



*International Perspectives* is a journal of independent opinion on world affairs published 12 times a year by Baxter Publishing. It takes no editorial position. The opinions expressed are those of the authors.

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**IN CANADA:**

One year (twelve issues): \$70  
Two years (twenty-four issues): \$110  
Three years (thirty-six issues): \$145  
Single copy: \$7.00

**OTHER COUNTRIES:**

Same as above, in US funds.  
Additional charge for airmail delivery upon request.

**Editorial And Subscriptions:**

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ISSN 0381-4874 Copyright © 1990  
Second Class Mail  
Registration Number 4929

*International Perspectives* is indexed in the *Canadian Periodical Index*, *Current Content and PAIS*, *ABC, POL, SCI, Abstracts And America: History And Life*; in *Canadian Magazine Index* and is available on-line in the *Canadian Business & Current Affairs Database*.

DUCS  
CA1 EA I56 ENG  
Mar 1990  
International perspectives:  
32754890

**Crucial Lessons . . .** continued from page 25

Connaught directors had a fiduciary duty to the shareholders to maximize the value of the company, so they could not recommend rejection of the Mérieux offer, about 20% above the highest price for which Connaught shares had ever sold. If they had, they probably would have been sued, but perhaps more important, they would not have been fulfilling their legally-defined directorial responsibilities.

At the same time, once the offer was made, Investment Canada was in a difficult position. If it refused approval, it would wipe out the immediate gains by private shareholders were receiving. Doing so would have created a political headache in that a regulatory body would have destroyed considerable personal wealth.

Investment Canada does not publish the reasons for its decisions, but because of the controversy surrounding the proposal, the agency made it clear that it had negotiated assurances from Mérieux that research and development (R&D) would continue in Canada and indeed would be increased. Moreover, it hired an American-based consulting firm to assess the future of Connaught as an independent company. Again, while the conclusions of that report have not been made public, it is understood the consultants felt that Connaught, because of its size and its research base, would have trouble maintaining its position in the market in the years ahead.

Assuming that they are correct, these conclusions are extremely sobering for Canadians. Every recent assessment suggests not only that our economic well-being depends on the maintenance of a high level of international trade but also that more of that trade must be in manufactured and high-technology products. But what are the chances of Canadian trade in such sectors increasing? If Connaught was deemed unable to survive on its own, it is hard to believe that there will be any really successful, in world terms, Canadian high-technology companies.

**Were Consultants Wrong?**

The consultants could be wrong. Many think they were, that Connaught, with aggressive management and appropriate acquisitions to strengthen its R&D base, could have become the premier vaccine company in the world. Although Connaught is gone, there are several lessons to be learned from the experience. The more important ones are that:

- Canadians cannot depend upon directors of private companies to keep them in Canadian hands when a premium is proffered. Regardless of how much they may wish to do so, the law will not allow it. Directors must fulfil their fiduciary duties to the shareholders, which the courts interpret as maximizing share value.
- We must expect that large multinational corporations always will be able to pay more for a domestic company than local investors. It follows that a large organization gains some economies of scale by acquiring the local firm.
- Any Canadian companies that achieve R&D breakthroughs probably will be sold to foreign owners. There is very little possibility of developing and maintaining high-technology companies without a clear ownership policy.
- Regardless of any claims that purchasers may make of maintaining employment, R&D activities, independent management and so on, there is always a net loss to the nation in that profits eventually flow out of the country. This, in turn, negatively affects the balance of payments' current account at some point.
- Investment Canada cannot, in practice, decide to deny sales of public companies after the fact. Once a price is set and shareholders agree, it is politically impossible for the agency to rule against the transaction.
- At the very least, Canada should consider permitting the sale of high-technology companies only when there is reciprocity with the home-country of the purchaser. Connaught could not have bought Mérieux; the French government would never have allowed it to be sold. Nor could Connaught have bought Ciba-Geigy, because the Swiss never would allow such a company to be foreign-owned.

The Connaught sale demonstrates that there will not, and cannot, be any effective policies for developing high-technology companies in Canada until foreign ownership policy is developed.

— James Gillies is a professor of policy in the Faculty of Administrative Studies, York University —

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**OTTAWA** — Connaught Laboratories Ltd. has contracted through Canadian Commercial Corp. to supply up to \$7.5 million worth of vaccines to United Nations International Children's Emergency Fund over the next two years. It's the latest in a series of such contracts, the most recent having expired at the end of December. The wholly-owned subsidiary of Connaught BioSciences (see cover story) will manufacture polio, measles, diphtheria, whooping cough, tetanus and bacterial meningitis vaccines at its plant in Willowdale, Ont., for air delivery to wherever UNICEF requires them at short notice.

**PARIS** — As one of 17 signatories to the multinational Co-ordinating Committee for Multilateral Export Control (Cocom), Canada for years has blocked high-technology exports to Eastern Europe and to other strategically worrisome parts of the world. Recent indications that the United States is about to ease its restrictions is welcome at the Department of External Affairs and International Trade. "We have been pressing for liberalization of this kind for some time," a spokesman said. "We've already made proposals to Cocom.... Canada feels that the West has to recognize the need of the Eastern Bloc to modernize its industries. There's also a security benefit to ensuring that their economic reforms are successful." Cocom includes the 16 NATO countries except Iceland, as well as Australia and Japan. Its deliberations are routinely confidential, but the U.S. has said that it wants to relax restrictions on computers and other technology that is readily accessible to the public in North America. The proposal would not extend to what a U.S. State Department spokesman describes as "truly strategic" material, but American officials have already had preliminary discussions in London in preparation for a joint Cocom initiative that could facilitate exports to countries such as Czechoslovakia, Hungary and Poland. It is understood that the more relaxed policy would not apply for the time being to the Soviet Union.

**OTTAWA** — Maurice Strong is Canada's nominee as chairman of a special UN conference on the environment scheduled for Brazil in 1992. UN Secretary-General Javier Perez de Cuellar

was formally advised of the nomination by Yves Fortier, our ambassador to the UN who points out that Canada played "a major role" in orchestrating the conference. Mr. Strong, a former head of the Canadian International Development Agency, has impressive credentials for the job, including heading the 1872 UN conference on the environment in Stockholm and, more recently, as a member of the so-called Brundtland Report by the UN Commission on Environment and Development. Mr. Fortier was unabashedly supportive of Mr. Strong's candidacy, saying that he is "the best qualified person, bar none, in the world."

**NEW YORK** — Canada has lauded the adoption by the UN General Assembly of a resolution calling for a moratorium on all driftnet fishing, an indiscriminate and extremely wasteful practice in that it kills not only fish species not being sought but also seabirds and mammals. "A positive breakthrough," is External Affairs Minister Joe Clark's reaction. "Canada's sponsorship and efforts at securing wide consensus reflect our commitment to international co-operation in curtailing... driftnet fishing." Fisheries and Oceans Minister Tom Siddon says Canada now must build on the resolution by seeking "enhanced" monitoring and enforcement agreements with Asian countries that still use driftnets.

**OTTAWA** — Moves by the United States to increase wheat export subsidies is seen as a threat not only to Canadian grain producers but also to successful renegotiation of the General Agreement on Tariffs and Trade. The proposal to spend \$900 million (U.S.) in the 1990-91 fiscal year, up from \$566 million in the current year, is outlined in President George Bush's latest budget submission to Congress. Ottawa has repeatedly said the programme depresses grain prices, but Washington counters that it is necessary to counter the effect of subsidies available to grain producers in the European Economic Community. The U.S. and the EEC have been scrapping for several years, trapping countries such as Canada in the process. Vic Althouse, agricultural critic in Parliament for the New Democratic Party, points out that

when the U.S. boosted its subsidies in 1986 and 1987, Canadian wheat prices nosedived by 40%. Sales to China and the Soviet Union, two traditional markets for Canada, are especially vulnerable. Agricultural subsidies have been a major impediment to smooth progress in the GATT talks and Mr. Althouse echoes market analysts' fears that "this could scuttle the negotiations" completely.

**BEIJING** — Canada's Department of External Affairs has formally advised the Peoples Republic of China (PRC) that a new attitude would be helpful if Beijing wants to find Hong Kong in sound economic health when the Crown colony is handed over by Britain in 1997. The message was delivered last month by Jean McCloskey, Assistant Deputy Minister (Asia and Pacific) and Howard Balloch, Director (North Asia Relations Division), during a Canadian delegation's meetings with senior Chinese officials that included four within the Ministry of Foreign Affairs: Vice-Minister Liu Huaqiu, Hong Kong Director Chen Ziyin, Assistant Minister for International Organizations Li Daouy and Assistant Minister for Asian Affairs Xu Dunxin. They also met with Deputy Director Lu Ping of the Hong Kong and Macao Affairs Office of the PRC State Council and paid a courtesy call on Vice-Minister Shen Juren of the Ministry of Foreign Economic Relations and Trade. Canada feels that its intervention is justified by the rising tide of visa applications that has inundated consular officials in Hong Kong after Beijing rejected demands for representative government and human rights guarantees after 1997. "This is a special diplomatic situation where other countries do have a right to express their interest and concern"; a Canadian spokesman explained. "We... stressed our view that a viable democratic system is the best assurance of Hong Kong's viability and prosperity." The delegation also had talks in Hong Kong with the Governor, Sir David Wilson.

**OTTAWA** — The Conference Board of Canada's latest national forecast is for persistent economic deceleration through 1990-91, but it says this will not degenerate into a recession, the risk of which is expected to be greatest in the first half of 1991. In the meantime, the in-

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

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

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

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

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

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

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

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

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

# ECONOMY

## Budget & Estimates: Trepidation Becomes Relief

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

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

### Deficit Forecast On Track

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

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

### Department Operating Budget Up

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

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

### Mixed Reviews on ODA

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

### Economic Slowdown Illusory?

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

## Open Skies — Or Pie in the Skies?

It seemed a good idea, to build confidence between the world's two biggest military alliances. Suggested by Dwight D. Eisenhower nearly 34 years earlier, the idea of Open Skies — reciprocal surveillance flights — fell afoul of the Cold War and remained in limbo until another Republican President of the United States, George Bush, revived it as part of his National Security Council's review of arms control. Canada immediately offered to play host to the delegations from the 15 other North Atlantic Treaty Organization members and the 7 in the Warsaw Pact — and hopes of a truly new era bloomed.

"There is no question we have contributed to historic processes in Europe," External Affairs Minister Joe Clark said at the close of the ministerial part of the conference. Vitaly Karpov, chief of the Soviet Department of Arms Limitations and Disarmament, acknowledged that both sides may have been "over-optimistic" when the talks began, but "no one is really doubting that a treaty will be reached."

The political part of the meeting was overshadowed by American and Soviet announcements of troop reductions in Central Europe, the former to 225,000 and the latter to 195,000, and that they planned to work with Britain and France on German reunification. West German officials said this cleared the way for urgent negotiations on a new security framework for the continent as a whole. Canada, Belgium and the Netherlands, each with troops in West Germany, were disgruntled at having been excluded from the reunification group, but were assuaged when Britain, France, the U.S. and West Germany agreed later to more formal consultations.

As for Open Skies itself, although the ministers lauded the concept, the alliances essentially held to their opening positions; the U.S. insisted each side use its own aircraft and share data only internally while the Soviet Union argued for common aircraft and universal data sharing. And while the Pact wanted to have naval and space-based technologies subject to surveillance, NATO was not willing to discuss either addition. If anything, it was the Soviets who seemed most tractable at the meeting.

It should be understood that it was Soviet Foreign Minister Eduard Shevardnadze who set the tone for the discussions with a surprise proposal at the start of the conference for more comprehensive surveillance. "The easiest way to launch an attack is from the seas" because of the capability of modern surface vessels and submarines, so he called for an Open Seas policy on such things as fleet positions and naval exercises. As for Open Space, the primary Soviet con-

cern is the U.S. Strategic Defense Initiative; Mr. Shevardnadze called for an international prohibition on space-based weapons as well as creation of a multilateral directorate that would monitor the launching of all other hardware. That was rebuffed by the U.S., so when most of the politicians had departed Ottawa, their officials spent the next two weeks behind closed doors working on the details needed to make Open Skies workable.

It quickly became apparent that brinkmanship is far from a lost art when the Soviets proposed strict limits on NATO overflights. These included a minimum 10,000-metre ceiling over nuclear and chemical plants as well as built-up areas and no all-weather or night flights. NATO's proposal is for unlimited surveillance. The Soviets also demanded fewer than 20 flights by any one NATO member annually in contrast to the 30 by each side proposed by Canada and that was where the talks were adjourned. John Noble, Director-General of International Security and Arms Control in the Department of External Affairs, conceded the impasse, but is convinced the negotiations are "not deadlocked."

There are indications the Soviets will soften their stance, if for nothing else than to address the concerns of their Warsaw Pact partners. An important interim step is a mooted bilateral meeting between Mr. Shevardnadze and his American opposite-number, Secretary of State James Baker, before the talks resume in Hungary. The question remains: why did the climate, so politically auspicious to begin with, seem to deteriorate so quickly at the official level? Mr. Karpov is understood to have told the other negotiators that an Open Skies policy would be difficult to sell at home, to the conservatives in the Kremlin as well as to the Soviet military. Again, there is history to consider. For all the promise of *glasnost* and *perestroika*, distrust is part of the Soviet psyche. But neither is the U.S. particularly accommodating.

It is abundantly clear that delegates to the second round must overcome the legacy of decades of intransigence and distrust if what was billed as a major step along the road to lasting peace isn't to become a roadblock.

### 1955

- July 21: Eisenhower proposal at quadrilateral summit in Geneva.

### 1989

- January: Mr. Bush asks his National Security Council to review arms control initiatives.
- April: Canada learns the NSC is considering Open Skies.
- May 2: Prime Minister Mulroney endorses the idea in a letter to Mr. Bush.
- May 4: Mr. Mulroney urges Mr. Bush during a meeting in Washington to include all NATO and Pact countries.
- May 11: Mr. Bush confirms to Mr. Mulroney by telephone that he is going ahead.
- May 12: The President goes public in a speech at Texas A&M University.
- May 30: NATO leaders endorse the proposal.
- Sept. 21: Mr. Shevardnadze tells Mr. Baker the Soviets are willing to participate.
- Sept. 24: Canada offers Ottawa as a venue.
- Dec. 15: NATO issues a 'basic elements' paper.

### 1990

- Jan. 6: Canada conducts a trial overflight of Hungary.
- Jan. 30-Feb. 1: NATO and Pact representatives meet in Budapest to evaluate the flight and to discuss conference procedures.
- Feb. 12-14: Ministerial portion of conference.
- Feb. 15-28: Official portion.
- April 23-May 11: Conference in Hungary.

## Swords and Ploughshares: Fresh Edge to Old Debate

John Kenneth Galbraith observed that "the enemy of conventional wisdom is not ideas but the march of events." That is certainly true today as the helter-skelter pace of change shatters much of the conventional wisdom in international affairs. Unconventional events require unconventional responses and this applies to the disarmament-development debate. "Only disarmament would permit an adequate transfer of resources from defence to foreign aid," British Labour MP Denis Healey writes. "There must be a massive transfer of resources worldwide from defence to development."

There are new elements to the debate. One is the real decrease in military spending by some nations and the decrease in the rate of growth in others, including Canada. While the "peace dividend" focus in Washington tends toward opportunities for spending on social programmes, there is an opening for U.S. entry into the disarmament-development deliberations. Analyst William Kaufmann, formerly of the Rand Corporation and the Central Intelligence Agency, proposes that U.S. defence spending be halved: "the realization is sinking in fast that the government can save not just a few billion here or there, but tens, scores of billions."

Another element is the end of the Cold War. The West's still financially limited interest in the rescue and future prosperity of East-Central and Eastern Europe has raised the issue of disarmament for development in Europe. Logic demands diversion of at least some of the money previously spent by the North Atlantic Treaty Organization on defence against the Warsaw Pact. The possibility of shifting limited, and in Canada's case diminished, Official Development Assistance (ODA) resources from the Third World has already caused alarm. John Foster, National Secretary of Oxfam Canada, finds it "appalling."

The environment is a relatively new element in this debate. A cleanup and entrenched protection against future messes will be expensive. Some claim it will require a re-ordering of national and global economics. Military activities threatening the natural environment are a concern. In Canada, proposals for a

NATO low-level fighter training base in Labrador are being challenged. Visits by foreign nuclear-powered and probably-armed vessels to Canadian ports have been challenged on environmental grounds. British Columbia Provincial Court Judge Wallace Craig ruled in December that protests against the Vancouver visit of the aircraft carrier *USS Independence* were "properly motivated" and a "concern most right-minded people have." Although he ruled that foreign naval vessels are entitled to the same legal protection as Canadian ships, he also said it was "remarkable that the government sees fit to invite this type of equipment into Vancouver in view of the serious concerns people have."

### Global Biosphere Changing

There also are those who believe in diversion of military spending to environmental needs. "The ratio of money spent on defence and on the environment in 1984 was 12:1," Canadian scientist David Suzuki says. "But the 'environmentally concerned' government of 1989 spent a ratio of 14:1.... Our security is threatened by changes in the global biosphere and it makes sense therefore that the Department of National Defence should change its focus from a military to an ecological emphasis."

The possibility of real disarmament "savings", the need for assistance to half of Europe and the urgency of the environment crisis are important elements in this debate. It is still not clear that there is a "relationship", other than a moral one, between armament and underdevelopment. U.S. Budget Director Richard G. Darman has made it clear that if there is a "peace dividend" as a result of reduced U.S. military spending, that dividend will be used to maintain U.S. economic strength and power. "As the world moves away from an emphasis on the risk of traditional military superpower conflict, the relative importance of U.S. economic strength only increases.... If the dividend metaphor must be applied to the budget, how can policy best assure that there is a continuing growth dividend?" Yet Canadian activist Shirley Farlinger, who believes in the armament-underdevelopment link. She

says U.S. military spending is "sucking the financial blood out of the poorest nations, reversing improvements in life expectancy, infant mortality, disease and clean water."

The debate should not obscure the need for increased ODA action. Geoffrey Pearson, former head of the Canadian Institute for International Peace and Security, urges Canada to share its knowledge, to increase assistance to the world's growing refugee population and the needy and to provide more support for the United Nations. Canada should heed the call from the First UN Special Session on Disarmament to undertake a national economic conversion study to determine which industries and what jobs would need to be demilitarized. There is now an urgent need to revive multilateral efforts to control, limit and even prevent much of the international trade in arms. Wars have shifted largely to the Third World. Disarmament by industrial nations could easily lead to the transfer of arms and the re-orientation of arms production to buyers elsewhere.

Canada could promote a revival of the Conventional Arms Transfer talks between the U.S. and the Soviet Union (perhaps including their allies) with a view to establishing some trade and technology transfer controls such as now exist with the Ballistic Missile Technology Control Agreement. There are useful suggestions to be found in the Final Document of the 1987 Disarmament-Development Conference: conversion studies, cuts in military spending and reallocation of funds for ODA, public education about the potential benefits of reduced military spending, the creation of a database on global and national military spending, and a larger UN role in co-ordinating disarmament and development efforts. As a signatory to the 1987 document and as one of the nations most able to contribute research, knowledge, energy and resources to both disarmament efforts and development needs, Canada could take up some of those suggestions and provide some new wisdom to the march of events.

— Steven Lee is an international affairs and policy advisor.

# REGIONS

## Ethiopia: History Repeating Itself

The international relief effort in Ethiopia, in which Canada is again playing a central role, has become bogged down once more by the civil war in the drought-stricken country. It has deteriorated to the point where relief workers on the ground are trying to find new ways to get food and other supplies through, and the focus of their efforts is shifting away from feeding people where they live to trying to feed them in camps — almost inevitably a breeding ground for continued desperation.

Military advances by the Eritrean Peoples Liberation Front (EPLF) in the North has closed the port of Massawa and cut supply lines to some 2 million people who are threatened by famine in Eritrea and Tigray provinces. In the months leading up to the latest crisis, Canadian officials have been in frequent contact with both the EPLF and the Tigray Peoples Liberation Front (TPLF) in an attempt to

promote productive dialogue and have delivered formal messages to the Ethiopian government in Addis Ababa directly and through its chargé d'affaires in Ottawa. Canada also has contacted other governments that could play a useful role in bringing the sides together and has offered diplomatic support to former United States President Jimmy Carter in his role as co-chairman of the peace talks between the Ethiopian government and the TPLF under Italian auspices.

Canada approved \$22 million worth of food aid and \$4 million for emergency relief supplies such as medicines, tents and vehicle spares for 1989-90 and most of this was delivered through cross-border routes rather than to ports. An initial \$10 million in food aid and \$4 million in emergency relief has been approved for 1990-91, but with Massawa still out of service as of mid-March and the road to Asmara blocked, delivery options are

limited. "There has been talk of... a relief corridor from Assab to the Tigrayan capital, Mekele," says Doug Lindores, Senior Vice-President of the Canadian International Development Agency (CIDA) who is Special Advisor to External Relations Minister Monique Landry on Ethiopia and the bordering countries. Since most of the area along which the relief corridor would run is under the control of the TPLF, he says it is "highly doubtful" this plan will become reality.

When Massawa and the Asmara road were open, 1.4 million people had no discernible means of getting food. The closure boosts that to 3.3 million or 75% of the people affected. "The EPLF offensive, from a purely humanitarian view, has vastly complicated the job," Lindores says. "And the government is forcing the transborder routes to operate only at night... There is no monopoly of virtue in the situation."

## South Africa: An Unusual Move for Canada

Considering the record, it was no surprise when External Affairs Minister Joe Clark reaffirmed sanctions against South Africa until there is "clear evidence of irreversible change" in apartheid. However, in an unusual move after talks in Lusaka with Nelson Mandela and other African National Congress (ANC) leaders, he has made a direct appeal to Canadians to support the ANC financially. Although unusual, the initiative is not at odds with this country's policy of not providing direct support for political movements elsewhere.

Mr. Clark disclosed his initiative in a speech to the House of Commons, saying that while the stage is set for development of a truly democratic South Africa, the process had only just begun. During their talks in Zambia, Mr. Mandela evidently was unambiguous about sanctions. "Indeed," said Mr. Clark, "he spoke of intensifying sanctions and I have asked him to indicate where and how this should occur." The ANC needs approximately \$20 million to relocate its headquarters-in-exile to South Africa, but Mr. Clark demurred, citing Canada's "firm policy" of not supporting political parties elsewhere. He volunteered,

however, that there are "thousands of private citizens" in Canada who could be approached for funds, a process he suggested that "representatives of the three parties in Parliament" would be willing to facilitate.

Several days later, at a dinner in Toronto attended by representatives of the parties as well as churches, aid organizations and the labour movement, Mr. Clark explained that the obvious route was for a public fund-raising drive by interested groups. While this could be seen as a tacit departure from the established policy of political non-interference, officials at External Affairs insist that it should not be interpreted that way. "Direct government assistance is not acceptable and is not Canadian practice", spokesperson Abbie Dann said. "But just about everything else is possible."

In his speech to the House, the Minister said that the challenge facing the ANC is to "level the playing field" as it prepares for formal negotiations with Pretoria. "The government will be able to draw on all the wealth, expertise and resources which apartheid has put at its disposal. The ANC is dispossessed and disadvantaged in these terms... This is

an area where Canada can help." In addition to the usual "humanitarian, education and other programmes" Canada has underwritten for the ANC in the past, "we will look urgently at additional programmes to provide potential leaders of black industry with practical experience in running large corporations in both the private and public sectors."

While maintaining and possibly extending sanctions, Canada also plans to "encourage" President F.W. de Klerk in what Mr. Clark called his "courageous and moderate" push for change. South African Foreign Minister Pik Botha has suggested to Mr. Clark that Canada might be particularly helpful in developing a negotiated solution to the problem. Canada's response has been to assign Ted Lee, the former ambassador to South Africa who now heads the External Affairs legal division, to visit South Africa for consultations with the government, the ANC and other relevant parties. "The nature of the South African challenge has changed," Mr. Clark said. "The opponents of apartheid outside South Africa must be as sensitive and generous in encouraging the process of change as Nelson Mandela has been in leading it."

# TRADE

## The Pacific Rim: Challenge and Frustration

Increasingly the focus of the industrialized nations, this region has engineered an unprecedented economic recovery over the past 25 years but an Economic Council of Canada (ECC) economist warns that capitalizing on that development won't be easy for this country. "If it is to have any hope of competing successfully against the United States, Japan and the Pacific Rim countries, it must first substantially improve its productivity and cost performance," says Someshwar Rao, a member of an ECC team that has been analyzing the possibilities. "Canada must also arrest the erosion that is occurring in markets where it traditionally has been strong: resources and agricultural products." The main competition in these sectors is coming mainly from the U.S., China, Australia, New Zealand and the members of the Association of South-East Asian Nations (ASEAN). Japan, followed by Hong Kong, Singapore, Taiwan and South Korea as well as, more recently, Malaysia, Indochina, Thailand, the Philippines and even China have increased their world export markets as they exploited an astonishing ability to assimilate the latest techniques of high value-added production.

Mr. Rao attributes their vigorous growth to several built-in advantages: high savings and investment ratios, an educated and highly motivated work force, well-developed transportation and communications infrastructures, a generally outward-looking perspective, and economic policies tailored to market expansion. Combined with a favourable global economic climate, notably the trend toward trade liberalization, these factors have set in motion a cycle of export expansion, rising productivity, high real incomes, more industrialization and increased investment, all of which reinforce mutual growth. "The result is a remarkable record of output and productivity growth that has led to real & per capita incomes rising at a substantially faster pace in these Asian countries than in the United States, Canada and other industrialized countries."

The emergence of the Pacific Rim as a major centre of manufacturing production — from 11.5% of the global market in 1972 to almost 20% today, notably in

technology-intensive and high value-added products — offers tremendous trading potential. Canada will continue to benefit from the high-quality, comparatively low-priced goods coming from the Pacific Rim but, on the other hand, many of this country's labour- and medium-technology-intensive industries face increasingly fierce competition in both domestic and foreign markets from the newly industrialized countries in Asia, notably China and Southeast Asia. While Canada and the U.S. absorb almost 40% of total exports from the Pacific Rim, these countries in turn purchase only 20% of their imports from North America. Furthermore, the trade and investment linkages among the Rim countries have grown markedly since 1970; the intra-Pacific region's share in total imports of that part of the world has risen to nearly 50% from 33% over those two decades.

### Numbers Are Revealing

A crude comparison of Canada's share of the Asian Pacific Rim's imports by major commodity groups underscores the picture. Mineral fuels, lubricants and related materials, which accounted for just over 1% in 1971, barely topped 2% in 1987. Agricultural products rose from 8.75% to 9.6%, chemicals and chemical products rose from 1.4% to 2.4% and labour-intensive improved only marginally, from about 0.3% to 0.5%. The share held by other key sectors actually declined: resource-intensive manufacturing products to 2% from 2.7%, machinery and transport equipment to 0.6% from 0.9% and miscellaneous manufacturing products to 0.5% from 0.6%. Overall, the Canadian share slipped to just below 2.5% from about 3.6%. The bottom line is that while nearly 50% of Canadian exports to Asia are resources and resource-based, more than 80% of Asian exports to Canada are high-technology goods.

There's no escaping the U.S. dominance of the Canadian export economy in that it absorbed 76% of our merchandise output in 1987 compared with 68.4% in 1971. The European Economic Community's absorption has shrunk to 7.6% from a comparative 14.5% while Japan's has risen to 5.4%

from 4.6%, the newly industrialized Asian countries' to 2.1% from 0.5% and the ASEAN countries' to 0.6% from 0.4%. China's has stabilized at 1.2% and the rest of the world's has shrunk to 7.1% from 10.4%.

Focusing on trade with Japan, Mr. Rao points out that it has risen from \$1.7 billion (U.S.) in 1971 to more than \$11 billion in 1987. Japan accounts for more than 60% of Canada's exports to the Pacific Rim and yet Canada's performance in the Japanese market has been "disappointing" in that market share slipped to 3.8% from 5.4% over the period under review. An even more telling statistic is that Canada's share of Japanese imports of machinery and other equipment, a sector market by particularly rapid growth, was barely 0.8% in 1987 — unchanged from 1971.

In contrast, Canada has managed a slow but sure increase in its market share of the other Asian countries, to 1.5% from 0.7%. Exports to the newer industrialized countries such as Hong Kong, Singapore, Taiwan and South Korea grew strongly from only \$100 million (U.S.) to \$2 billion. Yet, again, Canadian imports increased even more dramatically from barely 1.4% in 1971 to 5% by 1987 and, again, resources and resource-based products dominated the outflow, accounting for 80% of Canada's exports to Taiwan and South Korea in 1987. Trade with countries such as Malaysia, Indochina, Thailand and the Philippines pales by comparison, with no more than 0.6% of Canadian exports destined for these. On the other side of the ledger, imports from these countries have grown steadily, reaching 0.6% of our total merchandise inflow by 1987.

China is traditionally seen as a key trading partner but Mr. Rao notes that while our exports have grown substantially in recent years in absolute terms, our share of the Chinese market has shrunk from 13% in 1971 through 5.7% in 1981 to 3.3% in 1987. "The main reason behind this slide is the United States, which has come to dominate the Chinese market for machinery and other equipment," he says. "Canada, unfortunately, has had little success in broadening its trade base with the most populous nation on earth."

# OPTIONS

## The Liberal Party and Foreign Policy: Part 1

**EDITOR'S NOTE:** On June 23rd in Calgary, the Liberal Party of Canada will elect a new leader and possible Prime Minister. With this issue, International Perspectives begins a look at the foreign policy positions of the leading contenders alphabetically by surname. Jean Chretien, who was Secretary of State for External Affairs for little more than two months in the summer of 1984, outlined in a speech to the *Empire Club* in Toronto what he called "a new foreign policy" for Canada. It was, on reflection, a melange of traditional Liberal government strategies that have been updated to address today's concerns.

The *environment* "must be at the top of any domestic and international agenda," he said, the objective being halting and reversing global degradation. "Our country accounts for one-sixth of the land surface of the world. We are directly responsible for the Arctic, the last and most vulnerable frontier. Our proximity to the greatest industrial power on earth makes us highly vulnerable to all kinds of pollution." Given that, he urges priority development of an international environmental regime for the Arctic, a key part of which would be a special ambassador for the environment whose responsibilities would include circumpolar affairs.

On *international trade and payments*, the system is under "such great stress today that it may be incapable of solving the major economic issues of the 1990s without strong remedial action." Mr. Chretien warned against growing regionalism as manifest in the emergence of trading blocs such as the European Economic Community and the one being phased into effect by the Canada-United States Free Trade Agreement. "Competition ... will be fierce in the 1990s because prospects for growth are uncertain and because the United States will have to achieve a balance-of-payments surplus to service its international debts. We face a clear threat of protectionism ... and even of trade wars."

Turning to *international economics*, he pointed out that continuing multilateral negotiation and "a lot of belt-tightening" by poorer countries has prevented a major breakdown so far. "This is not good enough. The North-South gap continues to widen, international debts continue to grow [and] protectionism continues to undermine the multilateral system." He suggested that Canada, as a member of the Group of Seven industrialized countries, should work to open the system to the Soviet Union, to Eastern Europe and, indeed, to any country willing to move toward a

free market economy. Furthermore, there should be a concerted drive to consider the constraints and interests of the Third World. "While developing countries continue to need economic assistance, even more valuable to them would be improved access to markets for their export products.... The answer, if we are sincere in our desire to help the poor of the world, is to move steadily towards the removal of barriers that now impede imports from poor countries and to provide adequate transitional assistance to domestic industries adversely affected."

The *debt crisis* also was highlighted as he pointed out that the situation in the Third World in particular cannot be allowed to continue deteriorating without becoming a major threat to world peace. "Canada, as a major holder of debt, should be prepared, along with other creditor-country governments, to play a more active political role in bringing about acceptable procedures for reducing debt." Typical of the innovation he would prefer is a proposal along the lines of that put forward by the North-South Institute: permitting banks to realize losses on their debt and then to capture tax write-offs through donations to development agencies.

On *global peace*, Mr. Chretien lauded the historic events in the Soviet Union and Eastern Europe. "Elsewhere, new Soviet thinking is beginning to help bring about negotiated settlements of conflicts in Africa, Asia and in Central America." This was why it is time for the North Atlantic Treaty Organization and the Warsaw Pact to become essentially political instruments of consultation and co-operation. "The new task ... should be to heal the wounds left by 40 years of confrontation, to manage arms reductions in Europe and to create in that part of the world a new peaceful order which Eastern European countries can freely join." He said this country should remain

in NATO but should be willing to withdraw the Canadian Forces from Europe as part of a concerted move toward a new European order and to permit the military to meet new demands at home and abroad.

These include *peacekeeping* commitments, which he said could be expanded. "Peacekeeping forces require special training.... Instead of closing military bases such as Summerside (Prince Edward Island), with the resulting economic dislocation in the surrounding area, perhaps we can be imaginative and use our expertise and our facilities for productive purposes such as training peacekeeping forces of other countries."

The *defence sector* was a natural follow-on. He noted that the military budgets of Canada and its allies will be substantially reduced in the next few years. "Many of our high-tech firms have prospered because of military contracts," he said. "Conversion of plants from military-related purposes to civilian purposes must be an essential part of industrial policy in Canada. If we do not act now and plan now, some of our most productive workers will be facing a bleak future."

Finally, the *United States*, which he said is, of necessity, the most important aspect of Canadian foreign policy. "We do not necessarily have the same interests and the same perceptions of what is happening in the world. Our fundamental policy challenge ... is therefore to keep in balance the freedom of action we need to protect our interests when our friends to the south step on our toes, question our sovereignty or when our own freedom is required to pursue other worldwide interests."

Returning to *free trade* with the U.S., Mr. Chretien said that although he opposed the Free Trade Agreement, it is now in effect and rather than abrogate it, he would like to see it renegotiated. "Why? By the time of the next election, many Canadians will have made plans and investments based in good faith upon the Agreement. Our international reputation would be better served by a renegotiation.... The very fact that some Americans say renegotiation will be difficult is the best evidence that our negotiators gave away too much."

# STATISTICS

## International Trade

December evidently yielded Canada's second merchandise trade deficit in nearly 14 years, the first have occurred in October. Statistics Canada's latest preliminary figures attribute more than half the drop to lower automotive exports but industrial goods also were down. The December deficit of \$91.2 million, seasonally adjusted on a balance of payments basis, left the surplus for 1989 at a preliminary \$4,679.4 million — down 52.2% from 1988 — on exports of \$138,934.4 million and imports of \$34,255.0 million. The value of exports in December was \$10,953.6 million, subject to revision, down 4.9% from November. Imports rose 1.5% to \$11,044.5 million and the change was broadly based. Here is a rounded breakdown in millions of dollars:

	DECEMBER			CUMULATIVE			Change from '88
	Exports	Imports	Balance	Exports	Imports	Balance	
<b>U.S.</b>	8,138.0	7,929.6	+208.4	103,731.7	93,321.8	+10,409.9	-3,225.2
<b>Japan</b>	679.3	677.1	+2.2	8,471.9	8,262.3	+209.6	-96.8
<b>U.K.</b>	268.8	335.7	-66.9	3,538.3	4,604.5	-1,066.2	+107.8
<b>other EEC</b>	645.9	814.5	-168.7	7,927.6	9,880.6	-1,953.0	+1,429.8
<b>other OECD</b>	315.4	294.3	+21.1	3,407.2	4,029.6	-622.3	-109.5
<b>all others</b>	906.2	993.6	-87.4	11,857.5	14,156.2	-2,298.7	-3,235.4
<b>TOTALS</b>	10,953.6	11,044.8	-91.2	138,934.3	134,255.0	+4,679.4	-5,129.3

## External Affairs Budget

Finance Department figures show that the External Affairs share of the federal purse continues to shrink from year-earlier levels. Total federal spending in December amounted to \$11,664,000,000, of which 2.04% was for the Department of External Affairs and related programmes. This compared with 2.40% of \$11,255,000,000 in overall spending in December, 1988. The pattern is similar in a comparison of the cumulative figures for the first three quarters of the current fiscal year. Total spending to December 31 was \$99,849,000,000, of which 1.90% was for the External envelope. The year-earlier share was 2.25% of \$91,593,000,000. Here is a rounded breakdown in thousands of dollars:

\*Abbreviations used refer to the following:  
 APF — Asia Pacific Foundation  
 CCC — Canadian Commercial Corp.  
 CIIPS — Canadian Institute for International Peace & Security  
 CIDA — Canadian International Development Agency  
 APF — Asia Pacific Foundation  
 EDC — Export Development Corp.  
 ICOD — International Centre for Ocean Development  
 IDRC — International Development Research Centre  
 IJC — International Joint Commission

	DECEMBER		F. Y. CUMULATIVE	
	1989	1988	1989/90	1988/89
<b>Interests abroad</b>				
Operating costs	64,676	50,130	470,339	416,778
Capital costs	11,037	8,732	52,656	42,800
Grants	3,805	56,774	67,929	117,476
Passport fund	-584	-838	-4	-1,064
APF*	—	—	—	500
World exhibitions	35	327	314	1,684
Sub-total	78,969	115,125	591,234	578,174
<b>CCC*</b>	739	660	10,002	9,486
<b>CIIPS*</b>	1,000	—	4,000	3,250
<b>CIDA*</b>				
Operating costs	8,687	7,183	68,989	65,787
Grants	116,502	136,801	1,035,552	1,245,833
Pymts to financial inst.	—	—	35,426	67,188
APF*	—	—	—	500
Sub-total	125,189	143,984	1,139,967	1,379,308
<b>EDC*</b>	21,425	—	63,493	—
<b>ICOD*</b>	1,500	400	6,200	4,350
<b>IDRC*</b>	9,050	9,517	81,425	85,650
<b>IJC*</b>	378	243	3,327	2,988
<b>OVERALL TOTALS</b>	238,250	269,929	1,899,648	2,063,206

# LAST WORD

## The Centre for Human Rights: A Distinctive Vision?

Tiananmen Square, Timisoara and San Salvador. Every night, TV images of atrocities suffered by people fighting injustice invade our living rooms. But there seems little we can do and our anger gives way to a sense of impotence.

We look to our leaders. The government now says "human rights are a fundamental and integral part of Canada's foreign policy." It has created an International Centre for Human Rights and Democratic Development, to be based in Montreal and funded from an already stretched foreign aid budget to the tune of \$15 million over its first five years. The mandate is to help strengthen democratic institutions and promote human rights in Third World countries. Scepticism and optimism are both justified.

Human rights is an issue where government double standards are soon exposed. Canada's record is better than some but there is still more rhetoric than substance. Where risks are few — in Haiti or the Sudan — Canada has spoken out against abuses. But where the waters are muddied by geopolitical or commercial interests — in Central America, Indonesia or The Philippines — official Ottawa is prone to silence. Now the Canadian International Development Agency talks of tying Canadian aid to structural adjustment, which some argue hurts the very people the Centre intends to help. The left hand either does not know what the right is doing, or else the Centre is cosmetic surgery for hard-nosed policies.

Sceptics have some legitimate reservations about the Centre. How will it remain independent when it is funded by the government? Can it risk biting the hand that feeds it? Then there is the question of its budget, a drop in the bucket. With approximately 130 countries to choose from, how can the Centre effectively combat social injustice? Others fear that promotion of democracy smacks of United States ideological myopia, where elections and a multi-party system are all that matter and inequality and oppression, which are the roots of political violence, remain intact. If the Centre peddles U.S.-style democracy, it may be in for some dubious adventures — like propping up Central American facade democracies.

### Centre a Possible Catalyst for Change

A little scepticism safeguards against naive policies and self-congratulation. But it is rash to dismiss the Centre outright. It could catalyze a creative Canadian policy on international human rights if it remains independent and takes a broad view of the world.

There are grounds for optimism. First, the appointment of former New Democratic Party leader Ed Broadbent as the Centre's first president was politically astute. The Centre risks being identified too closely with the government, but Mr. Broadbent's record as a social democrat makes him ideally suited to preserve the Centre's independence and, on occasion, to criticize the government.

Second, the Centre was created because *people* matter. Recent events in Eastern Europe, Latin America and parts of Asia and Africa are compelling proof that "people power" works. The Centre's trifling budget but it is not for underwriting megaprojects. It is for helping people to help themselves. Small sums are often enough to help a labour union, a legal aid group or a newspaper to survive as a critic of questionable state policies. But the Centre will need to go beyond the traditional Western tendency to equate human rights with civil liberties, elections and a multi-party system. These virtues are not enough to meet the needs of those who lack life's basics. Human rights also are meant to ensure that the poor have work, land, food, clothing, shelter, education and health care. Many Third World political struggles centre on redressing *material* inequality.

Human rights, social justice and democratic development are links in a chain. The heart of democracy is political participation and the essence of human rights is control of one's destiny. In much of the Third World, democracy and human rights, which are taken for granted here, are a call to arms that is subversive of the status quo. The circle is thus complete when social injustice drives ordinary people to stand up for their rights and to organize politically.

### President Will Face Tough Decisions

With Mr. Broadbent in charge, there is good reason to believe that the Centre will take this broad view of human rights as its *raison d'être*, helping Third World grassroots activists who daily risk their lives challenging brutality and injustice, and giving a distinctive vision to our Official Development Assistance (ODA).

It will not be easy. Because human rights and democracy are a call to arms in much of the Third World, the Centre will face opposition at home and abroad. This will sometimes make for tough decisions. Should the Centre support a human rights group or union that has been deemed subversive by a Third World regime? Will its presence in a particular country upset normally smooth Canadian bilateral relations? How will it balance a commitment to human rights with funding a Third World movement that opposes state injustice but itself condones and even uses political violence?

Will the Centre remain solely a funding agency or will it also offer policy advice? The government tends to hold the door to foreign policy gestation firmly shut. It has rejected calls for a Human Rights Advisory Committee, for an index to measure the human rights performance of recipients of Canadian ODA, and for an annual parliamentary review of the human rights record of its main development partners. As a critic of government policy, the Centre could help to pry open that door. Like human rights institutes in the Netherlands and Scandinavia, it could conduct an annual review of the human rights records of aid recipients. Such reports are crucial reference points in Dutch and Nordic debates on aid and human rights and could expose any double standards.

Balancing advice and advocacy, or innovation and unacceptable risk, will take time and experience. But if the Centre puts social justice and people power at the heart of its activities, if it takes risks to support "first line of defence" organizations, and if its leadership is innovative and constructive, it will become world-class.

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