

# the HERALD Outlook

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## Canadian companies head for Moscow



**Diane Maley**  
Your Business  
Thomson News Service

Business watchers are impressed by the boldness with which Canadian business people are embracing the Soviet Union.

Although the people in Ottawa like to brag about the prime minister's venture to Moscow last fall, the business community was there well before him. Whether this rush of activity will redress the trade imbalance between the two countries - we sell them much more than they sell us - remains to be seen.

"It was more than business as usual when Prime Minister Brian Mulroney, accompanied at one point by a 140-strong Canadian business delegation, visited the Soviet Union," External Affairs brags in a recent bulletin.

The department points out that business as usual has meant between \$1 billion and \$2 billion in Canadian exports to the Soviet Union, mostly of grain. The result has been a trade surplus that averaged \$1 billion a year in our favor.

### INCONCLUSIVE

"All that changed in just six days in November," External Affairs says. But its evidence is less than persuasive:

—The signing of 20 or so com-

mercial agreements, many of them joint ventures, totalling \$1 billion in investment. The ventures are in tourism, agriculture, oil and gas, pulp and paper and automobile production.

—The signing of the Canada-U.S.S.R. Foreign Investment Protection Agreement, which, like Investment Canada here, lets the Soviets review proposed Canadian investments there. The agreement is expected to encourage Canadian companies to invest in the Soviet Union, External Affairs says.

—The signing of the Canada-U.S.S.R. Agreement on Province-Republic Co-operation, under which provincial governments can co-operate with the Soviet Union in economic, scientific, technical and cultural areas.

—The plan to open a Canadian Consulate in Kiev to further trade.

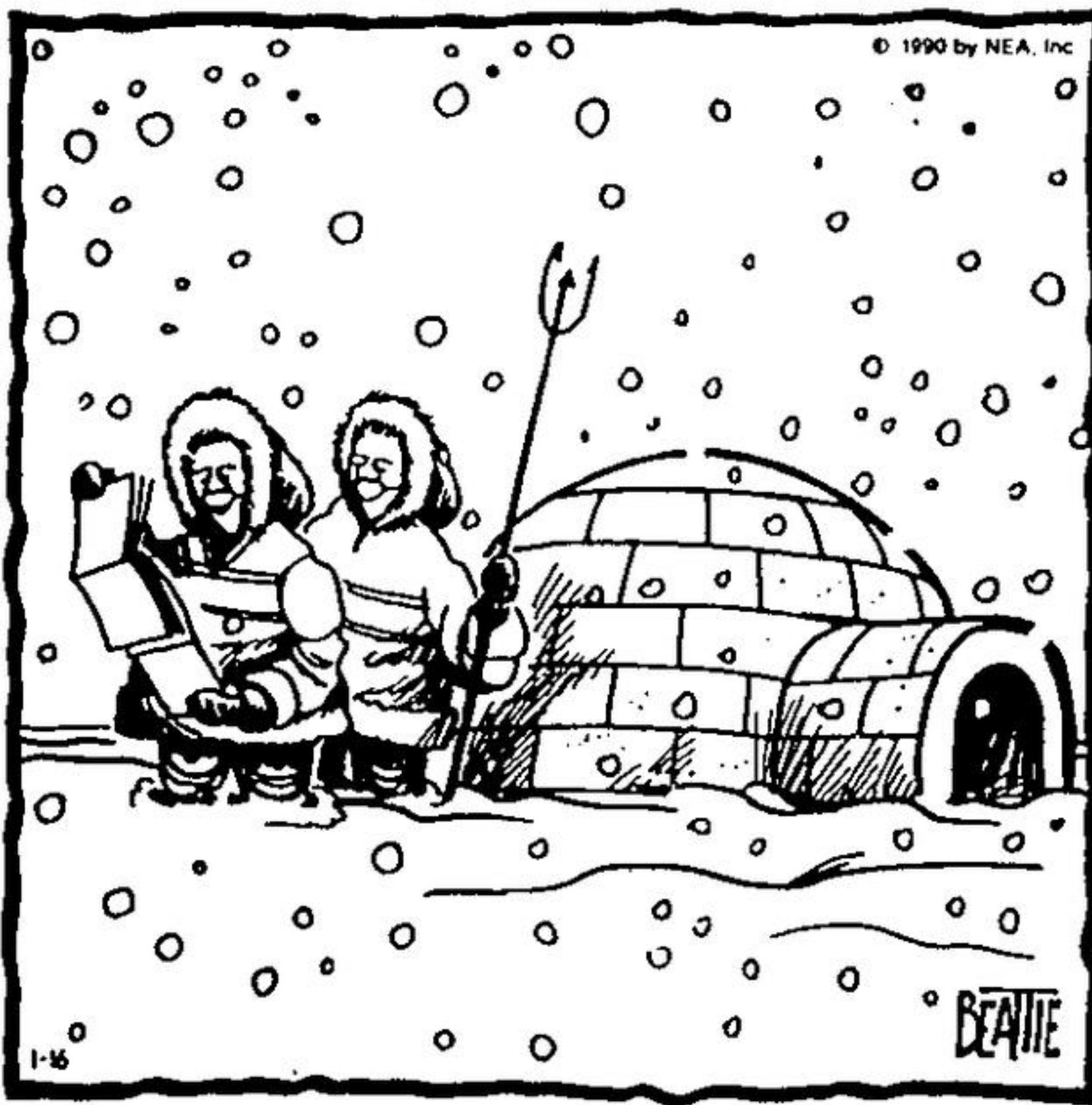
—The inaugural meeting of the Canada-U.S.S.R. Business Council, with its mandate to encourage trade and investment between the two countries.

To say that the historic trading pattern between the two countries has all changed is an overstatement. Indeed, it would seem that most of the companies that made the trek to Moscow were more interested in selling goods and services to the Soviets than buying things from them. As long as this continues, so will the trade imbalance.

### NOT OUR FAULT

This is not solely the fault of Canadian companies. The Winchester Group of Toronto, for example, has been trying to buy things from the Soviet Union for three years now. But indifference by factory managers and other officials has resulted in delayed and cancelled shipments.

## SNAFU® by Bruce Beattie



"Wow! Look at her nose!"

## Predicting the future is like a billiards game

**Derek Nelson**

Queen's Park  
Thomson News Service



Predicting the future is a lot like speculating about the outcome of a game of billiards played by all the denizens of a large poolroom.

It is easy enough to predict where balls will go when broken by an expert. If the player has a single opponent, equally expert, it isn't difficult to predict the rough outline of the game they'll play.

But if every person in the pool hall gets a shot at the table - the colorblind and the unco-ordinated as well as the expert and the ordered - the results become impossible to predict.

No one foresaw the oil price shocks of 1973, yet they probably had a greater single negative impact on the economy of Ontario than any other event since the Second World War.

Assuming, however, that the world stumbles along with roughly the same success this coming decade as it did last decade, what have we to look forward to in Ontario?

On the positive side, we have a robust economy and a skilled, flexible workforce. Most new jobs are created in small business, which means many people still feel opportunity beckons to become independent or to get rich or simply to be in charge of their own destiny. Such people tend to adjust to bad economic times quite rapidly and well.

In the Liberals under Premier David Peterson, we also have an administration that does think about the future, and in the fumbling way of government is attempting to direct and anticipate change.

### "RATIONALIZED"

Two-thirds of all provincial expenditures go on health and education. The Liberals want to see health care "rationalized," which essentially means trying to get its escalating costs under some kind

of control through the rationing of health services in a "rational" manner. In education, they've pumped money into the lower grades on the theory that if they can catch the child young enough, they'll produce the model Ontario citizen who won't do drugs or drop out of school, but instead become a skilled, upwardly mobile producer and consumer in an increasingly competitive world.

Doing what they can to prepare Ontario's people, industry and commerce for that world is also a Liberal goal. They do face the problem that no one has yet come up with a formula for, as the saying goes, "picking winners and losers" industrially. When governments dabble in the subsidy business, they usually back the wrong horse. This is partly because of the political difficulty of saying "yes" to Company A wanting money (that is, calling it a winner), while saying "no" to Company B (calling it a loser).

Still, government involvement isn't always counter-productive. For example, the centres of excellence that have been established at universities where industry and academe can meet ("interface" is their term) seem to be off to good starts.

Moreover, the Liberals appear to have moved, albeit tentatively, on a couple of the major stumbling blocks to the province's economic future.

### CONCERN

They have expressed concern about, and put some cash into, the province's deteriorating infrastructure (clogged roads, full sewers and aging dwellings). This is an area where decline is gradual, and partly a consequence of success. But failure to refurbish the infrastructure can have great long-term negative effects on growth.

It looks, too, like the Liberals have taken the leash off Ontario Hydro and let it get on with the job of constructing enough new energy sources to give the province's economy a secure, relatively inexpensive source of supply in the next century - once we get through some interim shortages.

In the next and final segment of this look into the future, we'll examine some clouds on the Liberals' rainbow.

## Business must invest in Eastern Europe

**Vic Parsons**

Ottawa Bureau  
Thomson News Service



It's time for Canadian businesses to take their marks for the race to new opportunities in Eastern Europe.

While many hurdles remain, there's good reason to hope that the courage and determination recently displayed by the people of the Eastern Bloc will mean increased world trade.

It would be unforgivable if Canadians, because of fear, ignorance or apathy, shied away from the possibilities.

Of course, there is still a good deal of uncertainty about the future. The inevitable economic dislocation caused by political change, and outbursts of ethnic tensions apparent in some countries, could get out of hand. If so, the dire possibility exists that old-guard hardliners could regain control.

Instability, for a time, is guaranteed. In Poland, for example, an inexperienced government is tackling the job of turning around a ruined economy. One hopes the Poles will give their new leaders the time they need. Even worse hardships than exist now may have to be endured for some years.

This is precisely the time that Canadians should establish closer economic ties. It should not be forgotten that the Soviet Union and the Eastern European countries that have undergone major political change in recent months have a population totalling 400 million.

### HUGE MARKET

At some point, should reform proceed and economies turn around, these people will represent a huge new market for consumer goods. By comparison, the United States has 250 million people and the 12-nation European Community has 350 million. Naturally, Eastern Bloc consumers won't have the cash of their American and Western European counterparts, but they shouldn't be ignored. Conversely, they can get some of that cash if we buy more of their products.

It was significant this week that Japanese Prime Minister Toshiki Kaifu announced a \$1-billion aid package for Poland and Hungary. The Japanese may well be the world's cleverest entrepreneurs, and without casting aspersions on their kindness, there's little doubt that the help establishes a strong presence in potential markets.

Some Canadian experts recognize the need to act soon. Bernard Wood, head of the Canadian Institute for International Peace and Security, urged action in a statement this week.

"Economic co-operation and bridging assistance are now a vital part of the West's effort to maintain the momentum of reform in Eastern Europe," Wood said.

The timing is good now because it seems several Eastern European countries are eager to increase economic ties.

## Berry's World



Jim Berry  
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"Let me put you on 'hold' for a minute, Eileen. John is walking out on me."