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# INTERNATIONAL PERSPECTIVES

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## Germany: Progress and Potential

The fate of Germany is intimately linked with the fate of Europe. When the Soviet Union stalked out of the four-power Control Commission and blockaded Berlin in 1948, it confirmed the division of Germany as well as the Cold War division of Europe. Now the breaching of the Berlin Wall has opened the way not only to German unification but also to a new order for the whole of Europe.

German unification is taking place on two tracks, one concerned with the internal aspects (economic, political and legal terms of unification) and the other, with the external aspects (implications for the European Community, for European security arrangements and for the rights of the four victorious powers of World War II). The internal aspects are the exclusive responsibility of the two German states but the external aspects must obviously involve others. On both tracks, the pace of events has been forced by the clearly expressed will of the German people themselves to unite, as confirmed by the May 18 elections in East Germany.

Since those two elections, West and East German officials have been working out the internal terms of unification. German Economic and Monetary Union has been negotiated and will come into effect at the beginning of July. It calls for exchanging East German wages, salaries and pensions for Deutschemarks at a favourable one-to-one rate but limits the amount of personal savings that can be swapped at that rate. All other savings will be exchanged on a two-for-one basis.

Many West Germans grumble about the burden of supporting the East German economy with respect to infrastructure, pensions and unemployment benefits. In the short term, there will be upward pressure on interest rates and inflation not only in Germany but also in the European Community. In the longer term, however, an increase in the German growth rate can be expected and, by extension, an additional boost to the growth rate of the EEC (estimated at 0.5% next year and 1.0% the year after).

### Fundamental Restructuring Essential

Political union will follow in due course, using Article 23 of the West German Basic Law, but the timing has not been settled. Article 23 provides for automatic accession to the Federal Republic of Germany by any East Germany Länder (provinces) which so request. Before that can happen, the East German government and parliament will have to recreate the five Länder which the Communists had abolished, and agreement will have to be reached on their representation in the Bundesrat or up...

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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.

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**Germany ...**

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per house in Bonn. Then there will be an all-German election.

But whether this vote will be linked with the West German election scheduled to be held next December, as Chancellor Helmut Kohl would like, or conducted separately a year later, as East German Prime Minister Lothar de Maiziere prefers, is still a moot point.

On the external track, the main issues to be settled are: how to absorb 16 million more Germans into the Community; the size of the Bundeswehr; how a united Germany is to relate to the North Atlantic Treaty Organization; and how the four-power occupation rights are to be wound up. The corresponding *fora* for negotiation are the EEC, NATO, the Vienna talks on conventional force reductions, and the two-plus-four foreign ministers (the two German states, Britain, France, the United States and the Soviet Union).

The mechanism, which has been established with the Open Skies Conference in February, has been refined further with meetings in Bonn and then Berlin. The hope is that these talks can be completed in time to present the results to the proposed Paris summit of the Conference on Security and Co-operation in Europe at the end of the year. Some progress has been made but a lot remains to be done, especially on the security aspects.

The most contentious issue is German membership in NATO and the most difficult position is that of the Soviets. Their concerns, coloured by the enormous sacrifices of World War II, are partly political and partly strategic; the political concerns include the feared loss of influence over strategic events in the heart of Europe and the strategic ones include worry about an upset in the balance of power. The Soviets' preference would be a neutral, non-aligned Germany but others, even in Eastern Europe, consider this to be a recipe for instability. Finding itself without allies, the Soviet union has offered other suggestions, including German membership in both NATO and the Warsaw Pact — in fact, any option except full membership in NATO alone. It has even offered to decouple the internal from the external track of German unification but this has been turned down by both the Germans and their allies because it would prolong the occupation rights of the Soviets.

**Germany's Preference Must Be Paramount**

Soviet concerns must be taken into account. European security cannot be defined without the Soviet Union's participation or against its wishes. On the other hand, the Soviets cannot exercise a veto in this matter because it is, in the last analysis, for the Germans themselves to decide their alliance. It also would be unwise to drive into the future with eyes fixed on the rear-view mirror. The Germany of today is not the Germany of the past; democracy has taken firm root and Germans are fully committed to the West. Hence, Germany should not be singled out for discriminatory limitations.

Closely related to this issue are the fate of the Warsaw Pact on the one hand and NATO reform on the other. If the Pact disappears, it will obviously exacerbate Soviet concerns and complicate the task of constructing a new security framework, for it will create an asymmetrical situation and raise questions about the continued need for NATO. In any case, the West has no option but to address the question of making NATO less of a military alliance and more of a political one, including which elements to maintain or modify.

The "forward defence" doctrine is a prime candidate for deletion, the mix of nuclear and conventional weapons clearly needs revision, and the possibility of permitting Soviet troops to remain in East Germany for an interim period should be seriously considered. But beyond that, there is an increasingly pressing need for elaborating a new concept of mutual security based on co-operation rather than confrontation, in which both a reformed NATO and a strengthened CSCE could play complementary roles.

Constructive suggestions along these lines were made recently by External Affairs Minister Joe Clark (see pages 66 & 67). These suggestions deserve more attention from the Canadian public and our allies.

John Halstead is Chairman of the Canadian Council for European Affairs and former ambassador to NATO and West Germany.

**SIGNPOSTS**

**PHNOM PENH** — Representatives of about two dozen Canadian aid organizations are trying to decide how to spend some \$16 million that has been committed for aid to Cambodia. The delegation arrived only a couple of weeks after the Canadian International Development Agency had agreed to match \$8 million in funds raised by Non-Governmental Organizations. The NGOs moved quickly to capitalize on External Affairs Minister Joe Clark's lifting a ban on aid to Indochina and CIDA agreed to provide a similar amount to begin the long process of rebuilding the shattered country.

**OTTAWA** — A five-year project designed to help China to improve its transportation sector is expected to receive annual funding of about \$3 million from the Canadian International Development Agency. Although no Canadian services had been contracted for as of May 23, the plan is to have a private company provide management training in planning and analysis to Chinese personnel as well as furnish teaching aids, including computer software and hardware. Up to 45 Chinese are expected to be trained in Canada and 315 others in China. The consultants also will do feasibility and case studies with Chinese officials.

**PARIS** — In the war of words over agricultural subsidies, Canada and its farmers often lament that they are somehow trapped in a subsidy battle between the United States and the European Economic Community. A new report by the Organization for Economic Co-operation and Development suggests Canada takes a back seat to few other countries on subsidies. The report looks not only at the direct cost of such programmes but also the extra costs to consumers that result from food prices driven up by supply management. The OECD concludes that among its main agricultural members, Japan topped the list with subsidies equal to 76% of its farm production value. The EEC was second at 50%, Canada third at 46% and the U.S. fourth at 39% while the other two countries reviewed, New Zealand and Australia, trailed with 18 and 12% respectively.

**OTTAWA** — As the federal government wrestles with proposals to contribute several hundred million dollars more to ensure completion of a major Canadian nuclear project in Romania, there is growing pressure for an inquiry into allegations that "slave labour" had been used on the project and that work did not meet Atomic Energy of Canada Limited standards. When Canadian advisers uncovered falsified construction records at Cernavoda reinspection disclosed that up to 30% of crucial welds were deficient including those on pipes for highly radioactive steam within the five AECL designed reactors. The official Ottawa position is that nothing was known about this until after the Nicolai Ceausescu dictatorship was toppled in December.

**BRUSSELS** — Months of intense and often bitter debate about the possibility of a major military flight-training base being established in Labrador have ended with a North Atlantic Treaty Organization announcement that the base will not be built at all for the foreseeable future. The only other contender for the \$500-million base was Turkey. Both were rejected by NATO's defence ministers after "extensive studies of the technical, financial and geographic factors involved." It also cited "the evolution of the international security environment and of pressures on the defence budgets of member states." However, the ministers left open the possibility of creating a base elsewhere "should a requirement for it be identified at a later date." Current NATO training at Canadian Forces Goose Bay will be maintained at least about 7,000 missions annually.

**OTTAWA** — The Department of National Defence is getting tough with stray or intrusive foreign aircraft. It has implemented a "directed landings" policy through which all unidentified aircraft that enter the Canadian Air Defence Identification Zone now must land at a recognized point of entry. It permits the North American Air Defence Command structure to be used more effectively in controlling sovereignty. Also, all aircraft entering the zone are now required to file flight plans; any that don't are intercepted by Canadian Forces fighters and escorted to the nearest entry point.

**PARIS** — Claiming support from the United States and Japan as well as members of the European Economic Community, International Trade Minister John Crosbie has been soliciting Organization for Economic Co-operation and Development support for his proposal of a new international regulatory body. It would be an integral part of the reforms being discussed at the current Uruguay round of General Agreement on Tariffs and Trade talks that are due to finish at the end of this year. "If there is a successful conclusion of the Uruguay Round, then it's clear the time has come for a proper international or world trading organization," he said during a two-day OECD ministerial meeting. "But we're not going to get it unless we do some thinking about it now."

**OTTAWA** — Canada's international investment position continued to shift last year as growth in external assets decelerated to 4% and liabilities rose by 8%, keeping in line with increases in the previous two years. Foreign assets at Dec. 31 were valued at \$180.5 billion compared with \$173.2 billion at the end of 1988. Liabilities, meanwhile rose to \$409.8 billion from \$377.8 billion. As a result, Canada's net international investment position was a deficit of \$229.3 billion last year against the year-earlier deficit of \$204.6 billion.

**TORONTO** — As expected, the government has initiated an appeal against the Ontario Supreme Court acquittal of the first person to be accused in Canada of war crimes. Imre Finta, now 77, was acquitted by a 12-member jury of charges of confinement, kidnapping, robbery and manslaughter in the deportation of more than 8,600 Jews while he was a Hungarian officer during the Second World War. "Completely devastated," is how Helen Smolack, Chairman of the Canadian Holocaust Remembrance Association, describes her reaction to the acquittal. "It makes us lose faith in the justice system. There are aspects of this case that just cry out for an appeal and we hope that there will be. There has to be." Finta repeatedly denied any complicity in the deportation.

## SIGNPOSTS

**OTTAWA** — Immigration levels should be frozen at current levels for the next two years so as to give Canada time to determine whether its services are adequate and to remedy the situation if they aren't. In proposing this, a House of Commons committee says that although it's generally held that current levels are "not placing an undue strain on the country," several witnesses at committee hearings have warned of "potential social pressures, especially if the economy were to slow." Noting that the 1990 immigration target is 200,000, the committee says "a degree of stability at this time would give our settlement services an opportunity to try to catch up with demand, our schools a chance to upgrade their teaching of English or French to the many immigrant children who know neither, and our large cities a chance to ensure successful integration of their many arrivals."

**WASHINGTON** — American rules limiting the minimum size of Canadian lobsters do not constitute a restriction on imports as defined by the Free Trade Agreement, according to a dispute settlement panel set up by the two federal governments. The U.S. edict, which applies domestically too, is designed to reduce the number of younger lobsters being taken, but it was challenged by the Canadian industry as discriminatory. International Trade Minister John Crosbie and U.S. Trade Representative Carla Hills have until late August to consider the panel's ruling. During this time, they also will try to strike a compromise after further consultation with the provincial and state governments involved as well as the lobster industry.

**OTTAWA** — The federal government wants to involve provincial authorities in implementing recommendations of the Financial Action Tax Force established by the Economic Summit countries as part of the campaign against "laundering" of criminal proceeds. The decision has been confirmed by Minister of State (Finance) Gilles Loiselle, who said that while Canada already complies with the main Task Force recommendations, "there is still work to be done in several areas." Canada has signed Mutual Legal Assistance Treaties with Australia, the

Bahamas, Britain, France, Mexico and the United States and has negotiated agreed texts of treaties with West Germany, the Netherlands and Switzerland. It also is pursuing negotiations with Italy, Japan and South Korea.

**WASHINGTON** — House of Representatives approval of a new clean air bill, on the heels of one passed by the United States Senate, is welcome news for Canada. "The bills... seek to reduce emissions of sulphur dioxide in the U.S. by 10 million tonnes," Prime Minister Mulroney said. "This move, advocated since 1984 by the Canadian government, would reduce the transboundary flow into Canada by about one half." He lauded the development as "a further encouraging step forward in the U.S. legislative process" and a "concrete demonstration that administrative and congressional leadership is being shown on this North American environmental issue." The next step is for both federal governments to negotiate "an air quality accord" that would formalize each other's obligations. The two houses of Congress will sort out differences between their bills before sending a final piece of legislation to President George Bush, whose signature is required to make the measure law.

**OTTAWA** — The federal government is being asked to "take all steps" to prevent further expansion of Detroit City Airport just across the United States border from Windsor. Opposition Leader Herb Gray, whose constituency is in the Ontario city, tabled a House of Commons petition to that effect with nearly 8,000 signatures. The airport was expanded last year and because it uses Canadian airspace, local residents are concerned about further expansion. They want Ottawa "to ensure that no such expansion takes place that creates noise or other pollution" and that there are no risks to Canadians' health or safety.

**ASUNCION** — Participating for the first as a full member at a meeting of the Organization of American States, Canada volunteered an additional \$1.8 million in funds and recommended institutional changes in the 33-member body. Half of the new funding is for development projects in areas such as education,

science and culture while the other half is for human resource development, including the status of women, and environmental protection. The institutional changes proposed include a stronger political role and creation of a permanent presidential council. Canada joined the OAS as a full member in January after preferring to maintain only observer status for decades.

**OTTAWA** — The federal government is determined to show that it means business with the Fisheries Act. A package of draft amendments provides for an increase to \$100,000 from \$5,000 in fines for general statutory violations while the penalty for pollution or other offences that injure fish habitat would range up to \$1 million. Second and subsequent convictions would fetch jail terms up to two years for general violations and imprisonment for up to three years on habitat violations. The amendments also would facilitate collection and verification of catch data, an essential component of developing programmes to rebuild stocks. "Conservation and sustainable development of Canada's fish stock demands tough action against those who would jeopardize the future of this resource", Fisheries and Oceans Minister Bernard Valcourt said. "The punishment must fit the crime and not simply be a cost of doing business as it has been in the past."

**SANTIAGO** — In the first such venture between an export credit agency and the Washington-based Multilateral Investment Guarantee Agency (MIGA), an arm of the World Bank, Canada's Export Development Corp. has issued a \$158 million (U.S.) foreign investment insurance policy in connection with an investment by Placer Dome Inc. in Chile's La Coipa gold and silver mine. The project is 50% owned by the Canadian firm with a further 40% held by another Canadian corporation, Consolidated TVX. Situated about 800 kilometres north of the capital, the mine has a 12-year production life estimated at 2.2 million ounces of gold and 114 million ounces of silver. The EDC agreement with the MIGA means the latter will reinsure 35% of EDC's coverage of a variety of political risks.

## POLICY

### Canadian Foreign Policy and the Challenge of Change

The counter-revolution of the past year took many western observers by surprise and has altered fundamentally some of the main building blocks that have underpinned Canadian foreign policy since World War II. Amid the euphoria in Europe, last summer's Tiananmen Square massacre in Beijing was a dramatic reminder of the fragility of change.

Those are the premises in *Canada Among Nations*, sixth in a series of annual reports tracing the development of this country's foreign policy. It is co-edited by Maureen Appel Molot, a professor in The Norman Patterson School of International Affairs and in the Department of Political Science at Carleton University in Ottawa, and Fen Osler Hampson, an associate professor in the Patterson school.

"Last year was probably the most important year of the decade and a significant turning point in postwar relations," Molot says. "The dramatic changes... challenged Canadian politicians and senior bureaucrats to re-examine this country's foreign policy. Unfortunately, their response was often slow, inconsistent and, in some cases, inadequate." She attributes the problems with Canada's increasingly complex foreign policy agenda to the sheer number of issues, divided bureaucratic responsibilities, the concentration of decision-making power in the Prime Minister's Office and cuts in the External Affairs budget. Even so, she acknowledges the promotion of multilateral agreements pertaining to the Arctic and the support for the Open Skies negotiations.

In their introductory chapter, *The Challenge of Canada*, Molot and Hampson contend that the experience of the late 1980s underscores the need for development of "appropriate policies" which would position for the 1990s. "Not only must we understand the implications of change in Eastern Europe for the future economic and political shape of Europe as a whole, but we have also to appreciate what they will mean for Canada. In short, the challenges that will continue to face the Mulroney government in the future are formidable...."

"In the political security arena, the government faces the need for accom-

modations to an undivided Europe and the possibility of one Germany, with the consequent requirements for new definitions. Developments in the international security system have clear ramifications for the global economy, insofar as NATO members will have to respond to requests for economic assistance from Eastern European states concerned with economic restructuring. With respect to the global economy, the challenge is that of continuing adjustment to growing globalization in the context of uncertain economic prospects, at least in North America....

"Given Canada's export dependence on the United States (some 75% of total Canadian exports go to the U.S.), any economic downturn in that country has the potential for negative consequences for Canadian exports and carries with it the possibility of increased resort by American producers to contingency protection.

"In terms of the Third World, the challenge for Canada to bear its share of the responsibilities for ameliorating the economic situation of most of the South. Here, concern for improvement in the conditions in the less developed countries clashes with the realities of domestic budgetary constraints and the need to protect Canadian industries against import competition. There are fears that 1990 will see a further slide downward in the monies Canada spends on official development assistance; moreover, Canada continues to impose restrictions on imports from a number of Third World countries.

"As the government seeks to shape Canada's foreign policy for the 1990s, it will have to develop a clearer set of priorities than it has done so far.... If 1989 was a year marked by the challenge of change, the 1990s must surely represent a decade of new directions for Canada and Canadians."

Hampson also contributes a chapter on Canada's environmental agenda. The other writers in the project, each addressing one or more of the challenges facing the Mulroney administration, are Lenard Cohen, associate professor of political science at Simon Fraser University in Burnaby, B.C., on *The Soviet Union and Eastern Europe in Transition:*

*Trends and Implications for Canada;* Jeremy Paltiel, assistant professor of political science at the University of Alberta in Edmonton, on *Rude Awakening Canada and China Following Tiananmen Square;* Carl McMillan, professor of economics at Carleton, on *Canada's Response to the "New Detente" in East-West Economic Relations;* Tariq Rauf, senior research associate at the Canadian Centre for Arms Control and Disarmament in Ottawa, on *Strategic Arms Control;* Roger Hill, research director at the Canadian Institute for International Peace and Security (CIIPS) in Ottawa, on *Conventional Arms Control;* Ron Purver, a CIIPS research associate, on *The North in Canada's International Relations* is by Dan Middlemiss, associate professor of political science at Dalhousie University in Halifax, on *Canadian Defence Policy: An Uncertain Transition;* Lorraine Eden, associate professor at the Patterson school, on *Two Steps Forward, One Step Back: Into the 1990s;* John Curtis, adjunct professor at the Patterson school, on *The Trade Policy Response: Negotiating with the United States and the World;* Robert Clarke, adjunct research professor in the Department of Sociology and Anthropology at Carleton, on *Overseas Development Assistance: The Neo-Conservative Challenge;* Chris Brown, assistant professor of political science at Carleton, on *Canada and Southern Africa: Autonomy, Image and Capacity in Foreign Policy;* and Tim Draimin, director of development policy at the Canadian Council for International Cooperation in Ottawa, and Liisa North, associate professor of political science at York University in Toronto, on *Canada and Central America.*

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## A New Canadian Vision for Europe

EDITOR'S NOTE: As an independent forum on Canadian foreign policy, *International Perspectives* is not designed as a platform for the federal government. Occasionally, however, there are speeches that warrant replication. What follows, edited primarily for brevity, is a recent speech by the Secretary of State for External Affairs, Joe Clark, to an audience at Humber College in Toronto.

If 1989 was the year of revolution, 1990 marks the beginning of a decade of reconstruction. Euphoria lingers but hard work lies ahead.

The revolution of 1989 has fundamental implications for the entire European continent — and for North America which, in terms of culture and history, is Europe across the Atlantic. The requirement for leadership and imagination extends across all issues. That requires a new Canadian approach not only to Central and Eastern Europe but towards the entire European region.

On February 5, at McGill University in Montreal, I announced the initiation of a review of our policy towards Europe. Canada's stake in Europe should not be taken for granted. Powerful new economic and political forces are at work, forces over which Canada has limited influence.

One of Canada's primary interests in the new Europe is to help ensure that Europe does not again become what it once was. Another is to help ensure that Europe becomes a positive force for change both at home and around the world. Two world wars have taught Canadians that a Europe at peace with itself is at peace with the world. Our economic prosperity depends upon a stability in the world. More directly, as a country dependent on trade for 30% of our GNP, the unifying market of Western Europe is vital for jobs and prosperity in Canada, and the vast and untapped markets of Eastern Europe constitute a long-term opportunity of potentially immense proportions.

Canadian interests in the new Europe relate not only to what occurs there but also to what is occurring elsewhere. For decades, our preoccupation with a brittle peace in Europe has hindered our ability to deal with mounting global problems — the threat to the global environment, the crises of international development and debt, the evils of the international drug trade and the proliferation of terror and weapons of mass destruction. Many of these problems do not

have European origins, but our preoccupation with Europe, ideologically and militarily, has kept these other priorities far too low on the global agenda.

While our interests in Europe remain strong, the means by which we pursue those interests must change radically. They must change to reflect the new security framework now in evolution; they must change to reflect the growing power and unity of Western Europe; and they must change to reflect the particular advantages and assets of Canada. The military contribution is bound to decline. It will not be a decline which we regret because it will be a product of the long-sought reduction in East-West tensions which is the result of the new Soviet foreign policy, the dissolution of Soviet control over Eastern Europe and the unilateral and negotiated reductions in conventional and nuclear forces.

A firm foundation must be built for a structure of lasting security at the lowest possible level of military forces, conventional and nuclear. It is a seeming paradox that NATO's very success requires the Alliance to renew itself. An organization whose primary role has been to defend against plausible aggression must revise its role when that aggression becomes less plausible. It is only natural in these circumstances for NATO to assume a more political role. That is a change which Canada fully supports. But NATO will only become a forum for increased dialogue if it is used for that purpose by all its members. To a large extent, the future relevance of NATO will depend on the degree to which it adopts, reflects and strives for a broader definition of security. Security must become co-operative rather than competitive. The time for the zero-sum game is over.

NATO must review urgently and comprehensively all aspects of its nuclear and conventional strategy. It makes little sense to retain nuclear weapons whose only target can be our new friends in Poland, Czechoslovakia and East Germany. It makes little sense to retain a mili-

tary strategy which is based on a scenario of a surprise attack across a front which no longer exists and where surprise is no longer possible. And it makes little sense to continue to retain in Europe the largest peacetime deployment of military force in the history of the world. This is not to deny the continuing requirement for prudence and military stability. Twelve months does not invalidate the lessons of history. The possibility of instability is there and Soviet military capabilities remain substantial. Therefore, a strong military mandate for NATO continues to be valid and the North American commitment to Europe represented by the presence of Canadian and American troops there is crucial as we strive for strategic stability at significantly lower levels of military force.

It is important that NATO become even more actively engaged in the dynamic security dialogue now emerging. The Alliance should turn outwards to embrace its old adversaries and new friends. To this end, early consideration might be given to the Soviet foreign minister meeting on a regular basis with NATO foreign ministers. In the field of arms control and disarmament, NATO should develop an enhanced capacity and role in confidence-building and verification activities. Dedicated multinational forces on the ground might be deployed for this purpose. NATO should also look to the establishment of a Verification Centre to co-ordinate these activities. In addition, in the context of reviewing its military strategy, NATO should move away from a rigid forward defence to a much more flexible approach involving mobile units, possibly including forces of a multinational nature. NATO's new military posture should minimize force levels and maximize stability. We want to reduce insecurity in the East. But NATO, although of enduring value, has limitations, a function of its mandate and its membership. There are other institutions whose rule must be enhanced and transformed if they are to play a useful role in the elaboration of a new European system. And it is there that Canada must also focus its efforts.

Central among these is the Conference on Security and Co-operation in Europe. The principles embodied in its

earlier accords provided the vision and the standards which help inspire the brave democrats of Eastern Europe. The role of the CSCE must not be expanded so that it becomes the drawing board for the new European architecture. As a complement to NATO, the CSCE can become a true instrument of co-operative security, one which would supplement deterrence with re-assurance. And as the nature of European security expands beyond military balances to political stability and economic prosperity, there is a central role for the CSCE in the areas of human rights, economic co-operation and environmental action.

Canada believes that continuing political direction from the highest level is required on a regular and ongoing basis if the CSCE is to realize its full potential. Canada proposes that the CSCE should meet annually at the level of foreign ministers and biannually at the level of Heads of Government. This could serve as the beginnings of a Council for European Co-operation, a future permanent forum for dialogue on pan-European issues. The CSCE should develop a forum to reflect the increasingly democratic character of its membership. Therefore, we also propose the establishment of a CSCE Assembly where parliamentary delegations from member states would meet on a regular basis to discuss issues of common concern.

In the security area, the CSCE will have a role in mandating a further round of conventional forces reduction talks. These talks should be conducted among all 35 members of the CSCE rather than solely the members of NATO and the Warsaw Pact. The CSCE should also increase its role in verification and confidence-building. A CSCE Verification Agency would facilitate and co-ordinate activities mandated by the negotiations on conventional force reductions and confidence- and security-building measures. In addition, there is a potentially valuable role to be played by the CSCE in crisis prevention and conflict resolution. This could involve the creation of a mechanism whereby panels could be established to facilitate dialogue if a crisis develops involving any participating state and to conduct fact-finding investigations if required. This mechanism could recommend a strategy

to resolve the crisis. If the crisis develops into conflict, the CSCE could initiate mediation activities. These activities could be supported by a permanent Institute for the Peaceful Settlement of Disputes which would provide expertise for crisis prevention and conflict resolution.

Beyond the security field, the CSCE should build upon the other principles and undertakings contained in the Helsinki agreements. An early opportunity is provided by the Copenhagen Conference on the Human Dimension. The essential structures of democracy should become a common commitment of CSCE members, including the right to free elections and the rule of law. In the economic dimension, the CSCE may also have a valuable role in the future, building on the tremendous success of the recent Bonn Economic Conference. It should not duplicate existing and effective economic institutions such as the OECD, the IMF and the new European Bank for Reconstruction and Development. But there is room for growth in encouraging co-operation and dialogue designed to develop common principles of economic activity.

One area requiring urgent attention in the East is the environment, which has been savagely disregarded and desecrated by the old regimes. One or more mechanisms might be created, possibly affiliated with the CSCE, to provide expertise and serve as clearing houses for programmes and information. In designing a new role for the CSCE, we must avoid duplication and new bureaucracies. The goal is concrete action, not talkathons. In this connection, if the CSCE is to assume an activist role in the new Europe, it may well have to modify, perhaps on a selective basis, the current principles of unanimity in its decision-making process.

The European Community is now a welcome and fundamental pillar of the international system. It is one of the great achievements of the post war era and has served as a magnet and model for the reforming countries of Eastern Europe. Increasing co-operation in the political and, eventually, the security fields will ensure European consensus and co-ordination in ways which can only enhance international stability. The EC was founded to subsume past conflicts in the common interest; that mission remains valid. But a

wall dividing Europe cannot be supplanted by a wall around Europe. The new Europe must be open to the West and to the East. Canada has a particular interest in the evolution of an open, united Europe. We are traders and we have a profound interest in the questions of foreign policy which are increasingly the subject of European political co-operation.

Canada-EC political relations should become regular and more institutionalized. We are proposing regular meetings between the Prime Minister and the President of the European Council. These should be supplemented by regular in-depth discussions between the Canadian foreign minister and the foreign minister of each incoming presidency. There should also be regular meetings between Canadian officials and experts on issues of common concern. In addition, we propose that there be an exchange of priorities at the beginning of each presidency which would set the agenda for the coming period.

The degree to which the unification of Germany is accomplished smoothly and without rancour will determine the future pattern of European relations. The 2-plus-4 talks now underway must succeed. There are delicate and important issues to be resolved, including the future of Germany in the Alliance, the size and status of stationed and German armed forces, and the implications for NATO's nuclear deterrent. As these crucial issues are addressed, two realities must be borne in mind: the fact that the Soviet Union has legitimate, central security preoccupations which must be accommodated; and the requirement to ensure that Germany's role retains the popular support of the German people.

Our policy and the future of the new Europe hinges on the continued success of the reforms now underway in the Soviet Union and Eastern Europe. There is an inevitable and daunting period of sacrifice ahead. There will be setbacks. As totalitarian control is lifted, old nationalisms and unaddressed antagonisms will re-emerge. Courage, imagination and statesmanship are required on the part of the governments and populations of the East. And, on the part of the West, patience and prudence will be necessary.

# ENVIRONMENT

## Bridging the Gaps Crucial to Rebuilding Environment

A hortatory rhetoric accompanies the return of environmental issues to the international agenda. It urges reinforcement of education and co-operation, more financial support for developing countries, re-oriented aid activities and an enhanced role for Non-Governmental Organizations. Awareness is a long-term process but we can promote progress, as we wait for a more committed internationalism, by defining issues politically and identifying and promoting co-operative policies.

While all nations seek a common good, geography, history, culture, politics and economics generate different priorities. Developing countries emphasize poverty while developed ones focus on controlling environmental problems linked to industrialization. Scientific uncertainty contributes to disagreement. Societies differ over what they are willing to risk for the sake of other priorities. States often lack objectivity about scientific data, perhaps not wanting to know too much and distrusting the source.

Regardless of long-term benefits, some states and specific groups gain in the short term. Others lose. At the domestic level, this is most evident in NGO calls for more grass-roots participation in decision-making. *How* to conserve the environment is often harder for governments than *whether* or *what* to conserve. Developing countries favour others' subsidies or taxation of multinational corporations; developed countries prefer rules that often require sophisticated administration.

The environmentalists' equation of affluence with degradation, and the insistence of the developed world on the impossibility of expanding resources to raise the standard of living of the developing countries threaten to freeze or increase inequalities.

Yet, progress has been substantial since the 1972 United Nations Conference on the Human Environment. That meeting in Stockholm, and others around the world in the 1970s, promoted awareness, forced governments to define positions or review their behaviour, and improved the bureaucracy of agencies entrusted with the protection of natural and human resources.

Progress in the last two decades has come largely in six ways:

First, crisis and catastrophe were crucial in raising consciousness about oil pollution and spurred governmental and institutional responses. But slow degradation or the absence of a single villain make it difficult for governments to promote drastic measures.

Second, the prospect of unilateral action has been one of the most potent forces for promotion of higher standards. Although oil pollution was a global problem requiring global solutions, the United States was ready in 1978 to do anything to protect its waters. To divert the threat of competitive disadvantages and minimize adverse economic impacts, the industry adopted specific safety measures and promoted harmonization of standards.

Third, linking environmental protection to more widely shared values such as government revenues, health or economic growth has proven indispensable. Health considerations spawned early environmental measures in Western Europe. Linking the protection of natural resources to income such as tourism has also proven effective, provided it was institutionalized. The desire to protect national industries from competition led to non-tariff barriers designed to protect the environment or public health. Canada used environmental justifications to stake its claim to a 200-mile offshore economic management zone.

Fourth, by carrying the financial burden of minimizing pollution, developed countries also have encouraged developing countries' adoption of environmental protection measures. The principles of additionality and compensation called for in Stockholm have been partially implemented through development agencies. The UN Environment Programme has sought to catalyze action by international organizations through modest financial incentives. Significant advances result from a country taking on much of the costs associated with the protection of environmental resources, as did France in the case of the Mediterranean Plan. Although such leadership is rooted mostly in other concerns, such as protecting domestic industry, money greases the wheels of environmental protection. Endorsement of

the 1987 Montreal Protocol on the protection of the ozone layer by the developing countries, and Canada's promotion of environmental issues within the *Francophonie* are clear illustrations of this.

Fifth, adoption of a broad definition of the problem was a necessary basis for increased co-operation. Stockholm identified poverty and modernization as the prime causes of environmental degradation in the developing world.

Sixth, the transfer and support of scientific and technical expertise helps to overcome suspicions and facilitates support for environmental programmes. Development of domestic scientific capabilities also creates constituencies that promote environmental objectives. This has been part of the strategies of the World Bank, of bilateral agencies and of NGOs financing creation of national and local associations which would relay their environmental agenda, mobilize the local populations and put pressure on governments.

The last 20 years have seen the environment movement mature. Rather than eschewing traditional politics, it has "dirtied" its hands by building power and coalitions. It discusses taxes, prices, and regulations while recognizing the importance of political feasibility. Many of the suspicions developing countries harboured about environmental issues have disappeared. Weak states also have used the issue to enhance their prestige or to gain visibility.

The keys to progress have been money, leadership, development of domestic constituencies, and determination of solutions reconciling diverse government goals. Canada has expertise and a positive international image. We can lead by marshalling resources, by putting heretofore invisible issues on the international agenda, and mediate between developed and developing nations. We can help to define a new notion of international security that would incorporate the environment. We must address directly the political context of environmental issues and help to steer the debate in directions that would forestall conflicts caused by environmental degradation.

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# ENVIRONMENT

## ODA: A Possible Environmental Lever

As host country for the 1987 Montreal Protocol, one of the first truly concerted international efforts to deal with chlorofluorocarbon (CFC) pollution, it was fitting that Canada should play a lead role in this month's London conference at which a more stringent campaign was considered. What was not fitting was the pre-conference bickering over whether what came out of the latest round would be the London Protocol. There was strong resistance from Canada and some other participants because of the perceived loss of face.

The substance of the meeting came close to being relegated to a back seat by the procedural dissent, the last thing that's needed when like-minded countries try to come to grips with such a crucial issue. CFCs deplete the ozone layer, prompting short-term concern about ultraviolet-induced skin cancers and long-term concern about our very existence because of potential genetic and other damage. Concern has been heightened by new evidence that they not only deplete ozone but also contribute substantially to global warming.

As approved by Canada, the United States and 22 other countries, the Montreal Protocol committed the signatories, subject to individual legislative ratification, to halving CFC emissions by 1999. The proposal was predicated on a 1990 production freeze at then current levels, followed by a production cut of 20% by 1994. Before ratifying it with the Canadian Environmental Protection Act in mid-1988, Canada pledged a 20% reduction by 1992, 85% by 1997 and elimination by 2000. Since then, a range of other agents — hydrofluorocarbons (HFCs), hydrochlorofluorocarbons (HCFCs) and methyl chloroform (MCF) — have come into use as environmentally "friendlier" substitutes. However, there is a growing body of scientific evidence to warrant concerns about these others as well as about halons, which are widely used in fire-extinguisher systems to displace oxygen.

They are all covered in a House of Commons' environment committee report, *Deadly Releases*, which stated that even the accelerated programme proposed by the federal government does not go far enough. Under the

chairmanship of David MacDonald, former Progressive Conservative cabinet minister and Canadian ambassador to Ethiopia, the all-party committee urged an 85% reduction by 1995 and elimination by 1997. "Even if all use of CFCs was halted immediately, the atmospheric concentration of the ozone would not return to normal for more than a century", the committee said.

While CFCs are the main culprit, the committee said "all ozone depleting substances must be eliminated from further use worldwide and all such substances must be recovered and destroyed." And, in a refreshing shift from the ideological tunnel-vision that afflicts many environmentalist activists, it said that although "time is of the essence", it acknowledges that wholesale change overnight is impracticable.

The committee plans to address the other agents in a second report which MacDonald hopes will be done by October. For the time being, it recommended a leading role for Canada at the London meeting. The report's release coincided with a joint announcement by Environment Minister Robert de Cotret and External Affairs Minister Joe Clark that Canada would "fully support the adoption of stronger measures" at the London conference. These included creation of an international fund to help the Third World to finance domestic ozone-protection initiatives.

There is a conundrum in that as the developed countries progress toward alternatives, the Third World picks up where we leave off. The fact is that most of the environmentally benign options that companies are exercising in the campaign to do away with CFCs are less fiscally benign. Production costs rise and economic pressures can result in a shift to countries where the need for jobs is more desperate than in the industrialized ones and the concern for the environment less important.

A potential lever in this regard, one that many countries are unwilling to use, is framing Official Development Assistance policies within environmental parameters. Canada's Export Development Corp., for example, operates under no such constraints, a situation that is drawing increasing complaints. The

committee had what MacDonald characterized as "some difference of opinion" with EDC witnesses during its hearings but inferred that the Corporation might have little choice in the matter. "Clearly there is movement in some parts of the government," he said, pointing out that the Canadian International Development Agency "has increasingly realized that that has to be one of the basic criteria."

Marlene Catterall, an Ottawa MP who was the principal Liberal party representative on the committee, added that the aid aspect probably will be addressed "in much more depth" in the second report. "It's not simply a question of environmental criteria for projects we do but, in fact, looking at our priorities for projects and ensuring that they are contributing to long-term reduction of the problems of global contamination."

Apart from that, there is the proposed fund. Estimates of its cost differs. There have been suggestions that approximately \$130 million a year would be sufficient, of which Canada's share would be \$3-5 million. India's Science Minister, Dr. M.G.K. Menon, attending the VIIth Parliamentary and Scientific Conference, June 11-14 in Ottawa, argued that "billions" are necessary. The amount is disputable but the message is not: humanity must pay now or pay much more later — if, indeed, it is in position to do so. British Columbia MP Jim Fulton, the New Democratic Party's environment critic in the House of Commons, put it rather trenchantly during the news conference at which the report was released: "If we can't find \$130 million a year to phase it out by 1997, we are not an intelligent species."

Copies of *Deadly Releases* may be ordered from the Canadian Government Publishing Centre, Supply and Services Canada, Ottawa, Ontario K1A 0S9. It also is available in limited quantities from the Clerk, Standing Committee on Environment, House of Commons, Ottawa K1A 0A6.

# REGIONS

## South Africa: The Sanctions Conundrum

In reaffirming Canada's commitment to maintaining sanctions against South Africa until there is evidence of "clear and irreversible change" in apartheid, Prime Minister Mulroney may indeed be trying to take the moral high road. However, there are growing indications that in doing so, he risks not only being out of step with Europe and possibly the United States, but also weakening South Africa's troubled economy even further and thus undermining its ability to undertake the reforms that will be necessary once apartheid is dismantled.

That this abhorrent policy of racial separation is doomed is inevitable. The momentum for change that has been set in motion by President Frederik W. de Klerk is irreversible despite continued criticism at home and abroad. On the domestic front, right-wing white conservatives and left-wing black militants continue to polarize issues with extremist views while elsewhere, the pace of change seems inadequate to Pretoria's persistent critics.

The most recent manifestation of de Klerk's intent is the white parliament's decision to scrap the 1953 Reservation of Separate Amenities Act that provided for segregated trains, libraries, theatres and other public facilities. The due date for its expiry is Oct. 15 but it already had fallen into widespread disuse. Although the parliamentary initiative probably will be interpreted by skeptics as little more than cosmetic, it is a dramatic step in that the hated Act, the first of the so-called "pillars of apartheid", was a particularly personal and highly visible irritant for the non-white majority. That the repeal was approved by a vote of 105 to 38, as the Nationalist Party rallied behind de Klerk to route the opposition Conservatives, is a strong signal of the government's commitment.

In lifting most of his country's four-year-old state of emergency early this month, de Klerk also promised to "address" two other pillars early in 1991. These are the Group Areas Act that stipulates place of residence for the different racial groups and the Land Act that restricts ownership. The toppling of the fourth pillar, the Population Registration Act that mandates racial segregation, the essence of apartheid, evidently must

be negotiated with the African National Congress (ANC) and other groups. But de Klerk reiterates that the process is irreversible, insisting that "when we say white domination must go, we mean it."

Then there is his recent meetings with the leaders of black tribal homelands and representatives of the substantial Indian and Coloured populations in a bid to form a moderate alliance that might

**"They are crumbling on all fronts..."**

*F.W. de Klerk*

serve to at least moderate, if not counter, the effect of the ANC. There are doubts, however, about the effectiveness of this initiative in that the homelands are structures of apartheid to the ANC. What's more, except for Chief Mangosuthu Buthelezi, head of the powerful Zulu organization, Inkatha, the black leaders seem inclined to throw in their lot with the ANC. Yet, in contrast to an earlier meeting that they rejected, the black leaders showed up this time and agreed that constitutional talks should begin quickly — probably as soon as ANC Leader Nelson Mandela returned home.

All of this unfolded against the backdrop of Mandela's six-week tour of Europe and North America — effectively a mirror image of a successful visit just concluded by de Klerk — during which the ANC leader repeated his message that sanctions must remain in place for now. De Klerk appealed again for their elimination, arguing that his reforms warrant re-evaluation. "They are crumbling on all fronts because of the new reality," he said. "The very rationale for sanctions has fallen away."

There have been suggestions that many European leaders, notwithstanding Mandela's insistence, privately agree with de Klerk. However, the European Parliament has passed a motion asking the European Community to maintain pressure on Pretoria. Community foreign ministers, at a June 18 meeting in Luxembourg, were divided. "There was not a majority in favour of the lifting of sanctions," Ireland's foreign minister, Gerard Collins, explained at a news conference in his capacity as Chairman of the Euro-

pean Community Foreign Affairs Council. "We all see our objective as that of encouraging both sides in the process of peaceful change while not undermining the position of one side or the other." The schism was expected to be repeated at a Community Summit in Dublin in late June as the proponents of continued sanctions confronted those who feel de Klerk and the white progressives should be encouraged.

The breakthrough could occur on this side of the Atlantic. There are expectations that if de Klerk releases South Africa's 300-odd political prisoners, the United States would move quickly to ease sanctions at the very least. It would be a powerful signal not only to de Klerk and South Africans of all races but also to Western Europe and, notably in light of its leading role in the Commonwealth, to Canada.

However, Mulroney, shortly before Mandela's June 18 speech to the House of Commons and Senate, reasserted Canada's determination to keep the sanctions in place. The Prime Minister said sanctions were essential to ensure full democracy in South Africa and Mandela, while acknowledging de Klerk's initiative, concurred. "The government, and the police in particular, continue to kill and maim the opponents of apartheid in my country," he told the Members of Parliament, warning that if sanctions were to be eased prematurely, it would encourage Pretoria to stall the reforms.

The difficulty in all of this is that in assuming leadership on this issue — a role reaffirmed when External Affairs Minister Joe Clark chaired a May 16-17 meeting of his Commonwealth counterparts in Abuja, Nigeria — Canada has yet to define what constitutes "clear and irreversible change" in South Africa. Clark used the phrase again in Abuja and although it has a nice ring to it, the way it has been handled so far is akin to moving the goalposts just as the opposing team is about to try a field goal. It's time to fix the uprights firmly in place and give de Klerk a chance. If, as Mandela suggested in Ottawa, the reforms stutter, maintenance of sanctions and probably a tougher stance would be warranted. But not until then.

# STATISTICS

## International Trade

The merchandise trade surplus recovered in March as the value of exports rose 1.9% from the previous month and the value of imports declined 1.7%. The March surplus was \$471.2 million, seasonally adjusted on a balance of payments basis, after February's \$52.9 million surplus that was revised from \$264.2 million. The latest preliminary surplus resulted from exports of \$11,862.5 million and imports of \$11,391.3 million. Cumulative exports for the first quarter of 1990 amounted to \$35,092.6 million or 1.3% below a year earlier while imports rose 1.3% to \$33,993.9 million, yielding a two-month surplus of \$933.6 million that was down \$1,098.7 million or down 52.9% from the first quarter of 1989. Here is a rounded breakdown in millions of dollars:

	MARCH			CUMULATIVE			Change from '89
	Exports	Imports	Balance	Exports	Imports	Balance	
U.S.	8,900.5	7,905.8	+994.7	26,193.6	23,196.5	+2,997.1	-232.8
Japan	685.2	717.7	-32.4	2,048.2	2,198.0	-149.8	-502.6
U.K.	259.2	426.2	-167.1	815.0	1,214.8	-399.7	+68.8
other EEC	623.3	824.4	-201.1	1,753.7	2,638.9	-885.2	-392.7
other OECD	298.5	355.2	-56.7	927.1	1,109.1	-182.0	+110.3
all others	1,095.7	1,162.0	+66.3	927.1	1,109.1	-182.0	+110.3
TOTALS	11,862.5	11,391.3	+471.2	3,355.1	3,636.7	-281.6	-149.8

## External Affairs Budget

The External Affairs share of the federal budget in March was sharply higher than a year earlier, but the numbers are skewed by forgiveness of \$671.60 million in foreign debt. Total federal spending in March was \$13.02 billion, of which \$1.11 billion or 8.5% was for the Department of External Affairs and related programmes. This compared with \$344.48 million or 2.88% of \$11.02 billion in March, 1989. Without the debt forgiveness, the latest month's share drops to 3.36%. A comparison of the preliminary cumulative figures for the latest fiscal year shows total spending was \$136.91 million, of which \$3.63 million or 2.65% was for the External envelope. Again, without the debt forgiveness, the 1989-90 share shrinks to 2.37%. The 1988-89 share was \$3.02 billion or 2.39% of \$126.33 billion. Here is a rounded breakdown in thousands of dollars:

	MARCH		F. Y. CUMULATIVE	
	1990	1989	1989/90	1988/89
<b>Interests abroad</b>				
Operating costs	84,729	71,531	665,201	598,700
Capital costs	10,533	11,386	85,136	67,682
Grants	18,262	18,323	204,933	186,960
Passport fund	1,630	-704	-300	-3,972
APF*	—	—	—	500
World exhibitions	50	128	414	2,041
Sub-total	115,204	100,664	955,384	851,911
<b>CCC*</b>	2,416	1,423	15,275	13,535
<b>CIIPS*</b>	1,000	750	5,000	5,000
<b>CIDA*</b>				
Operating costs	11,865	12,064	97,749	94,202
Grants	230,952	208,128	1,551,397	1,743,762
Pymts to financial inst.	25,554	6,041	104,306	112,098
ICHRDD*	2,000	1,000	2,000	1,000
APF*	—	—	—	500
Debt forgiveness	671,599	—	671,599	—
Sub-total	941,970	227,233	2,427,051	1,951,472
<b>Canadian Secretariat</b>	164	—	989	—
<b>EDC*</b>	35,576	2,462	105,386	72,185
<b>ICOD*</b>	2,900	1,850	10,100	8,000
<b>IDRC*</b>	8,975	9,517	108,500	114,200
<b>IJC*</b>	969	580	4,740	4,353
<b>OVERALL TOTALS</b>	1,109,174	344,479	3,632,425	3,020,656

\*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  
 EDC — Export Development Corp.  
 ICHRDD — International Centre for Human Rights and Democratic Development  
 ICOD — International Centre for Ocean Development  
 IDRC — International Development Research Centre  
 IJC — International Joint Commission



# LAST WORD

## Bangladesh: Crucial Questions for Canadian Aid Policy

Bangladesh remains the world's largest enclave of absolutely impoverished people. Two-thirds of the population live below the poverty line, which is reflected in the growth of landless households, high child mortality rates, and long-term declines in per capita protein and calorie intake. "There has been no secular improvement in the well-being of a major share of the rural population over the last 20 years", the *North-South Institute* concluded in 1985. "... The problem is critical."

Bangladesh is neither naturally nor inevitably poor; it does have the resources for development. The explanations for increasing poverty lie in the social and political processes which concentrate wealth and power. Population growth and limited resource endowments are contributory, but impoverishment is chiefly because of unequal ownership of land and other assets, discriminatory allocative mechanisms, and a policy framework which promotes the interests of dominant groups.

The failure to meet the needs of the poor is a reflection of political failure. For most of its short history, Bangladesh has been shaped by a series of military regimes with little popular support. Successive regimes have sought legitimacy by catering to elite interests which have always determined policy context. Development priorities have emphasized industrial development at the expense of agriculture/rural development; indeed, appropriations for the latter have steadily declined since 1974. The outcome is the development of a small wealthy elite and an increasingly poor majority.

Political failure has led also to pervasive abuse of human rights as successive regimes have sought to contain and suppress the dissatisfied majority. During the last decade, Bangladesh has lurched from Martial Law through State of Emergency to today's quasi-civilian regime. Repression of the political opposition, unions, students, peasant organizations and tribal populations, a major obstacle to development, is well-documented by Amnesty International and other advocacy groups.

For Bangladesh's rural majority, the chief resource is land. Almost all literature on poverty agrees that land reform is essential to meet the needs of the poor; moreover, there is compelling evidence that land reform would lead to considerable increases in productivity. Land reform has been on the government's agenda since 1972, but none has ever been implemented.

Education, health and social welfare spending has remained at about 2% of Bangladesh's national budget over the past decade. Spending on defence, police and justice has exceeded 20% since 1974 and topped 30% in the mid-1980s. The health budget actually has declined despite the fact that more than 50% of all children under five are moderately to severely malnourished.

Human rights concerns also focus on the lack of women's participation in development. Most of the programmes have focused on reproductive roles to the detriment of social and economic roles. Serious concerns have arisen about rights abuses associated with population control efforts. While there is a widespread need for birth control education and access to contraceptives, it is essential to distinguish between family planning and population control. The former emphasizes primary health care and reduction of child mortality, acknowledging that fertility regulation requires improvements in the social and economic context of families. Population control in Bangladesh has not embodied authentic primary health care. The approach has been coercive; women have been offered sterilization inducements during periods of flood or famine. Drugs and devices which have not been adequately tested or approved for use in the West are used extensively.

The lack of health services in the population programme has led to hundreds, perhaps thousands, of deaths and permanent injuries. This has led to withdrawal of support for the population control programme by at least one donor country, but Canada continues to provide significant assistance.

To the donor community, Bangladesh poses an enormous challenge. The donor community appears to have adopted a "wait and see" posture on the political situation, while attempting to ensure that at least part of their inputs reach the poor. There is little evidence that the billions of dollars of foreign aid poured into the country since the early 1970s has led to a reduction in poverty; indeed, the evidence is to the contrary. Aid plays an important role in strengthening the political regime and in sustaining the very conditions which undermine poverty-focused development. There is a growing literature related to the extent and consequences of Bangladesh's "aid dependence". This literature argues that aid has led to the creation of a powerful class of people whose interests are tied to continued large amounts of external assistance. Dr. Rehman Sobhan of the *Bangladesh Institute of Development Studies* puts it this way: "The fact that aid and its attendant policies has promoted a more inegalitarian social order... has eroded the compulsion for more effective domestic resource mobilization, and that it has promoted the growth of a class whose appetites begot the need for aid, appear only recently to have disturbed the consciousness of some donors."

Public support in donor countries such as Canada for Official Development Assistance is largely based on the belief that the ODA reaches the poor, yet the structural obstacles in Bangladesh make it difficult to demonstrate this. While many donors privately approve the "stability" an authoritarian regime provides, they should be concerned about widespread rights abuse. And, in acknowledging the values of democratic and participatory development, donors must be concerned that development decision-making is undertaken outside of any framework of public accountability in Bangladesh.

These are issues the Canadian International Development Agency must consider as it finalizes its five-year Bangladesh programme, Canada's largest. Donors must put pressure on Bangladesh to restore democracy and reform its human rights record. It is only through democratic processes that the needs of the poor can be addressed and self-reliance achieved. Such pressure would be a resounding signal that authoritarian and anti-democratic development is contrary to the values and principles enshrined in CIDA's Development Charter. Perhaps most important, it will be an assertion of the primacy of the needs of the poor in development strategies. The current political and development path in Bangladesh leads inevitably to cataclysm.

— The foregoing is an abridgement of a discussion paper prepared by the Asia Working Group of the Canadian Council for International Co-operation. —