's final address followed the next day, September 20, at a pontifical mass in Ottawa. The message of security coupled with peace was repeated, with the Pope

stressing that "one cannot permit the moral conscience of humanity to give in to violence." He spoke out against both death from nuclear holocaust and starvation, and called upon wealthy nations such as Canada to increase their efforts to avert such a tragedy. He lashed out as well at the

basic soundness of nuclear deterrence, stating that the arms race was in reality a "threat of death" that absorbed vast amounts of matériel and finance that might be better used to relieve world poverty and underdevelopment (*The Citizen*, September 21).

Multilateral Relations

CARIBBEAN

Proposed Talks

In Toronto for a mid-September Commonwealth finance ministers' meeting, James Mitchell, Prime Minister of St. Vincent, issued a proposal for a conference at the ministerial level between Canada and the English-speaking Caribbean countries. To be examined would be the cooling of relations among them following last year's US invasion of Grenada, of which Canada had not received prior notice. Cited by Prime Minister Mitchell as possible topics for discussion were "obstacles to good relations, Canadian aid and the further development of trade," according to a *Globe and Mail* report September 18. Mr. Mitchell indicated that the election of a new Canadian government would provide a propitious moment for establishing an increased dialogue between Canada and the Caribbean nations. His opposition to Eastern Caribbean militarization has led him to reject US proposals for assistance in developing local standing armies, and he noted that rather than security the area's problem was one of "internal development." Continued Canadian aid would therefore remain of prime concern.

CENTRAL AMERICA

Refugee Assistance

On August 27, then External Affairs Minister Jean Chrétien announced that the Canadian government would provide \$2.5 million to the United Nations High Commission for Refugees (UNHCR) for use in the commission's assistance program for refugees in the Central American nations of Honduras, Costa Rica and Nicaragua. The assistance program undertaken by the UNHCR was in-

stituted to aid a major portion of the estimated 336,000 refugees in the area, most of whom are victims of ongoing civil unrest, as well as to alleviate in part the burden placed on host countries. The Canadian grant represents almost 11 percent of the total funds required by the UNHCR to proceed with "high priority" work — primarily in the areas of "health-care, shelter, food, educational services and income-generation projects" (CIDA communiqué, August 27).

EEC

Chemical Duty

On September 24, the EEC announced that after investigation it had decided to impose a temporary penalty in the form of an anti-dumping duty of 15 percent on the import of a Canadian-produced chemical, pentaerythritol. The commission found that the chemical, used in the manufacture of paint, was produced by Celanese Canada Inc. but sold through a Swiss subsidiary to the EEC at a price 71.9 percent lower than it would have obtained on the Canadian domestic market. It was determined by the commission that Canada, along with Sweden and Spain (other exporters of pentaerythritol), had increased their share of the EEC market for the chemical by 4.8 percent in the years 1980-83. (The two other countries are also being investigated on dumping charges.) The EEC had found that its production had been dramatically reduced (*Globe and Mail*, September 25).

Newsprint Imports

In another dispute over import penalties between Canada and the EEC, the General Agreement on Tariffs

and Trade (GATT) has recommended that both countries negotiate by October 12 a higher duty-free quota for the importation of Canadian newsprint by the EEC (see "International Canada" for December 1983 and January 1984 — EEC — Newsprint). Canada had previously placed before GATT (in the spring of 1984) a claim of trading rights impairment because of a lowering of duty free quotas by the EEC. Both Canada and the EEC were to consider the recommendations issued by GATT, and should they remain unable to achieve a resolution to the issue, the full GATT council would receive and review the conclusions submitted by the preliminary panel. The Canadian claim faces opposition within the EEC from Italy (with a newsprint overstock), but also the support of Britain — which needs additional supplies that would be received under an increased Canadian quota (*Globe and Mail*, September 28).

Meat Countervailing Case

Following a lengthy investigation of Canadian meat industry complaints of dumping by the EEC, the Anti-Dumping Tribunal released its detailed report on August 7 (see "International Canada" for June and July 1984 — EEC — Meat Imports). Canadian representatives testifying before the Tribunal held that the imports could not have "achieved their market penetration of the last two years without the EEC subsidy." The Tribunal determined that Canadian production had been materially injured, this injury comprising a "significant loss of both market share and sales volume, and profits foregone" (Anti-Dumping Tribunal report, August 7). With regard to subsidized canned ham and canned picnic meat from Denmark and the Netherlands and canned pork-based luncheon meat from the EEC, the Tribunal found that, based upon weight measure:

- importation of the subsidized Danish and Dutch canned ham was and is causing material injury to Canadian production of similar nature;
- the subsidized canned picnic meat from the same countries has not caused material injury in Canada;
- the subsidized canned pork-based luncheon meat from the EEC was and is causing material injury to the production in Canada of goods of that class or kind.

Once the Tribunal's findings had been submitted, the Governor in Council declared the disputed products subject to countervailing duties. It was stressed in the Revenue Canada (Customs and Excise) announcement that the countervailing duties were a procedure constituting an "effective and internationally accepted recourse for domestic producers faced with injurious and subsidized imports" (*Globe and Mail*, August 14, Revenue Canada communiqué, August 17).

FISHERIES

Foreign Fishing Activity

Statistics with regard to foreign fishing activity in Canadian waters were released by the Department of

Fisheries and Oceans August 28. The figures revealed a decrease in activity for 1983, but the Department stated that efforts had, for the same period, been increased in the patrol (ship days of surveillance) of foreign vessels operating in Canadian and Northwest Atlantic Fisheries Organization (NAFO) waters. The number of foreign vessels operating in Canadian waters was indicated to have dropped to less than 200 from a pre-1977 figure of 700 (Canada having declared its exclusive 200-mile offshore fishing zone in that year). While Canada has endeavored to protect declining stocks and increase the Canadian share of the total available catch, it grants allocations to the fishing fleets of foreign countries for fish surplus to Canadian requirements. Those countries granted allocations agree to purchase Canadian processed fish products. It was noted in the announcement that foreign fishing inspections totalled 416, with the detection of 34 infractions of Canadian regulations (Fisheries and Oceans news release, August 28).

IMF

Annual Report and Meeting

The annual report of the International Monetary Fund (IMF) was released prior to the Fund's annual meeting, and included several suggestions with regard to Canada's economic performance and prospects. The report, while predicting a strengthening of the Canadian economy, pointed critically at Canada's method of keeping interest rates down through a high deficit. (The US received the same criticism.) Canada was called upon to "make useful and necessary adjustments in [its] budgetary structures while avoiding some of the adverse repercussions that might have resulted from such actions during the recession period." The Fund apparently considered that Canada might cut its deficit without incurring a heightening of unemployment. It was pointed out that Canada's GNP growth rate of 3.3 percent compared favorably with the IMF average of 2.5 percent for the industrialized countries. Continued heavy borrowing (especially on the part of Canada and the US), continued the report, could threaten to curtail the recent signs of world economic recovery. While Canada required 12 percent of private savings for government deficit financing in 1981, the figure for 1983 had risen to 49.9 percent, the report showed (*Globe and Mail*, *The Citizen*, September 13).

Canada's Finance Minister, Michael Wilson, in Washington, DC, for the annual IMF meeting, made remarks that indicated a divergence of opinion from US policy on several international monetary issues. He supported the call by developing nations for industrialized countries to provide an increased input into the international economy. This included a new allocation of special drawing rights (SDRs) by the IMF, a proposal opposed by the US. The request for an additional \$15 billion in SDRs by the Third World countries was rejected by the IMF's top policy committee. The Minister suggested that a figure of \$5 billion might have been issued without incurring a significant increase in inflation. At the same time, Mr. Wilson advocated a case-by-case rather than a global approach in handling foreign

debt problems. He also stated that donor countries should increase their contributions to the International Development Association (issuing low-interest long-term loans to poorer nations). Mr. Wilson told IMF members that Canada would take strong measures to speed the recovery of the Canadian economy. He also touched on Canadian receptivity to foreign investment, stating that "the welcome mat is out . . . We are opening our doors to those who want to share in the tremendous opportunities with which we have been endowed." Reducing the deficit was portrayed as the prime concern of the new Conservative government, in order to facilitate the economic recovery. A lowering of US interest rates would, at the same time, prove beneficial to all nations, said Mr. Wilson (*The Citizen*, September 24, 25).

NATO

Canadian Forces

NATO's deputy supreme allied commander in Europe, Hans-Joachim Mack, called for an increase in Canadian NATO forces in Europe. Making remarks September 19, General Mack suggested a tripling of forces in the Canadian contingent, from an "understrength" brigade (in Lahr, West Germany) to a division "based on the country's wealth and size." The difference between the two was apparent — Canada now maintains a brigade of roughly 50 percent strength of a full 6,000 man force, while an armored division conceivably consists of about 20,000 men (*The Citizen*, September 20). General Mack also made the suggestion that Canada should increase its Norwegian reinforcement (its other NATO land commitment). As "one of the richest countries in the world," Canada was required to strengthen its armed forces, he said. Serious "deficiencies" existed in Canada's European capabilities, he continued, using as an example the lack of short-range air defence systems for the West German brigade and air group.

POPULATION FORUM

Canadian Participation

A global forum on population held in Mexico City in early August focused much attention on the problems inherent in attempting to achieve a consensus in a meeting where participants represented East, West, North and South. Mexican Interior Minister Manuel Bartlett called upon nations involved in the forum sponsored by the UN to avoid "extraneous" political issues and concentrate on the issue of rapid population growth (*Globe and Mail*, September 8). In announcing the Canadian delegation to the International Conference on Population, then External Affairs Minister Jean Chrétien stated that it would include advisers representing provincial governments, NGOs, and several federal departments, including CIDA, External Affairs, Statistics Canada, Employment and Immigration, Health and

Welfare and the Status of Women. The delegation would work with other nations to review and appraise the 1974 World Population Plan of Action reached by the first Conference in Bucharest in 1974, as well as making recommendations on its further implementation, said Mr. Chrétien (External Affairs communiqué, August 3).

Canadian delegation head Senator Lorna Marsden joined other representatives in criticism of the firm US stand against abortion as a method of birth control, and the US view that economic policy rather than family planning held the key to rapid growth. Distancing the Canadian government from US policy, Ms. Marsden stated that Canada did "not believe that economic policy in and of itself can resolve population problems." Canada, she indicated, would leave family planning (and abortion) decisions to "recipient countries." She also told the forum that Canada had, in the past decade, increased its contributions to family planning programs on the international level to \$36.3 million from \$8.2 million. Other "crucial" aspects of a solution to the problem of population expansion included education, health care and women's rights, she added. No restrictions would be placed by Canada on Third World nations receiving family planning aid, as distinct from the US stand, Canada maintaining its "voluntarist" approach. Canada "recognizes the right of sovereign governments to develop their own national policies," said Ms. Marsden (*Globe and Mail*, *The Citizen*, September 8).

As the forum continued amidst a spate of political and ideological controversies, Ms. Marsden repeatedly stressed that the Canadian position differed significantly from that of the US. Contrary to the US view, she stated that "abortion is not really an issue at this conference . . . We see other aspects such as clean water and education as far more fundamental." While the Canadian stand reflects previous policy, Ms. Marsden noted that Canada was now placing greater emphasis on particular issues, such as women's rights. The actual position paper submitted by the Canadian delegation also included mention of Canada's declining birth rate and the fact that immigration would, in future, be regarded more as a "population question" than as an economic one (*The Citizen*, August 11).

UN Secretary-General Javier Perez de Cuellar called upon all nations represented at the forum to adopt "urgent measures" in order to confront the "terrible reality" of a doubling of the world's population in the next century. Demographic policy would continue to play a crucial role in the maintenance of world stability, he said. At the conclusion of the forum, he appealed to members to exert a will to address the "unprecedented challenge" of "this hazard within the limits imposed by the resources that we currently have available" (*Globe and Mail*, *The Citizen*, August 14).

UN

Clark Appearance

On September 25, External Affairs Minister Joe Clark addressed the 39th Session of the General Assembly of the United Nations in New York. As the first major foreign

policy statement of the new Progressive Conservative government, the speech stressed the ongoing traditional role of Canada as a "moderating influence in a world beset by extremes." Canada will, said the Minister, continue in its moderating and constructive role among the world's nations. He suggested to reporters that his report on disarmament (prepared previously for the Progressive Conservative party) would be a "significant contributing factor" in the "no-holds-barred" review of Canadian foreign policy proposed by the Conservative government (*Globe and Mail, The Citizen*, September 26).

Mr. Clark was critical of the impasse created by a nuclear arms negotiations stalemate between the superpowers, a pattern that allowed other nuclear states to claim "impotence" in the search for arms control. In this respect, he welcomed the recent overtures by President Reagan to the USSR: "engage in political consultations on a regular and frequent basis." Once again, Mr. Clark stressed the reputation of Canada as successful mediator and as a nation "serious about peace," a reputation which might prove useful in the international forum in reversing current global trends. The problem being political, rather than moral or technical, the solution should be sought in the same realm.

Responsibility rests with all nations, said Mr. Clark, not just the superpowers, to "improve the atmosphere" and to put "specific, workable ideas on the agenda." Because of the very real threat posed by continued nuclear escalation, Canada will hold as a "constant, consistent" and dominant priority, continued efforts in the search for peace and disarmament.

The Minister reasserted Canada's belief in the values of democracy and individual freedom, making it necessary to pursue "the goals of peace and freedom simultaneously." Canadian foreign policy, said Mr. Clark, supports a Comprehensive Test Ban Treaty, continuing multilateral discussion on space weaponry, the prevention of horizontal nuclear proliferation, and the bolstering of mutual confidence and security through verification measures. A reduction of conventional forces based in Europe was also part of the objective, as well as a prohibition of chemical weaponry.

Canada's support for and continued commitment to the UN and its agencies was reiterated in the address, which at the same time called for a strengthening through practical actions and collective effort, of all global institutions — especially the UN. In this respect, Mr. Clark said Canada advocated a strengthening of the effectiveness of the UN Security Council (principally as a multilateral "hot-line"), and an acceptance of responsibility by individual member states (such as giving the Secretary-General "adequate political support" and a greater "margin of initiative"). As well, "extraneous political issues" have absorbed "too much valuable time and resources." This "over-politicization" could only produce a debilitating effect on the UN.

While the UN has been functioning successfully in many areas (such as the Specialized Agencies, human rights, development and humanitarian assistance, social

issues, and the extension of the rule of law), the "record is much less positive in the area of peace and security," said Mr. Clark. He pointed to several areas in which Canada was concerned: restoration of the independence and non-alignment of Afghanistan, peace in Kampuchea, demilitarization of Central America, a negotiated peace between Iran and Iraq, stability in Lebanon (with territorial integrity), and a "just and comprehensive solution to the Arab-Israeli dispute." Canada upholds the effectiveness of UN peace-keeping forces in areas such as these, and called upon UN member nations to accept the responsibilities of contribution.

On the economic front, Mr. Clark stated that Canada would continue to support the expansion of multilateral efforts to "stabilize the debt situation." Both national and international action would be required to "stem protectionist tendencies," and this might be achieved most effectively through the common action of multilateral institutions, he continued. In the area of aid, Canada upheld a "pragmatic, issue-oriented" approach, that would be cognizant of the challenge of mutual cooperation.

Mr. Clark ended his address with a call from Canada to all nations for a "collective revitalization" of the UN — the one institution in which might be formulated the joint efforts necessary to confront "current realities" (External Affairs statement, September 25).

UNESCO

McLuhan Teleglobe Award

On September 12, there was a joint announcement by the Canadian Commission for UNESCO and Teleglobe Canada of the international launching of the McLuhan Teleglobe Canada Award 1985. The communications award, launched in 1983, was created in honor of the late Marshall McLuhan, communications philosopher. The prize, funded by Teleglobe Canada (a Crown corporation responsible for international communications services), has been placed under the permanent patronage of UNESCO. Offered every two years, the award consists of both a commemorative medal and \$50,000. It is administered by the Canadian Commission for UNESCO in conjunction with other UNESCO national commissions (and operating in close collaboration with UNESCO).

According to a UNESCO communiqué of September 12, the award is offered to both individuals or groups of all nations and was designed to "recognize any work or action that will have contributed in an exceptional manner to furthering a better understanding of the influence exerted by communication media and technology on society in general and in particular on its cultural, artistic and scientific activities." The laureate is selected by a panel of five independent Canadian specialists from among candidates nominated by UNESCO member commissions and organizations. As an observer, a representative of UNESCO's Director-General is included in the selection jury.

Policy

CABINET

New Conservative Government

In the federal election of September 4, Canadians placed a Progressive Conservative government in power, under the leadership of Prime Minister Brian Mulroney. A newly appointed 40-member Cabinet was sworn in September 17 by Governor-General Jeanne Sauv  at Government House in Ottawa. Those Cabinet members whose responsibilities might involve their offices in issues dealing with Canada and foreign affairs included the following; Joe Clark as External Affairs Minister, Flora MacDonald as Employment and Immigration Minister, John Fraser as Fisheries and Oceans Minister, Michael Wilson as Finance Minister, Robert Coates as Defence Minister, Jim Kelleher as International Trade Minister, Marcel Masse as Communications Minister and Monique V zina as External Relations Minister.

DEFENCE

Defence Reports

With the release of the 1984-85 edition of the arms manual *Jane's Fighting Ships* came a sharp criticism of Canada's naval fleet in the foreword by editor Captain John Moore. Capt. Moore cited "years of procrastination" as the prime reason for the fact that the Canadian naval fleet had dwindled through obsolescence to the point where it was inadequate to accomplish the duties for which it existed. The editor pointed out that the great majority of Canada's total of twenty-three warships were beyond the twenty-year age limit, and all were older than ten years. While praising both Canadian ships' companies and shore support operations for keeping the fleet operational, Capt. Moore added that they had been "placed in a most invidious position by the failure of successive governments to understand or accept the basic principles of naval planning" (*Globe and Mail*, August 23). The responsibilities of the Navy as established by policy — "world naval operations, surveillance, control and defence of Canadian waters, defence of North

America in conjunction with the US Navy" and NATO contributions — were unrealistic in terms of Canada's ability to meet its commitments, according to Capt. Moore. Among suggestions put forward by the editor of *Jane's* was a call for an enlargement of Canada's naval fleet in addition to the stopgap measure of a planned modernization of existing vessels (in anticipation of six new frigates planned for the end of the decade). Criticisms similar to those made by Capt. Moore had earlier been made by several NATO members, who questioned Canada's ability to fulfill its primary NATO role of providing escorts and anti-submarine protection for Atlantic convoys. At the same time, it was pointed out that Canada lacked operational capability in ice — thus preventing the deterrence of submarine activity in northern Canadian territorial waters.

Responding in part to the criticisms outlined in *Jane's*, then Defence Minister Jean-Jacques Blais stated August 24 that Canada was considering acquisition of a nuclear submarine as a strengthening measure with regard to the Navy (*Globe and Mail*, August 25). "Serious analysis" of such a proposal was required in order to protect Canadian sovereignty, he added. Mr. Blais said that he had already proposed to Cabinet the purchase of frigates in addition to the six to be ready by 1992. With the construction of the first six, Canada would be in a position to "look to the on-going delivery of additional ships," he stated. The Minister added that various considerations would be involved in any government decision to implement the enlargement suggestions put forward by Capt. Moore — the choice between diesel and nuclear submarines, and the question of Canadian construction, both affecting price. Mr. Blais called Canada's the "best anti-submarine warfare navy in the world," taking into consideration the "total concept" — involving submarine hunting Aurora aircraft and Sea King helicopters. He reiterated that Canada was addressing the problem of naval obsolescence at present.

Further criticism of Canada's defence forces came in September when the Business Council on National Issues, a group of executive officers of major Canadian corporations, issued a report following two-and-a-half years of study of Canada's conventional military forces and

international defence policy (*The Citizen*, September 18). The report called for a long-range strengthening of Canada's defence capabilities in all areas. A "massive infusion of money, manpower and equipment" was required, said the report. Harsh comments were also reserved for Canada's failure to "carry its fair share of the allies' defence burden." Canada must live up to NATO commitments, including the testing of US Cruise missiles on Canadian territory. Defence spending should increase by 6 percent rather than the current 3 percent target (taking inflation into account). Council spokesman Dwayne Wright stated that there were positive indications that the government was rethinking defence policy and a rehabilitation of Canadian capabilities. Included among recommendations in the report were; an increase in regular military force (including primary reserves), forces stationed in Europe to be permanently equipped to 100 percent and manned to 90 percent of wartime levels, continued support for NATO's "two-track" approach, and western European deployment of Cruise and Pershing II missiles. The report, like the comments by Capt. Moore in *Jane's*, also recommended a bolstering of naval strength, "markedly deficient in trained manpower, modern equipment and ships," through the introduction of new frigates and submarines into the fleet. A strengthening of Arctic waters defence was mentioned as well.

DISARMAMENT

Canadian Institute

On August 15, then External Affairs Minister Jean Chrétien announced the proclamation of the Act establishing the Canadian Institute for International Peace and Security (See "International Canada" for June and July 1984). The Institute, having received the support of all political parties, was portrayed in the announcement as a means by which Canada might "inject fresh ideas and develop new and better solutions for a world troubled by conflict and uncertainty." The mandate of the Institute, stated Mr. Chrétien, was to seek the increase of "knowledge and understanding of the issues relating to international peace and security from a Canadian perspective." Research on matters relating to peace and security, including such areas as arms control, disarmament, defence and conflict resolution, will be promoted. The dissemination of information related to these areas gathered by the Institute will "encourage public discussion." The fourteen members on the Institute's Board of Directors will elect a Chairman and Executive Director (External Affairs communiqué, August 15).

Disarmament Ambassador

George Ignatieff was appointed as Canada's Ambassador for Disarmament and Adviser to the Government on Disarmament on August 31 by the Liberal government. In making the announcement, then External Affairs Minister Jean Chrétien stated that Mr. Ignatieff, with "vast international experience" in the area of peace and security, would

be replacing J. Alan Beesley, the previous Ambassador. The position entails the representation of Canada at international meetings related to arms control and disarmament (including the First Committee of the UN General Assembly, and the UN Disarmament Commission). The Ambassador also acts as contact between Canadian NGOs and the government (External Affairs communiqué, August 31).

Peace Initiative

The Canadian peace initiative begun by then Prime Minister Pierre Trudeau in 1983 received the continued attention of then Prime Minister John Turner during the late summer of 1984. Mr. Turner had stated in mid-August that he was unable officially to support a nuclear arms freeze on the part of the government, having to base his stand on "conviction and the harsh realities of a complex international situation" (*The Citizen*, August 15). His statement had come in response to public appeals for such a move, but Mr. Turner repeated that Canada had to operate "in concert" with its NATO allies. However, the Prime Minister added that he would endeavor to carry forward the peace initiative begun by Mr. Trudeau. He stated that "arms limitation and disarmament are the most significant and pressing items on the international agenda." He repeated Mr. Trudeau's earlier call for five-nuclear-power discussions on arms control. Canada, said Mr. Turner, could provide its "negotiating skills and . . . technological resources" in the search for a feasible "mutual and verifiable nuclear freeze." The five powers must search for a "common ground," he added, saying that Canada's "energy and political will" should be used to "bring the superpowers to the negotiating table."

Writing to the UN Secretary-General Perez de Cuellar in early August, Mr. Turner had asked for his support in attempting to organize a summit of the five nuclear powers. The letter to the Secretary-General was sent as an indication that the Canadian peace initiative still remained in effect under the new Liberal government. The letter reiterated Canada's commitment to the NATO alliance, Mr. Turner having repeatedly stressed that Canada could only seek arms control negotiations within the framework of the alliance. Canada could not, he said, "go it alone and walk away from our NATO allies." Also suggested was an earlier scheduling for a proposed UN General Assembly special session dealing with nuclear disarmament (now planned for 1988) (*Globe and Mail*, August 16).

The Turner letter to the UN Secretary-General was followed by one to Soviet leader Konstantin Chernenko seeking a meeting to examine the issue of nuclear disarmament. Mr. Turner told Mr. Chernenko of his conviction "of the need for all leaders to bring their political energy, including personal contact and dialogue, to the task of reducing tension and building confidence." The letter requested a discussion on "matters of bilateral and international importance," and Mr. Turner emphasized his "firm commitment" to improved relations "between Canada and the Soviet Union, between East and West" (*Globe and Mail*, *The Citizen*, August 18).

FINANCE

Canadian Dollar

During the two-month period of August and September 1984, the Canadian dollar continued to hover at the 75 percent level of its American counterpart. As August opened, the dollar rose to a trading level of 76.51 cents US (August 1), a rise whose "overriding factor" was cited by the Bank of Canada as the difference between US and Canadian interest rates (Canada's being higher to attract investment) (*The Citizen*, August 1). The recovery of the dollar (having reached record lows in July) continued through August. A large Canadian trade surplus during the summer was seen as bolstering the dollar on the international money market. In an economic forecast, the Conference Board of Canada noted that "the trade sector is expected to remain the only relative source of strength over the forecast horizon . . . and this relative strength in the trade sector will cause the merchandise trade balance to post record surpluses both this year and next, providing some offset to the recent fall in the dollar" (*The Citizen*, August 9).

In early September, after a gradual climb, the Canadian dollar reached 77.14 cents, having gained ground on all major foreign currencies. However, a Citibank spokesman noted that the rise was "partially offset" by the purchase of US dollars to finance the "repatriation of dividends" to the US at month's end (*The Citizen*, September 1, 5, 6). As the US dollar continued to soar throughout September (and indications pointed to higher US interest rates), the Canadian dollar failed to secure further gains while managing to hold its level. The Conservative win in the September 4 federal election also was seen by some financial analysts as contributing slightly to the drop in the dollar's value — primarily because of a suspected belief on the part of foreign exchange traders that the new Government would be willing to see the dollar ease slightly rather than raise interest rates (*Globe and Mail*, September 8, 11).

The following are US selling rates for cash for two-week periods in August and September (Bank of Montreal figures):

| | | | |
|----------|--------|-----------|--------|
| Aug. 1: | 1.3300 | Sept. 4: | 1.3140 |
| Aug. 15: | 1.3240 | Sept. 18: | 1.3365 |
| Aug. 29: | 1.3170 | Sept. 28: | 1.3340 |

Foreign Bank Ceilings

Following an amendment to the Canada Bank Act this spring which raises the permissible asset ceiling of foreign banks operating in Canada to 16 percent from 8 percent, several institutions applied for relief through the acquisition of further capital (see "International Canada" for June and July 1984). Additional distributions in the allocation of "deemed authorized capital" among foreign banks must be approved individually by the Finance Minister (*Globe and Mail*, August 15). A spokesman for the Inspector-General of Banks stated that new capital would be "distributed on the basis of how well the institutions had served the Canadian market and followed their business plans." (Several foreign banks had reportedly already overstepped their market ceilings.)

In late August, the Government approved size increases for eleven foreign banks, permitting additional growth through capital acquisition. Barclays Bank of Canada (at \$200 million) and Bank of America Canada (at \$150 million) received the largest allocation increases. The eleven selected institutions were deemed to have served the domestic market well, it was reported (*Globe and Mail*, September 5). Those banks not receiving increases were those who either had not adhered closely to business plans submitted for licencing or had overstepped their ceilings in contravention of existing legislation.

Foreign Debt

Finance Minister Michael Wilson gave indications that the new Progressive Conservative government of Canada was moving closer to the US view of global debt than had been the case with the Liberals. Attending a Commonwealth Finance Ministers' Conference in Toronto in mid-September, Mr. Wilson spoke of the international debt crisis and was of the opinion that the world's financial system need not be "radically changed" to continue in its ability to handle the problem. He also recommended that the IMF continue to "impose economic discipline on developing nations," and handle global debt on a case-by-case basis (*The Citizen*, September 19). In response to a Commonwealth Secretariat report released in July that had depicted the world's credit system as having broken down with the world's "financial safety . . . balanced on a knife edge," Mr. Wilson indicated that Canada regarded the progress being made as "a little more positive than what was set out in the report." He disagreed with the report's contention that "some kind of general debt relief will be necessary" (*Globe and Mail*, September 20). Mr. Wilson was reported as opposing the all-encompassing economic recovery plans proposed by most developing nations, and as continuing to support the case-by-case approach, coupled with IMF austerity measures, advocated by the US. He stated that this latter plan would lead to an increase in new money being committed to the Third World rather than encouraging banks to reduce lending (as might be the case with the imposition of a global solution to the debt crisis).

International Reserves

On August 3, then Finance Minister Marc Lalonde announced the level and composition of Canada's official international reserves (in millions of US dollars) as of July 31:

| | |
|--------------------------|----------|
| US Dollars | 2,243.2 |
| Other Foreign Currencies | 451.1 |
| Gold | 715.4 |
| Special Drawing Rights | 61.2 |
| Reserve Position in IMF | 722.5 |
| Total: | 4,193.4 |
| Change from June 30: | +1,309.7 |

The change reflected a decrease of \$25.9 million in Special-Drawing-Rights-denominated assets (a result of a fall in the US dollar value of the SDR). Also included was a \$500 million drawing under the standby credit facility with US and other foreign banks. Noted was an increase of

\$485.9 million, proceeds of a borrowing on the Japanese capital market of 120 billion yen.

The August international reserve figures were released September 6 by the Finance Department, and the change registered resulted from a rise in the US dollar value of the SDR (representing an increase of \$4.9 million). Included was a \$1 billion repayment under the standby credit facility with foreign banks and \$200 million with Canadian institutions. Again in millions of US dollars the reserves as of August 31 were:

| | |
|--------------------------|---------|
| US Dollars | 1,781.8 |
| Other Foreign Currencies | 323.6 |
| Gold | 717.7 |
| Special Drawing Rights | 90.0 |
| Reserve Position in IMF | 719.6 |
| Total: | 3,632.7 |
| Change from July 31: | -560.7 |

FOREIGN

Party Positions

Preceding the September federal election, the Ottawa-based North-South Institute submitted questions to and conducted interviews with representatives of the principal political parties of Canada (receiving a written statement from the Liberal Party) to ascertain positions on a wide range of foreign policy issues. Reviewing the responses of Sinclair Stevens (PC), Pauline Jewett (NDP), and Jean Chrétien (Lib.), Institute Director Bernard Wood stated that none of the party positions represented a "complete and coherent" foreign policy (*Globe and Mail*, August 25). Mr. Wood suggested that there existed a "lack of understanding of the complexity of the issues," resulting in a "real drought in foreign policy discussion." News reports had frequently mentioned the absence of foreign policy issues from the political platforms as presented during the summer's election campaign. While the Institute has, in the past, advocated an internationalist approach to global economic problems, it did not find among the three parties any "convincing, informed internationalist options." Mr. Wood cited as responsible for the hesitation to bring foreign policy issues to the forefront during a campaign, the potential for "false steps" in an area similar to a "minefield."

The Progressive Conservative responses to the Institute provide an indication of possible future foreign policy. Mr. Stevens outlined several "initiatives" that would be viewed as priorities by a Conservative government to provide for Canada a more "effective and prominent role . . . on the world stage." There would, said Mr. Stevens, be greater emphasis on both South and Central America, including membership in the OAS and closer economic and diplomatic ties. A "more focused look" would also be given to ASEAN, the Commonwealth and La Francophonie. Canadian efforts to strengthen the UN would be "redoubled," he continued. Development assistance would be concentrated in fewer countries than at present, said Mr. Stevens, in order to sustain long-term potential for successful development. While traditional Canadian responsiveness to sudden emergencies would remain in effect,

new emphasis would be placed on donor-receiver "compatibility" — business prospects of bilateral trade gaining in importance. On financing and debt, the Conservatives did not envisage the necessity of a radical restructuring of international financial institutions, provided they remained "tuned and responsive to the conditions that prevail." On the economic revival front, the Conservatives felt that the dangers of protectionist trends did not warrant a lowering of trade barriers when the present state of Canada's economy was taken into consideration. Export drives would be a major priority, along with research and development (North-South Institute press release, August 23).

UN Appearance of Clark

Prior to his late-September appearance before the UN General Assembly, External Affairs Minister Joe Clark elaborated on several aspects of Conservative foreign policy. The new government, according to Mr. Clark, would place greater emphasis on international trade, and endeavor to gain for Canada a greater share. He noted that "economic development is the key, particularly the promotion of international trade." He indicated at that time that the Party would be undertaking a review of Canadian foreign policy in the near future, in order to define "contemporary Canadian interest . . . in modern world affairs" (*The Citizen*, September 18, 19).

Joe Clark's address to the UN was designed as a "message of reassurance" that no drastic changes would be undertaken in foreign policy under the new government. Policy would remain basically unchanged, including Canada's commitment to the UN (*The Citizen*, September 22). For more complete coverage of the UN address, see this issue — UN — Clark address.

IMMIGRATION

Family Reunification

On August 13, then Employment and Immigration Minister John Roberts announced changes to Canadian policy which would facilitate family reunification. The change, requiring neither Cabinet approval nor legislative amendment, affects the Commission's special program pertaining to last remaining family members, which had undergone a review. Special consideration "on humanitarian and compassionate grounds" will now be granted "in all instances where there is a last remaining single son or daughter who is not sponsorable and who otherwise meets statutory requirements of good health and no criminal record." It will only remain for a visa officer to be satisfied that such family members are alone abroad with parents in Canada or in the process of receiving immigrant status. Mr. Roberts stated that this partial easing of admission requirements would alleviate the hardships faced by separated families. It will no longer be necessary to prove "ongoing financial and emotional dependency on relatives in Canada" when applying for immigrant visas by this class. The change was described by the Minister as a clarification and expansion of the immigration program (Employment and Immigration news release, August 13, *Globe and Mail*, August 14).

Illegal Immigrants

The federal government was asked by the Canadian Bar Association in early August to extend the deadline allowing illegal immigrants to claim amnesty. Association spokesman Mendel Green stated that many illegals had failed to come forward before the deadline because of lack of awareness of the amnesty program. "We feel an extension to the end of the year will certainly provide ample opportunity for those persons to come forward and seek adjustments," he said. Leniency should also be used in "deserving cases" which fall short of the five-year residency limit as well, said Mr. Green. Poor response to the program had resulted in an earlier extension last March, many illegals apparently suspicious of the government plan (*The Citizen*, August 14).

On August 21, then Employment and Immigration Minister John Roberts announced an extension of the Long-term Illegal Migrant Review Program until January 3, 1985. Applications for permanent resident status for the illegals considered under the program were to continue until the new deadline under existing criteria (those who have remained in Canada undetected for five years or more). Additional criteria such as absence of convictions for serious criminal offences, family work ties in Canada, and humanitarian considerations, will also remain part of the program (Employment and Immigration news release, August 21). The announcement was welcomed by Mr. Green, although he remained concerned that the program was being applied "too strictly," with a "heavy-handed and hard interpretation" of the program guidelines (*Globe and Mail*, August 22).

Sri Lankan Refugees

An extension was granted September 13 to special immigration measures instituted to assist Sri Lankan nationals "affected by strife in their homeland." The extension will permit the newly-elected Progressive Conservative government to review the situation. "Considerable internal strife" in Sri Lanka has necessitated continued Canadian assistance, and the special measures will provide protection for those unable to return to Sri Lanka and those "already displaced or dispossessed by violence," said Mr. Roberts. The measures included:

- a moratorium on removals to Sri Lanka;
- a relaxation of criteria for family reunification;
- a facilitation of landing Sri Lankans already in Canada affected by the ongoing violence and with relatives willing to undertake financial support (Employment and Immigration news release, September 13).

TRADE

Countertrade

A report by the Science Council of Canada on industrial development advocated a firm government commitment to encourage countertrade, or barter, as an increasingly important aspect of international trade. Council chairman Dr. Stuart Smith stated that Canadians must

develop "greater expertise" in the area. Countertrade is often employed by those countries with low foreign reserves, and involves payment for foreign goods with an exchange of domestic produce. Dr. Smith noted that with 30 percent of current world trade taking the form of barter, Canadian industries require help from government to remain competitive in changing world markets (*The Citizen*, August 1). The report makes several recommendations, including the creation of an External Affairs information data base for assistance to Canadian exporters involved in countertrade. Responding to the recommendations contained in the report, Canadian Export Association spokesman David Goldfield pointed out that being a member of the GATT trading network, the Canadian government could not involve itself directly in barter procedure. Mr. Goldfield suggested that, while countertrade growing, it was the responsibility of the private sector to "arm exporters with expertise."

International Trade Minister's Remarks

Speaking before the Canadian Chamber of Commerce in Toronto, Ontario September 25, International Trade Minister James Kelleher outlined changes to be implemented by the Conservative government to increase the attractiveness of Canada as a place for the investment of foreign funds. Both FIRA and NEP would be altered to enhance Canada's reputation as a "first-class" place for foreign investment, he said. The Government would end the "retroactive and excessive discrimination" in NEP. He also confirmed that the name and mandate of FIRA would be changed — the agency would now be called Investment Canada and would review "major investment proposals of national economic significance." It would, at the same time, adopt a more "positive" role — to facilitate job-creating investment, and to work with a revived and expanded Trade Commissioner Service to identify new ideas, new technologies and new export and investment opportunities for Canada." Mr. Kelleher said the changes should be viewed as an illustration of the Conservative government's belief that an improved Canadian reputation for international investment would help alleviate the present high interest rate-weak dollar problem.

Another area to be addressed, said the Minister, was Canada's weak competitive position in the world, "caused in great part by our dismal record in research and development and technological innovation. The current weak demand, both foreign and domestic, for Canadian goods and services, must also be spurred. In order to lower interest rates in the short term, the Government intends to keep them as low as possible without "causing a run on the dollar, and to offset the high cost of credit in key sectors of the economy by lowering other production costs." In the medium term, Canada will "implement trade, investment and tax policies which combine to put upward pressure on our dollar." At the same time, an inflow of direct investment capital must be encouraged to "lessen our dependence on foreign debt," stated Mr. Kelleher.

Canada's international competitiveness was emphasized in Mr. Kelleher's address. He outlined two "parallel initiatives" for improvement in that area: a restructuring of Canada's primary sectors, particularly the fisheries, forestry and mining sectors (lowering production costs); and

an increase in efforts at technology and training (developing human resources). Foreign demand must also be cultivated, and Canada must therefore negotiate "increased and secured access to foreign markets for our goods and services, through multilateral and bilateral negotiations." The Government would try, said Mr. Kelleher, to develop the "international consensus necessary to begin a new

round of GATT negotiations in such areas as safeguard arrangements, procurement, agricultural trade and trade in high technology." He concluded by emphasizing that the goal of the new government was not to create a "fortress North America . . . but rather to act as a catalyst for cooperative multilateral action" (International Trade Ministry statement, September 25).

For the Record

(supplied by External Affairs Canada)

I. Bibliography of recent publications on Canadian foreign relations (prepared by the Library Services Division).

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2. Recent Articles

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II. Recent Publications of the Department of External Affairs.

1. Press Releases

- No. 84 (May 18, 1984) Pacific Basin Economic Council Meeting.
- No. 85 (May 22, 1984) Government Announces Policy on Footwear Imports.
- No. 86 (May 23, 1984) Canadexpo 84 Concludes.
- No. 87 (May 28, 1984) North Atlantic Council Ministerial Meeting.
- No. 88 (May 29, 1984) Final Report of Canadian Observers to Second Round of El Salvador Elections.
- No. 89 (May 30, 1984) Canadian Delegation to Presidential Inauguration in El Salvador.
- No. 90 (May 30, 1984) Visit of Minister for Foreign Affairs of the German Democratic Republic.
- No. 91 (June 1, 1984) Skagit River Valley Treaty Implementation Act.
- No. 92 (June 1, 1984) Asia Pacific Foundation.
- No. 93 (June 6, 1984) The Iran/Iraq War.
- No. 94 (June 12, 1984) Exports of Japanese Motor Vehicles to Canada for 1984/85.
- No. 95 (June 13, 1984) Canadian Firm Invited to Negotiate in Indonesia.
- No. 96 (June 13, 1984) Canadian Response to the U.S. International Trade Commission Finding on Steel.
- No. 97 (June 22, 1984) The Fifth Session of the Canada-Brazil Joint Economic Committee Ottawa — June 20-22, 1984.
- No. 98 (June 29, 1984) Canada Adheres to OECD Guidelines Governing Protection of Privacy and Transborder Flows of Personal Data.
- No. 99 (June 28, 1984) Trade Minister Attends Quadrilateral.
- No. 100 (June 29, 1984) Appointment of Canadian Members to the Permanent Court of Arbitration.
- No. 101 (June 29, 1984) Trade Minister Announces Nuclear Contract.
- No. 102 (June 29, 1984) Appointments to the Board of Directors of the Asia-Pacific Foundation of Canada.
- No. 103 (July 5, 1984) The Deputy Prime Minister and Secretary of State for External Affairs to Travel to Tokyo and Jakarta July 9 to 14, 1984.

- No. 104 (July 6, 1984) Canadian Delegation to Second International Conference on Assistance to Refugees in Africa (ICARA II).
- No. 105 (July 9, 1984) Trade Minister to Meet Provincial Counterparts.
- No. 106 (July 11, 1984) Canadian Response to U.S. International Trade Commission's Recommended Remedy Regarding Steel Imports.
- No. 107 (July 18, 1984) Statement Made to the Press Following Steel Committee Meeting.
- No. 108 (August 2, 1984) Diplomatic Appointments.
 Mr. Terence Charles Bacon (51), originally from Princeton, British Columbia, to be Ambassador to Czechoslovakia, replacing Mr. H. David Peel who has returned to Canada.
 Mr. Dennis Stephen Maler Baker (47), originally from Hamilton, Ontario, to be Consul General in Hamburg, West Germany, replacing Mr. Ronald J.L. Berlet who has returned to Canada.
 Mr. Douglas Hugh Murray Branion (47), originally from Guelph, Ontario, to be Consul General in Dallas, USA, replacing Mr. Frank T. Jackman who has returned to Canada.
 Mr. Robert Warren Burchill (48), originally from Loon Lake, Saskatchewan, to be Consul General in Sydney, Australia, replacing Mr. Franklin Petrie who has returned to Canada to become President of the Canadian Export Association.
 Mr. Donald Wilfred Campbell (43), originally from Drayton, Ontario, to be Ambassador to the Republic of Korea, replacing Mr. William Bauer who has returned to Canada.
 Mr. Marc Faguy (48), originally from Québec City, Québec, to be Ambassador to Cameroon with concurrent accreditation to Equatorial Guinea, and Sao Tomé and Príncipe, replacing Mr. Claude St. Pierre who has returned to Canada.
 Mr. Richard Vessot Gorham (57), originally from Fredericton, New Brunswick, to be Ambassador to the People's Republic of China, replacing Mr. Michel Gauvin who has retired.
 Mr. Ewan Nigel Hare (45), originally from Southport, England, to be Ambassador to Zaire with concurrent accreditation to Rwanda, replacing Mr. J.-G. Saint-Martin who has returned to Canada.
 Mr. Jacques Claude Noiseux (47), originally from Montréal, Québec, to be Ambassador to Lebanon, replacing Mr. R. David Jackson who has returned to Canada.
 Mr. Charles William Ross (40), originally from Portage la Prairie, Manitoba, to be Consul General in Rio de Janeiro, Brazil, replacing Mr. W.B. Schumacher who has returned to Canada.
 Mr. Maxwell Freeman Yalden (54), originally from Toronto, Ontario, to be Ambassador to Belgium with concurrent accreditation to Luxembourg, replacing Mr. d'Iberville Fortier who has returned to Canada.

2. Statements and Speeches

- No. 84/2 Initiatives for Peace and Security. Remarks by the Right Honourable Pierre Elliott Trudeau, Prime Minister, in the House of Commons, Ottawa, February 9, 1984.
- No. 84/3 The United Nations — A Canadian Perspective. An Address by the Honourable Allan J. MacEachen, Deputy Prime Minister and Secretary of State for External Affairs, to the Empire Club, Toronto, March 22, 1984.
- No. 84/4 Human Rights in Canadian Foreign Policy. An Address by the Honourable Jean-Luc Pepin, Minister for External Relations, to the Seventh Annual Conference on Human Rights and Canadian Foreign Policy, Canadian Human Rights Foundation, Ottawa, March 26, 1984.
- No. 84/5 Gulf of Maine Maritime Boundary Case. Opening Statement by the Honourable Mark MacGuigan, Minister of Justice, at the International Court of Justice, The Hague, April 2, 1984.

III. Treaty Information (prepared by the Economic Law and Treaty Division).

1. Bilateral

Finland

Exchange of Notes between the Government of Canada and the Government of Finland constituting an amendment to the Extradition Treaty between Canada and Finland signed at Helsinki on June 21, 1978.
 Helsinki, November 1983.

France

Exchange of Notes between the Government of Canada and the Government of the French Republic constituting an Agreement with respect to air traffic control of French airspace around Saint-Pierre-et-Miquelon by the Gander Regional Control Centre.
 Ottawa, November 25 and December 19, 1983.
 In force December 1983.

Germany, Federal Republic of

Exchange of Notes between the Government of Canada and the Government of the Federal Republic of Germany constituting an Agreement concerning the training of German Armed Forces units in Canada at CFB Shilo and Goose Bay, Labrador.
 Ottawa, December 20, 1983.
 In force December 20, 1983 with effect from January 1, 1984.

Jamaica

Agreement between the Government of Canada and the Government of Jamaica with respect to Social Security.
 Kingston, January 10, 1983.
 Enters into force January 1, 1984.

Kenya, Republic of

Agreement between the Government of Canada and the Government of the Republic of Kenya for the training in Canada of personnel of the armed forces of the Republic of Kenya.
 Nairobi, November 23, 1983.
 In force November 23, 1983.

United States

Exchange of Letters between the Government of Canada and the Government of the United States of America amending the Agreement between Canada and the United States of America relating to the Canada Pension Plan signed at Ottawa on May 5, 1967
 Ottawa, October 12 and December 19, 1983.
 In force December 19, 1983.

Zambia

General Agreement between the Government of Canada and the Government of the Republic of Zambia on Development Cooperation.
 Lusaka, November 22, 1983.

2. Multilateral

International Telecommunication Union Regional Agreement for the Medium Frequency Broadcasting Service in Region 2.
 Done at Rio de Janeiro, December 19, 1981.
 Signed by Canada at Rio de Janeiro, December 19, 1981
 Canada's Instrument of Approval deposited at Geneva, December 22, 1983.

Gotlieb and Kinsman, revised the Third Option almost out of existence in their 1981 article in *International Perspectives* to which reference has already been made. They first paid their respects to the official strategy by arguing disingenuously, first, that it had been cruelly misunderstood by critics who imagined that it was intended to direct Canada away from the United States, when all that had really been intended was to strengthen ties to other countries, and second, that some some useful progress had been made on implementing the strategy despite the economic downturn, the problems with national unity, and the opposition of "special interests" in the United States.

Having praised the Option, they attempted to bury it by saying that it "remains a valid assumption of Canadian foreign policy even if it no longer needs to be cited as a constant point of reference" (emphasis added). They then went on in their article to offer an analysis of the Canada-US relationship markedly different from that in Sharp's famous article.

The bilateral relationship, wrote Gotlieb and Kinsman, was already one of the most complex in the world, and would become even more so in future. In other words, Canada was becoming more rather than less involved with the United States. They added:

Things have changed from a decade or two ago, because the societies have changed in both countries. There is less concern now with US interference in Canadian affairs. It is recognized that this is not the issue, as it sometimes seemed to be in the sixties, after the notion of a perfectly harmonious "special relationship" of identical interests has ceded to the obvious differences in development needs in the two countries.

Today, US interference in Canada is not the issue. On the other hand, there are vital connections between the two economies which give decisions in one country great importance over the other — and it is a fact of life that these links are central to Canadian development. Trade policy objectives need to recognize this as a basic given. There is interdependence involved which is the basically important identity of interest.

Gotlieb and Kinsman urged that Canada had to seek to manage this interdependence in such a way as to advance toward its own national development goals. As tools of this management, they contemplated political attention "at the highest level" to major development decisions of importance to both countries: new joint bodies to deal with continuing issues; "closer arrangements" in some sectors of the economy; and diplomatic attempts to persuade US leaders to see issues with Canada not as single problems, but in the context of the broad relationship and the national interests involved.

The embrace tightens

Even if it was not always crystal clear what Gotlieb and Kinsman had in mind, theirs was not a prescription for increasing Canadian independence by removing Canada from the US orbit. They recognized that increasing interdependence required closer cooperation between the two governments. Presumably the government agreed because

Gotlieb was soon appointed Ambassador in Washington, and Kinsman became his political adviser. Prime Minister Trudeau added his own view of the relationship in an interview with James Reston.⁷ Talking in his philosophical way about the need for more international cooperation to solve economic problems, Trudeau replied to a question about the possibility of a North American common market of Canada, the United States and Mexico by saying:

I don't think that should be the first stage of our thinking. I think we should be doing more to create a commonality of views of North American countries first and perhaps eventually in the hemisphere. We haven't addressed ourselves to that and it is because of my thinking on that that I have suggested and even promoted with Presidents Portillo and Reagan trilateral meetings."

This was hardly the language of a Prime Minister intending to weaken continental ties.

In *Canadian Trade Policy for the 1980s, A Discussion Paper*, published in 1983, the government backed even further away from the Third Option, saying:

Growing interdependence between states has meant that the realization of domestic priorities and objectives for many countries is becoming more and more closely related to constraints and opportunities flowing from the international economic environment. It has become a fact of life that the decisions and actions of one country increasingly affect those of others. As a result, the economic component of foreign policy has been enhanced, and the management of trade relations will tend increasingly to be dominated by the interrelationship between foreign and domestic policies, both as the international environment influences domestic policies and as domestic interests have to be reflected in foreign policy objectives and priorities.

Looking specifically at trade with the United States, the Discussion Paper reviewed the case for full free trade, found it unconvincing — in part because of the political difficulties — and then proposed instead the exploration with the United States of free trade in selected sectors of the economy.

But if the Liberal government quietly shelved the Third Option and accepted the reality of increasing economic interdependence, it never admitted as much or set out in a careful way an alternative strategy for managing the relationship with the United States. Rather, it drifted toward Sharp's First Option, which was "to maintain more or less our present relationship with the United States with a minimum of policy adjustments." This meant that the government would adapt over time to the private sector movement toward integration of the two economies and, consequently, of the two societies. There would be no overall strategy or political leadership. The new Conservative government is in danger of following in the same drift.

Far preferable would be the proclamation, in effect, of Sharp's Second Option: to move deliberately toward closer integration with the United States. That would not mean that Canadians would haul down the Maple Leaf and run up the Stars and Stripes. Nor would it mean that they would

have to abandon what is best about Canadian society or accept what is worst in the US model. It would mean that Canadians would recognize that the tide of history was moving us toward closer association with the United States, and that the correct response was to seek to manage the process so as to make the most of the economic opportunities while preserving what was important in Canadian society. Accordingly, the Canadian government should state clearly that it recognizes that the country's best future lies in closer association with the United States, and that it wishes to negotiate the terms of a new economic partnership, the updating of the military alliance, and the creation of new bilateral institutions for the discussion of problems and the management of continuing issues. Let us now look at each of these propositions.

A Canadian initiative

It is essential that the initiative for a closer association come from Canada, the smaller and more vulnerable country. Canadians have been taught to be suspicious of the United States, and any suggestion from Washington for a new partnership would be viewed as a plot to steal Canadian energy, Canadian water or even Canadian identity. On the other hand, a Canadian government with the courage to announce a new approach to the United States would probably find a good measure of support from some of the provincial governments, the more energetic and enterprising business leaders, and commentators thoughtfully concerned about economic opportunity, cultural openness and military security. The opposition would come from nationalists, businessmen with interests to protect, and politicians trying to exploit the old fears of continentalism.

Prime Minister Mulroney at the head of a government with a fresh mandate has the opportunity to present the new strategy toward the United States not as a retreat from past mistakes but as a confident approach to the future. As for the United States, there is little doubt that a Canadian approach seeking closer association would be welcomed in the White House, the Congress and the news media. Americans like to be liked, and as a superpower often accused of imperialism, it is useful for the United States to be able to demonstrate to the world that it gets on well with its weaker northern neighbor. That is not to say that negotiations on the terms of association would be a pushover for Canada, but only that negotiations would take place in an atmosphere free from the acrimony of recent years.

Economic association

A new economic association could take any one of several forms. A common market providing for the free movement of goods, services, capital and labor, and for a common Canada-US tariff against other countries, might make the best economic sense, but would present political problems. It would be necessary to create joint institutions to manage such an economic union. In view of the disparity in the sizes of the two countries, it is unlikely that the United States would allow Canada equal representation on decision-making bodies. That would mean that Canadian interests would be at the mercy of the American majority. Canada might seek to get around the difficulty by treaty provisions reserving control over such key sectors as energy, water resources and the cultural industries, but even

so, the surrender of sovereignty might be too much to swallow at one gulp. The situation would be different of course if Mexico were willing to enter the common market and sit on the decision-making bodies, as some commentators have proposed.

The lesser form of economic association known as free trade is the option that has been proposed by the Economic Council of Canada and by the Standing Senate Committee on Foreign Affairs. This would involve only the abolition of tariffs on specified areas of trade between the two countries — for example, the trade in manufactured goods. It would not effect the movement of capital or labor, or trade relations with other countries. Energy, water resources and other sensitive sectors of the economy need not be involved and would remain under Canadian regulation.

The basic argument in favor of free trade is that Canadian producers need guaranteed access to the US market in order to compete with large US and foreign companies. The secondary argument is that Canada has already agreed, at the GATT conference in Tokyo in 1979, to abolish tariffs on some goods and slash them on others to the point at which there will be effective protection for only a few industries by the time the new rates are fully implemented in 1987. And even where high tariffs remain — for example, on textiles, clothing and footwear — the Liberal government saw them as “a bargaining instrument to facilitate the negotiation of improved access to foreign markets for Canadian exports.” In other words, the government was prepared to reduce or abolish these remaining tariffs in return for access to the US and other markets, and in fact such negotiations are under way. As the Standing Senate Committee on Foreign Affairs put it, “The Tokyo Round has, in effect, left Canadian industry in the worst of both possible worlds — with tariffs too low to be effective protection and, at the same time, still without free access to a huge assured market as enjoyed by its competitors, the European Community, Japan, and the United States.” So decisions already made have committed Canada to something close to tariff-free trade with the United States.

But that does not obviate the need for a treaty with the US in order to deal with such non-tariff barriers as quotas, preferences and regulations designed to protect US producers against competition. In the absence of a free trade agreement, Canada may find itself still excluded from the US market by the non-tariff protective devices.

The argument against free trade has been that it would enable US corporations to close down their Canadian operations and supply the market from their plants south of the border. But this ignores the reality that tariffs are disappearing anyway under the GATT agreement, and it also assumes implicitly that Canadian workers in Canadian plants would not be able to compete successfully with US workers in US plants.

No sovereignty loss

Underlying the arguments about free trade there has always been the fear that economic association would erode Canadian political sovereignty. There is no question that countries participating in a common market, as in Europe for example, do surrender some part of their sovereignty to the central authority in which they have a voice and a vote. It is a matter of paying for the benefits of sharing

in a larger association. Supporters of free trade, however, have tended to argue that, unlike a common market, no surrender of sovereignty is involved. They point to the experience of those countries where free trade has existed to illustrate that a country can enjoy the benefits of free trade while carefully preserving its political independence. It is arguable also that free trade would generate a stronger Canadian economy and, therefore, a more confident sense of Canadian identity.

The truth, probably, is that while free trade would not directly limit the sovereignty of Canada or the United States, it would have indirect effects. Both governments would have to look very carefully before implementing domestic policies that would increase business costs in relation to those of the other country. For example, if the Canadian government raised the rate of corporate tax above that in the US, Canadian business would be at a disadvantage in free trade competition with US companies; or if the US government imposed on business environmental regulations more stringent than those in Canada, US business might be at a competitive disadvantage in free trade. There would be pressure on the two governments, also, to harmonize safety regulations and other standards in order to ensure the free movement of goods in the free trade area. So free trade would in some degree limit the freedom of action of national governments.

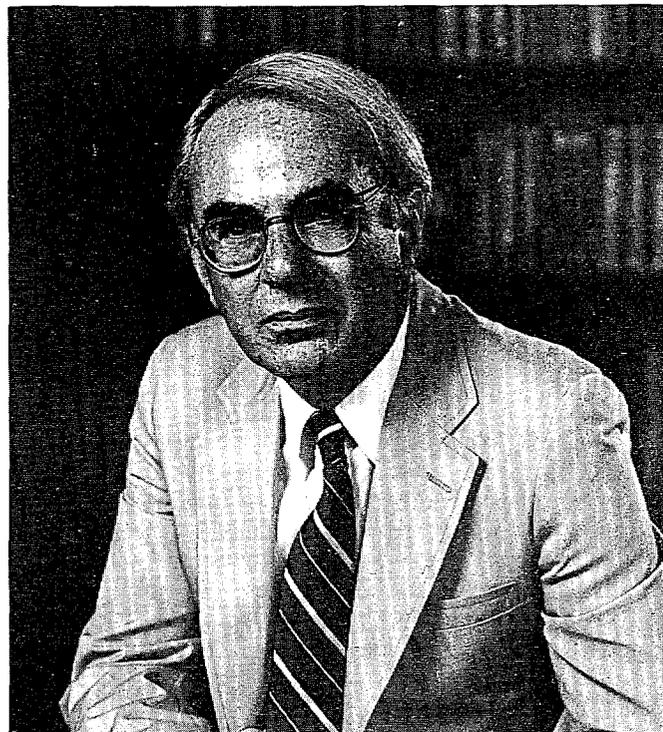
The essential question about Canadian policy on trade with the United States, therefore, is not whether tariff-free trade would be good or bad in theory, or even whether it would erode political sovereignty. Those questions are being answered by decisions already made under GATT. The essential question is how to deal with non-tariff barriers that threaten to deny Canadian exporters the access to the US market they need. The most persuasive answer is to negotiate a free trade treaty with the United States to abolish, over time and with appropriate safeguards for sensitive sectors, both tariff and non-tariff barriers.

Sectoral alternative

Another form of closer economic association would be to negotiate conditional free trade arrangements, similar in principle to the auto pact, for those Canadian industries wishing to rationalize on a continental basis. Petrochemicals have often been mentioned as a candidate for such an arrangement, and others might include producers of communications and transportation equipment, and the high-tech electronic sector. Ideally, such agreements would create a North American market while guaranteeing a share of the business for Canada, as was done with the auto industry. The problem is that such deals would have to serve US as well as Canadian interests. Canada could hardly expect to gain free access to the US market for selected industries without making concessions in return. In reality, there may not be a basis for agreements satisfactory to both countries short of full free trade for secondary industries.

In considering trade policy, it is important to keep in mind that Canada does not have the luxury of doing nothing. Almost all observers agree that the economy must be restructured if it is to hold its own in increasingly competitive world trade. The view generally held by nationalists is that the Canadian government should impose an

industrial strategy designed to strengthen viable industries of the future and phase out the declining sectors. But as governments are subject to a host of conflicting regional, political and financial pressures, there is not much reason to hope that the present or any foreseeable government in Canada will have the competence and strength to force the country through the difficult process of rationalizing the economy. To insist, therefore, that this is the only way for



Allan Gotlieb

Canada to go may be to ensure that nothing much gets done. The other and more persuasive view is that rationalization is best left to market forces, provided that Canadian companies have a fair chance to compete with foreign companies. A fair chance to compete requires access to the US market, and that in turn probably depends upon a free trade agreement. The role of the Canadian government would be to negotiate with the US government the terms of the treaty, and then to assist Canadian companies and workers to make the transition.

The military alliance

Canada's defence policy rests on two alliances: with the United States and the countries of Western Europe in the North Atlantic Treaty Organization; and with the United States alone in the North American Aerospace Defence Command. NATO seeks to deter the Soviet Union from starting a war by confronting it with nuclear and conventional forces on land, sea and in the air. NORAD seeks to deter Soviet attack by providing early warning of the approach of missiles or bombers so that US missiles and bombers can be launched against the Soviet Union before they are destroyed on the ground. NORAD also provides some interception defence against bomber attack.

It can be argued that Canadian policy is fundamentally wrong because the Soviet Union does not threaten war, or

because the United States rather than the Soviet Union is the real threat to peace, or because Canada's best hope of survival in the event of war would be to remain neutral between the United States and the Soviet Union. But none of these arguments against Canadian participation in NATO and NORAD is likely to enjoy majority public support in the foreseeable future. Canadians in fact have recently elected a government more strongly committed to the alliances than the former one. Policy has to be based on the reality that Canada will almost certainly remain a close ally of the United States.

As a superpower, the United States is the dominant country in both alliances. In NATO, Canada's position as dependent junior partner is obscured by the fact that the European countries are in the same position. But in NORAD, Canada is the only junior partner and the dependency is obvious. Canada relies on the United States for defence of its territory because it simply does not have the military resources to deter attack or to protect itself in the event of attack. There is nothing demeaning in the dependency provided Canada plays its role in the alliance in fair measure relative to the collective security it enjoys with the United States in North America.

In seeking a closer association with the United States, it is important for the new Canadian government to reaffirm the commitment to NATO and to NORAD. It may also have to demonstrate this commitment by substantially increasing the defence budget which, as a proportion of national income, has been among the lowest of the NATO countries. That would reassure the United States and enable Canadians to negotiate with dignity with their American partners.

To be an ally of the United States in NATO and NORAD does not mean that Canada has to endorse every aspect of US foreign policy. In the councils of the alliances, Canadians are free to speak their minds on every strategic and political issue concerning collective security, and that certainly includes relations with the Soviet Union, the balance of nuclear and conventional forces, the testing and siting of weapons, and negotiations with the Soviet Union on arms control. Outside the North Atlantic region, Canada is free to disagree with US policy in Latin America, the Middle East, Asia and anywhere else in the world.

New institutions

In the past, for the most part, the preferred method of managing the Canada-US relationship has been through private discussions between the executives of both governments — Quiet Diplomacy. There are numerous channels for these discreet communications: Prime Ministers speak directly to Presidents by telephone or occasionally at face-to-face meetings; ministers in Ottawa and Washington with similar responsibilities confer, and sometimes whole committees of Canadian and US ministers meet; the US Ambassador in Ottawa talks to the Canadian government, and the Canadian Ambassador in Washington makes the views of his government known to the US government; Canadian and US civil servants discuss shared problems; the International Joint Commission, with equal representation from both countries; is entrusted with boundary water issues and

directs research into cross-border pollution; the Defence Production Sharing Agreement is administered by a joint board, and so on. There are also fairly regular meetings between Members of Parliament and of Congress, but they are usually in private and seem seldom to produce any practical results.

There are various proposals to create new joint bodies to deal with trade issues, to manage the fisheries where there are often disputes over boundaries and quotas, and to try to sort out difficulties or disagreements before they become public issues or crises. No doubt Quiet Diplomacy in one form or another will continue to be the preferred way of handling the day-to-day business of the continental association. Indeed, some have blamed the bad feelings of 1981 on the fact that the rows over FIRA and NEP were allowed to escape from the back rooms into public view. However, that row signalled the arrival of Public Diplomacy — now a fact of life in the relationship.

There were a number of causes: the emergence of private businessmen as factors; the shift in the balance of power between Congress and the Administration in the post-Watergate period. But most of all it was the abandonment of the seniority system in the Congress. In the past, when congressional power was in the hands of the longest serving members, the Administration could be sure of congressional reaction. Today with power dispersed, congressional response is less predictable. As a result it is no longer enough for a foreign government to negotiate an arrangement with the State Department, they also have to lobby for congressional support for any agreement and in doing so may very well find themselves competing with lobbyists for various US domestic interests. Often the competition will spill over into public view. Furthermore, as US domestic policies came to affect Canada as much as or more than US foreign policies, our focus had to shift somewhat from White House to Capitol. There was thus more and different lobbying to be done and with the help of Canadian business, more and different players to do it.

Another reason for the shift to Public Diplomacy is to be found in the way the communications media, particularly television, have changed international relations just as they have changed domestic politics. Television can focus on an event or an issue with immense dramatic effect, transforming it almost overnight from a minor dispute into an international crisis. Having spotlighted an issue, television journalism attracts new players into the game, providing a forum, for example, for every Congressman who wishes to make clear that he is protecting the interests of his constituents in some US trade dispute with Canada. By drawing new players into a dispute, TV disperses power and the responsibility for reaching a settlement. It becomes necessary for governments to speak not just to each other in quiet conference rooms, but to address the media and public opinion and perhaps to lobby legislators and other interested parties. The diplomats may wind up dealing not with the reality of events, but with the media and public reactions to those events — which may be quite different. Public Diplomacy, therefore, may make the management of the relationship more rather than less difficult, but it is unavoidable on occasions, and has to be managed rather than merely endured and regretted.

Institutions of Public Diplomacy

Given the increasing complexity of the relationship and the prospect of even closer association in future, it would make sense to provide a focus for Public Diplomacy — that is to say, a recognized public forum in which the relationship could be brought under regular scrutiny and current issues thoroughly explored. Canada might very well propose to the United States, as part of a new association, the creation of a two-level forum. At the first stage, the two Cabinets would discuss in private the state of the relationship and the outstanding problems at an annual joint meeting. Preparation for each meeting would compel both governments to concentrate attention on the relationship at least once a year, and the Cabinet summit would draw media and public attention to the reality of interdependence. The second level would be legislative. A joint committee of Parliament and Congress would meet in public for several days every year to hear evidence on outstanding problems, debate solutions, and review the work of the IJC and the other bilateral agencies and commissions. But this committee would not have legislative or decision-making power; its function would be to advise the two governments and to inform public opinion.

Having sketched the outline of a new and closer relationship, it is possible now to consider what the costs, if that is the word, might be in terms of Canadian independence and identity.

Independence

Let us recognize at the outset that every form of association limits in some degree the freedom of the participants. This is true in private life — in marriage, in business, in politics when individuals join a party and accept its discipline, and in relations between countries. Canada surrendered some of its freedom of action, for example, when it joined NATO and committed itself to support a collective security policy; when it accepted the General Agreement on Tariffs and Trade and agreed to abide by certain rules of trade; and when it entered into countless other international associations. Canada and other sovereign countries accept the costs of such associations because they are outweighed by the benefits. The advantages of collective security through NATO outweigh the loss of military independence; the benefits of orderly world trade through GATT outweigh the loss of some control over trade policy; and so on. The number of international organizations and arrangements has grown enormously over the past half-century, and most require some surrender of freedom of action by participating countries, providing in return a greater collective benefit.

In recent years, Canada and other countries have been coming to realize that their freedom of action is limited not only by formal agreements, but also by informal associations. They are tied into an international economy by the expansion of trade, the movement of capital and the multinational organization of business activities. Participants have discovered to their cost that, as the Royal Commission on Conditions of Foreign Service put it, economic diseases are contagious. For example, if the US government follows inflationary policies, the prices of US goods imported by Canada will rise, creating inflationary pressures in Canada and probably forcing the Canadian government eventually

to introduce anti-inflationary policies. Or if the Bank of Canada puts up interest rates, Europeans will notice that investment funds are flowing out of their countries and across the Atlantic to earn the higher rate of return, and to attract the money back they will have to raise their own rates. Most democratic countries have tried at one time or another to escape from this awkward interdependence by imposing controls and regulations, but such schemes are never fully effective, and the costs of economic insulation can prove to be higher than the supposed benefits of independence.

The alternative policy for the democracies has been to try to coordinate their national economic policies with those of their major economic partners. Various organizations have been created for this purpose. Heads of governments, finance ministers, central bankers, government economists and other key policy-makers meet fairly regularly in international forums to review problems and seek common solutions. They do not always succeed because, as Alvin Toffler has written in *The Third Wave*, "At the transnational level we are as politically primitive and underdeveloped today as we were at the national level when the industrial revolution began 300 years ago." In other words, the nations are still trying to reconcile independence with interdependence. They recognize that interdependence limits their national freedom of action, but they have not yet fully accepted the need for international decision-making.

Integration inevitable

Canada's national independence is undoubtedly limited by its economic and military dependence on the United States. To a much lesser extent, the freedom of action of the United States is limited by its public and private relations with Canada. This is a fact of life, and the attempt to reduce Canadian dependence by means of the Third Option strategy has failed. The process of economic integration seems likely to continue, whatever policies Canadian governments may pursue, because the initiative is in the hands of private business. By entering a common market or a free trade arrangement, Canada would not be agreeing to a new surrender of independence, but recognizing and formalizing a process of integration already underway. Formalizing the process in a treaty with the United States would give Canada the opportunity to reserve sensitive areas of the economy, create institutions for solving bilateral problems, and organize programs of transitional assistance to industry — to manage the process rather than to be swept along by it. A treaty also would give Canada a greater influence in the United States on the direction of the continental economy.

Closer economic and military association with the United States would not necessarily inhibit Canada's ability to make its own social policies or to continue to place a high priority on the enhancement of the quality of life as a matter of public policy. Canadians must, however, be willing to accept that there is a trade-off between public services and private affluence. The United States is inclined to spend less on public services in order to leave more money in private hands. For Canada to provide better public services while also trying to match the US standard of private incomes, would result in economic resources being

overstretched to the detriment of the competitive position. In a new association with the United States, there would be no reason why Canadian should not keep and improve their social services, their clean cities, their recreational facilities and all the other public amenities that create a way of life better than that available to many Americans, provided they were prepared to pay for them in taxes that would reduce their private incomes to below those common in the United States. Nor would there be any reason why Canadian systems of government, law and education should change.

National identity

The Canadian national character is supposed by romantics to be shaped by the immensity of the north, the harshness of the terrain, the severity of the climate, and the struggles of the pioneers merely to survive in such a hostile environment. But what can all that mean to an immigrant recently arrived from, say, Europe, living in a highrise apartment in a brick and cement metropolis, protected from the climate by central heating and air conditioning, working for a multinational corporation, travelling in a few hours across the country for a business meeting, holidaying in Florida, and spending most of his or her leisure hours in a world imagined by television? Similarly, American myths and values derived from the War of Independence, the Civil War and the settlement of the West can have only a limited relevance for a Puerto Rican struggling to make his way in the urban jungle of New York City. In other words, it is misleading in modern circumstances to think of national cultures and recognizable national types. In every country, some traditions, some folk memories, some particularities remain, and no doubt will continue to do so for many years, perhaps centuries, to come. Numerical minority does not mean extinction. As French Canadians have retained an identity within Confederation, Scots within the United Kingdom, Texans within the United States, so Canadians will retain identity however the relationship with the United States may develop. But as Michael Novak has pointed out in the United States, the modern pluralistic society produces the pluralistic personality:⁸

Each individual is, by right and by opportunity, responsible for choosing his or her own identity from among the many materials presented by the contingencies of human life . . . Many persons have the opportunity to become involved in many cultural traditions not originally their own, and to appropriate music, ideas, values and even a set of intellectual landmarks not native to their own upbringing.

To adapt this insight to Canadian circumstances, it is not an exaggeration to say that a person may be raised in a Protestant family, take an interest in an Eastern technique of meditation, marry into a Jewish family and in later life become an agnostic, study German philosophy in university, enjoy American television but prefer European movies and English novels; read *Macleans*' magazine, the London *Economist* and the *New York Review of Books*; wear a Canadian parka with jeans and cowboy boots; play amateur hockey, follow American football, and watch a Canadian baseball team playing in a US league; admire the work of the Group of Seven, enjoy Chinese food, and be

active politically in movements protesting against US foreign policy. He or she will still be a Canadian carrying through life some of the social customs and attitudes that that implies, and giving allegiance to the Canadian state, but he or she will not easily be identified as a Canadian type, the distinctive product of a national culture. To put it another way, cultural identity depends not so much on where one lives as on how one chooses to live.

Thus, the concept of national identity rooted in a national culture is being washed away by the technologies of transportation and communication that are producing not the uniform man in a homogenized society, but variety and diversity in an international society. To be a Canadian citizen does not signify a way of life, or a set of values beyond attachment to the community and loyalty to the national state. So the fear that closer association with the United States will erode a Canadian identity in the making or abort a Canadian culture about to be born is unfounded.

One continent

The basic argument being made here is that Canadians, both as individuals and as a political nation, are more likely to prosper and fulfill themselves in free association with Americans than they are by seeking to protect themselves from US competition and influence. The desire to escape from US influence, the desire to put distance between Canada and the United States, arises in large measure from fear of absorption by the US and from jealousy of US wealth, power and vitality. But fear and jealousy are corrosive in national as in personal life; they feed the Canadian sense of inferiority, encourage parochial attitudes, and give rise in politics to nationalist policies that are bound to fail because they are against the tide of events and against the private aspirations of most Canadians who wish to enjoy the maximum freedom to trade, invest, travel and exchange ideas. Canadians have no reason to feel inferior to Americans, or to be fearful of the United States. They have built an orderly and progressive society that is in some ways an example to the United States, and as workers and producers they are surely equal to Americans. To the extent that size, climate and geography set Canada at a disadvantage in competing with the United States, that can be corrected only by public policy and private effort; protection at the border seeks only to hide such a problem and not to solve it.

Finally, what is required is not so much a change in Canadian policies as a change in Canadian attitudes. Canada, after all, is — through GATT — already committed to the abolition, virtually, of tariffs on trade with the United States, and to the maintenance of the free flow of information and entertainment, which together ensure the continuing integration of the two societies. But instead of regarding this prospect with foreboding, as a defeat for Canadian nationalism and a threat to sovereignty and identity, Canadians should be encouraged to see it as an opportunity to knock down barriers, thereby enlarging their opportunities to compete and to demonstrate the virtues of their society. With a new association with the United States established by a treaty setting out the rules and limits of the relationship, Canada might at last get the ageing monkey of nationalism off its back and be able to turn all its energies to solving the internal problems of economic management, social injustice and political reform.

Appendix

Others have written and spoken about closer trading relations between Canada and the US. Here are some samples, and the Author's final word.

Ronald Reagan in New York, November 13, 1979, announcing his intention to seek the Republican nomination for President.

We live on a continent whose three countries possess the assets to make it the strongest, most prosperous and self-sufficient area on earth. Within the borders of this North American continent are the food, resources, technology and undeveloped territory which, properly managed, could dramatically improve the quality of life of all its inhabitants.

It is no accident that this unmatched potential for progress and prosperity exists in three countries with such long-standing heritages of free government. A developing closeness among Canada, Mexico and the United States — a North American accord — would permit achievement of that potential in each country beyond that which I believe any of them — strong as they are — could accomplish in the absence of such cooperation. In fact, the key to our own future security may lie in both Mexico and Canada becoming much stronger countries than they are today.

No one can say at this point precisely what form future cooperation among our three countries will take. But if I am elected President, I would be willing to invite each of our neighbors to send a special representative to our government to sit in on high-level planning sessions with us, as partners, mutually concerned about the future of our continent. First, I would immediately seek the views and ideas of Canadian and Mexican leaders on this issue, and work tirelessly with them to develop closer ties among our peoples. It is time we stopped thinking of our nearest neighbors as foreigners....

A developing closeness between the United States, Canada and Mexico would serve notice on friend and foe alike that we were prepared for a long haul, looking outward again and confident of our future; that together we are going to create jobs, to generate new fortunes of wealth for many and provide a legacy for the children of each of our

countries. Two hundred years ago we taught the world that a new form of government, created out of the genius of man to cope with his circumstances, could succeed in bringing a measure of quality of human life previously thought impossible.

From an article in the *Hastings International and Comparative Law Review* by Mark Adams, Barry Steiner and Wade Rose, employees then of Governor Jerry Brown of California who used the material in speaking favorably of a North American Community when seeking the Democratic Presidential nomination in 1980.

A North American Community created to foster equality and interdependence would benefit all three countries. It should have three goals. It should encourage continental cooperation. The North American countries are already bound to one another by geography and economics. The North American Community can be the vehicle for strengthening and increasing the areas in which the countries cooperate. Such an organization should also promote comprehensive, trilateral problem-solving. Comprehensive negotiations, in the sense of negotiations between all three countries regarding all issues between them, can achieve results not possible in bilateral, issue-by-issue negotiations. Finally, the North American Community must preserve the independence and sovereignty of all three countries. One of the main themes in North American history has been Canadian and Mexican fears that the United States intended to conquer or to assimilate them. The United States has also jealously guarded its freedom of action. Unless the Community provides institutional safeguards for the sovereign rights of the member countries, it cannot succeed....

A cooperative organization, by its very nature, is a forum rather than a decision-making body. It requires unanimity of the members before it can act. Therefore, it is less likely to upset the economic and political balance since the countries cannot be forced to act without their consent. Moreover, a cooperative organization does not necessarily include all of the goals a common market would be likely to hold. In a cooperative organization, the members may negotiate free trade agreements where appropriate, but

are not required to eliminate all their trade barriers. Nor are they required to standardize their trade policies vis-à-vis the rest of the world. Thus, a cooperative organization would not share the same economic and political problems of a North American common market. Nevertheless, a cooperative organization would be equally as effective in accomplishing the goals of the North American Community...

The Organization for Economic Cooperation and Development (OECD) is a good example of a cooperative organization, both in terms of its structure and its function. The North American Community could be formed along the lines of OECD.

From Canadian Trade Policy for the 1980s — A Discussion Paper published in 1983 by the Department of External Affairs.

The free-trade option has been a contentious issue throughout Canada's history, due less to economic considerations than to issues of sovereignty and self-determination. The evidence to date of the need to proceed is not convincing, nor does a call for free trade command broad support. Most assessments tend to highlight the economic advantages for Canada without taking full account of the costs or consequences, both political and economic. It remains, however, an option which may garner broader support at some time in the future if changed circumstances lead to different attitudes. Many of the arguments favouring freer trade may be satisfied, however, by entering, gradually, into bilateral agreements to resolve particular issues of the type presented by US restrictions of Canadian sales of urban mass transit equipment and US tariffs on Canadian exports of petrochemicals. Free trade with the United States on such a limited, sectoral basis would not raise the more difficult issues posed by the full free-trade option and would be consistent with the gradual movement by successive Canadian governments towards free trade. Proceeding on such a basis need not necessarily be limited to Canada and the United States, but could include other interested countries.

Sectoral free trade is not a new idea (e.g., the Auto Pact in the North American context; the Aircraft Agreement multilaterally), and the expansion of this concept may offer the most promising prospects for expanding Canada-US trade and for improving the economic base of a number of Canadian industries. In a number of sectors (e.g., textiles, urban transportation, petrochemicals) there is significant scope for furthering the rationalization within North America on which the private sector has already embarked but which is now inhibited by trade barriers on both sides of the border. An exploration of the possibilities for limited, sectoral free trade should thus identify ways and means to promote reciprocal trade expansion, to increase the efficiency of national industrial structures and to enhance regional economic prospects. It may also prove one way of meeting the shared problem of how to meet the competition from third countries and to slow down the exodus of production facilities from North America. A full examination needs, of course, to take careful account of the views of the private sector and the provinces, as well as an assessment of likely US reaction.

From an article by Professor Sidney Weintraub, then a US government official, in *Policy Options*, July/August, 1981.

If the two countries really want free trade, the timid sector-by-sector approach seems like a sure-fire way to frustration. The across-the-board approach is both bolder and simpler, although its boldness should not be exaggerated, since the transition to free trade could take a decade or more and exceptions to free trade are possible as long as "substantially all" trade is freed.

My conclusions can be stated simply:

1. Beware of the emotional in the approach to this issue. It may be demagogic and it is probably irrelevant to the main issue at hand.

2. Do not assume that the United States wants to gobble up Canada. The United States has long since passed through its manifest destiny period. Instead, assume that Canada will have to convince the United States that bilateral free trade has as much to offer the United States as it offers to Canada.

3. Analyse the economics of free trade in cold blood: What's in it for us? What are the potential costs? On balance, is it worth the gamble? Once that is done, Canada must take the initiative since a US initiative is probably foreordained to fail.

4. Finally, if the conclusion is that bilateral free trade would benefit Canada, act decisively. Don't tear the adhesive from the hairy, sore skin bit by bit but rather let 'er rip.

From the Speech from the Throne opening the 33rd Canadian Parliament on November 5, 1984.

Our relationship with the United States affects virtually every aspect of our national life. It is essential to our security and prosperity. It expresses values shared by the free peoples of our two nations. Beneath the myriad of issues to be discussed and conflicts to be resolved, beyond the hundreds of points of contact that take place daily between two governments and two economies, there are wellsprings of trust between two peoples.

My government has taken the initiative to restore a spirit of goodwill and true partnership between Canada and the United States. My government is pleased by the positive response it has received in both the government and private sectors of the United States.

There are many areas where the national interests or the national policies of the two countries diverge or compete. There are, as well, numerous and as of yet untapped possibilities for fruitful cooperation between our two countries. Restoring a climate of goodwill between our governments was an essential step towards the resolution of our conflicts and the realization of our opportunities. My government views this initiative as a confirmation of our national strength and maturity.

From an address by de Montigny Marchand, Deputy Minister for Political Affairs, Department of External Affairs, to The American Society/Canadian Affairs Conference on Canada/US Post-election Policies and Trends in New York on November 13, 1984.

This policy of new direction for Canada is multifaceted in both an economic and geopolitical sense especially with respect to our relations with the USA. Canada is the only

major industrialized country without unimpeded access to a market large enough to permit substantial economies of scale. To foster growth through trade, we must obtain more secure and improved access to foreign markets on the broadest possible basis. This implies as well that Canada will also have to do more to increase access to its domestic market.

The United States is an increasingly dominant market for Canadian exports. We are each other's largest market and also each other's largest growing market. Two-way trade between Canada and the United States is well in excess of \$100 billion US. That is a lot more than US trade with either the EEC or Japan. US exports to Canada in the first six months of 1984 are up one-third over the same period in 1983 and our exports to the USA have risen proportionately.

As you are no doubt aware, the Canadian and the United States governments have been considering whether there are sectors where bilateral arrangements could be negotiated for more liberalized trade. Under existing agreements by 1987 approximately 80 percent of Canadian exports to the United States will be duty-free. However, there remain significant tariff barriers and an array of non-tariff measures which substantially impede bilateral trade in both directions. The Government announced last Thursday that it will be examining all avenues to secure an enhanced market access, including a careful analysis of options for bilateral trade liberalization with the United States....

Over the years some Canadians have feared a pervasive American presence. However, the new Government believes that its mandate for change is a reflection of a new maturity in Canada, a greater degree of self confidence. This has been accompanied by a burst of new vitality and accomplishment — in our literature, science, investment, invention, painting, sport — you name the field. Even our chefs excel internationally. And our hockey teams by the way — two of which operate out of New York — are back on top!

Confidence and accomplishment nourish one another and it is felt we are now better able to stand on our own than we have ever been. The modern purpose of Canadian nationalism is as Mr. Clark said "to express ourselves, not to protect ourselves."

A closer relationship with the United States does not mean an end to our problems. We have different systems, different views and different priorities. Air quality, although certainly a shared preoccupation, has not, thus far, lent itself to resolute and urgent complementary and concerted measures.

As a trading nation Canada needs to promote freer trade. We have to examine the options and weigh the costs and the advantages to strike a balance that enhances Canadian interests. We have a high stake in an open multilateral trading system. What better place to look first than to our own backyard with our predominant trading partner?....

The Canadian government believes its mandate for new direction includes encouraging the harnessing of the larger national interests of our two countries under an overriding theme of cooperation. Specific problems can be better

managed in a positive political perspective. To achieve this objective, which we believe is shared by the US administration, we will be looking at a variety of techniques: more secure trading arrangements; even better consultative arrangements between administrations; closer links between Members of Parliament and Congress; new institutional approaches which might assist in the management of the Canada-US trade and economic relationship; and more informal communication on the part of private citizens, and business community to business community.

More institutional predictability in Canada/US relations is an antidote to a situation where Canadian interests are increasingly subject to the American domestic process. I am not suggesting that problems will come to an end; frequently there is no quick fix to some of these problems. But we must not allow them to pollute the general relationship....

Some concern has been expressed in Canada that the new closer relationship between the Canadian and US governments will mean that Canada will have to shave its diplomatic activity elsewhere in the world in order to avoid disagreement with the USA over issues which seem secondary, so as not to reduce our bilateral leverage on key issues. From what I have seen and heard from Mr. Clark and the Prime Minister, I do not believe this fear to be justified. Canada and the USA have quite different roles on the world stage, and we will continue to call issues as we see them from our perspective. However, when we take a stand it will be rooted clearly in our national interests, and it will be expressed in a way which is meant to help the situation and not simply to reflect difference for its own sake.

Last word to the Author.

The failure to work out a satisfactory relationship with the United States has troubled, distracted and divided Canadians since Confederation and before. That is not to say that relations have been bad: most of the time they have been good, and at their worst they have at least been peaceful for some 170 years. Few pairs of neighboring countries can make that claim, particularly when one is a great power and the other relatively weak. When the worst that Canadians can find to say about the relationship is that the US government is sometimes careless of their interests or rude to their Prime Ministers, they are saying in effect that they do not expect their mighty neighbor to behave as other great powers. Nevertheless, Canadians do fret about the United States. They are never quite sure what the United States may do to them tomorrow, by accident or design, and the United States often serves as a handy scapegoat for the deficiencies of Canadian policy and management of public affairs. Through much of Canadian history, it has been easier to blame the United States for problems than to solve them, and this has contributed to the Canadian sense of inferiority.

By acting boldly to establish a new and more stable relationship with the United States, Canadians could begin to relieve themselves of that corrosive feeling of inferiority and could free their energies to solve those problems that are under national jurisdiction. No relationship could ever

by trouble-free and permanent. Whatever treaties are signed or institutions created, there are bound to be rows and differences between the neighbors. But with greater mutual confidence and better machinery, the problems would be fewer and easier either to solve or to live with.

The initiative lies not with the United States but with Canada, and the new government in Ottawa might well take Professor Weintraub's advice about free trade and apply it across the whole relationship: work out what form of relationship would benefit Canada and "let 'er rip." □

Footnotes

1. In *International Perspectives*, Autumn, 1972. The magazine was at that time published by the Department of External Affairs, but independently edited by a well-known journalist, Murray Goldblatt. For his own reasons — perhaps because there was a federal election campaign in progress — Goldblatt declined to publish the long article submitted by the Minister. A compromise was reached: the article was published as a Special Issue of the magazine without Goldblatt's name on the masthead. Since 1979 *International Perspectives* has been published privately in Ottawa.
2. Minister of Supply and Services, Ottawa.
3. "Reviving the Third Option" in *International Perspectives*, November/December, 1981, Ottawa.
4. *Looking Outward*, Economic Council of Canada, Ottawa, 1975.
5. *Canada-United States Relations*, Vol. 3, Ottawa, 1982.
6. Canadian Institute for Economic Policy, Ottawa, 1982.
7. *New York Times Magazine*, October 3, 1982.
8. "The Pluralistic Personality" in *Dialogue*, No. 3, 1982, US Information Service, Washington.

THRONE SPEECH

(The following is the foreign affairs portion of the Throne Speech delivered in the Canadian Parliament on November 5, 1984. It is presented as an editorial service of International Perspectives.)

Initiative will be taken to stimulate both domestic and foreign investment. My government is determined to regain Canada's reputation as a reliable and profitable place to do business.

* * * * *

Renewed Canadian Internationalism

In Canada's past there is a luminous tradition of internationalism. Canadians have fought in two World Wars and in the United Nations action in Korea. Our armed forces have served in peacekeeping roles in distant lands. Our statesmen have been at the forefront in the founding of NATO and in the quest for arms control. Our country has successfully championed racial equality at critical moments in the life of the Commonwealth, and through private and public agencies contributed to international development.

It is the purpose of my government to renew this tradition of constructive Canadian internationalism.

Our relationship with the United States affects virtually every aspect of our national life. It is essential to our security and prosperity. It expresses values shared by the free peoples of our two nations. Beneath the myriad of issues to be discussed and conflicts to be resolved, beyond the hundreds of points of contact that take place daily between two governments and two economies, there are wellsprings of trust between two peoples.

My government has taken the initiative to restore a spirit of goodwill and true partnership between Canada and the United States. My government is pleased by the positive response it has received in both the government and private sectors of the United States.

There are many areas where the national interests or the national policies of the two countries diverge or compete. There are, as well, numerous and as of yet untapped possibilities for fruitful cooperation between our two countries. Restoring a climate of goodwill between our governments was an essential step towards the resolution of our conflicts and the realization of our opportunities. My government views this initiative as a confirmation of our national strength and maturity.

Vital as our relationship with the United States is, my Ministers are determined that Canadian internationalism will again be active and constructive in the wider world. The main objectives of my government are clear: to defend freedom and preserve peace; to prevent nuclear confrontation; to improve trading relations; to build a healthier world economy. For Canada, the way to these objectives lies in concerted action with other nations in every part of the world — allies, economic partners, competitors, friends and adversaries. There is surely none with whom a measure of common ground cannot be sought and found in the pursuit of these humane objectives.

My government is determined that Canada will again play its full part in the defence systems of NATO. Only in this way do we earn the right to full consultation and participation in the policies of that alliance. From this prudent

and responsible position, Canada will work unceasingly with other nations, in every available forum, to halt the spread of nuclear weapons and prevent their development and use. Patience and perseverance we will need, for in this endeavor even the smallest progress is worthy of the greatest effort.

Canada's opportunity to influence the course of world events lies primarily in sound multilateral institutions. This is as true of economics as it is of defence, of development, and of disarmament.

Canada cannot prosper without international trade. The dominant part played by trade with the United States is obvious, and my government is exploring with our neighbour new approaches to a better and mutually advantageous trading relationship. But geography has also endowed Canada with an oceanic link to the promising new horizons of the Pacific Rim and to our traditional trading partners in Western Europe. My government will pursue with vigour and imagination new opportunities in these areas.

Canada also has a vital stake in the elimination of barriers to trade, commerce and investment on a global basis. In this connection, there is an urgent need for a concerted attack on non-tariff barriers which have become increasingly insidious and more prevalent. Acknowledging that no country, including Canada, is blameless, my government declares its willingness to do its part in a renewed multilateral effort to remove these obstructions in the international marketplace.

Canada's record in official development assistance has on the whole been constructive. My government recognizes the continuing need for these programs, including support for the cost-effective and valuable humanitarian work done internationally by our voluntary and non-governmental organizations. But it is striking to observe how much hardship has occurred, how much debt burden has increased, how much economic activity has been held back in developing countries because of world recession, unstable markets and trade barriers. A successful attack on these problems will accelerate economic development and social progress in many of these countries. The alleviation of unconscionable human misery will result.

During this session, you will be asked to address this and other commitments and responsibilities of Canada in the world. A special parliamentary committee will conduct a full review of the main components and objectives of our international relations.

My government is convinced that Canada's defence forces urgently require a new definition of their role in keeping with present day conditions. The strategic context in which we defend our own territory and that of our allies has changed considerably since the early 1970s, when the government last carefully considered this matter. My Ministers are undertaking a comprehensive examination of these matters. The purpose is to clarify the mandate of our military and to give them the resources they need to do their job.

Book Reviews

Is nuclear war survivable?

by Geoffrey Pearson

Effects of Nuclear War by Peter Sharfman for the Office of Technology Assessment, US Congress. Detroit: Gale Research Co., 1984, 300 pages, \$45.00US.

This is a re-issue of the original study published in 1979 by the Office of Technology Assessment, with additional material prepared for the OTA and presumably classified at the time. This material consists of two working papers entitled "Small Attacks on the USA and Soviet Energy Production and Distribution Systems" and "Long-term Health Effects from Nuclear Attack Radiation Exposures." The second paper in particular will be of interest to doctors and others engaged in the debate on the longer-term effects of nuclear war. Neither paper, however, adds anything of great significance to the central issues, one of which, "nuclear winter," has since come to be far better understood than it was five years ago. It is not clear therefore why the original study has been re-published at this time, although there will be many readers no doubt whose interest in the subject in 1979 was a good deal less than the effort required to read the report. Unfortunately few will wish to pay the \$45.00US asked to buy the new edition.

This is a pity because this study is still probably the best available of its kind. It considers four different attack cases: single weapons of various sizes dropped on Detroit or Leningrad; a limited attack on oil refineries in both the USA and the USSR; an attack limited to military targets in both countries; and a very large attack against a range of targets. It also considers the effectiveness of civil defence preparations in both countries, without, however, drawing conclusions about the merits of such measures. Finally, there is some discussion of the long-term effects of ionizing radiation, and brief treatment of effects on the ozone layer of the atmosphere and on the earth's ecology. The bibliography is out of date but the glossary remains useful.

When originally published, public attention was focussed on the casualty figures which the report revealed under its various scenarios. The worst case figures ranged from two million deaths for the single city scenario to one hundred and sixty million deaths for the country-wide

attack. The best case ranges for these two scenarios were two hundred thousand and twenty million respectively. The differences in these estimates reflect the very large uncertainties involved in calculating them, including the time of day, the degree of protection available, and the weather. The report admits candidly that whether a large scale attack would destroy civilization as we know it in North America is beyond calculation; but it raises interesting questions about the differences between the USA and the USSR with respect to their capacity to "survive" in such conditions. Current and future research into these conditions, and especially the effects of nuclear winter, is likely to draw more attention to the indirect and long-term effects of nuclear war than was possible in 1979. The key question will be whether this research leads to changes in policy which actually reduce the risks of nuclear war. Science gave us nuclear fission. Perhaps it will also be science that helps us to turn back from the road we have taken since.

Geoffrey Pearson is a Canadian diplomat whose recent assignments have included Adviser on Arms Control and Disarmament and Ambassador to the Soviet Union.

Warning to innocents

by Courtney Gilliat

Caveat — Realism, Reagan and Foreign Policy by Alexander M. Haig Jr. New York: Macmillan, 1984, 367 pages, \$23.95.

Caveat is General Alexander Haig's first book. In the preface he says that it is neither autobiography nor formal history but a description of the most important events during the year-and-a-half that he was Secretary of State under President Ronald Reagan from January 1981 to June 1982. He implies that there will be more books giving the public a complete account of his eventful career.

What this book is really about is the struggle for power between Haig and the men around Reagan in the White House, Reagan's old California friends. It is about "access" to Reagan, and Haig did not have it. What an ironic twist of fate. It was Haig who had access to Nixon during his years on Kissinger's staff and even more when he was Nixon's Chief of Staff. Then he controlled the access of others.

Haig's problems started early. He had obtained verbal agreement from Reagan that he would be Reagan's "Vicar" in the foreign policy field (an unfortunate term as Haig admits). To define his mandate as Secretary of State he drew up National Security Decision Direction 1 (NSDD1) which upon signature by the President would define the responsibilities of all those who had a major impact on foreign policy, with Haig as the principal spokesman. NSDD1 was never signed. This was the key to Haig's problem.

But was it really? There was much more than this. There was the "As of now, I am in control" controversy in the aftermath of the attempted assassination of President Reagan on March 30, 1981. While Haig's account appears logical and reasonable, the intent being to bring order and calm to a very unsettled situation, great hostility must have been created by Haig's actions, especially between him and Secretary of Defense Weinberger. It was this atmosphere that was reflected in the press to Haig's disadvantage and dismay.

Haig's involvement in various foreign policy issues is discussed in covering such problem areas as Central America, Lebanon, Israel and the Middle East, China, Poland, Saudi Arabia, the Falkland Islands war, the Paris Summit Conference as well as nuclear issues. There is no in-depth treatment but rather each foreign policy issue is used as a vehicle to describe the problem Haig encountered in trying to develop "balance, consistence and credulity" in the formulation and execution of US foreign policy.

Richard Allen, Reagan's first National Security Adviser, resigned in January 1982. He was replaced by William Clark who had been Number 2 to Haig in the State Department. Relations soon deteriorated between Haig and Clark as well as with other members of the administration such as Jeane Kirkpatrick, US Ambassador to the UN. In early April Haig attempted to mediate in the Falkland Islands war. His attempts were unsuccessful although he claims a victory of sorts since he believed that his efforts at mediation provided time for UK public opinion to rally strongly behind Mrs. Thatcher and the war efforts of her government. He fully expected that it might prove to be his Waterloo if he failed.

The real break with Reagan came in May 1982 right after the Paris Summit Conference and during the crisis in Lebanon. Philip Habib was in the Middle East trying to mediate and arrange a cease-fire. He needed new instructions immediately. Haig prepared these and tried to get Reagan's approval. This was on a weekend. When Haig called Clark to try to get the President to approve the instructions he was told that the President had decided to wait until Monday. Haig called the President and explained the urgency and was told not to worry. Reagan had not in fact seen the instructions or been asked to approve them. Haig sent the instructions to Habib without the President's approval.

On the following Monday Haig arranged a meeting with the President who was very upset at Haig's action. Haig then said that he could not continue as Secretary of State under the circumstances. His formal resignation and Reagan's acceptance followed. (In fact Reagan gave Haig a letter accepting his resignation before Haig had formally submitted one to him.)

Haig cites many examples of the way his authority as Secretary of State was undermined by statements by members of the White House staff or others in the administration. While he accepted, and participated in, such actions while working for Kissinger, he found them unacceptable when on the receiving end himself.

Why did Haig write this book at this time? Certainly not for political gain. Certainly not merely for the reasons stated in the preface. Perhaps the book is a genuine *cri de coeur* to try to point out to the American public the dangers inherent in the formulation of US foreign policy by the "many voices" surrounding the President. At least we can give General Haig the benefit of the doubt. Let us hope his next books are less plaintive than this one.

Courtney Gilliatt is a retired Canadian military officer.

Helping till it hurts

by Alexander Craig

Canadian Development Assistance to Haiti. An Independent Study by E. Philip English. Ottawa: North-South Institute, 1984, 167 pages, \$8.50.

Haiti is the poorest country in the world. Its searing poverty imprints itself not only on the minds of most visitors but also, apparently, on those who decide where Canada's aid should go. In only five years after it started in 1973 CIDA's program in Haiti became the largest in all of Latin America and the Caribbean.

But just how helpful has this aid managed to be? For a long time Haiti has been a byword for corruption and misgovernment. It has been some years since the Encyclopaedia Britannica *Book of the Year* called it "probably the worst governed country in the world." The savage, indeed incredible excesses of Papa Doc, highlighted in Graham Greene's *The Comedians* and elsewhere, have given way to the more modern blandishments of Bébé Doc, his son Jean-Claude Duvalier, whom "Papa" thoughtfully installed as president for life not long before he himself died. Systems and habits remain, however, and it has to be feared that probably less aid money filters down to the people in Haiti than anywhere else.

A suitable case for treatment, then, by the North-South Institute. By the terms of its mandate, the Institute is

Book Reviews

to be independent and non-partisan, and provide "professional, policy-relevant research" in North-South issues. Mr. English's book is an example of this kind of work done at its best. It is well-written, well-researched and, above all, fair.

The author writes feelingly and knowledgeably about the serious, almost, one might say, intractable, problems existing in the public service on both sides of the Canada-Haiti relationship. A competent survey of Haitian history leads on to a tour d'horizon of such basic impediments to development as the state of health of the average rural Haitian, adult and child. The country's immense problems in geography, in the economy and elsewhere are assessed. Mr. English gets to grips with some of the basic questions about aid — and tries to answer some of them.

Three of the nine chapters are devoted to Canada's largest experiment in an integrated rural development project, DRIPP. This program also suffers from the distinction of being the first case in which CIDA cancelled a major project before completion. As such then, there has to be loads of material for a hard-hitting, yet sympathetic, constructive critic as Mr. English proves himself to be. He does this in some detail, sparing neither the Haitian nor the Canadian side, both government and NGO. He shows well how CIDA's plan in this respect made it a case where "ambition bordered on the unrealistic."

This Haiti study is the third in a series of independent evaluations of Canada's aid policy. Like the other two, on Bangladesh and Tanzania, this one aims at improving Canada's performance. It is not easy to write about an area in which problems both of structures and personalities are so entrenched and difficult to assess. Mr. English has however produced a first-class study.

Registering 1982

by Alexander Craig

The Annual Register. A Record of World Events 1982
edited by H.V. Hodson. London: Longmans (Detroit:
Gale Research), 1983, 549 pages, \$75.00US.

There are almanacs and almanacs. So it is a bit reassuring when glancing at the section immediately following that on Canada, the one on Argentina in *The Annual Register*, that the reader is asked to "see AR 1833, pp. 307-9." Of course, that may not exactly be to hand, so the editors have usefully added a documents and reference section with ten pages on what they unequivocally call "The Falklands War" (whence the 1833 reference).

First edited in 1758 by Edmund Burke, the AR is resolutely British. The first section, indeed, is called "History of the United Kingdom." Fifty-two pages are allotted to that, as compared to nineteen on the US and four on Canada. What happened in the rest of the world in 1982 is briskly and competently assessed by a wide range of specialists, drawn largely from Britain.

After individual countries are surveyed, the final two-fifths of the AR is devoted to sections on international organizations, religion, the sciences, the law, the arts, sports, and economic and social affairs. Other features include maps, photographs, obituaries, and a chronicle of principal events in 1982. The 21-page index gives an idea of how comprehensive and well-rounded this particular long-established year book is.

Alexander Craig is a freelance writer in Sherbrooke, Quebec.

Letters to the Editor

Small is beautiful

Sir,

I am writing to you with reference to the article "Third World women and development" by David McKie which appeared in your July/August issue.

Firstly, I would like to thank you for the article. This is such an important subject and does not, in my opinion, receive the media attention which it most assuredly warrants. Giant steps have been taken in some developing countries to further the position of women, and in particular rural women; but sadly, this is not universal and for many there is a long way to go before they will even begin to approach their rightful place alongside men.

Secondly, I must disagree with Mr. McKie's statement on page 15 that "CIDA is a cumbersome bureaucracy with a focus too broad to include local projects." This simply is not so. Of the 3,099 live bilateral projects which we have on our books, 2,155 are for less than \$500,000 and of that, 1761 are for less than \$50,000 and this is not including the \$73.181 million which is being spent on small projects through the non-government organizations. As you can see this in no way supports Mr. McKie's thesis.

Aside from this point, I must say that I found the article very interesting. It has, I think, provided its readers with both facts and ideas to ponder.

Margaret Catley-Carlson
President

Canadian International Development Agency, Ottawa

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