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CONTROLLED SURFACE  
**INTERNATIONAL  
PERSPECTIVES**

OTTAWA  
**CANADA AND THE WORLD**

APRIL 1990

MAY 1990

VOLUME XIX, NUMBER 4

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A Baxter Publication

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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.

**Changing Relations with the USSR**

After long and inexcusable delay by Prime Minister Brian Mulroney's administration, this country's approach to the Soviet Union finally has begun to move with the times. Evidence of change is to be seen in the Canada-Soviet political declaration and the bevy of commercial, environmental and other agreements signed during the Prime Minister's visit to the USSR last November. Yet the change in our policy is itself sluggish and half-hearted and seems to be in real danger of grinding to a halt.

To the news media while still in Moscow and to the House of Commons on his return, the Prime Minister took pains to stress the continuing importance of Canada's contribution to the North Atlantic Treaty Organization's presence in Europe even as the Warsaw Pact was dissolving before our eyes.

And now, when West Germany has undertaken to cut its armed forces by 20% and as the defence ministers in Belgium and The Netherlands are proposing troops withdrawals from West Germany, doctrinaire forces within our own Department of National Defence (DND) continue to define the main threat to Canadian security in terms of attack by the Soviets.

**Current Policy Relatively Static**

Though the mix in Canada's policy toward the USSR under Mikhail Gorbachev certainly has altered of late, we continue to pursue a two-track policy of co-operation and deterrence that is not qualitatively different from our approach to the Soviet Union under Leonid Brezhnev.

Nowhere is the guarded transition in Canada's policy toward the Soviets more evident than in the Arctic. New things are indeed happening there and we are part of them. But old attitudes are tending to live on as a wizened extension of our commitment to deter Soviet aggression.

Unbeknownst to most Canadians, efforts are under way to create new regional frameworks for Arctic scientific and environmental co-operation. For a couple of years now, the Arctic countries — Canada, Denmark/Greenland, Finland, Iceland, Norway, the Soviet Union, Sweden and the United States — have been engaged in a difficult negotiation to produce an international Arctic Science Committee (IASC). The creation of such a body, the fundamental goal of which would be to protect the Arctic environment, has been the subject of separate talks among the Arctic Eight. These talks had their genesis in a Finnish initiative set out in January, 1989, but formal discussion itself actually did not begin in earnest until a meeting in Rovaniemi,

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In both the IASC and the Rovaniemi discussions, Canada has found itself working in parallel with the USSR and, to some extent, at cross purposes with the U.S. Where the IASC is concerned, Ottawa and Moscow have joined in asserting the primacy of regional-state interests. On the other hand, possibly modelling what has emerged at the other end of the globe, in Antarctica, Washington has just as adamantly advocated a role for non-Arctic countries such as France, the United Kingdom and West Germany.

As to the Rovaniemi process, whereas the U.S. was barely represented at the initial meeting, Canadians worked closely with the Soviets in making a seminal contribution to getting the negotiations off to a good start.

### New Alliance Emerging

The key point is that Canada has quietly taken up a key role in Arctic institution-building for scientific and environmental matters. In so doing, we have not hesitated to join with our traditional military adversary in resisting the preferences of our principal ally. Moreover, when in Moscow, Mr. Mulroney raised the question of creating an Arctic Council to consider more widespread co-operation on non-military or civil issues of common concern to the regional countries. The matter is to be discussed further with the Soviets.

All of this is decidedly forward-looking. It is quite in keeping with the transition of East-West relations from the Cold War agenda to a new order of the day — one that features international institution-building designed to address global needs for economic co-operation, environmental protection, sustainable development and common responses to climatic change.

But Canada's handling of Arctic military problems is quite another matter. Proposals have been made within Canada, for example by the Canadian Centre for Arms Control and Disarmament, that call for this country's leadership in negotiating a demilitarized zone in the area of the Arctic Ocean seaward of the 200-mile exclusive economic management zone.

Not a lot of military activity occurs there and its prohibition of any such activity could set in train a process of regional demilitarization similar to that obtained in Antarctica as long ago as 1959.

### Canada "Deaf" to New Proposal?

An Arctic "open skies" plan also has been put forward, as have proposals to accord the USSR a sanctuary for its ballistic missile-firing submarines in the Barents Sea area in return for an equivalent American sanctuary in non-Arctic waters. To these and similar propositions that would begin to constrain and stabilize Arctic military-strategic interaction, Ottawa evidently has turned a deaf ear.

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**OTTAWA** — South Africa's ambassador to Canada, J.H. (Hennie) de Klerk, expects that next year could bring the kind of constitutional breakthroughs in his country that its critics have been demanding. "It's a matter of time," he told the first meeting here in eight years of The Friends of the Springboks. "I think in the next 18 months you will see dramatic constitutional change." Even so, he conceded that the kind of changes envisaged will be an "uphill" struggle despite the best efforts of State President F.W. de Klerk and the two principal black leaders, Nelson Mandela of the African National Congress and Mangosuthu Buthelezi of the Zulu organization Inkatha. The ambassador said the situation requires "a little bit of understanding, a little bit more patience" by the outside world.

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## SIGNPOSTS

customers keep records of large transactions. "A framework for record-keeping requirements has to be legislated in order to assist police in money-laundering investigations," Minister of State (Finance) Gilles Loiselle says. Legislation would be "broadly-based" but he has not indicated when it might be introduced. The U.S. has had legislation in place since 1970, the Bank Secrecy Act through which it tracks all cash transactions of \$10,000 or more. Some Canadian chartered banks have a funds-source form, but they are by no means universal and the Canadian Bankers Association questions their utility.

**ST. JOHN'S** — Atlantic Airways has received a \$28.5-million federal contract for air surveillance this year off the East Coast, covering areas inside and outside the 200-mile offshore management zone and the extremities of the Grand Banks. "A real deterrent to illegal fishing activity", commented Fisheries and Ocean Minister Bernard Valcourt in announcing the contract, which calls for a total of 3,815 hours of patrols by three aircraft, twice as many as in previous programmes.

**OTTAWA** — Addressing adjudicated weaknesses in the still lengthy process of reviewing claims for refugee status in Canada, the government has instituted new guidelines for immigration officers to consider in reviewing claims. The move came on the heels of a Federal Court of Canada ruling to the effect that the previous criteria "fettered" immigration officers' judgment. The government's initial response was to freeze all claims until new rules could be drafted. Employment and Immigration Minister Barbara McDougall has rejected new suggestions that the government should simply declare an amnesty for the more than 100,000 cases pending. "An amnesty would... tell the world that Canada tolerates disrespect for its laws," she says. "Canadians live by the laws of their country and they rightly demand that those who come here also live by those laws." The first two stages in the backlog clearance effort consist of an initial humanitarian/compassion review and the hearing before an independent two-member panel.

**MONTREAL** — Spar Aerospace Ltd. of suburban Ste. Anne-de-Bellevue has received a \$35-million contract to develop and manufacture communications antennae and electronics for the U.S. Space Station. The contract was awarded by General Electric of Camden, N.J., a major subcontractor on the project. Spar, which supplies the robot *Canadarm* for the Space Shuttles, will provide computer-controlled steerable antennae for the station's space-to-ground and orbital communications as well as omnidirectional units that will be used for, among other things, reception of navigation and control data from the Global Positional Satellite network.

**OTTAWA** — Despite having approved a banking licence for American Express Co., the federal government is unreceptive to competing proposals by the Canadian subsidiaries of four other large American financial service firms. "They would not, at this time anyway, be acceptable", says Minister of State (Finance) Loiselle. The four are General Motors Acceptance Corp. of Canada Ltd. and the financing arms of General Electric Co., Sears Roebuck & Co., and Ford Motor Co. The rationale offered is that, unlike Amex, the others are neither widely held nor publicly traded to the same degree. Although it leaves the door open, Mr. Loiselle's comment is "very encouraging" for the Canadian Bankers Association, which has lobbied against banking licences for "commercial" enterprises that are able to offer services from which the chartered banks are proscribed.

**HEILONGJIANG** — Approximately 55 per cent of the cost of a \$19 million project designed to improve China's management of its scarce forest resources is being underwritten by the Canadian International Development Agency (CIDA) through a Memorandum of Understanding signed by External Relations Minister Monique Landry. Located in this northeastern province, the project involves two consulting firms, T. M. Thompson and Associates Ltd. of Vancouver and Reid, Collins and Associates Ltd. of Victoria. About 30 Canadians will demonstrate modern forest management techniques with transferred technology. As well, 40 Chinese

will be trained in Canada during the six-year project. Of the total cost, \$10.5 million is being provided by CIDA while the Chinese government is contributing the remaining \$8.5 million.

**OTTAWA** — Although there are international precedents, the Supreme Court of Canada has refused to hear an application by a British Columbia woman claiming the right to direct her taxes to "peaceful" purposes. Jerilynn Prior had been trying to appeal a Federal Court of Canada ruling that dismissed her case, which is based on the guarantees of religious freedom in the Charter of Rights and Freedoms. A Quaker who left the U.S. in part because of her disagreement with American defence spending, she was considered a test case for about 550 Canadian conscientious objectors who have directed part of their income tax into a trust fund that now holds about \$200,000. She now is considering an appeal to the United Nations Human Rights Commission.

**BUDAPEST** — As expected (see page 30, March issue), Soviet negotiators have been unwilling at the resumption of the Open Skies talks to concede any ground to their NATO counterparts. A senior western official, insisting on anonymity, is quoted as saying the Soviets still want their aircraft to be permitted to overfly United States bases in other countries. NATO's position from the outset has been that these should be negotiated after homeland overflights have been agreed on.

**OTTAWA** — The National Energy Board has begun an unprecedented retrospective environmental review of 260 billion cubic metres of natural gas volumes that it licensed last year for export by Esso Resources Canada Ltd., Gulf Canada Resources Ltd. and Shell Canada Ltd. It had decided that environmental assessment could wait until it began reviewing the necessary pipeline facilities required for handling the gas. However, the Canadian Environmental Law Association urged the federal cabinet to reverse the decision on grounds that the NEB had exceeded its authority by not requiring the environmental assessment before the licences were issued.

# ECONOMY

## Japanese Confidence in Canada Evidently Justified

A Japanese view of Canada as one of the more desirable places in the world in which to invest, while warmly welcomed by International Trade Minister John Crosbie, was hardly an economic revelation. After all, Japanese investors have for years seen in us a back door to the United States, the key being the Free Trade Agreement (FTA). Unfortunately, the perception of the powerful Ministry of International Trade and Industry is partly shaped by growing American disinclination to favour Japanese capital.

"With the FTA, Canada has taken an important step toward stable relations with the United States," comments Kaname Mizuno, a senior insurance executive who, having been deputy leader of a trade mission to Canada last year, also helped prepare the report. "And while fully aware of the risks, it has taken the initiative and is aiming to be the equal partner with that country. Canada wants Japan, with its wealth of capital, technology and management skills, to be its inevitable partner in this advance, which is directed at the market of the neighbouring United States and at the economies of Eastern Asia."

The seeming antipathy in the U.S. evidently also is surfacing in the European Economic Community (EEC), where there are suggestions that once internal trade barriers come down in 1992, Japanese manufacturing plants there might not remain duty-free. The trade delegation, however, found Canada to be more supportive. "The Canadian response was that even if a company bears a Japanese corporate affiliation, if the products fulfil local-content requirements under the FTA, then they would be treated as Canadian products and their export should not pose any problem," MITI says. The exception would be Japanese-owned automotive plants, which are not covered by the current Canada-U.S. Automotive Trade Agreement.

### Support From Two Respected Bodies

Mr. Crosbie says the report "clearly lays the groundwork for the positive continuation of our trade, investment and technology links with Japan", which he says "can only benefit Canadians." The optimism about the economy

is justified, to a degree, by domestic analyses: by the C.D. Howe Institute and the Economic Council of Canada (ECC).

The Toronto-based Institute focuses on an issue of abiding concern to investors: the Bank of Canada's zero-inflation policy that has been a factor in driving up interest rates. The short-lived 1979-80 administration of Prime Minister Joe Clark had its political doom sealed when Mr. Crosbie, then Finance Minister, attempted to justify modest tax proposals with the comment that they represented "short-term pain for long-term gain." That observation is at the heart of the institute's report. "The pain comes now", it says. "...The gain comes later from higher productivity and lower future interest rates and, most importantly, from the elimination of distortions and inequities — including serious social inequities — created by unstable prices."

Comprising five monetary policy experts' views, the report notes that inflation in the rate of 0 to 2 per cent as measured by the Consumer Price Index is as precise a measure of "zero inflation" as is reasonable to expect. "It is possible for the Bank of Canada to conduct monetary policy so as to keep inflation within this range," the report concludes. "The economy would perform better against this background than if inflation were maintained within its recent 4 to 6 per cent bounds. It is costly to attain this lower inflation rate, but provided the economy is moved toward it rather slowly — over the next two to three years, for example — and particularly if one recalls that nothing can now be done to forestall the economy's slowing down in the immediate future, the costs in question are probably outweighed by the benefits to be obtained."

Current short-term interest rates are at levels unseen since the 1981-82 recession with the trend-setting Bank of Canada lending rate, which is based on the weekly auction of 90-day Treasury Bills, stretching up to nearly 14 per cent in mid-April. This is more than six percentage points higher than when John Crow took over the bank governorship in early 1987. Critics hold that his policies have driven up costs for Canadian exporters and some even suggest that rising bankruptcies, unemployment and

even a recession are imminent.

### Beleaguered Industries Battle Back

The report from the ECC suggests that this country's manufacturers generally respond positively to increased pressure in world markets, tending to fight back rather than surrendering. Although it carries the federal advisory body's imprimatur, the report was prepared by Prof. Richard Caves of Harvard University and it carries the usual disclaimer that its views are not necessarily those of the ECC.

Prof. Caves categorically rejects the notion that Canadian companies are able to survive only behind high tariff walls. Extrapolating his findings — which are predicated on detailed 1970s data on 164 industries, the latest available when the project was initiated in 1985 — Mr. Caves says that Canadian companies should do well in the climate created by the FTA with the United States.

"Canadian producers by no means retreat in disarray when import competition stiffens", he says. "During the 1970s, tariff reductions induced rationalizations that involved temporarily increased capital expenditures and yielded higher labour productivity. These fighting responses are consistent with the strong tendency for increases in an industry's exports to accompany increases of the imports with which it competes."

Enquiries about the MITI report should be addressed, preferably, to the Japanese Embassy, 255 Sussex Drive, Ottawa K1N 9E6; telephone (613) 236-8541. Copies of the C.D. Howe Institute analysis, *Zero Inflation: The Goal of Price Stability*, are available for \$15 from bookstores that normally handle government publications or from the Institute itself at 125 Adelaide Street East, Toronto M5C 1L7. The ECC report, *Adjustment to International Competition: Short-Run Relation of Prices, Trade Flows, and Inputs in Canadian Manufacturing Industries*, is available from the Canadian Government Publishing Centre, Supply and Services Canada, Ottawa, Ontario K1A 0S9. The catalogue number is EC11-165/1990E and the price is \$6.50 in Canada, \$7.50 (U.S.) elsewhere.

## UN: A Statement of Common Purpose, Not Just a Name

The 1980s were, on the whole, difficult for the United Nations. Canadians, who have supported the organization throughout its troubles, welcome the opportunities for strengthening the institution that are offered by the thaw in the Cold War and by the rediscovered usefulness of the UN in dealing with the situations in Afghanistan, Namibia and Central America as well as with the aftermath of the Iran-Iraq war. But how are we going to respond to the challenges of this new era? External Affairs Minister Joe Clark, in his address to the General Assembly last autumn, aptly summed up what must be done:

"We are entering an era where the words of the UN Charter must cease to be goals to which we aspire; they must become descriptions of our common action. And the term 'United Nations' cannot simply be the name of our institution; it must become a statement of our common purpose."

At its best, the UN is inherently an ungainly machine. An unglamorous but vitally important task is to maintain pressure for constructive reform, both in the practices and procedures of the various legislative and negotiating bodies and in the secretariats. At the same time, we should use our influence behind the scenes, and publicly if necessary, to persuade governments to meet their financial and other obligations. Many developing nations view "reform" as simply a buzzword for the efforts of rich countries to reduce their obligations. There is more than a grain of truth in that interpretation.

Canada's first target should be the United States. Unfortunately, neither the administrative reforms adopted by the General Assembly nor the recent demonstrations of the value of the UN in dealing with local conflicts have yet convinced Congress that the U.S. should meet its financial arrears. This seriously limits the UN's ability to fulfil its commitments. The White House has recommended that the time has come to pay up, but Congress so far has appropriated only a small portion of what is owed. Here is a job our Members of Parliament might take on: persuade their American counterparts that it is in their own interest to remove this impediment.

### The Security Council

The UN Security Council is, and will continue to be, effective only to the degree permitted by the major powers on one hand and the collectivity of the Third World on the other. But the Council has shown repeatedly that it can perform a very valuable function in "multilateralizing", and thereby making more acceptable, arrangements to stop or prevent conflict.

For a non-permanent member, Council service is both a responsibility and a privilege. Canada has an obligation to take its turn, with other members of the regional group to which it is assigned, which means gaps of about a decade in our service. But as a country better able than many to contribute effectively to the Council's work, we should not hesitate to press its case at the appropriate time.

For the staff of our mission in New York and their back-up in Ottawa, the day-to-day work in preparing and tending to Council affairs is a grind. Notwithstanding the publicity generated when we are running for election, the opportunities for dramatic initiatives and interventions are rare. Indeed, such occasions are usually the outcome of failed negotiations. But there are signs of possible change. The Council always has resisted efforts by Canada and some other members to make it more *proactive* in forestalling potential conflicts before they erupt into open warfare. So far, it has been willing only to be *reactive*, but the five permanent Council members' recent agreement on Cambodia is an interesting and hopeful development.

A Council responsibility which deserves more attention is the way that the candidate for Secretary-General is recommended. From the outset, the permanent Council members have opted for those they believe will cause a minimum of difficulty for policies which might obstruct attainment of national aims. They were fooled when they chose Dag Hammarskjöld but have not repeated that mistake. There also are the political considerations associated with the objectives and ambitions of regional groups, which are prepared to throw

William H. Barton was Canadian Ambassador to the U.N. from 1976-1979.

their weight behind a favourite, regardless of whether that person is the best available. That is not good enough. Canada should capitalize on the current political climate by supporting a "planned search" for the best possible candidates. Admittedly, such an initiative will face heavy weather in the maze of inter- and intra-group politics. But the prize would be worth it. At the very least, it should be useful in deterring the aspirations of unsuitable candidates.

### The General Assembly

The General Assembly will certainly continue to function as a forum in which all nations can express their opinions for the world to hear. The value, indeed the indispensability of the constant pressures induced by Assembly debates is indisputable. It is only when nations come to terms with the intractability of these issues that they move toward negotiated solutions.

I believe that as we approach the 21st century, the substantive agenda of the UN and its associated agencies are in a period of transition. The problems of the environment, the world economy, the consequences of the information explosion, the burden of defence expenditures to the detriment of social programmes, and the terrible discrepancies in the living conditions of peoples around the globe, are going to be seen as the most pressing problems affecting our security.

The developed nations have a virtual monopoly on the resources and technologies necessary to take up this challenge, but the active co-operation of the Third World is essential. For example, we need only look to the consequences for the whole world of the destruction of the tropical rain forests in Latin America.

For all their faults and shortcomings, the UN and its agencies will be essential tools in enlisting co-operation in finding solutions to these problems. A priority for all of us is to generate the spirit of co-operation that will bring about managerial and administrative effectiveness as soon as possible. The reforms adopted in the last couple of years are a good beginning — but only a beginning.

## Continental Drift as an Economic Reality

Canada and Mexico are involved in what Prime Minister Mulroney chose to describe at the end of his visit to Mexico City as a "new era and a fresh partnership." Coupled with the scheduled visit to Washington in June by President Carlos Salinas de Gortari, it has prompted fresh speculation about the likelihood of a North American trading bloc emerging as early as 1992. The concept has its supporters and detractors in all three countries and so far it seems to be the opposition that has held sway. But there is a growing school of thought that it is simply a matter of time if Canada, the United States and Mexico are to compete against other emergent trading blocs.

Mr. Mulroney and President Salinas signed 10 bilateral agreements on a broad range of issues, including extradition, tourism and the environment. "Very practical steps that will increase contacts and co-operation," the Prime Minister said. The centrepiece, however, was a Memorandum of Understanding that is effectively a blueprint for trade and investment co-operation similar to one Mexico signed with the U.S. in 1987 and which has been used quite effectively to gain improved access to American steel and textile markets. The Canadian package differs from the American one in two distinct ways: it sets up a formal mechanism for resolving trade disputes and does not permit "quantitative" restrictions on imports from Mexico.

### No Scandal in Continentalism

The following day, Mr. Mulroney pointed out that geographic reality is drawing the three North American countries closer together. "Where this emerges as a more formalized association... I don't know," he conceded. "But I wouldn't be scandalized at the prospect." And it didn't necessarily stop at the border with Central America. "Brazil, Mexico, Venezuela — these are going to be economic giants of the next century, economic powerhouses, so it is to the advantage of the U.S. and Canada and other trading partners to begin building bridges, building trading instruments." His administration will be watching Mexican-American sectoral trading discussions "like a hawk" be-

cause Canada has "no intention of being left out of anything." International Trade Minister John Crosbie subsequently tried to curb speculation about where this all might lead, saying "we are not planning ourselves any discussions pertaining to a free trade agreement between us and Mexico."

Nevertheless, there are President Salinas' impending talks with President George Bush to consider. The Mexican leader is emphatically seeking "closer commercial ties" with Canada and the U.S. in a world in which huge regional markets are being created. "We don't want to be left out of any of those regional markets," he says. However, like Mr. Mulroney, he must balance the need for foreign investment against the political reality of dealing with economic nationalists. While Mexico City and Washington are inarguably closer than ever to negotiation of a comprehensive trade pact, it is all relative. "Only very preliminary," says Margaret Tutwiler of the U.S. State Department, possibly under instructions not to steal either leader's thunder before the June summit. And, even though the U.S. has begun examining the legal requirements for a possible initiation of preliminary formal talks at Mexico's request, the latter's embassy in Washington will cautiously say only that it cannot "confirm" that a free trade deal would be established. Jaime Serra Puche, Mexico's Minister of Trade and Industrial Development, doesn't exactly deny the possibility but is just as insistent that "negotiations have not been started over any specific mechanism."

Regardless, the feeling is that where there's smoke, there's fire. Council of Canadians Chairperson Maude Barlow fears the implications. "This is part of a plan to create one economic system that goes from Canada's North down through Central America," she says. "...It would give multinationals Canada's resources, the U.S. market and Mexico's cheap labour." She suggests that Canada would have to cut wages and lower its labour and environmental standards to remain competitive. "Decisions about energy, social programmes and our economic situation won't be ours to decide." Laurent Thibault, President of the Canadian Manufacturers' Association,

tries to counter that fear, saying that any advantage that Mexico's cheap labour might yield will be offset by its generally lower education standards, poor communications and industrial infrastructure. He is positive that a U.S.-Mexico deal would create new opportunities for such value-added Canadian goods as machinery and communications hardware.

### Policy Not Without Risk

Michael McCracken of the Ottawa-based consulting firm, Informatrica, leans to the Barlow side of the debate. He says Mexico and Canada could emerge as "feeder states" for the U.S. This is echoed by American trade analyst Peter Morici, who says Mexico has exported to the U.S. more and more goods of the kind that traditionally came from Canada, including electrical generation gear and industrial machinery. "The combination of added capital and technology and Mexican cheap labour could give Canada fits in the U.S. market," he says. "Canada is going to have to negotiate in parallel or be a third party at the U.S.-Mexico table."

Gordon Ritchie, the deputy Canadian negotiator on the FTA who now runs an Ottawa consulting firm, Strategicon Inc., suggests that all the speculation aside, it's possible that a U.S.-Mexico trade agreement would become reality until early in the next century. "Mexico and American will have to creep up on this thing," he says. "The U.S.-Canada deal took four years to negotiate. I wouldn't be surprised if a deal with Mexico takes 14 years." He also expects that if a deal is struck, it would be different from the one that Washington signed with Ottawa. Among other things, the disparity in per capita incomes (the latest World Bank figures in U.S. dollars put the U.S. at \$18,530, Canada at \$15,160 and Mexico at just \$1,830) would necessitate a much longer phasing in of tariff removal if some parts of the U.S. economy aren't to be left in chaos.

Mr. Mulroney may have been prescient in Mexico City when he said that Canada's relationship with the Americans' southern neighbour "is expanding in ways that could not have been foreseen even a few years ago."

## Canada Should Tend Its Own Environmental Knitting

Underscoring his often-stated second-mandate commitment to environmental issues, Prime Minister Mulroney told an appreciative audience at the latest World Energy Conference that the industrialized West must set the pace for other countries. "The polluter pays," he said, "... but we will not have really changed our attitudes until we all realize that the polluter is us." The primary concern for the representatives from 88 countries was how rising energy demands, especially those of the Third World, can be accommodated without crippling the environment. The delegates lauded Mr. Mulroney's altruism and many look to countries such as Canada to provide some answers.

However, as seems to be so often the case, the ideal evidently is falling victim already to the practicability behind Bismarck's still relevant observation that "politics is the art of the possible." This trend is nowhere more evident than in Environment Minister Lucien Bouchard's *Green Plan* for all-encompassing reform. This "greenprint," outlined after months of speculation about federal cabinet infighting, offers no solutions to the growing crisis. Rather, it consists of a series of rhetorical questions to be addressed at hearings this summer. "Possible — not preferred — solutions," is how Mr. Bouchard has characterized his document. "It is meant to stimulate ideas, not to foreclose debate. If the Green Plan is to succeed, it must take into account the concerns of interested Canadians...." When he first announced the concept last summer, Mr. Bouchard said he would present cabinet with "concrete ... priorities, with money in front of each line." He had suggested that would be done in the fall but it's conceded in Ottawa that the initial proposals met with strong resistance from ministers whose immediate concern is curbing public spending.

In posing the questions on which the hearings will focus, *Green Plan* is critical of Canada as the world's largest producer of solid garbage — an average of nearly two kilograms a day, less than 10 per cent of which is recycled. It also reiterates that Canadians are the most

energy consumptive people in the world; this is partly attributable to the size of the country and its weather, but Mr. Bouchard's report says this is due also to the fact that "we grew up as a nation assuming that the natural environment was inexhaustible." Canadians also produce the fourth-largest per capita volume of carbon dioxide (CO<sub>2</sub>) in the world and the average family of five produces more than 2,000 litres of wastewater daily. Add to these the fact that this country has 10 per cent of the world's forests, 16 per cent of the world's surface freshwater and one in three Canadians work in the main resource-based industries and the picture the document paints is one of environmental carelessness. "Our commitment is to make Canada, by the year 2000, the industrial world's most environmentally friendly country", Mr. Bouchard says. "To achieve this, we must evaluate and change how decisions are made by every Canadian."

### Trouble in Cabinet?

Energy development nevertheless must remain a key part of Canada's economic outlook and while Mr. Bouchard's officials were struggling to draft proposed statutes which would require Environmental Assessment Review Panel (EARP) approval of any private or public sector projects under federal jurisdiction, there were indications that Mr. Bouchard continues to have trouble getting cabinet approval for broadly-based pollution control legislation. Mooted EARP legislation would apply to any project considered potentially damaging to the environment. Environment Canada officials privately confirmed this after the House of Commons had passed a private member's motion to this effect.

Originally proposed by government backbench MP Robert Wenman last fall, the motion fell to the bottom of the Commons agenda and seemed to carry little weight with the administration. It also lacked the point about federal jurisdiction, but this was added by Mr. Bouchard's own Parliamentary Secretary, Lee Clark, when debate resumed. The amendment generally is seen as a concession to provincial governments,

which probably would have interpreted the initial version as an intrusion on their jurisdictions. Environment Canada officials say that the amended motion, which was eventually approved by the House, should be taken as a precursor to a Bill that could be introduced in Parliament. The officials are understandably vague on the Bill's timing — a government prerogative — but their "early in the new year" hopes obviously have been dashed.

As it now stands, the proposal would replace, and expand upon, a cabinet Order-in-Council that has been in effect since June, 1984. Whether the Bill would be a stand-alone measure or part of the more comprehensive cleanup package envisaged by the Prime Minister and Mr. Bouchard remains uncertain. The Environment Minister has submitted to his Cabinet Environment Committee colleagues a five-year plan that is understood to include, among other things, a special tax designed to curb fossil fuel emissions. He apparently also has proposed that all policy initiatives should be subject to a preliminary environmental impact review before they are implemented.

However, notwithstanding Mr. Mulroney's apparent prioritization of environmental issues, senior officials in the Privy Council Office as well as ministers in other departments are said to be worried about environmental concerns taking precedence over the economic agenda in the drafting of government policy. They evidently are insisting not only that Mr. Bouchard's proposal would more properly come into the process after general policy has been framed but also that environmental legislation should be project-specific.

Much of this points to the environment being relegated once again to a back seat. Yes, other concerns are valid; only economically healthy countries can afford to assist those which geophysics and geopolitics have left less fortunate. But if the sundry signals coming from the government are an accurate reflection of what lies ahead, they convey an ambivalent, potentially contradictory and perhaps even hypocritical message to the very countries that are looking to Canada for leadership.

## The Clear and Present Danger in Agricultural Trade

American proposals to increase wheat export subsidies constitute a serious threat not only to Canadian grain producers but also to successful renegotiation of the General Agreement on Tariffs and Trade (GATT). Bilaterally, as outlined in President Bush's submissions to Congress, the idea is to spend \$900 million (U.S.) in the current fiscal year, up from \$566 million in 1989-90. Ottawa has repeatedly said the programme depresses grain prices, but Washington responds that it is necessary to cushion the effect of subsidies available to grain producers in the European Economic Community (EEC). Multilaterally, the U.S. and the EEC have scrapped for several years, trapping countries such as Canada in the process. When the U.S. increased its subsidies in 1986 and 1987, Canadian wheat prices plunged by 40%. Sales to China and the Soviet Union, are particularly vulnerable.

But Ottawa's recent pledge of \$500 million in cash assistance for farmers this year as part of a \$1-billion relief package complicates the issue. The rest of the package includes more flexibility for the Farm Debt Review Board extended operating credit from the Canadian Wheat Board, more support for diversification and additional soil conservation funds. Federal estimates show that it would yield average farm incomes in 1990-91 that would be in line with the average over the previous five years. Although contingent on the affected provinces coming up with matching funds, a point on which there is considerable resistance that undermines the viability of the offer, it is nonetheless a red flag for Washington. Ironically, apart from a fundamental cash shortage, the provincial opposition is predicated on the belief that since the current farm crisis is the result of the global subsidy battle, new assistance is a federal responsibility.

Agriculture Minister Don Mazankowski's proposal coincided with an Organization for Economic Co-operation and Development (OECD) review of Canada's farm subsidies. It suggested that if Canada discontinued its own support programmes, agricultural output would plunge by 17%. Similar actions elsewhere would generate a 24% drop in Japan, 19% in Western Eu-

rope and 19% in the United States. Production would rise among the principal agricultural nations only in Australia and New Zealand. International Trade Minister John Crosbie has declined comment on the report but a spokesman dismisses it as "academic" and "hypothetical." Others point out that the data in the report is for 1986-88, a period during which the U.S.-EEC subsidy war was at its height and Canada was forced to extraordinary measures to keep farmers in business as the bottom dropped out of several markets.

Subsequently, in a formal diplomatic note handed over in Washington, Canada has tried to put its side of yet another agricultural tiff with American producers. The commodity this time is durum wheat as the U.S. International Trade Commission continues a "fact-finding investigation" into market competition with a June 22 goal for submitting a report to Congress. American producers say Canadian durum is depressing U.S. domestic prices, that Canadian farmers are unfairly subsidized and that the Free Trade Agreement (FTA) puts the Americans at a disadvantage. But Canadian sales of durum into the U.S. have averaged only about 85,000 tonnes annually over the last five years — worth about \$18 million a year. "Our objective ... is to register in clear terms the Canadian government's position", Mr.

Mazankowski says. "In our view, the allegations by the U.S. industry are groundless and the facts will show that Canadian exports of durum to the U.S. have been in response to a market demand for a quality Canadian product." Trade Minister Crosbie says Canada expects the U.S. "to meet its obligations" under the FTA which, he points out, is supposed to be eliminating trade barriers.

That seems a vain hope as governments worldwide scramble to preserve their own agricultural sectors. The current GATT negotiations are now more than 3 1/2 years old and are effectively bogged down on the issue of agricultural trade. In a letter to Samuel Taylor Coleridge in November, 1876, Charles Lamb urged his literary peer to "cultivate simplicity." The remedy for this long-standing agricultural war might seem the essence of cultivational simplicity at first blush: scrap all farm subsidies and let free market forces prevail. Any government that does so unilaterally, however, risks the diminution and possibly the demise of its agriculture sector, so it should come as no surprise that some GATT signatories are threatening to block consensus in other sectors if they don't get satisfaction on agriculture. It seems that even though Canada is hardly faultless on the subsidy issue, the first real concessions must come from the U.S.

In the first of a series of FTA analyses, the Senate Foreign Affairs Committee agrees that Canadian exporters have become the focus of increasing aggression by protectionist-bent Americans. Although it stresses that the effect of the FTA still is difficult to factor out from broader economic forces, the analysis is unequivocal on this particular issue. "While it was not expected that trade disputes ... would be ended by the agreement, it was hoped that the U.S. administration would attempt, within the latitude permitted by its laws, to limit harassing actions"; the Senators say. "This does not appear to be happening." Although mostly Liberals, they insist their observations must be viewed constructively by the Progressive Conservative majority in the House of Commons. "Astonishingly little is known in detail about how industrial economies respond and adjust to major structural pressures," they say. "Only with a much more developed understanding of the micro-economic adjustment process can any government hope to make wise policy choices in an age of deep structural pressures." They recommend additional monitoring to generate more comprehensive data. The FTA affords "a unique opportunity for the collection of ... information which could be used by both government and business to assess and develop responses to the forces of globalization" and is an opportunity that "should not be missed."

# OPTIONS

## The Liberal Party and Foreign Policy: Part 2

**EDITOR'S NOTE:** On June 23rd in Calgary, the Liberal Party of Canada will elect a new leader and possible Prime Minister. International Perspectives continues its look at the foreign policy positions of the leading contenders alphabetically by surname. Fluently trilingual (English, French and Italian), Sheila Copps was first elected to the House of Commons as MP for the Ontario riding of Hamilton Centre in the 1984 general election after three years in the Ontario legislature, where she ran against David Peterson for the provincial party leadership in 1982.

As the federal leadership race continued to gain momentum through mid-April, Miss Copps had yet to make a scripted foreign policy presentation. But two issues — the Free Trade Agreement (FTA) with the United States and the environment — have been recurring points during her campaign appearances. The latter reflects her role as environment critic in the Liberal shadow cabinet as she has emerged as the "green candidate" for the leadership.

The FTA has been a concern for Miss Copps ever since it first was proposed. In a September, 1985, speech in Hillsborough, Prince Edward Island, she cautioned that Canada might be staking too much of its national identity on attaining a comprehensive agreement. "The key question before we develop a continental economy is: 'what makes us different? Is Canada worth saving?'" She pointed out that U.S. protectionism was constraining markets for Canadian goods and services and warned that the price for an open border could include dismantling universal health care and other social programmes. "We're not for sale," she said. "I am not prepared to see the work of 100 years wiped out by a Free Trade Agreement."

Some 14 months later, in Halifax, her militancy on the trade issue had hardened. She evinced particular concern during a public forum about what she said was the probability that Canada would not be able to control most corporate takeovers by foreign multinational interests. "We believe that's one of the reasons we have to oppose vigorously the free trade deal," she said. "Canada already has an economy that is, by any standard, dominated by foreign investment control. We have 30 per cent of our economy owned by people outside this country, mostly Americans."

Last spring, Miss Copps ventured into the defence-cum-environment field with a Telex to Prime Minister Mulroney, who was in Washington for talks with President George Bush. Her concern was the

barge transportation through the Strait of Juan de Fuca, which separates the southern tip of Vancouver Island from Washington State, of reactors from decommissioned American nuclear submarines. An estimated 100 submarines are to be taken out of service over the next 25 to 30 years at the U.S. Navy yard near Seattle and the reactors shipped down the West Coast and up the Columbia River for disposal at the Hanford Nuclear Repository. "The United States should cease the reactor shipments and find alternate forms of transportation," she said. "We obviously do not have the resources to protect Canadians and our Pacific fisheries from a radiation spill." But analysts point out that there is no other option. Air shipment is out of the question not only because of the increased risk but also because of the sheer logistical practicabilities — each unit, concrete filled and encased in steel — weighs approximately 100 tonnes. Ground transport is equally impractical and the concerns about a possible maritime disaster are effectively groundless because of the way the reactors are handled.

### Accuses PM of Hypocrisy

Miss Copps broadened her horizons last summer by accusing Prime Minister Mulroney of preaching environmental awareness in Europe while being environmentally stingy at home. "The Prime Minister has been wrapping himself in the green flag at the G-7 summit (in Paris in July)," she said. "Unfortunately, the colour of the flag at home is black." She accused the Mulroney administration of spending too much on potentially polluting energy megaprojects and not enough on research into non-fossil fuel alternatives.

Then, last Dec. 6, with five weeks remaining before she declared her candidacy, she made it clear that the environment was a top priority. "The clock is ticking," she told a college audience in Chatham, Ont. "If we don't come to

grips with our garbage problem, by the time you are having your children, we will have drowned ourselves in our own garbage." A hallmark of her campaign has been to focus on local issues and the one in question this time was pollution in the Chatham area. She suggested a "green tax" to encourage conservation and recycling. "It's going to cost money but I believe Canadians are prepared to pay the price if they feel they're going to get results.

When she finally confirmed she would seek the leadership, she said she would be "talking about the return of Canada as an honest broker — indeed, a leader — on the international stage." Under questioning at her kick-off news conference in Ottawa Jan. 15, however, she did not mention the FTA in her prepared statement. When asked, she said that with three years to go before the next general election, it was too soon to take a stand on the free trade issue because there was no way of knowing what the economic situation would be. "You do not say that the Liberal Party, if elected, should tear up the Free Trade Agreement?" she was asked bluntly. "No," she replied with equal brevity.

Seven weeks later, in a speech in Vancouver, she seemed to take a few halting steps toward a foreign policy that would bear her personal imprint while still reflecting the views of the party, saying "Canadians want a Prime Minister ... whose foreign policies will not be written from the United States." She promised that any government she formed would negotiate a Clear Air Treaty with the U.S. and a Circumpolar Treaty with other Arctic countries "to reduce the fallout of airborne toxic chemicals" as well as standing up to international pressures that affect Canadian farmers and fishermen. And pitching to her B.C. audience, she also promised legislation to require double bottoms on all oil tankers and barges used in Canadian waters.

Sheila Copps and her organizers are obviously more concerned with the immediate priority of the leadership race than with playing to the world stage, so they have chosen in the name of political pragmatism to concentrate on predominantly domestic questions.

# STATISTICS

## International Trade

January got 1990 off to a good start with a merchandise trade surplus after December had yielded Canada's second merchandise trade deficit in nearly 14 years. Statistics Canada indicates that the turnaround was broadly based. Exports of aircraft, engines and parts alone rose by \$128 million while wheat exports rallied by \$118 million to a 17-month peak of \$416 million but the effect of these and other smaller improvements was undermined by a slump in automotive exports. The automotive sector also figured prominently on the import side of the ledger as lower vehicle production in Canada reduced the demand for parts imports. The January surplus was \$607.7 million, seasonally adjusted on a balance of payments basis, after a December deficit of \$91.2 million. The latest surplus resulted from exports of \$11,626.3 million, subject to revision, which were 6.1% from December, and imports that declined 0.8% to \$10,955.6 million. Here is a rounded breakdown in millions of dollars:

	JANUARY			PRELIMINARY 1989 CALENDAR YEAR			Change from '88
	Exports	Imports	Balance	Exports	Imports	Balance	
	21.8		+10,409.9				-3,225.2
	52.3		+209.6				-96.8
	04.5		-1,066.2				+107.8
	30.6		-1,953.0				+1,429.8
	29.6		-622.3				-109.5
	56.2		-2,298.7				-3,235.4
	55.0		+4,679.4				-5,129.3

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compared with almost 2.31% of \$11,214,284,000 of overall spending in January, 1989. However, a comparison of the cumulative figures for the first 10 months of the year, which ended March 31, shows total spending to January 31 was \$111,932,917,000, of which 1.97% was for the External envelope. The comparable 1988-89 share was 2.26% of \$102,807,105,000. Here is a rounded breakdown in thousands of dollars:

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

	1989	F. Y. CUMULATIVE 1989/90	1988/89
Y	4,979	516,242	481,757
	7,462	64,920	50,262
	1,077	150,021	138,553
	-896	-573	-1,960
	—	—	500
	129	357	1,813
IP-90-015			
Sub-total	137,733	72,751	730,967
CCC*	721	2,128	10,723
CIIPS*	—	1,000	4,000
CIDA*			
Operating costs	9,273	7,078	78,262
Grants	138,825	135,722	1,174,377
Pymts to financial inst.	4,200	4,300	39,626
APF*	—	—	500
Sub-total	152,298	147,100	1,292,265
Canadian Secretariat	34	—	378
EDC*	1,763	5,045	65,256
ICOD*	1,000	900	7,200
IDRC*	9,050	9,517	90,475
IJC*	654	309	3,981
OVERALL TOTALS	305,253	258,750	2,205,245

# OPTIONS

## The Liberal Party and Foreign Policy: Part 2

EDITOR'S NOTE: On June 23rd in Calgary, the Liberal Party of Canada will elect a new leader and possible Prime Minister. International Perspectives continues its look at the foreign policy positions of the leading contenders alphabetically by surname. Fluently trilingual (English, French and Italian), Sheila Copps was first elected to the House of Commons as MP for the Ontario riding of Hamilton Centre in the 1984 general election after three years in the Ontario legislature, where she ran against David Peterson for the provincial party leadership in 1982.

As the federal leadership race continued to gain momentum through mid-April, Miss Copps had yet to make a scripted foreign policy presentation. But two issues — the Free Trade Agreement (FTA) with the United States and the environment — have been recurring points during her campaign appearances. The latter reflects her role as environment critic in the Liberal shadow cabinet as she has emerged as the "green candidate" for the leadership.

The FTA has been a concern for Miss Copps ever since it first was proposed in a September, 1985, speech in Hamilton, Prince Edward Island, she mentioned that Canada might be staking too much of its national identity on attaining a comprehensive agreement. "The key question before we develop a continental economy is: 'what makes us different? Is Canada worth saving?'" She pointed out that U.S. protectionism was constraining markets for Canadian goods and services and warned that the price for an open border could include dismantling universal health care and other social programmes. "We're not for sale," she said. "I am not prepared to see the work of 100 years wiped out by Free Trade Agreement."

Some 14 months later, in Halifax, her militancy on the trade issue has hardened. She evinced particular concern during a public forum about what she said was the probability that Canada would not be able to control most corporate takeovers by foreign multinational interests. "We believe that's one of the reasons we have to oppose vigorously the free trade deal," she said. "Canada already has an economy that is, by any standard, dominated by foreign investment control. We have 30 per cent of our economy owned by people outside this country, mostly Americans."

Last spring, Miss Copps ventured into the defence-cum-environment field with a Telex to Prime Minister Mulroney, who was in Washington for talks with President George Bush. Her concern was the

large transportation through the Strait of Juan de Fuca, which separates the southern tip of Vancouver Island from Washington State, of reactors from decommissioned American nuclear submarines. An estimated 100 submarines

grips with our garbage problem, by the time you are having your children, we will have drowned ourselves in our own garbage." A hallmark of her campaign has been to focus on local issues and the one in question this time was pollution in the Chatham area. She suggested a "green tax" to encourage conservation and recycling. "It's going to cost money but I believe Canadians are prepared to pay the price if they feel they're going to get results."

## International Perspectives

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last summer by accusing Prime Minister Mulroney of preaching environmental awareness in Europe while being environmentally stingy at home. "The Prime Minister has been wrapping himself in the green flag at the G-7 summit (in Paris in July)," she said. "Unfortunately, the colour of the flag at home is black." She accused the Mulroney administration of spending too much on potentially polluting energy megaprojects and not enough on research into non-fossil fuel alternatives.

Then, last Dec. 6, with five weeks remaining before she declared her candidacy, she made it clear that the environment was a top priority. "The clock is ticking," she told a college audience in Chatham, Ont. "If we don't come to

promised that any government she formed would negotiate a Clear Air Treaty with the U.S. and a Circumpolar Treaty with other Arctic countries "to reduce the fallout of airborne toxic chemicals" as well as standing up to international pressures that affect Canadian farmers and fishermen. And pitching to her B.C. audience, she also promised legislation to require double bottoms on all oil tankers and barges used in Canadian waters.

Sheila Copps and her organizers are obviously more concerned with the immediate priority of the leadership race than with playing to the world stage, so they have chosen in the name of political pragmatism to concentrate on predominantly domestic questions.



# STATISTICS

## International Trade

January got 1990 off to a good start with a merchandise trade surplus after December had yielded Canada's second merchandise trade deficit in nearly 14 years. Statistics Canada indicates that the turnaround was broadly based. Exports of aircraft, engines and parts alone rose by \$128 million while wheat exports rallied by \$118 million to a 17-month peak of \$416 million but the effect of these and other smaller improvements was undermined by a slump in automotive exports. The automotive sector also figured prominently on the import side of the ledger as lower vehicle production in Canada reduced the demand for parts imports. The January surplus was \$607.7 million, seasonally adjusted on a balance of payments basis, after a December deficit of \$91.2 million. The latest surplus resulted from exports of \$11,626.3 million, subject to revision, which were 6.1% from December, and imports that declined 0.8% to \$10,955.6 million. Here is a rounded breakdown in millions of dollars:

	JANUARY			PRELIMINARY 1989 CALENDAR YEAR			Change from '88
	Exports	Imports	Balance	Exports	Imports	Balance	
U.S.	8,653.9	7,457.3	+1,196.7	103,731.7	93,321.8	+10,409.9	-3,225.2
Japan	701.2	615.4	+85.8	8,471.9	8,262.3	+209.6	-96.8
U.K.	239.2	381.7	-142.5	3,538.3	4,604.5	-1,066.2	+107.8
other EEC	583.4	881.5	-298.0	7,927.6	9,880.6	-1,953.0	+1,429.8
other OECD	292.8	375.3	-82.4	3,407.2	4,029.6	-622.3	-109.5
all others	1,155.7	1,244.5	-88.8	11,857.5	14,156.2	-2,298.7	-3,235.4
TOTALS	11,626.3	10,955.6	+670.7	138,934.3	134,255.0	+4,679.4	-5,129.3

## External Affairs Budget

Finance Department figures show that the External Affairs share of the federal purse in January was above the year-earlier levels, bucking the trend earlier in the 1989-90 fiscal year. Total federal spending in January amounted to \$12,083,785,000, of which almost 2.53% was for the Department of External Affairs and related programmes. This compared with almost 2.31% of \$11,214,284,000 of overall spending in January, 1989. However, a comparison of the cumulative figures for the first 10 months of the year, which ended March 31, shows total spending to January 31 was \$111,932,917,000, of which 1.97% was for the External envelope. The comparable 1988-89 share was 2.26% of \$102,807,105,000. Here is a rounded breakdown in thousands of dollars:

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

	JANUARY		F. Y. CUMULATIVE	
	1990	1989	1989/90	1988/89
<b>Interests abroad</b>				
Operating costs	45,903	64,979	516,242	481,757
Capital costs	12,264	7,462	64,920	50,262
Grants	82,092	21,077	150,021	138,553
Passport fund	-569	-896	-573	-1,960
APF*	—	—	—	500
World exhibitions	43	129	357	1,813
Sub-total	139,733	92,751	730,967	670,925
CCC*	721	2,128	10,723	11,614
CIIPS*	—	1,000	4,000	4,250
<b>CIDA*</b>				
Operating costs	9,273	7,078	78,262	72,865
Grants	138,825	135,722	1,174,377	1,381,555
Pymts to financial inst.	4,200	4,300	39,626	71,488
APF*	—	—	—	500
Sub-total	152,298	147,100	1,292,265	1,526,408
<b>Canadian Secretariat</b>	34	—	378	—
<b>EDC*</b>	1,763	5,045	65,256	5,045
<b>ICOD*</b>	1,000	900	7,200	5,250
<b>IDRC*</b>	9,050	9,517	90,475	95,167
<b>IJC*</b>	654	309	3,981	3,297
<b>OVERALL TOTALS</b>	305,253	258,750	2,205,245	2,321,956

# LAST WORD

## Can Canada be a Role Model for a Changing Europe?

Rejection of communism has dominated headlines as few other issues have over the past year. The accelerating trend doubtless will continue for some time but the focus of the issue is shifting quickly from one of often doctrinaire anti-communism to a more reasoned search for viable replacements for the old regimes of Eastern Europe and the Soviet Union. However, it is far from being evident that capitalism, especially the kind with which we are most familiar in the West, will be an axiomatic substitute for Marxist socialism.

On the other hand, if it is possible to be certain of anything these days, it is that we are in for intense, protracted and often painful manifestations of nationalism.

There is an excellent chance that there will not be much talk of communism as the world turns the corner into the 21st century, but it is a fairly safe bet that the kind of plain gutsy nationalism we are witness to today will remain firmly fixed on the global political agenda, at least in the eastern parts of Europe.

So many countries have been shaped artificially, if not downright forcefully, according to political, ideological or strategic convenience without the consent, even implicit, of the local populations. In Eastern Europe especially, empires of all sorts — communism being only the most recent example — have managed to keep a lid on national and/or ethnic consciousness over the centuries. Now that some popular freedom is being recovered, the forces of history have been unleashed. The effects of the French Revolution finally may be taking place in the East as well as in the West of Europe.

### Forces of Change are Inexorable

Within the Soviet Union, national sovereignty or self-determination of peoples is being claimed in many republics. It is happening most visibly despite Moscow's efforts to contain it economically and militarily, in the Baltic states of Estonia, Latvia and Lithuania, as well as in Armenia, Azerbaijan, Georgia and Moldavia. Furthermore, most probably, it also will happen soon in other parts of the Soviet empire such as the Ukraine and Byelorussia. Everywhere we turn, we are hearing about autonomy and separation, and even the Russians are likely to put forward their own brand of conservative nationalism.

In the rest of Eastern Europe, the motto for the time being is "no border revision", especially when reunification of Germany is contemplated 45 years after its postwar partitioning. But how long can that motto resist the old yet still tremendously vigorous forces of nationalism?

Is it realistic to expect that the Hungarian population of Transylvania will resign itself to continued Romanian rule — as liberal as it may appear at first blush?

How can Yugoslavia manage to hold together in the race of the multitudinous nationalist forces at work in Kosovo, Slovenia, Croatia and Macedonia?

Will the Czechs and the Slovaks always be united?

The border between Poland and East Germany is the most sensitive one in the region and is not likely to be raised for some time. And how long is it reasonable to expect the German populations of Silesia and Pomerania to remain quiescent?

Even in Western Europe, it is by no means certain that the strong economic integration of 1992, when all internal tariff barriers are scheduled to come down, will take care of nationalistic or regional alliances. The old nation-states will be weakened, of course, but other identities — rooted in ethnic, regional, linguistic or cultural solidarity — are equally certain to become more salient. Welsh, Scots, Basques, Britons, Occitans, Bavarians, Flemish and Walloons are just a few of the "distinct" and increasingly militant societies within the greater European community.

### Federalism the Only Real Option

Unfortunately, there may be no immediate remedy for all of these problems, no panacea for all of the nationalist claims which themselves are often conflicting. If there is a solution, however, it clearly does not lie in granting sovereignty to all national entities. That is just not practicable and the problem is inextricably complicated by the phenomenon of ethnic minorities almost everywhere. On the other hand, the solution cannot be repression or forced union. Nationalism is not simply ruled out by decree or magic formula.

What then? There is only one solution that appears to offer even a minimum of feasibility and viability: federalism. But it should not be the brand that has been applied in the United States, West Germany or Canada. This so-called "co-operative" federalism has not allowed internal nationalism to be satisfied. Nor, in the final analysis, could it. Rather, it has been predicated on the existence of one national centre which, at the same time, has tended to encourage decentralization only from an administrative point of view.

What is called for in the Soviet Union and Eastern Europe, then, is something akin to confederation or "sovereignty-association", as was the case in the old Austro-Hungarian union.

In that respect, Canada recently was cited as a model of a union that permits a province such as Quebec to have its own "national" government and to be recognized as a "distinct society." However, as we can witness from the evident fate of the Meech Lake Accord, a lot of Canadians have not given up on the idea of one, indivisible nation-state. They are missing a great opportunity to keep Canada as it is, a country with distinct allegiances, a "community of communities", a Confederation. This country of ours, if given the chance, could serve as an interesting model for the world of tomorrow.

— Louis Balthazar is a Professor of Political Science at Université Laval —