



# INTERNATIONAL

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CANADA AND THE WORLD

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**NOTE TO READERS:** Our pages are numbered sequentially from the start of the year to facilitate production of a cross-referenced index that will accompany December's issue.

## Crisis in the Diplomatic Corps?

Canada's foreign service is at a watershed. Although diplomats are accustomed to crisis, prospects at the onset of the 1990s are gloomy. From a tradition of excellence resulting in near-universal esteem, the Department of External Affairs seems in recent years to have gone astray; its influence in government circles is minimal and its work often is dismissed as irrelevant. Progressive reforms are required immediately.

Especially for those at the operational level, the prospects for advancement by Foreign Service Officers (FSOs) have never been worse. More profoundly, there is a widely-held conviction that the quality of professional life in the department has deteriorated sharply. Process seems to have triumphed over substance, the administrative load is unbearable for many, motivation has plunged and morale is abysmal. The Department is under siege from the outside and consumed by ferment within.

The 1983 report of the McDougall Royal Commission on Conditions of Foreign Service broached some of these issues but did not get to the heart of the matter. To be sure, many of the current problems are rooted in structural and demographic factors which are endemic throughout the public service. Others, ironically, have grown out of well-intended remedial prescriptions such as employment equity and affirmative action. The essence of the contemporary miasma, however, is directly attributable to characteristics unique to the Foreign Service.

Notwithstanding a growing number of exceptions, most FSOs began their careers at the development level, the bottom of the public service hierarchy. For those who gave up employment elsewhere, including with other federal departments and agencies, that often involved considerable personal sacrifice, but the argument was that this initiation, however unpleasant, was "the way in." In many cases, hardship was ensured as living standards fell in lock step with reduced salaries and diminished responsibilities.

The past few years, however, have seen more new officers added to the staff through integration, initially with Commerce Officers from the then Department of Industry, Trade and Commerce, lateral entries directly into the senior working level, and patronage appointments.

A proposal to transfer 300 employees from the Canadian International Development Agency into the Service as part of the government's Official Development Assistance decentralization efforts is suspended for the time being. All of this has caused many FSOs to reconsider the wisdom of having accepted entry-level appointments, especially those who have credentials and relevant experience that some of their new "superiors" may lack.

... continued on page 56

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## Crisis . . .

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### Professional Standards Paramount

Creation of a fully-staffed cadre of ODA specialists is important but a simple paper exercise would not be the answer to creating an expanded Foreign Service. A long-term solution could consist of improved personnel planning, more recruitment, more flexible staffing from existing resources and accelerated promotion from within the qualified ranks. Compromise will be necessary but this should not prejudice the interests of existing FSOs. Professional standards must be upheld, personal suitability and broad background knowledge are essential diplomatic prerequisites.

Good FSOs still advance through the ranks but this is often *despite* rather than *because of* the career apparatus. At issue are the integrity, credibility and legitimacy of promotions, appraisals and assignments, all subjective, top-down processes. That supervisors have inordinate influence over the career prospects of those they evaluate invites favouritism. Formulaic appraisal of FSOs' abilities is time-consuming, personally corrosive and gives promotion boards exceptional discretion.

A comprehensive multiple-choice appraisal is a promising option. Also, the promotional process should be retooled to focus more on the professional needs of career FSOs. Annual evaluation of current year appraisals, for example, would yield scores the cumulative total of which over a given number of years would form the basis of promotion decisions. The savings in time alone would be significant.

Appraisal and promotion are largely dependent on assignment. A chosen few get what they want as the rest bargain for what is left. Sustained consular work, the most sensitive and high-profile activity, is the kiss of death in career terms while economic and political reporting are regarded with esteem without reference to originality or relevance. If promotion of deserving FSOs is impracticable because of budget cuts, perhaps self-funded leave and sabbaticals, secondments and job exchanges could enrich careers.

### Some Possible Solutions

Rehabilitation of the Service also requires restructuring. Conversion several years ago of all senior FSOs into one public service category co-opted senior management. Implemented to meet an organizational planner's dream of a better job classification system, it drove a wedge between working level professionals and their supervisors.

Two discrete career tracks should be re-established. One would include all FSOs who choose, upon eligibility, to develop specialized expertise. Others who choose management would be free to pursue opportunities more suited to that. The former could be the answer for those with little interest, or ability, in management but who are capable of senior service capacity and deserving of recognition.

This division must be undertaken with fundamental organizational reform. External Affairs is flush with middle and senior management but thinly endowed at the working level. The Department resembles an inverted pyramid, an inefficient allocation, it invites criticism, and if corrective action is not initiated internally, it might come from the Treasury Board after further review by the Auditor-General. Delaying and streamlining the decision making process are essential to a more effective Department with fewer managers but better management.

Events are transforming the international environment and, as the world changes, so must the Foreign Service. Canada's international performance in recent years often has been perceived as insipid or derivative. Possessed of a distinctive blend of political, economic and linguistic pluralism, multicultural tolerance and a commitment to social justice, this country has something tangible to offer. But the opportunity will be lost if we are unable to overhaul the institution through which the example might be promoted.

Rich in ability and experience, the Department of External Affairs is capable of prevailing over current adversities. It needs desperately to reach out to the community it serves at home and abroad. Diplomacy is, after all, a "hands-on" profession. In the spirit of renewal and dedication to the pursuit of Canadian interests, the Foreign Service prospect can and must be restored.

Daryl Copeland is a career FSO who currently does intelligence analysis.

## INTERNATIONAL PERSPECTIVES

CANADA AND THE WORLD

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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# SIGNPOSTS

**TORONTO** — In a rare venture for a foreign diplomat, the Netherlands' Ambassador to Canada, Jan Breman, has offered a cautious view of the constitutional crisis over the Meech Lake Accord. "A small flag of warning" is how he characterized his comment during a speech to the Canada Netherlands Chamber of Commerce. "As someone who has lived more than 4 1/2 years in

Canadian suppliers of goods and services up to 90% protection against loss. The \$20 million package is a revolving credit facility and since sales in any one year could exceed that amount, additional export credits will be extended as earlier sales are paid for. The facility provides support for transactions involving payment within 180 days or less and the protection is limited to transactions in which payment is made by irrevocable documentary credits issued by Polish banks acceptable to the Export Development Corp.



**AWA** — The federal government last concluded InvestTech '90, a series of meetings at which off-foreign Canadian missions abroad for the private sector "the arts of attracting technology and investment from other countries." International Trade Minister John Crosbie says "global competition is forcing us everywhere to look beyond national boundaries."

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**ANA** — Louise Frechette, Assistant Deputy Minister of External Affairs (American and Caribbean), said during an official visit that Canada is "engaging in dialogue with Cuba on bilateral and multilateral issues as part of an effort to strengthen links with the region as a whole." "We've always had good relations with Cuba and we propose to improve them even more", she said before returning to Ottawa April 29.

"The government believes that it is essential to keep the nuclear option open." Ontario Hydro, which has one of the largest nuclear generating bases in North America, is increasing its contribution to AECL R&D by approximately \$30 million a year. Quebec and New Brunswick, the only other provinces with power reactors, will provide an additional \$3 million and \$1 million, respectively, in each year. Ottawa's commitment is \$31.5 million a year. AECL will continue to explore export potential, but Mr. Epp says "the priority ... will be to serve domestic needs"; including the feasibility of other provinces using a smaller reactor AECL is developing to compete with coal-fired generation stations in the 450-megawatt range.

**OTTAWA** — A mid-air collision over West Germany between two Canadian CF-18 fighters last month and the crash of another off British Columbia brought to five the number lost this year. They were the 10th, 11th and 12th destroyed since Canada began taking delivery of the McDonnell Douglas fighters in 1982. Of the losses in which cause has been identified so far, all but one have been attributed to pilot error; the exception was a crash resulting from an engine fire. The Department of National Defence imposed a brief moratorium on CF-18 flights before permitting them again with greater minimum airspeeds and higher minimum altitudes.

**WARSAW** — A new short-term export credit insurance facility for Poland affords

**WASHINGTON** — Environment Minister Lucien Bouchard, here for a

17-nation conference on global warming, wasted no time in reacting to a suggestion by President George Bush that more research is needed. "The price of inaction is too high to wait upon further research"; Mr. Bouchard complained only a few hours after Mr. Bush said a better understanding of the basic processes at work "was crucial." The President was trying to explain why he wants a 60% cut in the budget for research on global climatic change. Mr. Bouchard agreed more research is warranted, but insisted also on remedial action. "We can, and we must, do both."

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**TORONTO** — Federal grants totalling \$1.6 million, the first under the government's "Going Global" trade promotion effort, are central to the creation of a programme for the study of Asian languages and business practices. The funds are being divided between the Joint Centre for Asia Pacific Studies and the Ontario Centre for International Business. The former brings together researchers from the University of Toronto and York University while the latter is a partnership of the business and law faculties of the two aforementioned insti-

# S I G N P O S T S

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**OTTAWA** — A proposed "revitalization" of Atomic Energy of Canada Ltd. is central to a renewed federal commitment to sustaining the nuclear energy option. There is a new federal-provincial partnership to ensure adequate funding and direction for continued research and development over the next seven years. "This will confirm ... significant economic, energy and environmental benefits through the 1990s and into the next century", Energy Minister Jake Epp says. "Facing real concerns about global climate change, this government believes that it is essential to keep the nuclear option open." Ontario Hydro, which has one of the largest nuclear generating bases in North America, is increasing its contribution to AECL R&D by approximately \$30 million a year. Quebec and New Brunswick, the only other provinces with power reactors, will provide an additional \$3 million and \$1 million, respectively, in each year. Ottawa's commitment is \$31.5 million a year. AECL will continue to explore export potential, but Mr. Epp says "the priority ... will be to serve domestic needs", including the feasibility of other provinces using a smaller reactor AECL is developing to compete with coal-fired generation stations in the 450-megawatt range.

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tutions as well as Wilfrid Laurier University. The goal is to familiarize Canadians with the business, legal, political and cultural dimensions of operating in Asia Pacific countries. The initial focus is basic language training and acquainting the mainly private sector participants with the practicalities of doing business in the region. Ottawa's contribution comprises an endowment of \$800,000 plus \$800,000 in operating grants spread over five years. An additional \$3.2 million in private, provincial and university funding is expected.

**OTTAWA** — The recent bankruptcy of one of the country's most innovative high-technology companies, Leigh Instruments Limited of suburban Kanata, has annoyed Supply and Services Minister Paul Dick, whose department is the purchasing arm of the federal government. Unsecured creditors are owed more than \$100 million now that the Ottawa-area company has collapsed due to huge cost overruns on a number of defence projects and the aftermath of a foreign takeover that wiped out healthy cash reserves and saddled it with crippling debt. Leigh had approximately \$19 million in cash reserves when it was taken over by Plessey Company PLC of Britain, but the new owner took the reserve fund and substituted a bank line of credit. Plessey subsequently was taken over by General Electric Company PLC of Britain and Siemens AG of West Germany and it appears that this nullified Plessey's commitments to the federal government to secure regulatory approval for the Leigh takeover. Mr. Dick wants to determine whether GEC and Siemens are legally bound by those commitments. "I am extremely disappointed that Leigh's new owners ... didn't, in my view, have the decency to provide the managerial, technical and financial assistance Leigh needs," he says. "They have failed to show any regard for their obligations to their employees in Canada and the communities in which they live."

**YELLOWKNIFE** — Ministers from the Arctic countries plan a meeting in Finland in 1991 to discuss ways of protecting the region's fragile environment. This is the main recommendation of officials from Canada, the Soviet Union, the

United States, Finland, Sweden, Norway, Denmark and Iceland after a six-day meeting. "Canada puts a very high priority on environmental protection in the Arctic and on developing closer relations with our circumpolar neighbours", External Affairs Minister Joe Clark explains. The officials have laid the foundation for a comprehensive strategy the ministers plan to discuss when they meet on a date yet to be determined. Canada's main contribution to the regime is a proposed agreement that would commit polar nations to preserve plant and animal life. Welcomed by the other participants, the proposal was bolstered by the newly-published results of a comprehensive study of the threat posed by organic contaminants to the Arctic food chain. "We are determined to resolve this and other environmental problems through an overall circumpolar strategy that combines environmental responsibility with sustained economic growth for the Arctic and its peoples," Mr. Clark says.

**OTTAWA** — *The Paris Club: An inside view* is a comprehensive look at the forum that reschedules credits issued, guaranteed or insured by creditor governments. Commissioned by the North-South Institute, it was carried out by David Sevigny, current an adviser to the Canadian Executive Director at the World Bank. Among other things, it takes readers through a hypothetical debt rescheduling exercise. Official bilateral loans currently account for some \$270 billion (U.S.) of a total of \$1.3 trillion of Third World debt. The study costs \$12 from the institute at Suite 200, 55 Murray Street, Ottawa, Ontario K1N 5M3.

**CALGARY** — Agreements that will initiate a \$9 million petroleum sector assistance program in Senegal and The Gambia have been signed by Petro-Canada International Assistance Corporation The federal agency, a subsidiary of the Crown petroleum corporation, is contracting with a Canadian supplier to conduct an onshore seismic survey in the two countries and the project, with an initial budget of \$7 million, has just got under way. The remaining \$2 million is for the provision of technical personnel, consultants and contractors for a

variety of onshore activities and training for personnel from Petrosen, the Senegalese national oil company, and the Gambian Ministry of Economic Planning and Industrial Development.

**OTTAWA** — In the aftermath of his latest meeting with American President George Bush, Prime Minister Mulroney has been sounding confident that negotiations on an Acid Rain Accord with the United States might begin within the next few months. However, much of this tentative agenda depends on the progress of Mr. Bush's Clean Air Act Re-authorization bill through Congress.

**KANANASKIS** — The defence ministers from the North Atlantic Treaty Organization countries, meeting in this southwestern Alberta resort community, have agreed to maintain a mixed inventory of nuclear and conventional weapons in their European inventory. The decision was criticized by, among others, the foreign affairs critic for the New Democratic Party, Manitoba MP Bill Blaikie, who says Canada should urge its NATO allies to scrap all nuclear weapons in Europe. National Defence Minister Bill McKnight's rejoinder was that it is impossible to "dis-invent" nuclear technology. "As the deterrent of a defensive alliance, we have to maintain the mix that has been successful in maintaining peace in Europe for 45 years," Mr. McKnight said.

**OTTAWA** — Recent revelations that Canadian immigration officials have resorted to sedating potentially violent deportees have drawn a barrage of condemnation from human rights groups and the medical profession, but the government defends the limited practice as absolutely necessary. Employment and Immigration Minister Barbara McDougall confirmed the policy, saying that it had "gone on for years" and was done only in extreme cases. "A medical attendant travels with the person and they're met by a medical person at the other end," she told reporters. "Under the terms of all our international agreements having to do with airlines, we have to make sure that people's behaviour on an aircraft is appropriate and that there's no danger to other passengers."

## Australia Takes a Sobering Look at Canada's Crisis

**EDITOR'S NOTE:** The inference to be drawn from International Perspectives' sub-title, Canada and the world, is that the perspective is outward-looking. Not necessarily. Considerable foreign attention has been focused on Canada's current constitutional crisis, the centrepiece of which is the 1987 Meech Lake Accord — named for the Quebec refuge where it was negotiated — that must be ratified by Ottawa and the provinces by its third anniversary on June 23. Because of the continued uncertainty, the federal government is faced with reassuring the international investment community about Canada's economic stability. Finance Minister Michael Wilson, for example, went to New York earlier this month with a firm prediction that the Accord would be ratified. "Investors are naturally concerned", he acknowledged to his Wall Street audience, adding that previous constitutional differences had been settled eventually. "While there are challenging issues still to be resolved, I believe that the Meech Lake Accord will be ratified." In Ottawa, meanwhile, Prime Minister Mulroney said that all of the provincial premiers were beginning to realize that the Accord could not be permitted to die. "Clearly people are starting to understand the genuine significance of what would happen to the country and they're beginning to act accordingly", he said. Against this backdrop, the Australian Department of Foreign Affairs and Trade — in a publication backgrounder that does not necessarily reflect the final government position — looks at the "Canadian Constitutional Impasse." Following is that report with minimal editing for style:

In 1982, Quebec, alone of the 10 provinces in the Canadian federation, chose not to approve the constitution repatriated from the United Kingdom. Among other effects, this has prevented the province since then from playing any formal part in moves to amend the constitution.

The Meech Lake Accord . . . sets out to recognize Quebec's cultural uniqueness by formally recognizing Quebec's status as a "distinct society" within Canada in exchange for Quebec's approval of the Constitution. . . . Two provinces, Manitoba and New Brunswick, have so far declined to ratify the Accord, demanding amendments as a condition of their approval. A third, Newfoundland, has announced, following a change of government, that it intends to rescind the earlier approval of its legislature.

The Accord has become a major political preoccupation in Canada, highlighting the country's linguistic-cultural duality. The controversy over the "distinct society" clause has led to a resurgence in the rhetoric of Quebec separatism.

Last month the New Brunswick Premier, Frank McKenna, with the support of the federal government, proposed a companion resolution to the Meech Lake Accord setting out the concerns of the provinces. . . . Initial reactions to the proposal from other provinces have not been encouraging, despite the efforts of the Prime Minister, Brian Mulroney, to promote the initiative in a televised address to the nation on March 22.

The McKenna initiative is the only one currently on the books offering any possibility of movement on the constitutional impasse and the likelihood of success

is quickly evaporating. There are a number of impediments to an early resolution of the dispute:

- The Mulroney government's total identification with the Accord reduces its capacity to pursue a more conciliatory stance in its handling of the issue.
- Quebec is locked in by its own rhetoric to a position of unequivocal support for the Accord. Any possible willingness by the Quebec government to contemplate amendment to Meech Lake would be seen in Quebec as a sign of weakness and perhaps be more damaging politically than to allow the Accord to fail.
- In Manitoba, anti-Quebec and anti-federal government feelings serve to reinforce the Manitoba government's opposition to the Accord.
- Newfoundland has strengthened its opposition to the Accord with a motion passed by the provincial legislature on April 6 rescinding the province's signature of the Accord by the previous Newfoundland government.
- A lack of public support for the Accord is evidenced in recent national opinion polls that show Meech Lake has the support of only 24% of Canadians.

The first obvious result of this impasse is the increasingly divisive public debate. . . . In English-speaking Canada, the Accord is seen to symbolize unreasonable demands by a Francophone community unconcerned by considerations of national unity. Francophones, on the other hand, feel that opposition to the Accord symbolizes their rejection by English Canada.

The Meech Lake debate has also opened up new arguments about the nature of the Canadian federation. Ratifi-

cation of Meech Lake would substantially augment the powers of the provinces vis-a-vis the federal government. For example, it would give the provinces a say in the federal government appointments to the Senate and the Supreme Court, although the final decision remains with the federal government.

The Accord also gives the province the right to federal government compensation where provinces choose not to participate in national shared-cost programmes such as health care, provided that the province concerned carries on a programme that is compatible with national objectives.

Some observers have argued that approval of the Accord is a greater long-term threat to Canadian unity than its possible demise. Former Prime Minister Pierre Trudeau, for example, maintains that what Canada needs is a strong central government to hold the federation together. According to Mr. Trudeau, it is one's rights as a individual citizen that count, not one's communal rights as a French- or English-Canadian.

The McKenna proposals, on which the federal government has pinned its hopes for a compromise, appear unlikely to provide a resolution of the dispute before the 23 June deadline. It is becoming clear that the government in Ottawa will very soon have to face the choice of whether to persist with efforts to ratify Meech Lake or seek to minimize the political fallout from the Accord's failure.

While some press reports have been overly alarmist in foreshadowing the demise of the Canadian federation, it is important to see the Meech Lake saga against an historical background of more than 200 years of adjustments in the accommodation between the two principal linguistic communities in Canada. While differences will persist, the centripetal forces behind the country together also remain and need to be taken into account in any discussion of Canada's national unity.

## The IMF and IADB: Instilling Needed Confidence

In the current climate of fiscal restraint in the major industrialized nations — their leaders are scheduled to meet July 9-11 in Houston for the 1990 Economic Summit — there are questions about the ability to sustain their commitment to multilateral lending. The International Monetary Fund (IMF), the World Bank and others are under close scrutiny to ensure funds are used efficiently and with probity.

At their latest meeting, the 22-member IMF Interim Committee, chaired by Canadian Finance Minister Michael Wilson, announced plans to increase its resources by 50%, to \$180 billion (U.S.) by the end of 1991. This initiative of the seven Summit nations was struck on the eve of the Committee meeting. There were concessions at both ends of the spectrum as rich and poor countries agreed to an arrangement that would address the needs of the Third World as well as Eastern Europe. Although subject to ratification by the governments of the 152 IMF member states and to a U.S. insistence on tighter scrutiny of delinquent nations, the new lending cap is expected to go into effect.

Cambodia, Costa Rica, Guyana, Honduras, Panama, Peru, Sierra Leone, Somalia, Sudan, Vietnam and Zambia are in arrears on IMF repayments. The Committee authorized the sale of three million ounces of gold, equal to the delinquents' outstanding debt, to cover the arrears. Failure to show good faith on their commitments could cost delinquents their voting status, but the Committee is prepared to be flexible. However, as Mr. Wilson put it at the conclusion of the meeting in Washington, "each country has had to put a little water in its wine."

The atmosphere was much the same at the recent 31st annual meeting of the Inter-American Development Bank (IADB). Victim of a fundamental struggle between its biggest lender, the U.S., and its Latin American beneficiaries, the IADB is struggling to remain relevant. Canada is effectively caught in the middle, a situation aggravated by the decision to upgrade to full membership from observer in the Organization of American States. Central and South America

obviously expect more from Canada but there is that overwhelming U.S. presence to consider.

### "Sobering Daily Reality"

Prime Minister Mulroney walked a fine line in his speech to the IADB meeting. "The problem of human expectations constitutes the single most daunting challenge facing many countries," he said. "Latin America in particular is confronting that sobering reality daily. It was very severely hit by the economic crisis of the 1980s. A dramatic drop in standards of living threatened the very fibre of society, and the explosion of the debt crisis revealed deeper problems.... There are no easy answers to these structural problems and there is no viable alternative to the adoption of vigorous and coherent market-based problems by the affected countries. But the international community can and must assist to the fullest extent possible."

Mr. Mulroney was "encouraged" by the positive steps taken by many Latin American and Caribbean countries to address their problems and reiterated Canada's "unequivocal" commitment. He underscored the need for each country "to keep its own economic house in order" and said the IADB "must continue to ensure that the majority of its disbursements go to benefit the less privileged."

Last year, the IADB received a \$26.5 billion (U.S.) infusion of new capital that boosted its total to \$61 billion. From that, total lending amounted to only \$2.6 billion, which, although a considerable improvement on \$1.6 billion in 1988, still trailed the \$3.4 billion lent in 1984. The target this year is \$3.6 billion but much depends on the IADB's ability to marshal its own resources. "This institution cannot afford inertia," External Affairs Minister Joe Clark told the representatives from the 43 other IADB countries. "We must not drift. The need for multilateral organizations which work has never been greater in this hemisphere."

There is, then, a consensus that now is definitely not a good time for retrenchment, that the undeveloped and developing countries are more than ever in need of encouragement and support. As Mr. Clark points out, in helping other

countries that are too poor to buy Canadian goods and services, Canada is in the long run, only helping itself because of the goodwill generated. But this does not imply — nor should it — that the industrial countries have bottomless pockets.

## Is Smaller More Beautiful?

A clear majority of Canadians apparently favour a reduced foreign aid budget but, in favouring more support for small agencies and NGOs, they evidently disagree with the federal government's ongoing commitment to the IMF and larger projects. The latter is suggested in the results of a national public opinion poll commissioned by Probe International. Conducted by Thompson Lightstone pollsters, it had 2,002 respondents, a sample considered accurate to within 2.2 per cent 19 times out of 20. Citing an earlier poll showing that 69% of Canadians want overall aid cuts, Thompson Lightstone listed four options and asked its respondents specifically where cuts should occur. Although there were slight variations according to province, community size and level of education, the national sample was fairly representative. Some 53% said support should be cut for corporations that specialize in large projects while 49% proposed them for international monetary institutions such as the IMF. As for smaller agencies such as the International Development Research Centre and Oxfam, the respective proportions favouring reduced spending were 34% and 25%. (Totals do not add because respondents were permitted to specify more than one option. Details are available from Probe International, 225 Brunswick Ave., Toronto, Ont. M5S 2M6; tel. (416) 978-7014; Fax (416) 978-3824.)

## Angola: A Long-Standing Canadian Commitment

It has been 15 years since Angola declared independence from Portugal after a protracted guerrilla war. A large, resource-rich nation, its long-term development is thwarted by the severe social and economic dislocations brought about by the war. There has been alarming deterioration. Transportation remains severely disrupted and close to 10% of the population has been uprooted and left dependent on government. An estimated 70% have no access to health services and the child mortality rate is among the highest in the world.

A Canadian mission of Non-Government Organizations (NGOs) recommended stronger ties, including bilateral aid. Although Canada has maintained good relations with Angola, our presence is confined largely to missionaries, business, two Canadian International Development Agency (CIDA) co-operants and a Canadian NGO coordinator. Channelled initially through NGOs, government assistance from Canada has been handled through international relief organizations since independence. Direct bilateral assistance was started in 1980 but Ottawa is not currently considering expanded bilateral aid, preferring to rely on the \$6.8-million Partnership Africa Canada fund administered by an NGO consortium. Current activities include ongoing and emergency food aid (budgeted respectively at \$4 million and \$2.83 million in 1989-90), the Canada Fund for Local Initiatives (budgeted at \$50,000 annually) and distribution of approximately three million pamphlets on Acquired Immune Deficiency Syndrome (budgeted at \$75,000).

Within the Southern African Development Co-ordination Conference (SADCC), CIDA is contributing a \$4.9 million Energy Technical Services Programme. It involved technical assistance to the Luanda-based Energy Sector Technical and Administration Unit, responsible for co-ordinating and developing regional efforts. As well, consultants are conducting feasibility and design studies in six sub-sectors: power generation, energy conservation, biomass, fossil fuel, energy policy, and new and renewable energy. Pilot wind and solar power projects are

being assessed.

A total of \$4.7 million is going for the Industrial Energy Conservation Pilot Project through which auditors are evaluating energy use in selected SADCC firms. They also will propose and demonstrate ways in which companies can conserve energy and improve economic efficiency. CIDA underwrites *SADCC Energy Magazine* and there are international projects aimed at improving agroforestry, sorghum, millet and bean production.

Through the Partnership Canada-Africa (PAC) fund, CIDA's Africa 2000 programme is contributing \$563,000 to an Inter Pares community development programme designed to assist displaced persons in the Luanda shantytowns. PAC has approved a \$6.8 million contribution to a consortium of some 20 Canadian NGOs under the umbrella of the Canadian Council for International Co-operation. Rounded out by \$2.2 million from the NGOs themselves, this provides a \$9 million fund for integrated rural development and health projects, the main focus being in Luanda and Uiga provinces.

The activities of NGOs in Angola are supported directly by CIDA's Special Programmes Branch. These activities comprise a range of small-scale initiatives, including a Canadian Red Cross Society programme of primary health care, Hope International Development Agency's water resource development for displaced persons, and Inter Pares projects involving rural technology, sanitation and training of local NGOs. Oxfam Canada is working on an agricultural training centre and total CIDA support for these sundry ventures amounts to roughly \$300,000. In addition, CIDA supports Canadian NGOs' initiatives in providing food aid through the Canadian Food Grains Bank.

Angola suffered not only from drought but also from continued civil conflict and destabilization within its borders and in Namibia and it is believed to have the largest refugee population in Southern Africa. International organizations such as the UN's International Children's Emergency Fund (UNICEF) and High Commission for Refugees (UNHCR) as well as the International

Red Cross have worked in Angola since independence to provide emergency relief and reconstruction assistance. Canadian NGOs such as Oxfam, Inter Pares and the Canadian Council of Churches also have provided relief.

## Snapshot

The population is estimated at 8.8 million. Seaport capital of Luanda is home to 1.4 million with smaller concentrations in Huambo, Lobito, Benguela, Lubango and Malanje. Some 53% of population is aged 15-65 with 44% under and 3% over. Literacy is 20%. Male and female life expectancy in 41 and 44 years, respectively, while infant mortality rate is 143 per 1,000 with one physician for every 21,500 Angolans. A Marxist republic headed by President Jose Eduardo dos Santos since 1979, it retains Portuguese as the official language. The Ovimbunda at 38% of the population are the largest ethnic group followed by Kimbundu at 23%, Bakongo at 13%, Mestizo at 2% and Europeans and others at 24%. Some 68% of the country is Catholic, 20% are Protestant and the rest have indigenous beliefs. Gross National Product has stagnated at \$5.4 billion (U.S.) for several years with 37% accounted for by agriculture, 12% by industry and 51% by services. The main natural resources are crude oil, diamonds, iron ore, phosphates, copper, feldspar, gold, bauxite and uranium. The main agricultural products are cassava, maize, plantains, sweet potatoes, milk, millet, citrus fruits, beans, potatoes, sugar, beef, palm oil and coffee. Petroleum products, mining, food processing, brewing, automotive tires, textiles and construction are the main industries. Exports include petroleum, natural gas, coffee and diamonds; imports include foodstuffs, textiles, machinery, tools, medical supplies and chemicals.

## Bilateral Embarrassment: The IJC and The Great Lakes

It is 80 years since Elihu Root and James Bryce, respectively the American Secretary of State and Britain's Ambassador to Washington at the time, signed a burdensomely-named *Treaty between the United States and Great Britain relating to Boundary Waters, and Questions Arising between the United States and Canada*. Functionally known as *The Boundary Waters Treaty*, it gave rise to the International Joint Commission (IJC), a body generally hailed as an effective mechanism for regulating and resolving bilateral water problems. While the IJC mandate stretches from Atlantic to Pacific, the Great Lakes have emerged as a principal focus.

The *Great Lakes Water Quality Agreement* of 1972, amended in 1978 and 1987, is the Canadian-American framework for dealing with the world's largest integrated freshwater resource. On the 18th anniversary of the original version, the IJC issued its *Fifth Biennial Report*, in which it acknowledges an apparent improvement in understanding and co-operation among jurisdictions. But it also says governments in both countries — federal, provincial, state, regional and municipal — have tended to pay "particular attention . . . to those environmental issues which have been well defined and manageable." The latter included the way eutrophication in the Lakes has been slowed down by reducing the discharge of sewage-borne nutrients and chemicals the general impact on wildlife has been eased by strict limits on high-profile chemicals have reduced their impact on wildlife.

"Many other programmes have faltered", the IJC laments. "Research funds increasingly have been insufficient to meet Agreement requirements. The number of personnel in research and enforcement has been inadequate. Many of the Commission's recommendations and those of its boards have gone unanswered.... What has been, and continues to be lacking, is a level of resource commitment congruent with the admirable pledges each nation took upon itself in signing" the 1972 Agreement.

### A Familiar Bell Tolls...

If this plaint sounds familiar, it should. There has been a seemingly endless string of analyses. The most recent before the

IJC's latest was *Great Lakes, Great Legacy?*, courtesy of the Ottawa-based Institute for Research on Public Policy (IRPP) and the Conservation Foundation of Chicago (CFC) last fall. Based on a two-year study, it calls the Great Lakes Basin a severe long-term health threat to the 35 million people who live in the region.

"While progress has been made in curtailing some contaminants, there are literally hundreds of toxic chemicals which are not being traced," it says. "We live, in the main, in profound and dangerous ignorance of what we have done, are doing and will do. It says evidence confirming the unhealthy environment and links to human health has been available since at least the early 1960s. People around the Lakes face high risks of cancer, birth defects and "subtle" forms of neurological damage. "Both wildlife and humans are at risk because of the accumulation of toxic substances in the food web." It cites dozens of wildlife studies that disclosed "significantly more birth defects, tumors, embryo abnormalities, enlarged livers and inexorable weight loss." This prompts a warning that there may be repercussions for human health "that have gone largely undetected" in embryos, infants and older children. "The health effects . . . may include altered cognitive, motor and behavioral development. Preliminary studies suggest that these subtle effects may be far more significant among at-risk populations than cancer and gross physical defects."

Industrial effluents in the watershed are criticized, as is agricultural pesticide and fertilizer runoff. However, many pollutants are airborne, including acid rain constituents and 90 per cent of the polychlorinated biphenyls (PCBs) found in Lake Superior. "The 21st century is a short decade away," the report concludes. "It will no doubt bring its own set of problems and if we are to be ready to meet them, we must at the very least clear the decks of those problems we have inherited and created."

### ...Despite Attempts to Muffle It

The day before the IRPP-CFC report was made public, the Canadian government announced a five-year programme it said is designed to clean up and stabilize the watershed and to study the effects of pollution on human health. The \$125 million

budget pales in comparison with the "tens of billions" the report says is needed. Addressing society's ability to pay for such a heroic effort, the report points out that the expenditure would occur over "many years" that the annual Gross National Product of the region is more than \$1 trillion (U.S.).

The programme announced by Canada is comprised of \$55 million for the cleanup of "hot spots", \$50 million for a preservation campaign and \$20 million for health studies. "The health effects program clearly targets an area of growing concern for governments and the affected public, namely linkages between a contaminated ecosystem and human health," Health Minister Perrin Beatty said. It is designed to acquire and evaluate data on the impact of contaminants, including "extensive" tissue sampling and to promote public awareness of the problems.

How "aware" must Canada and the U.S. be before "real" financial and other resources, including those in the legislative/regulatory sphere are committed both sides of the longest undefended border in the world. The enemy is already at both countries' doorsteps. The IJC says "sufficient levels of financial and human resources . . . will be an important yardstick by which the Commission will measure governmental performance in the 1990s." The IRPP and CFC are justifiably less diplomatic in saying that "action taken so far has been so inadequate as to indicate a dangerous dereliction of duty on the part of responsible authorities and to raise questions about whether we can, even now, summon the will and the leadership to act responsibly before it is too late."

Copies of the *Fifth Biennial Report* are available free from IJC head offices at 100 Metcalfe St., 18th Floor, Ottawa K1P 5M1, and 2001 S St. N.W., 2nd Floor, Washington, D.C. 20440. Copies of *Great Lakes, Great Legacy?* are available for \$24.95 from the IRPP Publications Office, 1226 Le Marchand St. Halifax, N.S. B3J 3K6, tel. toll-free 1 (800) 565-0659.

## Combatting the \$300-billion Drug Smuggling Empire

That narcotics and the international traffic in them are of epidemic proportion seems inarguable. The long-standing distinction between producer and consumer nations is becoming increasingly blurred and there is a welcome move toward a truly global meeting of minds as to what to do about this huge underground economy. Whereas the mostly small-scale producers in the Third World have been an obvious target for drug interdiction efforts in the past, there is growing acknowledgement, at last, that a better approach is to get at the huge revenues the traffickers are faced with laundering through financial institutions and other legitimate business.

"There is no quick fix," National Health and Welfare Minister Perrin Beatty pointed out at the recent World Ministerial Drugs Summit in London.

"While it may be politically attractive to promise that we can wipe out the problem in a specific period of time, such claims . . . are destined to end in frustration and disillusionment, which may cause our publics to give up believing that anything really can be done. Only problems which recognize that the problem is both urgent and long-term and requires the sustained and substantial commitment of both moral and physical resources can succeed."

Mr. Beatty and the representatives of 111 other countries at the conference adopted unanimously a British draft treaty, developed in consultation with the United Nations, that would set in motion an international campaign for more co-operation on reducing supplies, improved law enforcement, confiscation of drug profits, publicity and education designed to alert children to the dangers of drugs, and a humane approach to treatment and rehabilitation of abusers.

Britain's Secretary of State for Foreign and Commonwealth Affairs, Douglas Hurd, has suggested that the United Nations could be doing more. In a speech to the UN General Assembly earlier this year, he proposed "a single, unified body . . . for decision-making across the full range of issues." He lauded the Assembly's proposal for a group of experts who are reviewing the structure of the three existing UN drug bodies and suggested that they should be merged, but in such

a way that the autonomy of the International Narcotics Control Board is not compromised. "We have no time for small quarrels over the boundaries between the responsibilities of different bodies and we certainly have no resources to waste on duplication."

### Task Force Report Noteworthy

The issue of money-laundering is addressed in detail in a newly-released report from a multinational task force set up last year by the seven Economic Summit countries and the European Economic Community (EEC). Minister of State (Finance) Gilles Loiselle, in making the report public in this country, notes that "in most respects" Canada already conforms with the 40 task force recommendations. "However, like all countries, we can improve," he concedes. "We intend to do so."

The government's creation earlier this year of an Advisory Committee on Money Laundering is an indication of Ottawa's intent and, as a result of the committee's work, the government already has determined that broadly-based legislation that would require more detailed record-keeping by financial institutions is crucial to the success of any crackdown.

A key proposal by the task force is that "financial institution secrecy laws should be conceived so as not to inhibit implementation of the recommendations." It also says each country should take whatever legislative or other measures are needed to criminalize money laundering as set forth in the United Nations' 1988 Vienna Convention. While it admits to being uncertain about the figure, a UN estimate of global drug trafficking proceeds was \$300 billion (U.S.) in 1987 alone.

"Some drugs generate huge profits for the organizations controlling the traffic, making money-laundering of large amounts through complicated financial channels, a necessity", the task force says. "Some others generate profits mainly for the retailers, who mainly facilitate the laundering of these profits through very simple financial operations — for instance by bartering drugs for stolen goods and selling these goods for cash."

### A Range of Canadian Initiatives

Canadian initiatives include the enactment last year of Bill C-61, a package of amendments to the Criminal Code, the Food and Drugs Act and the Narcotics Control Act. Those statutory changes made money-laundering a criminal offence and gave police with judicial warrants the right to search for and seize property suspected of being the proceeds of criminal activity. They also provided for protection of informants. Also last year, Canada signed an international agreement calling for stricter customer identification by banks, co-operation with law enforcement agencies and appropriate training within the financial system.

Ottawa also has set up a joint advisory committee with the private sector to advise the government on how to tackle money laundering. Officials from the departments of Finance, External Affairs, Solicitor-General as well as the RCMP and the Superintendent of Financial Institutions are involved along with senior representatives of the finance, insurance and investment sectors.

There is an interesting footnote to the debate, courtesy of Donald Fullerton, Chairman of the Canadian Imperial Bank of Commerce. "We need to put teeth into the codes of conduct governing our members," he said at a recent meeting in Florida, of members of the Bankers' Association for Foreign Trade. "And we need the courage to be ruthless with those who break the rules." In other words, disenfranchise any bank that knowingly launders criminal profits.

But he rejected as naive any suggestion that Canada require its banks, as is done in the U.S., to log major cash transactions. He said this would catch only "amateur" launderers. The Canadian Bankers' Association has been lobbying strongly in Ottawa against any such requirement. Mr. Fullerton said this sort of regime could overburden the legitimate banking system and he called on the industry to step up its voluntary efforts to identify, stop and report suspicious transactions. "Otherwise," he warned, "we'll find ourselves, by default, overlegislated and over-regulated — dealing with demands and requirements that will cripple us with bureaucracy."

# OPTIONS

## The Liberal Party and Foreign Policy: Part 3

EDITOR'S NOTE: On June 23rd in Calgary, the Liberal Party of Canada will elect a new leader and possible Prime Minister. International Perspectives concludes its look at the foreign policy positions of the leading contenders alphabetically by surname. Paul Martin received an early baptism in politics, thanks to his father of the same name who spent 33 years in the House of Commons, including several years in the mid-1960s as Minister of External Affairs, and who went on to six years in the Senate before a brief appointment as Canada's High Commissioner to Britain. The son, however, carved out a career in business, notably in the shipping sector, before running for a Quebec seat in the Commons in 1968.

As the campaign wound on to its denouement, Mr. Martin displayed a strongly nationalistic bent as he fixed primarily on domestic issues. Apart from one particularly notable exception, when he ventured into the political minefield that is the Middle East, his views of the rest of the world tended to echo Liberal doctrine.

At the outset of his campaign, during which he often focused on the government as opposed to his challengers, he said the candidates had to come to grips with two principal questions.

One was the "profound concern that ... all Canadians have" about the ability of Prime Minister Mulroney's administration to deal with global forces of change. "They still operate as if we lived in the 1950s. This is a world where you go to bed one night with the Berlin Wall standing and when you wake up in the morning people are dancing on it. For the Tories, the walls are still there.... It will not be long before the same spirit of reform we have seen in Eastern Europe sweeps through China, South Africa and other parts of the world where the goals of equality and human rights remain elusive."

On another note, Mr. Martin said that the "instant nuclear Armageddon so many of us feared as children has been replaced by the fear of an even more insidious and relentless threat to our planet: the degradation of our environment."

Mr. Martin also said that if he became Prime Minister, he would renegotiate the Free Trade Agreement with the United States. (Peter Murphy, the chief U.S. negotiator on the FTA, suggested that is not such a good idea. "What happens if you go back to the bargaining table and the U.S. says 'we want more'?" Murphy cautioned, citing growing American protectionist sentiments. "One of our problems is that we will have to get that deal through Congress.") Mr. Martin also called for, among other things, for more

restrictions on the ability of U.S. firms to buy out Canadian companies as well as entrenched protection for Canadian agricultural price support programmes.

### Highlights Environment

Another Martin cornerstone has been the environment. "Canadians are more aware than ever before of the environmental plague that threatens to overwhelm us," he told an Alberta audience. He promised a Liberal government would evaluate the environmental impact of all its policies. "Some will ask what will be the impact of policies such as these on our international competitiveness. I believe that by setting the most stringent environmental policies in the world we will be forced to invent new technologies ... which we can then sell to a world market which will be playing catch-up with Canada."

He urged creation of international institutions to address the issue. "The current international judicial system does not have the capacity or expertise to deal with environmental issues. We should set up an international environmental court that will adjudicate disputes." Hand in glove with this would be a United Nations-sponsored Environmental Cleanup Task Force which would "move in immediately to contain any international environmental problem." The necessary resources would come from redirected military budgets.

In Halifax, he switched to economic concerns and the growing globalization which he suggested present "an historic opportunity" for Canada. "The countries of Eastern Europe are rapidly moving toward more open economies with closer ties to the West. The reduction in military tensions will provide an opportunity to shift spending from weapons of destruction to tools of growth. Canada must be there to help these nations develop their economies. We must ensure that the political revolution that has occurred is reinforced by the economic

revolution that will inevitably follow. All of this presents an unprecedented opportunity for Canada to restructure its economy while helping the countries of Eastern Europe reconstruct their own.

### Predicament Revisited

As far as the Middle East is concerned, Mr. Martin involved himself in that debate during an address to a B'nai B'rith audience in Montreal in mid-March. His proposal that Canada should offer "moral and material" support to Soviet Jews emigrating to Israel was, in itself, fairly innocuous. "We as Canadians have a responsibility to help Israel handle the influx," he said.

But he was asked about the emigrés potentially displacing Arabs and Palestinians from the West Bank, the Gaza Strip and East Jerusalem. Mr. Martin replied that when refugee ships were turned back early in World War II, "the Western world became irrevocably committed to the state of Israel." Furthermore, that meant "Israel has got to have the right and has got to be the ultimate destination for those who want to emigrate ... from whatever part of the world."

The ensuing uproar was reminiscent of then prime minister and now External Affairs Minister Joe Clark's abortive 1979 suggestion that the Canadian embassy in Israel be moved from Tel Aviv to Jerusalem. Mr. Martin was accused of "callous disregard" for residents of the occupied West Bank, but part of his defence was that his remarks were taken out of context. In a public letter, he said that his suggestion of assistance for Soviet Jews was entirely in keeping with that proposed by the U.S.

"However," he added, "Soviet Jews emigrating to Israel should not directly affect the ultimate disposition of the West Bank and the Gaza Strip." Furthermore, "the conflict between Israel and the Palestinians should be settled based on the principle of 'land for peace.' To the extent that Soviet Jewish emigration to the territories might foreclose that option by displacing Palestinians, Canadian assistance should only be directed to resettlement on lands that are not under occupation."

# STATISTICS

## International Trade

After a comparatively healthy start in January, the merchandise trade surplus nosedived by 60.5% in February as a rise in the value of imports more than offset an improvement on the export side of Statistics Canada's ledger. The rise in exports was driven mainly by the automotive sector, while motor vehicle parts figured prominently on the import side. The February surplus was \$264.2 million, seasonally adjusted on a balance of payments basis, after January's slightly revised surplus of \$669.4 million. The latest preliminary surplus resulted from exports of \$11,708.9 million and imports of \$11,444.7 million, which were up 0.7% and 4.5%, respectively, from January. Cumulative exports for the first two months of 1990 amounted to \$23,334.1 million or 2.9% below a year earlier while imports rose 1.5% to \$22,400.5 million, yielding a two-month surplus of \$933.6 million that was down \$1,016.6 million or down 52.1% from the first two months of 1989. Here is a rounded breakdown in millions of dollars:

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Income	Change from '89
10.7	-419.7
83.4	-330.1
03.3	+33.9
49.2	-309.2
58.7	+47.6
82.4	-39.0
33.6	-1,016.6

CUMULATIVE	
1990	1988/89
472	527,169
603	56,296
671	168,637
930	-3,268
—	500

This compared with \$334,221,000 or some 3.06% of \$11,570,972,000 of overall spending in February, 1989. A comparison of the cumulative figures for the first 11 months of the year, which ended March 31, shows total spending to February 28 was \$123,880,624,000, of which \$2,523,251,000 or 2.03% was for the External envelope. The comparable 1988-89 share was \$2,676,177,000 or 2.33% of \$114,378,077,000. Here is a rounded breakdown in thousands of dollars:

	7	100	364	1,913
World exhibitions	7	100	364	1,913
Sub-total	109,213	80,322	840,180	751,247
CCC*	2,136	498	12,859	12,112
CIIPS*	—	—	4,000	4,250
CIDA*				
Operating costs	7,622	9,273	85,884	82,138
Grants	146,068	153,989	1,320,445	1,535,544
Pymts to financial inst.	39,126	34,569	78,752	106,057
APF*	—	—	—	500
Sub-total	192,816	197,831	1,485,081	1,724,239
Canadian Secretariat	447	—	825	—
EDC*	4,554	64,678	69,810	69,723
ICOD*	—	900	7,200	6,150
IDRC*	9,050	9,516	99,525	104,683
IJC*	210	476	3,771	3,773
<b>OVERALL TOTALS</b>	<b>318,006</b>	<b>354,221</b>	<b>2,523,251</b>	<b>2,676,177</b>

\*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

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At the outset of the campaign, which he often focused on as opposed to the candidates, he said the candidates with two principal

One was the "protectionist" ... all Canadians have a right of Prime Minister Martin to deal with global issues. "They still operate in the 1950s. This is a world that has been bed one night with standing and when morning people are the Tories, the walls are not be long before they reform we have seen sweeps through Canada and other parts of the world. The goals of equality are main elusive."

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# STATISTICS

## International Trade

After a comparatively healthy start in January, the merchandise trade surplus nosedived by 60.5% in February as a rise in the value of imports more than offset an improvement on the export side of Statistics Canada's ledger. The rise in exports was driven mainly by the automotive sector, while motor vehicle parts figured prominently on the import side. The February surplus was \$264.2 million, seasonally adjusted on a balance of payments basis, after January's slightly revised surplus of \$669.4 million. The latest preliminary surplus resulted from exports of \$11,708.9 million and imports of \$11,444.7 million, which were up 0.7% and 4.5%, respectively, from January. Cumulative exports for the first two months of 1990 amounted to \$23,334.1 million or 2.9% below a year earlier while imports rose 1.5% to \$22,400.5 million, yielding a two-month surplus of \$933.6 million that was down \$1,016.6 million or down 52.1% from the first two months of 1989. Here is a rounded breakdown in millions of dollars:

	FEBRUARY			CUMULATIVE			Change from '89
	Exports	Imports	Balance	Exports	Imports	Balance	
U.S.	8,629.1	7,805.8	+823.3	17,296.8	15,259.0	+2,010.7	-419.7
Japan	687.2	840.8	-153.6	1,387.3	1,470.7	-83.4	-330.1
U.K.	317.3	410.6	-93.2	564.3	767.7	-203.3	+33.9
other EEC	558.9	915.5	-356.6	1,156.3	1,805.5	-649.2	-309.2
other OECD	375.9	376.6	-0.7	664.0	722.7	-58.7	+47.6
all others	1,140.5	1,095.4	+45.1	2,292.5	2,374.9	-82.4	-39.0
TOTALS	11,708.9	11,444.7	+264.2	23,334.1	22,400.5	+933.6	-1,016.6

## External Affairs Budget

Finance Department figures show the External Affairs share of the federal budget in February, trailed year-earlier levels. Total federal spending in the latest month was \$11,947,707,000, of which \$318,006,000 or 2.66% was for External Affairs and related programmes. This compared with \$354,221,000 or some 3.06% of \$11,570,972,000 of overall spending in February, 1989. A comparison of the cumulative figures for the first 11 months of the year, which ended March 31, shows total spending to February 28 was \$123,880,624,000, of which \$2,523,251,000 or 2.03% was for the External envelope. The comparable 1988-89 share was \$2,676,177,000 or 2.33% of \$114,378,077,000. Here is a rounded breakdown in thousands of dollars:

	FEBRUARY		F. Y. CUMULATIVE	
	1990	1989	1989/90	1988/89
<b>Interests abroad</b>				
Operating costs	64,230	45,412	580,472	527,169
Capital costs	9,683	6,034	74,603	56,296
Grants	36,650	30,084	186,671	168,637
Passport fund	-1,357	-1,308	-1,930	-3,268
APF*	—	—	—	500
World exhibitions	7	100	364	1,913
Sub-total	109,213	80,322	840,180	751,247
CCC*	2,136	498	12,859	12,112
CIIPS*	—	—	4,000	4,250
<b>CIDA*</b>				
Operating costs	7,622	9,273	85,884	82,138
Grants	146,068	153,989	1,320,445	1,535,544
Pymts to financial inst.	39,126	34,569	78,752	106,057
APF*	—	—	—	500
Sub-total	192,816	197,831	1,485,081	1,724,239
<b>Canadian Secretariat</b>	447	—	825	—
EDC*	4,554	64,678	69,810	69,723
ICOD*	—	900	7,200	6,150
IDRC*	9,050	9,516	99,525	104,683
IJC*	210	476	3,771	3,773
<b>OVERALL TOTALS</b>	318,006	354,221	2,523,251	2,676,177

\*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



# LAST WORD

## Petroleum Aid: Healthy Dividend from Small Investment

Ask Canadians to identify the Official Development Assistance (ODA) arms of the federal government and they probably could identify the Canadian International Development Agency (CIDA). But what of the International Development Research Centre (IDRC), the International Centre for Ocean Development (ICOD) and Petro-Canada International Assistance Corporation (PCIAC)? The future of CIDA as this country's lead ODA agency seems secure, its \$2,167,352,000 budget for the current fiscal year representing an 8% increase over 1989-90. The same holds true for the IDRC and the ICOD, their respective budgets having been increased 5.3% to \$114,300,000 and 21.8% to \$12,300,000. PCIAC's budget also is increased for 1990-91, up 7.5% at \$53,000,000, but the prospect of its parent corporation, Petro-Canada, being privatized raises questions about the future of this specialized instrument of ODA.

Its objective is promotion of oil and natural gas development in the less-developed countries (LDCs). During the prolonged downturn in world oil prices because of overproduction, mainly within the Organization of Petroleum Exporting Countries (OPEC), short-term demand for new reserves was virtually non-existent. But PCIAC, like the petroleum industry as a whole, works with a longer-term perspective. The recent upturn in world oil consumption and concomitant upward pricing pressures has created problems for the LDCs in that higher import costs strain their already overburdened economies.

Most experts seem convinced that the boom-and-bust conditions of the 1970s will not be repeated during the next 10 years or so, but even if the tightly balanced market results in no unsupportable increase in prices or no significant price instability, the price of imports for oil-dependent countries will continue to present severe problems. A study completed for PCIAC has suggested that an increase in oil prices to \$22 per barrel would, in the year 2000, add \$20 billion to the oil import bill of developing countries. Their Gross National Product would be 15% lower if oil prices remained at the levels that have prevailed for several years. The same study concluded that in the unlikely event that oil prices do not rise, the oil import bill would be greater and the burden on aggregate GNP would still be substantial. So access to reliable and sustainable supplies is essential for their economic well-being — indeed, for the well-being of all oil importers.

The projects underwritten by PCIAC reflect a broad international interest shared by Canada in encouraging diversification of oil supplies. The international community quite vigorously supports development of hydrocarbon resources and the United Nations General Assembly last fall passed a resolution calling on all donor countries to increase the amount of aid designated for energy exploration and development.

PCIAC's involvement in a developing country usually begins with a request for assistance from that country. PCIAC then determines whether a programme of assistance would be justified on the basis of several criteria. This includes the degree of dependence of the country on imported oil, its geological prospectivity when exploration assistance is requested, the needs of the relevant national oil company or agency, the degree of current involvement or interest on the part of private industry, the views of other donors such as the World Bank, and the priority of the country in Canada's ODA policy.

### No Shortage of Potential

While some developing countries have limited petroleum resources, most have some potential or actual endowment. The issue in many cases is not so much a scarcity of hydrocarbon resources but of financial, technical and human resources. Where geological prospects appear worth investigating in the national interest but are not yet clearly attractive to other investors, Official Development Assistance for oil and gas exploration can be of tremendous benefit. Despite growing concern over the effects of fossil fuels, the LDCs have no alternative in the short-to-medium term. In fact, oil and gas would actually be a viable alternative in many cases to the burning of fuelwood, which is more environmentally damaging than fossil fuels in terms of local ecosystems and agricultural productivity.

The oil and gas sector in many developing countries faces major obstacles. Weak administrative structures, limited resources and inadequate petroleum sector infrastructure often are combined with the absence of geological/geophysical data. This frustrates resource management, obstructs planning and implementation of exploration, exploitation and commercialization and impedes supply and distribution. Moreover, because of their serious cash positions, a number of oil-importing LDCs cannot assemble the technical, economic and financial data needed to stimulate private sector interest.

PCIAC works with the Canadian oil and gas industry, international agencies and other donors and, after the World Bank, is the most important agency engaged in this kind of work in the LDCs. It continues to rely on the goods and services of an internationally competitive industry at home and, in many ways, is a showcase for Canadian technology in markets that have been dominated by multinational companies.

A case in point is a \$10 million contribution to a programme in Ghana, through which PCIAC undertook to provide goods and services that would enlarge the scope of exploration activity there if the Ghanaians could put together a consortium. The outcome includes a three-well programme, the PCIAC commitment, and contracts let in Canada for more than \$20 million in goods and services.

Energy, Mines and Resources Minister Jake Epp has declared that the government's intent in the event of Petro-Canada's privatization is that PCIAC's activities would continue within an appropriate relationship with Petro-Canada and perhaps other Canadian companies. Clearly the details remain to be worked out in the months ahead, but the expectation is that PCIAC will continue to implement projects in such a way as to benefit both the LDCs and the Canadian petroleum industry. Peter Towe is Chairman of Petro-Canada International Assistance Corp.