Russia and Canada: a geopolitical juxtaposition and audit

by

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When Canadians talk about Russia or Russians about Canada, their discourse is invariably prefaced by references to the many similarities between their two countries. Most obviously, they are both very large. Indeed, they are giants among the world's nations. Russia, after a convulsive loss of one-quarter of its territory[i], is still by far the largest country in the world. Canada, half its size, is number two. Their nordicity is another shared point of reference. Over 75% of Russia's territory is classified as belonging to its official North[ii] – and therefore qualifying for special subsidies – while the equivalent figure for Canada is 40%[iii] (although anyone who has tasted a Winnipegian winter would undoubtedly put that figure much higher). Russia and Canada are also commonly associated with their natural resource wealth. Russia owes 33% of its GDP and 65% of its annual budget to the extraction of minerals and their sale abroad.[iv] Canada is still widely perceived as a resource-dependent country, notwithstanding the fact that only 2.3% of its GDP is now generated from such sources.[v]

The two countries also share a deep and multi-faceted love-hate relationship with the United States. Most Russians and Canadians envy most Americans' higher living standards, while many of those who do so would also not hesitate to reject the policies and practices that at least in part make this greater wealth possible. Then there are the lighter comparisons: the passion for hockey, although hockey's star – for very different reasons - is not nearly as bright in either country as it once was.

Anecdotally, but perhaps not insignificantly, both countries were at the millennium's turn led by men known for their penchant for body sports. President Putin is a much-publicized black belt[vi] while Prime Chrétien, who would no doubt prefer that this trait had attracted less media attention, is known to be "fast to the fist". The Canadian Prime Minister is sometimes referred to in his country as a "democratic dictator", owing to the fact that once elected it is almost impossible to get rid of him before the subsequent election and until that point his

prerogatives are very far-reaching indeed. Here too, President Putin and Prime Minister Chretien have much in common.

The similarities then quickly make way for the differences – and profound, of course, they are. Canada is one of the world's richest countries, a seven-time-in-a-row winner of the UNDP's human development sweepstakes.[vii] Russia has become one of the world's poorest, ranked in 2000 at the level of Spain in GDP terms[viii], a country with one-fifteenth of its population. The two countries' histories could not be more unalike. The Russian state has existed in one form or the other for **more than a 1000 years**. It has survived some of the most severe challenges that any state has faced, including in the last century alone, two world wars – for which its own theatre was a key staging point, a civil war followed by a social revolution that sought to take its victory in Russia to the rest of the world, an eight-decade long communist dictatorship and the wrenching process of transition that came with its demise. Canada is little more than a hundred years' young. As Russia, it has had to contend with trials of cohesion and identity but it has no experience of revolution on its soil and while it is no stranger to international conflict, its territory has been spared large-scale violence. In large part, these contrasts have to do with the fact that the two countries have had to contend with two entirely different geopolitical environments. Since its founding, Russia has found itself subject to the conflicting pulls of Asia and Europe, and the inter- and intra-state dangers that these vast expanses would regularly throw up. Canada has had it unspeakably easier, having through most of its history only to negotiate among the competing imperatives of the distant France and Great Britain and the neighbouring but, largely benign, United States.

These contrasts go a long way in explaining why Canada and Russia have known such different trajectories. At the same time, in their recent evolution the two countries have also shared a number of similarities that go to the very heart of their prospects for survival in their current boundaries. This paper will attempt to catalogue these similarities and identify the common faultlines that the two countries will need to address if they are to survive and prosper. It will also examine the question of how they might evolve if they fail to rise to their respective challenges. Finally, the paper will suggest some policy approaches that the political elites in the two countries may be advised to consider as they grapple with possibly life-threatening challenges on what could well be not-too-distant horizons.

Crises of State: manageable or terminal?

Crisis of a fundamental, structural type has in very different ways been no stranger to either Canada or Russia. Indeed, one might argue that the seeds of crisis were planted at founding moments, in 1867 in the case of Canadian confederation, fifty years later in the case of what later became the Soviet Union, and again with the creation of the Russian Federation another three quarters of a century later. A second parallel, and one more important for this story, concerns the point at which a relatively stabile situation began to turn into an increasingly unstable one. Again, one can argue that the Soviet Union was an endemically unstable state, whose communist elite was constantly on the offensive against a population, which - if it had been asked without risk of sanction - would have resoundingly opposed its rule. While there is no such paradigm in the Canadian case, there is all the same a common starting point for the emergence of a direct threat to the existing order from within the elite.

1968 was a watershed year for a good part of the world, including for Canada and the Soviet Union. In both countries, change and crisis was in the air, and new forms of opposition to the established order were in the making. In Quebec, the Quiet Revolution of the early 1960s had by 1968 given birth to the creation of the Parti Quebecois (PQ) under the leadership of former Liberal, ie pro-Federal, cabinet minister René Lévesque and inspired in part by General de Gaulle's famous proclamation of "Vive le Quebec libre" during his state visit the year before. The PQ, in a preview of the constitutional concept that it would put forward in a referendum 12 twelve years later, was at this point calling for what it saw as Canada's two nations to be associated in a decentralized confederation. **(Jean Hamelin et Jean Provencher, Brève histoire du Québec, (Boréal, nouvelle édition, Québec, 1997), pp.115-124.).** 1968 also saw the election **of** Pierre Eliot Trudeau as the Canadian Prime Minister and the proclamation of a dynamic new policy of bilingualism and biculturalism. In many ways, this was also an attempt to respond to the new realities that had been stirring in the Prime Minister's native Quebec since the beginnings of the decade and the need for a concept of state with which a new political majority encompassing both Quebecois and Canadians of other provinces could identify.

Trudeau's concept and that of Lévesque were at loggerheads. They largely set out the parameters for the struggle to win the hearts and minds of Quebec that continues to this day. This process has been overwhelmingly peaceful, the major exception being the October crisis of 1970. This turned out to be much less of a threat than the federal and Quebec provincial governments surmised at its outset. But by the time it was over 300 federal troops had been introduced into Quebec – at the request of the Quebec provincial government – 500 Québecois arrested (many of them, as it later turned out on incorrect pretenses) and of the two kidnapped officials, the Quebec cabinet minister had been murdered while his more fortunate colleague, the British Consul, liberated intact.[ix] (Hamelin et Provencher, Ibid.).

1968 also brought similar phenomena to the fore in Soviet Union. This was the year of the Prague Spring, the campaign for a socialism with a human face, the implication being that the socialism that had gone before was neither social nor human. The same year saw the emergence of a new Soviet leadership, at first but only fleetingly collective, one dedicated to repairing as the official discourse had it the erraticism, the excesses, and the erroneous policies of a leader who was both a self-styled anti-Stalinist and an erstwhile comrade-in–arms of the infamous dictator.

The second phase of these parallel crises developed through the seventies when in both countries new manifestations of struggle against the established order came to the fore, and their geopolitical and economic positions weakened. In 1976, eight years after its founding, the Parti québecois found itself in power in *la belle province*. Quebec was proving however not to be the only flash point. Responding to an ill-received federal government white paper from 1969, Canada's native peoples' movement became increasingly strident. In Canada's West, the defining development came in 1973, when the federal government intervened to check the effect of OPEC price rises for the Canadian consumer, but in the process alienated forces in the West who saw oil price increases as a vehicle for regional growth. This was also a time of rising concern in Canada's eastern provinces about the viability of their traditional industries and the effectiveness of compensatory federal subsidies. (Alvin Finkel, Margaret Conrad, with Veronica Strong Boag, History of the Canadian Peoples (Copp Clark Pitman, Toronto, 1997) pp.528-543). Through this period and beyond key economic indicators continued to disappoint.[x]

The 1970s also brought in the Soviet Union new and broader forms of struggle against the established order. In 1970, Andrei Sakharov, the country's leading nuclear physicist broke with the regime and aligned himself with the dissident movement, going on to become its leading member.[xi] This was no less important a weathervane for what was alive in the Soviet Union than the defection of René Lévesque from the Quebec Liberal party in October 1967.[xii] With the signing of the Helsinki Final Act in 1975, organised resistance in the USSR and throughout the Soviet bloc was given a moral and ideological tool with which to combat the regime, one that bore the signatures of all 32 European sates (all except Albania), including that of the USSR.[xiii] The 1970s were also a period of rising turmoil among the non-Slavic and particularly Moslem minorities. In the 1970s the first large-scale anti-regime demonstrations took place.**(See Note)**[xiv] These incidents had several dimensions. They were mainly about the contradictions between the socialist superstructure and the survivalist challenges of everyday life, but they also gave rise in the regions to signs of organised regionalism, both ethnically and non-ethnically inspired. Here were the beginnings of the centrifugalism that Gorbachev would later try to neutralize with his proposals for republican representation in the Party's leading body.[xv] Later, of course, they would manifest themselves in Yeltsin's offer to the regions to treat the prerogatives of power as a smorgasbord. On the economic front, signs of crisis also increased through this period.[xvi] The initial reformism of the Brezhnev-Kosygin tandem would soon degenerate into the stasis of co-called "developed socialism"[xvii], an expression that attempted to cover for more, but actually even less, of the same. It was around this time that the economy began losing the advantages of extensive development and had to start coping with the much more exacting challenges of intensive development growth. The ruble held steady, good growth rates continued to be dutifully reported but the rise in Soviet debt levels pointed to a desperate effort to import foreign goods to compensate for those the system was incapable of producing and whose consumers increasingly demanded. **(See Note)**[xviii]

Together with a similar pattern of dissent, defection and the development of movements that would challenge not only the status quo but the entire logic of state, we also see in this period the first onslaught of the current wave of globalisation[xix] **(need a reference for this statement).** This brought growing difficulties for both Canada and the Soviet Union in their ongoing efforts to defend national systems and procedures in the face of a shrinking, more transparent and interconnected, interdependent and challenging world. The regained dynamism

of the European Communities in the 1970s with its new members and expanded areas of cooperation was part of this challenge. So was that of the USA as it gradually overcame its Vietnam syndrome and brought new energy to bear in its quest for economic, technological and military supremacy. This was a potentially threatening development for Canada as it pointed to the eventual emergence of a two-pillar Euro-Atlantic alliance in which it risked becoming a marginal player. The effect on the Soviet Union of these two developments were not dissimilar. Europe's economic successes[xx] contrasted with the Soviet Union's weakening growth. America's new geopolitical and military confidence contrasted with a Soviet sense of geopolitical and geostrategic overstretch, the growing Soviet involvement in Afghanistan being the prime example.

The third phase in the post-1968 period was characterized by energetic efforts to stabilise the regime through major foreign and domestic initiatives. In Canada, these were largely constitutional in nature. A deal brokered in 1981, just one year after the first failed Quebec referendum, between the federal government and all provincial governments save that of Quebec resulted in the Constitution Act, consisting of the British North American Act that had created Canada in 1867, an amending formula and a charter of rights and freedoms. **(Finkel, Conrad with Strong-Boag, pp 582-588.)** But for many, Trudeau's successful repatriation of the Constitution, which meant in practical terms that the Canadian government would no longer have to defer to Westminister in constitutional matters, would prove to be a pyrrhic victory. The repatriation bruised Francophone elite opinion badly. Sovereigntists descried the failure to acknowledge Quebec as a distinct political entity. Federalists were dismayed by the fallout for their hopes for renewed federalism. Both had difficulty with the Federal centre's tactics. Two subsequent efforts to find a formula that would bring Quebec back on board constitutionally, the Meech Lake Accord of 1987, which became null and void when not ratified by all provinces by mid-1990, and the Charlottetown Accord, put before the voters in a referendum in 1992 would also fail. (Finkel, Conrad, Strong-Boag)

These domestic failures were accompanied by efforts to enter into a closer economic relationship with the United States, to which by the late 1980s three-quarters of Canada's exports and from which two-thirds of Canada's imports originated. (Finkel, Conrad, Strong-Boag, pp 491-497. In 1987 the US and Canada negotiated a Free Trade Act; five years later Mexico

would join the two in a North American Free Trade Agreement. While the agreements have come to be acknowledged by many of their original opponents as paving the way to the new economic growth that Canada experienced as of 1995, in the early 1990s, they were widely identified as the reason for the country's economic woes.[xxi] Their champion, Conservative Prime Minister Brain Mulroney, with opinion polls giving him only 12% of popular support, resigned in 1993.[xxii] The following year his party, one of the two traditional parties of government in Canada was reduced to two seats in the greatest political upheaval that Canadian federal politics has ever known.

In the Soviet effort to compensate for internal inadequacy through foreign policy, two developments stand out. First was the invasion of Afghanistan in 1979, an event which before the withdrawal and admission of defeat ten years later, had cost 13,000 Soviet and, as yet unknown number of Afghan lives,[xxiii] not to mention the material investment.**(See Note)**[xxiv] This was arguably the first time that the Soviet leadership had attempted a power takeover in a country where the traditional power structures had not become more or less totally dysfunctional. The second effort - as it turned out, also a failed foreign adventure - involved the attempt to decouple the United States and Europe through the introduction of intermediate-range nuclear missiles. Instead of splitting the Alliance, the deployment of the Soviet SS-20s ended up stiffening Western resolve and were matched by the deployment of American Cruise and Pershing missiles on the territory of four European members of NATO. All INF missiles were later removed by virtue of a "zero option". **(See Note)**[xxv]

The argument about what factors were instrumental in precipitating Gorbachev's efforts to reform the socialist system from above may never be resolved. Was it the foreign policy defeats in Afghanistan and the INF fiasco, or other signs of strategic weakness such as the potential technological challenge thrown up by Star Wars and the growing centrifugal forces astir in the Soviet Empire? Was it the huge amounts of Soviet GDP spend on maintaining military strength and supporting foreign regimes, and the fact that this investment was showing decreasing returns in a country whose economy was itself weakening? Or was reform so necessitated by the inefficiencies of the command economy that, regardless of the Soviet Union's international standing, a drive to modernise the country's economic management was inevitable? Another, closely related question, and impossible to answer is how is Gorbachev's

perestroika to be evaluated and whether by whatever criteria are used it can be deemed a success? For example, a case can be made for the fact that his economic and political reforms so destabilized the country that it felt apart. One can also query, however, how the Soviet Union would have evolved had no major reform effort been undertaken.

The crises that built up in these decades in the two countries were of course to have very different outcomes. But the stakes were highly similar. In both cases, the issue was possible loss of country, as it turned out where the Soviet Union was concerned its actual loss, where Canadians were concerned its near-loss. There can be little doubt that had the "Oui" (to separation) forces in the 1995 referendum carried the day that not only would Quebec have separated but the rest of Canada would have found it very difficult, if not impossible, to forge a new consensus around a Quebec-less Canada. In fact, there was every likelihood that the country would have splintered in ways that would have not been dissimilar to what happened in the USSR.

There too the closing phase of the USSR's crisis was dominated by friction between the Centre and the republics and between the Union's many peoples and nationalities. Nor was the leadership oblivious to the need for reform as Gorbachev's attempt to secure representation for each Union Republic in the Politburo and the new Union Treaty that was proposed just two months before the USSR's demise.[xxvi] We have seen through this comparative survey, however, that issue of power-sharing among different communities and jurisdictions, however important in precipitating the state crises in Canada and Russia, did not act in isolation. Many factors conspired against the Canadian and Soviet state. This point is much easier to make in the Soviet case where the signs of weaknesses were more complex, more severe and, outside the communist world, highly publicized. Still the multi-causality is an important point to retain for the future.

Common Faultlines

As for the future, both Canada and Russia remain states at risk, even if their economic indicators have improved over the short-term and separatist causes are few or weak. Canada has not resolved the issues that took it to the brink in 1995. Russia has inherited many of the

challenges that plagued the Soviet Union. We will not attempt to predict how these two states will ultimately fare in addressing their respective crises. We can however isolate those factors that seem to be of the greatest importance in shaping their futures.

If we base ourselves on the developments of the crisis decades of the 1970s and 1980s, there would seem to be six factors or what can be termed critical faultlines that the Canadian and Russian states share. Again, there are important differences of degree, but I would argue that these differences of degree will not necessarily be decisive in determining the two countries' respective destinies. The first and most obvious faultline relates to the ability to generate wealth in a sustainable manner. That Canada is far richer than most states is less important that the fact that it has become steadily poorer relative to the United States.[xxvii] Similarly, Russia's basis for comparison will likely not be the Ukraine or other CIS states but countries to its West expected to join the European Union members later this decade. But even in terms of international comparisons, both countries have lost ground. Canada has fallen from place x to y, a trend which if it were continue for decade would put it in number x position among nations. In ten years, Russians' standards of living have fallen by over 50%.**(See Note)**[xxviii]

A second faultline has to do with the way Canada and Russia deal with the outside world. Here we are interested in such questions as whether they have an effective say in the transnational and international decisions that affect them and whether they are integrated in the state groupings that set policy in issue areas of particular national importance. At first sight, Canada would seem to be well-positioned to deal with the realities of globalisation. It is a member of NATO, the OECD, the OSCE, the UN as well as the G7, G10 and G24.**(See Note)**[xxix] It is weak however as concerns its most important political and economic relationship, that with the United States. Since the entry into force of NAFTA in 1994, there has been an eighty percent increase in trade between the US and Canada.[xxx] But increasing economic interdependence has not been accompanied by any enhancement of Canada's ability to shape the relationship with the United States. The country remains reliant on traditional channels of influence as the annual meetings between the Prime minister and the President and the trouble-shooting role of its Embassy in Washington, scarcely sufficient to manage effectively this crucial relationship. Russia, a member of only the G8, the OSCE, the Council of Europe as well as the UN **(See Note)**[xxxi], is in comparison un-represented. The problem is particularly acute when it comes to

the enlargement policies of NATO and the EU. A second NATO enlargement would like the first be received in Russia as a sign of the country's marginal importance in Western councils and of the impotence of Russia's first and second generations of post-communist politicians to stand up for the country's interests. EU enlargement is politically less threatening but its impact on Russia's access to markets in Central and Eastern Europe may over the longer term prove even more exacting.

A third faultline concerns the ability of the two states to provide a viable framework for the expression of the identities that live within its borders. The most obvious challenges are the movements for self-determination in Quebec and Chechnya. How the respective Centres cope with these two communities is important for inter-communal relations as a whole in these two highly diverse ethnic landscapes that Canada and Russia have become through immigration and conquest. Both countries have small but significant aboriginal communities with important unresolved questions concerning their status and rights as well as responsibility for their relatively disadvantaged socio-economic position. If Canada's experience is anything to go by, these are questions that can only become increasingly prominent in Russia. Regional disaffection is not necessarily rooted in ethnic, linguistic or national factors, as underlined by anti-Center attitudes in the Western provinces in Canada[xxxii] or the Far Eastern regions in Russia.[xxxiii] No less that one third of the popular vote in Canada and one-third of parliamentary seats are held by regional parties who for opposite reasons do not accept the constitutional status quo. Both countries need to rethink the way urban centres are represented in political decisionmaking. In Canada, 59% of the population live in the countries 17 biggest cities,[xxxiv] The five larges cities produce more than 58% of Canada's GDP. **(See Note)**[xxxv] Yet these cities have little involvement in decisions taken by provincial governments. **The latter have moved successfully in recent years to amalgamate cities and suburbs into mega-cities against the latters' will.** Russia's municipalities are unlike Canada's constitutional actors in that they have a tradition of bargaining successfully against the interests of the region in which they are located, but they too are **underrepresented relative to the demographic and economic weight. (Not sure that this is true.)**

This brings me to the fourth faultline, the weakness of the democratic system in the two countries. This is not surprising in the case of Russia whose fledging democracy is only ten

years old this year. The same problems that afflict Russian democracy are however paralleled in the Canadian system. This has a number of aspects to it. Canadians question the ability of their elected representatives to cope with the challenges of modern society. This is hardly surprising when one considers that the only two significant innovations in the last century were the extension of the suffrage to women and the introduction of opinion-polling, while society, science and technology have undergone one transformation after the other. Canadians also question whether their vote really counts. In a poll taken in 2000, two Canadians out of three stated that they had no influence on decisionmaking at the federal, provincial and municipal levels of government. This is largely due to the fact that in order to run elections and support political activities between elections, Canadian politicians need to curry favour with lobbies and special interest groups, who contribute money to these causes as opposed to the individual elector who only contributes his vote. The result is a crisis of confidence and credibility of serious proportions. In relative terms, this is at least as dangerous for the Canada state as Russia's own democratic shortcomings are for it. Russia.(Need some equivalent information on Russian attitudes towards democracy and the way parties are funded).

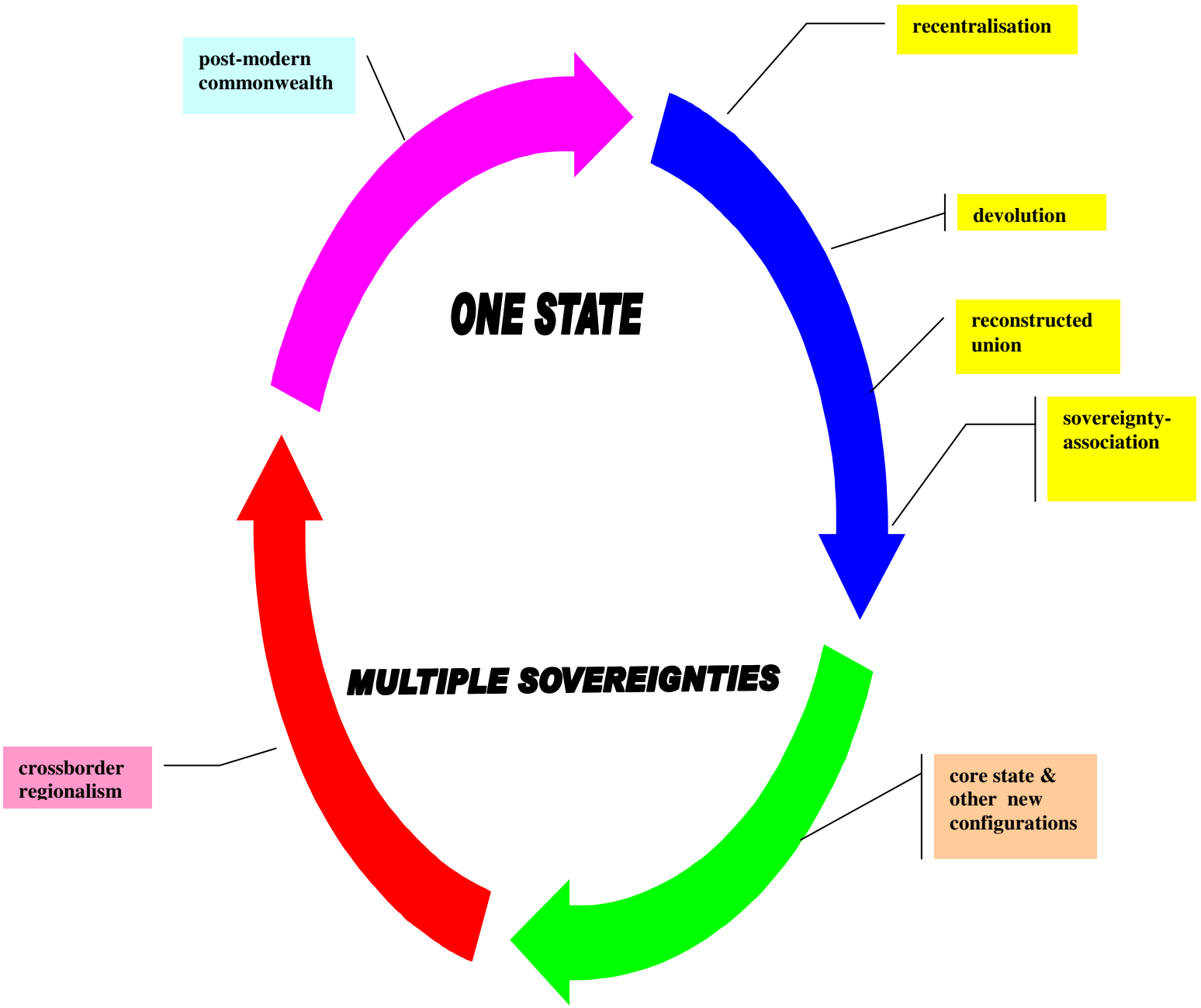
A fifth problem faced by Canada and Russia concerns the existence of alternative, potentially more attractive, models of state. The trend globally is towards more and smaller states. There are several reasons for this. One is the decreasing importance of wealth generated through the exploitation of natural resources and the declining need for states to maximise territorial holdings. Russia is an obvious exception to the rule. Another is the proliferation of trading blocks, which has given small states access to larger markets and given them greater chances to partake in the benefits of a globalising world. A third is the fact that since World War Two few small states have lost territory to larger predators.[xxxvi] Fourth, and most important, is the fact that smaller states tend on average to be richer than larger states. Of the world's ten biggest states by population, only two – the United States and Japan – are rich. Canada with a population of some 30 million is an average-sized state. But the argument that Quebec or British Columbia or even Prince Edward Island are too small to be viable does not hold up to scrutiny. 45% of the world's states have populations under 5 million. 30% have populations of fewer than 2.5 million. And 18% have populations of fewer than half a million.[xxxvii] This does not mean to suggest that the world will count 600 states at the end of this century – which would actually represent an equivalent change to what happened in the 20th century.[xxxviii] It does suggest

however that there is a prejudice within the international system towards a process of statal downsizing, which can make larger states vulnerable. Another dimension of this problem, a concern for Canadians and Russians alike, is that they have as neighbours two states or state-like entities that could potentially offer a haven to a province or region that wished to defect. Americans live on average better than do Canadians. Europeans and Japanese live on average much better than do Russians. Under these circumstances, it is not too difficult to image a situation in which one or the other constituent part contiguous to the US or the EU could envisage changing allegiances as an alternative to a worsening economic status quo**.**

The best way to prevent defections is to address successfully the five challenges outlined above. Failing that, the fall back position is to use force. One has to wonder whether the Canadian Federal government would be in a position today to carry out an action similar to that during the Quebec crisis of 1970. Would the country support such an action? Would the armed forces be in a position to carry it out? Would the government have the political will to see such an action through? The case of Chechnya – where very different circumstances have prevailed – underscores that the political will does exist in Russian government and military circles to use force to prevent defections. But the jury is still out on several questions. Will the action result in a military victory? Would a military victory secure the preconditions for a political settlement and the re-integration of Chechnya into the federation. Finally, there is the question as to what has been – and what will ultimately be - the impact of the action in Chechnya on perceptions elsewhere – in the Caucasus as a whole, in the Moslem population, within the elite and at street- level throughout the Federation.

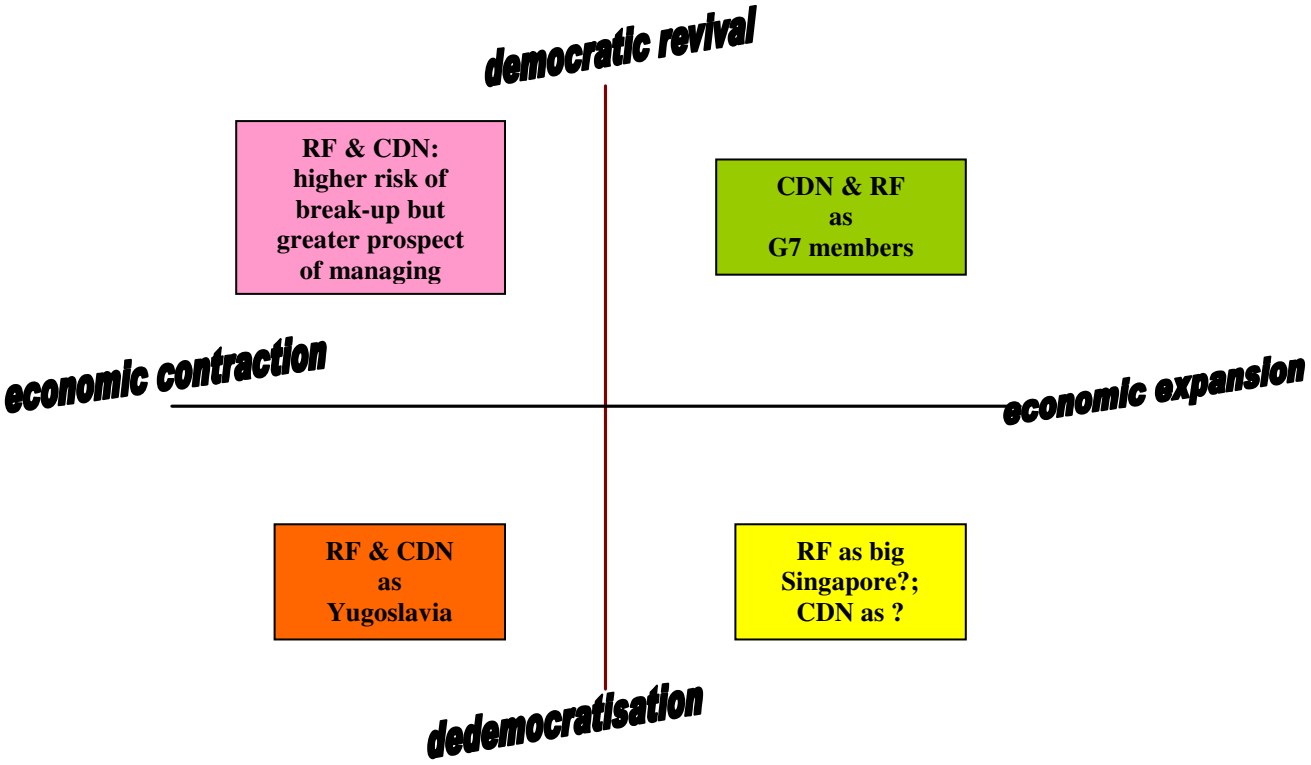
Change Patterns

The reshaping of the contours of a state is a rather common process. In fact, some research suggests that over 90% of all the states that have ever existed have disappeared through one or the other form of merger or assimilation.[xxxix] Nonetheless political science pays relatively little attention to the question of how a state will actually end up transmogrifying once that process has been effectively engaged. The graph below shows several different possible patterns of significant transformation that could intervene in the case of either Canada or Russia.


post-modern commonwealth
recentralisation
devolution
reconstructed union
sovereignty-association
ONE STATE
MULTIPLE SOVEREIGNTIES
crossborder regionalism
core state & other new configurations

The upper right part of the graph shows the different kinds of change patterns that could be envisaged within the two states' current borders. There are four main patterns here. Devolution of central powers to the regions, which Russia experienced in the 1990s, recentralisation, which is the main vector at present, reconstruction, which could mean in this scheme the elevation of the 7 federal districts into fully fledged centres of powers usurping regional powers but in this context sharing power with the Centre or the, and sovereignty-association, a special status of the type that Tatarstan has enjoyed.[xl] The same patterns are relevant to the Canadian case, including that of reconstruction, which here could mean the transfer of powers from provincial governments to regional governments –five is the usual number envisioned. In the bottom part of the graph, we move into situations of multiple sovereignty. A part of Canada or of Russia separates and the residual state is left to reorganise itself in its new borders. In both instances, this could lead to the establishment of a multitude of new sovereignties as in 1991 along the then existing republican borders or the formation of a more limited number of states around those entities that could be considered to represent the "core" state: perhaps the unification of Quebec and Ontario along the lines of the 1840 Province of Canada and, in Russia, the Muscovy of the ninth century. Moving to the next quadrant, we see that another variant would be the merger of erstwhile Canadian or Russian entities with other states. The last variant would be the creation of what is designated here as a post-modern commonwealth. NAFTA is the possible seed of such a development for Canada as is the CIS for Russia. Strikingly, while most Russians would favour this development most Canadians would not.

Another way of looking at the phenomenon of statal transformation in Canada and Russia is provided by scenario planning. This methodology requires the identification of the key forces shaping the evolution of a phenomenon, in the case that of the Canadian and Russian states, and their crossing along an X-Y axis. The resultant spaces give the structure of the different ways the present can become future.



In the above graph, our variables are the state of the economy – expansion and contraction being the variables - and the state of democracy, its revival at one extreme and its demise at the other, a process labelled here as dedemocratisation. By democracy is meant not only individual democracy but also group democracy, the ability of individual groups to defend their legitimate interests within the political system. Economy and democracy so defined would seem to be the two crucial variable for both Canada and Russia, however differently these forces manifest themselves in the two countries. The four scenarios are as follows. In an environment in which the economy expands and democracy flourishes, both Canada and Russia would be likely to prosper, so much so that Canada would be able to safeguard its place in the G7 – for economic, not mainly political, reasons as is now the case and Russia would be able to become a full member of the G7 , not an asterisked member of the G8. In an environment in which the economy expands but democracy falters, Russia's best prospects would be that of a large Singapore. As for Canada, it is very difficult to imagine its advanced economy operating in a situation of dedemocratisation, although as we have seen elements of this process are clearly on display. The third scenario of a faltering economy and a failing democracy would bring the greatest risk of large-scale defections in both countries. The fourth scenario, one in which democracy revives but the economy contracts, is also problematical. Interest in defection in this

scenario is muted because democracy is working. Those attempts to separate that are nevertheless forthcoming are however manageable, again because there are rules to govern relations between the Center and subnational entities and a culture of civility.

Conclusions

To conclude, let me summarize my key points. Canada and Russia, notwithstanding their contrasting heritages, economies, societies, polities and geopolitical environments, share a number of key features. Their evolution over the last third of a century, from radically dissimilar starting points through the very different shocks that they experienced in 1991 and 1995 to their present situations, shows a number of similarities that can be instructive for both states. The operative words for Canada and Russia are economy, integration, identity, democracy, the existence of attractive alternative models of state and the ability to prevent defections. There are furthermore striking similarities in the ways that these two states may over time evolve. Much of this has to do with the fact that Russia as a very large state and Canada as a medium-large state have to contend with a historic trend towards smaller states. The possible futures of the two states are display significant similarities. All that being said, are there relevant conclusions that can be drawn for how to approach these processes in future?

In my estimation, there are a number of policy considerations that are commonly applicable.

First, it seems vital to put what is happening in states such as Canada and Russia in context. The world, and its constituent parts, find themselves in a period of historic transition, a revolution if you will, which is redefining not only the factors of production and productive relationships, but also the way in which we relate to the states that we live in. Economies have to perform within the constraints thus imposed, states have to manage the challenges posed by an ever more interdependent world, individuals and groups have to feel that their states provide them with reasonable opportunities to express their identities and concerns, and their states have to do so in a way that effectively counteracts the opportunities alive in the international system for changing allegiances.

A second challenge is for the publics involved to ensure that their elites stay in line. There is a very great danger that as the ongoing processes of statal reorganisation in Russia or Canada

continue, elites engaged in the issue will try to hijack it for their own purposes, or to be quite blunt, to make their survival the independent variable and the best option for the communities involved one that is subordinate to it. We have already seen some of this in the Canadian debate of the last ten years. And we have seen a very great deal of this in Russia and in other countries that have come under ethnic stress in post-communist Europe during this period.

A third point is that the entire methodology and jurisprudence for dealing with changing states is grossly underdeveloped. We sorely lack reliable internationally accepted guidelines on a series of crucial issues pertaining to separation and the terms under which it can happen. A landmark decision in this regard was reached by the Canadian supreme court in 1997 when it ruled that Quebec could become independent on the basis of a democratically executed referendum, but that in such an event the central government would be obliged to negotiate with it the terms. Russia, despite the longstanding recognition by its predecessor state of the nominal federalism shared by its constituent parts, still has a very long way to go.

A fourth point is that all states need to become more open to outside monitoring and, as necessary, mediation. The OSCE has clearly a role to play in Russia but also in other Euro-Atlantic areas where it has not customarily been involved. The prejudices against using the OSCE's substantial experience in Western Europe and North America in dealing with states under duress needs to be overcome. This would not only enhance prospects for conflict resolution, but also bolster the overall integrity of the norm-setting mechanisms within the Euro-Atlantic area.

Fifth, we should begin to think more creatively about ways of giving political expression to the crossborder realities that the states of today's international community. As concerns Russia, it is probably too soon for the outside world to think in terms of encouraging an effective structure for the former Soviet Republics, but the time may come when it will be advantageous to promote a a functioning federal CIS. In the same vein, the EU has a political but also an economic interest in thinking about how it can harness and direct Russia's potential in a way that will be enriching for both the EU and the Federation. Policy options that seek to maximize benefits to the EU's expected new members, while ignoring the need for Russia's integration, are recipes for disaster.

As for Canada, the step to NAFTA has been taken. In time, it may be necessary to consider the merits of a NAF, a North American Federation. There are several issues that simply cannot be resolved by Canada and the United States in isolation from one another, or through bilateral mechanisms of decisionmaking alone. Canadian provinces can be forgiven for doubting that the Prime Minister can defend their interests effectively in the annual Canadian-American Summit. It would be appropriate for Canadian provinces to have a voice that is a strong as that of the US states in addressing issues of common continental concern. In time, this is an avenue that could provide scope for overcoming the historical contradictions between anglophone and francophone Canada. Certainly, as power continues to be devolved away from federal capitals, it will be increasingly be the differences at the sub-sovereign provincial and state levels that count rather than those between the federal levels.

Finally, there is the importance of Russia and Canada managing a soft landing. For Russia to fail to reengineer itself will raise the prospects of Yugoslavia-like conditions with harrowing global repercussions. If a country like Canada, a G7 member, one of the richest in the world with a tradition of social peace and engagement for social peace in other countries proves incapable of meeting the challenge of statal change, then the world in general is in stock for some tough jolts. The other side of that coin is that particularly because of these descriptors Canada and Russia are extremely well placed to show the way to other troubled states. But if either of these large states were to fail, there would most certainly likely be extremely serious ramifications for others and for the overall complexion of 21st century security.

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[i] Dmitri Trenin. "Reluctant Adaptation: Russia's Security Policy Towards the New Eastern Europe and the Baltic States," in *Studies in Contemporary History and Security Policy,* v.1.

[ii] As per Federal law No. 78-FZ of the Russian Federation, of June 19, 1996, "On Principles of the State Regulation of Social and Economic Development of the Russian Federation' North" the definition of "North" includes the part of the Russian Federation territory situated in high latitudes, which is characterized by severe natural and climatic conditions, and by higher costs of production and of satisfying the basic needs of the populace. http://www.online.ru/sp/cepra/publics/eng_paper2.htm. Accessed 13 June 2001. Kanadskoe-rociiskiy konsortsium po voprosam prikladnykh ekonomicheskikh issledovaniy (CEPRA)

[iii] Mark O. Dickerson. Whose North? Political Change, Political Development, and Self-Government in the North West Territories. (Vancouver: UBC Press, 1992), p.1.

[iv] "Mineral Wealth of the Russian Federation" Western Pinnacle Mining Limited. http://www.westernpinnacle.com/russia.index.shtml. Accessed 19 June 2001.
"Russia's Economy Slides Towards Collapse…Again," in *Military.com*. 1 February 2000. . Statistics obtained from Ikonomika i zhizn.

http://www.military.com/Content/MoreContent/1,12044,SL02february01,00.html?cat=NEWSEDITOR3. Accessed 20 June 2001

[v] According to 2000 figures, Natural Resource Canada reports that Canada's minerals and metals industry constitutes 11.1% of Canada's GDP. Within this figure, the energy sector provides 6.4% and the forestry 2.4% of GDP. http://www.nrcan.gc.ca/mms/pdf/econo-e.pdf. Accessed on 14 June 14, 2001.

[vi] In his youth Vladimir Putin took great interest in the martial arts. In 1973 he became a master of sambo, a Russian self-defence martial art, and later switched to judo in which he has gained a black belt. He won several of St.Petersburg's sambo championships. http://www.gazeta.ru/2001/02/28/AProfileofVl.shtml "A profile of Vladimir Putin," in Gazeta.ru. Accessed 13 June 2001.

[vii] United Nations Development Programme Human Development Index. www.undp.org/hdr2000/english/ressreleases/releases.pdf. Accessed 14 June 2001. In 2000, the Russian Federation ranked 62nd place, proceeded by Malaysia and followed by Latvia.

[viii] CIA World Factbook. 1999 estimates. Russia's GDP is estimated at $620.3 billion. Spain's is estimated at $677.5 billion

[ix] Between October 7th and 10th, 1970 the police often, with no warrant, carried out nearly one thousand raids and searches. More than 500 citizens were eventually arrested before the War Measure's Act was withdrawn. Louis Fournier. FLQ: The Anatomy of an Underground Movement, (Toronto: NC Press Ltd, 1984), p. 220-222)

[x] The Canadian dollar has neared an all-time low of US $ 0.64. In three decades, the Canadian dollar, once as coveted as the Swiss franc, has declined in value by nearly 40% from $1.06. Over 85% of Canada's trade is with the US. Half of its GDP comes from trade with America. Canada's economy is thus an adjunct of America's robust economy. Disarmed, Canada has also become a virtual US protectorate, defended by US taxpayers. Eric S. Margolis. "Canada: From Riches to Rags in Only 30 Years," in *Foreign Correspondent.com*. 19 November 2000. http://www.foreigncorrespondent.com/archive/rags.html. Accessed 17 June 2001.

[xi] [xi] In Moscow, Sakharov combined work at FIAN on fundamental theoretical physics with increasing political activism, developing contacts to the emerging human rights movement. In 1970, Sakharov with Soviet dissidents Valery Chalidze and Andrei Tverdokhlebov founded the Moscow Human Rights Committee. As Sakharov's public stature and international support grew, the regime put increasing pressure on him. Open letters were published denouncing him, some signed by members of the Soviet Academy of Sciences. Newspapers also published phoney letters "from simple people" attacking him. Sakharov was awarded the Nobel Peace Prize in 1975, the first Russian to get this honour. Soviet authorities did not allow him to travel abroad to receive the prize on the grounds that he was a holder of state military secrets. His wife, Elena Bonner, went to Oslo to participate in the award ceremony. On the day of the Nobel ceremony, Sakharov was attending the trial, in Vilnius, of Sergei Kovalev, a human rights activist. American Institute of Physics. http://www.aip.org/history/sakharov/humrt.htm. Accessed 17 June 2001.

[xii] Douglas H. Fullerton. The Dangerous Delusion: Quebec's Independence Obsession as Seen by the Former Adviser to Réné Lévesque. (Toronto: McClelland and Stewart, 1978), p. 35.

[xiii] The Conference on Security and Co-operation in Europe, which opened at Helsinki on 3 July 1973 and continued at Geneva from 18 September 1973 to 21 July 1975, was concluded at Helsinki on 1 August 1975 by the High Representatives of Austria, Belgium, Bulgaria, Canada, Cyprus, Czechoslovakia, Denmark, Finland, France, the German Democratic Republic, the Federal Republic of Germany, Greece, the Holy See, Hungary, Iceland, Ireland, Italy, Liechtenstein, Luxembourg, Malta, Monaco, the Netherlands, Norway, Poland, Portugal, Romania, San Marino, Spain, Sweden, Switzerland, Turkey, the Union of Soviet Socialist Republics, the United Kingdom, the United States of America and Yugoslavia. "Conference on Security and Cooperation in Europe Final Act, Helsinki 1975". *Human Rights Internet*. Accessed 17 June 2001. http://www.hri.org/docs/Helsinki75.html.

[xiv] A recent study documents that Soviet citizens frequently took part in protests against the authorities during the Khrushchev and Brezhnev periods far more often than anyone in the West knew or even suspected. The study "Mass Disorders in the USSR Under Khrushchev and Brezhnev" by Vladimir Kozlov was published in Novosibirsk in 1999. Most Western scholars assumed that public protest in the Soviet Union was confined to dissidents imprisoned in labor camps for publishing criticism of the Soviet

government or for seeking to practice their religious beliefs. The only exceptions to that image of a thoroughly cowed Soviet population were the 1956 demonstrations in Georgia after Nikita Khrushchev's anti-Stalin campaign began and the 1962 strike in Novocherkassk by workers protesting price rises. The "mass disorders" can be divided into four different categories: i) immediately after the death of Stalin in 1953, incidents of mass unrest consisted of largely unorganized acts of violence by marginal groups such as alcoholics and criminals protesting their specific conditions. Most of these took place in Siberia or Kazakhstan. ii) Throughout the Khrushchev period, groups of people, especially unemployed young men, frequently staged protests and even strikes to seek better living conditions or improved employment opportunities. They sometimes destroyed property or attacked others in their neighborhoods that they blamed for their own conditions. iii) There were ethnic riots in various places, first and foremost among the nationalities originally from the Caucasus, which had been deported by Stalin to Central Asia. Sometimes these took the form of clashes between former deportees and the people who had moved into their traditional territories. And sometimes they occurred between the deported nationalities and the Kazakh community among whom the deportees were living. iv) There were the political demonstrations, like the pro-Stalin marches in Georgia in March 1956. In sharp contrast to the others, these protests tended to be extremely well organized, something that was especially frightening to the authorities. The wave of mass unrest began to decline by the end of Khrushchev's time in office (1964) and was almost completely gone by the beginning of the 1970s. This trend can be explained by a combination of improved pay and expanded penalties for engaging in hooligan-type activities.
Paul Goble. "Russia: Analysis from Washington – Uncovered Protests," in *RFE/RL* 7 February 2001. http://www.rferl.org/nca/features/2001/02/07022001104141.asp. Accessed 20 June 2001.

[xv] What distinguished the Soviet transition from every other was the need to transform inter-ethnic and centre-periphery relations in a country with well over one hundred ethnic groups, living for the most part in their historic homelands. Specifically, the political system could not be successfully democratized without some resolution of the national question, since throughout the Soviet period, as well as in Imperial Russia, the political aspirations of the more self-conscious nations within Soviet, and imperial borders had been rigorously suppressed. Alternatives had to be found to a repressive unitary state, which purported to be a federation but did not in reality come anywhere near meeting the requirements of federalism. In July 1990, the Politburo was changed into a body of twenty-five persons, 15 of whom were first secretaries of the party committees of the Union republics. Archie Brown. The Gorbachev Factor. (Oxford: Oxford University Press, 1996), p. 176.

[xvi] A slowdown undoubtedly occurred in the rate of growth of the Soviet economy. This has been universal since 1970. Extensive growth had been achieved at the cost of low and falling capital productivity. Falls in the quality or productivity of Soviet investment have reduced GNP growth by about 3% per annum between 1966 and 1982. Padma Desai. The Soviet Economic Problems and Prospects. (Oxford: Basil Blackwell, 1987), p. 115.

Centrally-planned investment and the official campaigns against " duplication and parallelism" of the 1960s and 1970s resulted in the formation of the huge amalgamations solely responsible for the production of certain commodities and aggravated the situation to the point where competition became nonexistent. The rate of monopolization of production for most commodities was up to 70 to 100 percent. As a result, prices were calculated using the bureaucratic method of " cost-accounting" (this means whatever the "cost" in a centrally planned economy without competition) and never reflected supply and demand. The price mechanism was further undermined by huge subsidies on the one hand, and heavy indirect " turnover" taxes included in the price of a product on the other. By creating a highly developed system of redistribution of resources between small firms that were profitable and the vast majority of firms that were unprofitable, the Soviet party-elite suppressed any attempt on the part of enterprises to become economically independent of the state machinery. However, ordinary working people bore the brunt of state expenditures, as the price of labour in the Soviet Union was much lower than in the West, on the level of 20 percent of produced surplus value. During the 1970s and 1980s, due to inefficient management and over-bureaucratization, it was necessary to increase state subsidies to unprofitable enterprises. More than 30 billion rubles of the state budget were allocated to support unprofitable industrial enterprises annually during this period. Huge state losses resulting from an inefficient economic system were covered by currency obtained from sales of oil, gas, and other natural resources abroad. Since 1980, over $300 billion was spent in this fashion. These hard currency reserves were used by the Soviet Union to purchase goods in

the world market in order to make up for domestic production failures. By the mid-to-late 1980s, the deterioration of the Soviet economy reached a very critical point. More than 50 percent of state business enterprises were permanently unprofitable and required huge subsidies in order to continue their operation, while the agricultural sector required an infusion of more than 100 billion rubles in the years 1986-1988 to support the extremely inefficient collective farm system based on state ownership of land. In order to ease the financial situation of the collective and state farms, in 1990, the USSR Council of Ministers decided to write off 40.3 billion rubles worth of debt. In addition, over a period of two months, a further 28 billion rubles were written off for farms that had converted to either partial or full lease-contracting making a total write off of approximately 70 billion rubles. It is difficult to overestimate the depth of the resulting economic and financial crisis in the Soviet Union. According to estimates by the USSR Academy of Sciences' Institute of Economics, in reality the decline is close to 11 percent in national income. In the first half of 1991, labour productivity declined by 9 percent and agricultural output dropped by 13 percent. The All-Union budget deficit reached 31.1 billion rubles, over four billion more than the total projected deficit for all of 1991, 26.7 rubles. According to Soviet official data, after the price increases of March 1991, more than 90 million people, or about 32 percent of the total population of the country had an income of less than 105 rubles per month." Unemployment, unheard of in the Soviet Union before 1990, is growing rapidly and according to recent estimates reached 3.4 million at the beginning of 1991.

Yuri N. Maltsev **"**Analyzing the Economic Impact of the Changing Soviet Economy." Eurasia Center. Summer 1991. **http://www.eurasiacenter.org/summer91/maltsev1.html**. Accessed 20 June 2001.

[xvii] Donald R. Kelley. The Politics of Developed Socialism. (Westport: Greenwood Press, 1986), 226pp.

[xviii] Trends in the 1970s and 1980s were influenced by major changes in world oil markets, caution on hard currency debt and a lack of willingness on the part of the Soviet Union to become dependent on technology imports. By the mid 1980s, the Soviet Union had a trade volume in hard currency of roughly 50 billion dollars. The bulk of this trade was with developed capitalist countries, specifically West Germany, France, Italy, and Japan. A trend towards normalization of East-West trade patterns beginning in the 1970s served to ease (but not solve) the balance of payments problem. West European countries were willing to grant credits, guaranteed by governments, to gain access to the East European markets. Moreover, increases in the prices of raw materials raised the Soviet Union's earnings of convertible currencies in the 1970s and early 1980s. Between 1975 and 1980, hard currency debt in Eastern Europe grew by a factor of almost three times. Both Western recessions and détente contributed to this growing debt. However, much of this lending failed to yield hard currency returns resulting in subsequent debt service problems; moreover, recessions in the late 1970s and early 1980s restricted international lending.
Paul Gregory. "Foreign Trade in the Administrative Command Economy," in *Transformation.* 2000. http://www.uh.edu/~pgregory/transformation/chapter9.html

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[xx] It is estimated that per capita GDP rose, on average, in Europe by 4.4% per year between 1950 and 1970, well above the world figure (3.0%). Similarly, the annual average rate of increase in industrial production was 7.1% as opposed to a world figure of 5.9%. However, fearing that economic contrasts would promote political instability which would frustrate progress towards economic and political goals, the original members of the EC established the European Investment Bank in 1958 and made its first priority the acceleration of economic growth in major lagging regions. But, in 1973-4 confidence in stability of Western Europe to sustain growth was severely shaken by first oil crisis. In the aftermath of this shock, European nations were forced to grapple with strong inflationary pressures as the abrupt shift to high energy prices fed through the system. As confidence was starting to recover, the second oil crisis (1979-80) threw industrial economies into turmoil once again. David Pinder, ed. Western Europe: Challenge and Change. (London: Belhaven Press, 1990), p. 3-4.

[xxi] In some respects, Canada is a reluctant partner in NAFTA negotiations. It went through a wrenching national debate before ratifying the Canada-US Free Trade Agreement; critics of the FTA in Canada still loudly blame the trade pact for many of the ills that have befallen the Canadian economy. Gary Clyde Hufbauer and Jeffrey J. Schott. North American Free Trade: Issues and Recommendations. (Washington: Institute for International Economics, 1992), p. 10.

[xxii] "The Mulroney Tories," in *CBC News Magazine*.
http://cbc.ca/news/viewpoint/columns/rebick/rebick010530.html. Accessed 19 June 2001.

[xxiii] It was said that the Soviets in Afghanistan were "losing by not winning," and conversely that the resistance was "winning but not quitting". But, in fact, the Soviets were winning by not losing, the mujahidin were losing by not winning as, in the long run, the Soviets could have dominated any protracted and technoligized war, had they sustained the political will to continue. The Soviets were not beaten militarily; their withdrawal was predicated on political judgments born of internal political dynamics more than anything that happened in Afghanistan. The Soviet War in Afghanistan: Patterns of Russian Imperialism. (Philadelphia: University Press of America, 1991), p 108.

[xxiv] By the early 1980s, Soviet military spending consumed 17% of national income. (I couldn't find specific numbers for Afghanistan). "War and Revolution: the 20th Century Struggle for Socialism," *FRFI 152*. December 1999/January 2000. http://www.rcgfrfi.easynet.co.uk/frfi/152/152-soc.htm. Accessed 19 June 2001.

[xxv] On November 18, President Reagan announced a negotiating proposal in which the United States would agree to eliminate its Pershing IIs and GLCMs if the Soviet Union would dismantle all of its SS-20s, SS-4s, and SS-5s. This proposal became known as the "zero-zero offer." At the beginning of the talks, the Soviet Union opposed the deployment of any U.S. INF missiles in Europe and proposed a ceiling of 300 "medium-range" missiles and nuclear-capable aircraft for both sides, with British and French nuclear forces counting toward the ceiling for the West. In late February 1986, the United States proposed a limit of 140 INF launchers in Europe and concurrent proportionate reductions in Asia. There would be no constraints on British and French nuclear forces. Moreover, as of the end of 1987, shorter-range missiles would be limited equally either to current Soviet levels existing on January 1, 1982, or to a lower level. A series of high-level discussions took place in August and September 1986 followed by a meeting between President Reagan and General Secretary Gorbachev in Reykjavik, Iceland, in October 1986, where the sides agreed to equal global ceilings of systems capable of carrying 100 INF missile warheads, none of which would be deployed in Europe. On December 8, 1987, the Treaty was signed by President Reagan and General Secretary Gorbachev, at a summit meeting in Washington. At the time of its signature, the Treaty's verification regime was the most detailed and stringent in the history of nuclear arms control, designed both to eliminate all declared INF systems entirely within three years of the Treaty's entry into force and to ensure compliance with the total ban on possession and use of these missiles. Treaty between the United States of America and the Union of Soviet Socialist Republics on the elimination of their intermediate-range and shorter-range missiles. US Department of State. http://www.state.gov/www/global/arms/treaties/inf1.html. Accessed 16 June 2001.

[xxvi] Within nine months of the establishment of the Constitutional Commission, Gorbachev decided to negotiate a new Constitution in a different way. He chose to renegotiate the Union Treaty that had established the USSR in 1922. Archie Brown. The Gorbachev Factor. (Oxford: Oxford University Press, 1996), p.377.

[xxvii] The period 1989 to 1992 saw Canada's performance slip significantly relative to the United States. Although GDP continued to rise faster in the United States than in Canada from 1992 to 1993, the economic performance of both countries was similar from 1993 onwards. The net result over the period 1989 to 1995, is that the index of per capita output of the United States rose from a level 8 per cent higher than Canada, to one 21 per cent higher. An important factor behind the United States' stronger economic performance during this six-year period was the relatively faster growth of household consumption in the US. Although increases in household consumption was similar for both countries from 1989 to 1991, it grew 7 per cent faster in the United States after 1991. This is significant considering that household consumption accounted for almost 75 per cent of GDP in the United States, and well over two thirds of Canada's output, in relative terms. Another important factor in Canada's relative decline from 1989 to 1995 was the accelerated rate of capital investments in the United States. From 1989 to 1995, investments in machinery and equipment progressed about 41 per cent faster in the United States than in Canada, with US per capita investments rising from a level 14 per cent higher than Canada to one 61 per cent higher. Gaston Levesque. "Canada in the Age of the NAFTA and Globalization: An International Comparison of Economic Output and Prices, 1980-1995," *Statistics Canada*. 17 April 2001.

[xxviii] Russians' real income fell 15 percent in 1999, placing another 10 million citizens beneath the state-established minimum-income threshold, according to an Economics Ministry report. Although the official average monthly wage of workers in state-run and small enterprises grew 49 percent (to 1,565 rubles) compared with 1998, dollar-equivalent wages fell to $68 from $74 in 1998. The number of people with

registered income beneath the minimum – set at 980 rubles per month last year – grew to 50 million, up from 40 million in 1998. That makes up some 35 percent of the Russian population. Most analysts agree that the standard of living in Russia is on the decline, but they point out that the peculiarities of the Russian economy mean that the situation may not be as bad as the statistics indicate. Lyuba Pronina. "Russians' Real Income Slips 15 percent in 1999," in *the Russia Journal*, Issue no.1 (44), 17 January 2000. http://www.russiajournal.com/weekly/article.shtml?ad=2068. Accessed 18 June 2001.

Nine years after the collapse of the USSR, Russia is still struggling to establish a modern market economy and achieve strong economic growth. Russian GDP has contracted an estimated 45% since 1991, despite the country's wealth of natural resources, its well-educated population, and its diverse - although increasingly dilapidated - industrial base. By the end of 1997, Russia had achieved some progress. Inflation had been brought under control, the ruble was stabilized, and an ambitious privatization program had transferred thousands of enterprises to private ownership. Some important market-oriented laws had also been passed, including a commercial code governing business relations and the establishment of an arbitration court for resolving economic disputes. But in 1998, the Asian financial crisis swept through the country, contributing to a sharp decline in Russia's earnings from oil exports and resulting in an exodus of foreign investors. Matters came to a head in August 1998 when the government allowed the ruble to fall precipitously and stopped payment on $40 billion in ruble bonds. In 1999, output increased for only the second time since 1991, by an officially estimated 3.2%, regaining much of the 4.6% drop of 1998. This increase was achieved despite a year of potential turmoil that included the tenure of three premiers and culminated in the New Year's Eve resignation of President Yeltsin. Of great help was the tripling of international oil prices in the second half of 1999, raising the export surplus to $29 billion. On the negative side, inflation rose to an average 86% in 1999, compared with a 28% average in 1998 and a hoped-for 30% average in 2000. Ordinary persons found their wages falling by roughly 30% and their pensions by 45%. The Putin government has given high priority to supplementing low incomes by paying down wage and pension arrears. Many investors, both domestic and international remain on the sidelines, scared off by Russia's long-standing problems with capital flight, reliance on barter transactions, widespread corruption among officials, and endemic organized crime.

In the long run, the Canadian standard of living will be determined by its productivity performance. Currently, Canadian productivity trails that of the United States by some 15 percent; this gap accounts for more than 80 percent of the difference between Canada and US per capita incomes. All G-7 countries have a productivity gap with the United States, but Canada is the only country that is not catching up. This is reflected in the fact that Canada's productivity standing has deteriorated from second, after the United States, among G-7 countries in 1976 to fifth place two decades later. There is no easy way to improve productivity, and there is debate as to which policy levers are most effective in improving productivity growth. Andrei Sulzenko and James Kalwarowsky. "A Policy Challenge for a Higher Standard of Living," in *ISUMA: Canadian Journal of Policy Research*, v.1, n.1, Spring 2000.
Real rates of growth have averaged nearly 3.0% since 1993. Unemployment is falling and government budget surpluses are being partially devoted to reducing the large public sector debt. The 1989 US-Canada Free Trade Agreement (FTA) and 1994 North American Free Trade Agreement (NAFTA) (which included Mexico) have touched off a dramatic increase in trade and economic integration with the US. With its great natural resources, skilled labour force, and modern capital plant Canada enjoys solid economic prospects. Two shadows loom, the first being the continuing constitutional impasse between English- and French-speaking areas, which has been raising the possibility of a split in the federation. Another long-term concern is the flow south to the US of professional persons lured by higher pay, lower taxes, and the immense high-tech infrastructure. Central Intelligence Agency World Factbook – Economy Overview. http://www.cia.gov/cia/publications/factbook/fields/economy_-_overview.html. Accessed 18 June 2001.

[xxix] Canada participates in the African Development Bank (Non-regional member), Agency for the French-Speaking Community, Asia-Pacific Economic Cooperation, Asian Development Bank (Non-regional member), Association of Southeast Asian Nations (dialogue partner), Australia Group, Bank for International Settlements, G-6, G-7, G-8, G-10, Caribbean Development Bank (Non-regional member), Commonwealth of Nations, Coordinating Committee on Export Controls, Council of Europe (Observer), Customs Cooperation Council, Economic Commission for Europe, Economic Commission for Latin America and the Caribbean, Euro-Atlantic Partnership Council, European Bank for Reconstruction and

Development, Food and Agriculture Organization, General Agreement on Tariffs and Trade, Inter-American Development Bank, International Bank for Reconstruction and Development, International Chamber of Commerce, International Civil Aviation Organization, International Confederation of Free Trade Unions, International Development Association, International Energy Agency, International Finance Corporation, International Labour Organization, International Monetary Fund, International Organization for Migration, Non-Aligned Movement (Guest), North Atlantic Treaty Organization, Nuclear Energy Agency, Nuclear Suppliers Group, Organization for Security and Cooperation in Europe, Organization for the Prohibition of Chemical Weapons, Organization of American States, United Nations, World Confederation of Labour, World Federation of Trade Unions, World Health Organization, World Intellectual Property Organization, World Trade Organization, and Zangger Committee.

[xxx] The North American Free Trade Agreement entered into force in the United States, Mexico, and Canada on 1 January 1994. Canada's merchandise trade with the United States has increased by 80%, reaching $475 billion by 1998. Canadian exports to the United States increased by 80% reaching 271.5 billion in 1998. Department of Foreign Affairs and International Trade. "The NAFTA at Five Years: A Partnership at Work." April 1999. p.11.

[xxxi] Russia is a member of the Asia-Pacific Economic Cooperation, Bank for International Settlements, Black Sea Economic Cooperation Zone, Commonwealth of Independent States, Council of Europe, Council of Baltic States, Customs Cooperation Council, Economic and Social Commission for Asia and the Pacific, Economic Commission for Europe, Europe-Atlantic Partnership Council, European Bank for Reconstruction and Development, European Organization for Nuclear Research, G-8, International Atomic Energy Agency, International Bank for Economic Cooperation, International Bank for Reconstruction and Development, International Development Association, International Finance Corporation, International Investment Bank, International Labour Organization, International Monetary Fund, International Organization for Migration, International Organization for Standardization, Latin American Economic System (Observer), Latin American Integration Association (Observer), Non-Aligned Movement (Guest), Nuclear Suppliers Group, Organization for Security and Cooperation in Europe, Organization for Prohibition of Chemical Weapons, Organization of American States, Partnership for Peace, United Nations, World Federation of Trade Unions, World Health Organization, World Intellectual Property Organization, and Zangger Committee. Central Intelligence Agency World Factbook. http://www.cia.gov/cia/publications/factbook/docs/app-c.html. Accessed 18 June 2001.

[xxxii] A major survey of Western Canada shows widespread dissatisfaction with the way the federation is working and a palpable desire for change. The greatest majority of Western Canadians cite improved federal-provincial cooperation as the highest priority to make the system work better. Thirty-nine percent, in Alberta, rate devolution of powers as a high priority, compared with 38% in Saskatchewan, 36% in British Columbia, and 32% in Manitoba. This survey was commissioned by the Centre for Research and Information on Canada. The present survey confirmed that most westerners (52%) say that their province is not treated with the respect it deserves in Canada. "The West Wants Change and More Cooperation," *Council for Canadian Unity*. 30 April 2001. http://www.ccu-cuc.ca/cgi-bin/view_pdf.cgi/pdf/west/west_eng300401.PDF. Accessed 19 June 2001.

[xxxiii] Samara Governor Konstantin Titov's electoral movement, Golos Rossii, promoted the slogan of "new federalism," granting more power to the regions, at its party conference on 21 April, Nezavisimaya gazeta reported. The participants, representing 72 different regions, announced that Golos Rossii sought to show Moscow that it depends on the regions, not the other way around. Titov stated that responsibility for all issues that can be handled independently, in the regions, should be transferred away from the central authorities. Excessive centralization of power in the federal government is one of the main causes of Russia's current crisis, he said. "The alienation of Russia's regions from the center has now reached a critical and dangerous magnitude, and the regions continue to be viewed not as partners, but as a passive suppliers of resources," Titov noted. (Nezavisimaya gazeta, 21 April).
Despite such anti-center sentiment, Titov announced that the movement is pro-presidential. Golos Rossii supports the president and democratic reforms and does not accept Prime Minister Yevgeniy Primakov's ideas of democracy, in particular the idea of appointing rather than electing governors, he said. (Kommersant Daily, 21 April). "Golos Rossii: New Federalism or Pro Yeltsin?" 21 April 1999. NUPI Centre for Russian Studies. http://www.nupi.no/cgi-win/Russland/krono.exe?4137. Accessed 20 June 2001.

[xxxiv] Statistics Canada. *Population.* http://www.statcan.ca/english/Pgdb/People/Population/demo05.htm
[xxxv] The economic output of Canada's major cities (Toronto, Montreal, Vancouver, Ottawa and Calgary) is staggering, accounting for over 58% of Canada's GDP. Toronto, alone, is estimated to drive some 45% of Ontario's GDP and a whopping 26% of Canada's GDP. Walter Robinson "Canada's Mayor's Make Good Points But…" in *Enter Stage Right: A Journal of Modern Conservatism*. 5 March 2001. Nearly 90% of the population is concentrated within 160 km of the US/Canada border http://www.enterstageright.com/archive/articles/0301cancities.htm. Accessed 19 June 19, 2001.
[xxxvi] Scott Pegg. "De Facto States in the International System," in *UBC Working Paper No.21*.February 1998.
[xxxvii] "Small But Perfectly Formed," in *the Economist*, 3 January 1998, p.31
[xxxviii] Juan Enriquez. "Too Many Flags," in *Foreign Policy* 1999, no.116, p. 30.
[xxxix] Bernard Nietschmann. "The Fourth World: Nations Versus States," in Reordering the World: Geopolitical Perspectives on the Twenty-First Century. (Boulder: Westview Press, Inc., 1993).
[xl] Tatarstan signed three treaties in June 1993 which divided responsibility for defense plants in Tatarstan between the Russian Federation and Tatarstan, divided other property and gave Tatarstan control of its own customs service.
Barbara B. Green. The Dynamics of Russian Politics: A Short History. (Westport: Praeger, 1994) p. 209.