

# Drastically different agendas divide U.S., Canada

Relations with the United States are seldom easy or smooth, as anyone who has been prime minister for more than a few months could attest.

We are in a bad patch at the moment. The relationship may not be worse than it was when John Diefenbaker clashed with John F. Kennedy over nuclear warheads, when Lester Pearson tangled with Lyndon Johnson on Vietnam or when Pierre Trudeau wrestled with Richard Nixon over just about everything. But the strains seem more acute, and the atmosphere more poisonous, than they have been for many years.

Iraq is the big reason, of course. Jean Chrétien exercised Canada's sovereign right to say No when he refused to join the U.S. war effort, and an overwhelming majority of Canadians would agree he was right and wise to refuse. But that refusal came at the price of soured relations on other fronts. (Anyone who thinks that George W. Bush's Republicans do not "link" issues might like to think again.)

Iraq aside, there is an arrogance, an attitude of entitlement, in official Washington these days. The world's only superpower seems indifferent to,



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even contemptuous of, the sensibilities of lesser nations.

The administration has no use for the United Nations, as Bush demonstrated when he circumvented the Senate to appoint a UN-baiter as ambassador to that organization. It has no respect for the World Trade Organization and, as it indicated last week when it cavalierly dismissed an appeals panel ruling in Canada's favour on softwood lumber, it couldn't care less about the North American Free Trade Agreement.

In the world today, it's George's way or the highway. This attitude adds serious stress to the relationship because the Canadian way and the American way are on sharply divergent paths. Washington is in the steel grip of a right-wing Republican agenda that has

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virtually nothing in common with the malleable Liberalism of Paul Martin's government.

On social and legal issues, the two countries could scarcely be further apart — from gun control to the decriminalization of pot possession to legal recognition of same-sex marriage to what amounts in Canada to abortion on demand.

There is no way a Liberal government would ever tailor these policies to fit Republican cloth. But there is also no way Bush and his followers will accept the Canadian way.

There is a price to pay for being different. From time to time we do have say Yes to Washington, lest a generally harmonious relationship become an

unmanageable one.

This leads me by a circuitous route back to the subject of last week's column: the "no-fly" list proposed by Transport Minister Jean Lapierre in response to U.S. pressure that Ottawa step up its anti-terrorism efforts. The Canadian "no-fly" list would be similar to one used in the U.S.

No one named on the list would be allowed to board an aircraft anywhere in Canada. The names would be secret. Individuals would not be told they were on the list; they would not have the right to clear their names; and, if they were barred from flying, there would be no appeal.

Opposition to the Lapierre list is growing. The federal privacy commissioner has warned that it could violate Canadians' right to privacy and freedom of movement. Newspaper editorial pages have weighed in. One was the Montreal Gazette whose editors met with Lapierre last week and came away unimpressed and unpersuaded.

It must have been an odd session. Lapierre did not seem to have mastered his dossier: At one point, when asked whether the list would apply only to Canadian-flag carriers, the minister had to consult a document before

replying that it would, in fact, cover all airlines, domestic or foreign, using Canadian airports. And one of his aides let slip the fact that the announcement of the "no-fly" list had been ready since March, but had been held back until Aug. 5, in Halifax, because, well, because the minister wanted to make sure it got proper attention.

This seemingly casual approach to an ostensibly urgent problem makes one wonder whether the government really intends to impose a "no-fly" regime — or whether it is simply trying to mollify Washington with the appearance of action.

If the Liberals can rag the puck until fall, Parliament will be back and other issues will take precedence. Then there will be a winter election. After that, who knows? Maybe the Americans will get tired of waiting and lose interest.

One can hope.

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## ESCALATING PRICES

# Oil game doesn't prime inflation pump

By GWYNNE DYER  
FOR THE RECORD

**"We ran out of \$2 oil in 1973,"** said Henry Groppe of Groppe Long and Littel, at 79 the oldest active oil consultant (and one of the most respected) in the business. "Then we ran out of \$8 oil, then \$15 oil. Now we're running out of \$40 oil."

It's a different way of looking at what is happening to the price of oil, and a much more useful one.

Last week, the price of a barrel of oil reached \$65. Oil has doubled in price in the past 18 months, and oil industry experts freely speculate that the price might hit \$80, even \$100 a barrel before year's end, hugely depressing world economic growth.

**"After all the current turmoil is past, the important thing is that the median oil price for the next half-decade will be in the mid-\$40s."**

But here's an interesting fact. Oil companies still decide whether a new field is worth developing by calculating whether they would turn a profit from it when the price per barrel falls to only \$25. Do they know something that the rest of us don't?

Not really. They just know that prices always fluctuate, that swings in commodity prices tend to be much wider than in other goods — and therefore that "running out of \$40 oil" doesn't mean that the oil price will never fall below \$40 again.

It won't stay down there for good, but as John Maynard Keynes once remarked, "markets can remain irrational longer than you can remain solvent." You have to be able to make a profit from your new field when oil drops to \$30 a barrel and stays there for a couple of years.

The price of oil may hit \$80 or even \$100 this year, but if it does it will be an extreme market fluctuation, not a new average price. It will eventually fall back towards the \$40 to \$55 band — but "eventually" is the key word as far as the current global economic boom is concerned.

Despite low growth in Japan and most of the euro zone, the global economy as a whole grew at an unprecedented annual rate of 4.5 per cent over the past 18 months. The rule of thumb says that \$20 on the oil price means a drop of one per cent in global growth six months to a year later, so we aren't in bad trouble yet.

Oil prices have gone up around \$30 in 18 months — 1.5 per cent off the growth rate — but some of that lost growth is already accounted for in that remarkable 4.5 per cent figure. If the oil price stabilized now, the world economy would still be growing at a comfortable three per cent after the rest of the damage feeds through.

If, on the other hand, oil goes up to \$100 and stays there for a year or two, that's another two per cent off the growth rate, and then everybody hurts.

The current growth spurt is bound to end sooner or later — they haven't abolished the economic cycle yet — but sharp swings in the oil price don't necessarily mean that we are headed for an especially severe recession. Nor have we any reason to think that the oil price will stay up in the strato-



An oil pump in Venezuela, the world's fifth largest oil exporter, keeps busy. Oil prices rose briefly to \$66 US a barrel last week. ASSOCIATED PRESS

sphere forever.

This is not like the two "oil shocks" of the 1970s, when a sudden constriction in the oil supply drove the price sky-high. This price peak is driven mainly by rapidly rising demand in the emerging Asian economies and in the United States, so their people are still spending and the impact on the global economy is much less.

Moreover, the big oil producers now have much more developed economies than in the '70s, so they are also able to spend their extra income and keep the wheels turning, rather than letting it pile up as surplus "petrodollars." And developed economies are much less "oil-intensive" nowadays — it takes only half as much oil as it did in the '70s to produce the same amount of gross domestic product — so oil price increases no longer lead to runaway inflation.

After all the current turmoil is past, the important thing is that the median oil price for the next half-decade will be in the mid-\$40s. That is good news in terms of the real crisis, climate change.

It's high enough to encourage energy conservation and drive people towards alternative, preferably non-carbon en-

ergy sources, but it doesn't actually paralyse the economy. We will need more pressure from a higher price later on if we are to avoid a global climate disaster, but the economy can only respond so fast. And we are practically guaranteed a higher price later on — another doubling of the average price by 2010 or 2012, say — because we are probably at peak oil production right now.

Seventy per cent of the world's oil comes from big fields that were discovered before 1970, and they are almost all in decline. The new discoveries are mostly smaller and more expensive to develop, and Henry Groppe recently predicted that oil production worldwide will decline by a million barrels a day each year from now on.

We can take no credit for it, but maybe we are on the best available glide-path for a soft landing on climate change. Whether that will be good enough is, of course, another question.

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# Don't let new library halt progress in downtown Kitchener

Rebuilding a downtown core is not rocket science. It's not a science at all, in fact. There are no set formulas, no recipes to follow, no instruction manual.

Fort Lauderdale, Fla., brought its downtown back from further behind. Its approach was to consolidate its government offices downtown, and then encourage the growth of cultural centres like an opera house and a science centre. But the key to its success wasn't the movement of offices and the restoration of buildings, it was the hard work involved bringing people downtown that would populate the core at all hours of the day and night.

The people behind Kitchener's revitalization appear to have taken this lesson to heart. The success of downtown has been their success at convincing insurance companies and The Record to occupy space in the two underused malls, forging relationships with the region's two universities to open satellite campuses and occupying derelict buildings with cultural attractions.

Which brings me to the proposal to relocate Kitchener's public library to



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the centre block beside City Hall at a cost of more than \$50 million. This seems at odds with the strategy Kitchener has followed thus far.

Kitchener's strategy of bringing educational amenities downtown is a good one. The University of Waterloo's new pharmaceutical college and Wilfrid Laurier University's school of social work will bring people downtown and increase business. And the cachet of being a centre of education will bolster the core's reputation.

But moving Kitchener's main library doesn't add to the core. Kitchener's main branch is already in the core. Moving it to the centre block simply re-

places one underutilized property in the centre with another at the edge that will need redevelopment.

The cost is also a concern. The \$50 million might be better spent increasing the Kitchener Public Library's collection or forging better links with the suburban branches or with adjacent library systems. Couldn't expanding the current main branch of the library be done less expensively? Administrative and board offices, programming and technical services, and staff lounge areas could be moved across the street and connected via a tunnel under Queen Street, for example.

There are other things that could be done to improve services and increase space with the money the city hopes to spend. An electronic collection, perhaps? How about establishing reciprocal borrowing agreements with Waterloo, Cambridge and Hamilton public libraries and doing away with the hefty non-residents fee the Kitchener library charges residents of Waterloo? Or how about free Wi-Fi (wireless fidelity zone offering public access to the Internet) throughout the core?

There is no doubt that the main branch of the Kitchener library needs to expand, but such a megaproject may not be the best way to do it. Similar projects have failed in other Canadian cities, so care must be taken to ensure the right move is made here, one that represents an infusion into the downtown, rather than a rearranging of it.

One of the bigger justifications for the move — that there is insufficient parking at the current location — disturbs me the most, as it shows that at least some people behind the proposal don't get it.

There isn't a single town in North America whose downtown was revived by more free parking. Far from it. Take a long look at Portland, which is the model that many planners in Kitchener and Waterloo Region are attempting to emulate with their light rail transit. Parking lots represent dead space. Fill the dead spaces with attractions, and people will find a way to come in from the suburbs.

Kitchener is to be commended for the work it has done in bringing its downtown back to life. The core is

healthier now than it was 10 years, five years or even two years ago. But I'm not convinced that the library proposal is the best step to take.

The decision to keep much of the planning process surrounding the project a secret, until Mayor Carl Zehr and Carla Ladd intervened, further disturbed me, bringing echoes of the earlier proposal to replace Kitchener's old City Hall with Market Square.

I am pleased that the process is more open now, but I'm still wondering if Kitchener is getting value for the money it intends to spend. Couldn't the library's services be improved more effectively? Couldn't something else — something that brings in more people and business from outside the core — find a home in the centre block?

Let us not negate the gains Kitchener's downtown has made over the past several years. A stumble in the long progress we've made to bring our core back is something we could do without.

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