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# CANADA QUARTERLY

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## CANADA TO IMPLEMENT NAFTA

Prime Minister Chrétien capped a hectic first month in office when he announced that Canada will proclaim the North American Free Trade Agreement in time for its scheduled implementation date of January 1.

"The deal is not perfect," the Prime Minister told an Ottawa news conference on December 2, "but I am very satisfied with the progress we made."

The Prime Minister had been clear, both in the fall election campaign and since taking office on November 4, that the government would not proclaim NAFTA unless its concerns were substantially addressed in five areas.

Though satisfied with the NAFTA side agreements on environment and labor adjustment, the Prime Minister sought further improvements on subsidies, dumping and energy.

"We have met most of our objectives, and, in fact, one new one," the Prime Minister declared.

Chrétien was referring to a Canada-U.S.-Mexico declaration on water resources, exports of which are now specifically excluded from the NAFTA. The statement makes clear that "the NAFTA creates no rights to the natural water resources of any party to the Agreement."

On subsidies and dumping, the three nations have agreed to continue work begun under Article 1907 of the Free Trade Agreement to establish an effective subsidy and anti-dumping code. The working groups will be mandated to resolve these issues by the end of 1995, resulting in improved dispute settlement.

On energy, the government has issued a declaration that clarifies Canada's interpretation of the energy provisions of the NAFTA, reiterating that Canada "will continue to be a strong and reliable supplier of energy to its customers," but that in the event of shortages, "the government will interpret and apply the NAFTA in a way which maximizes energy security for Canadians."

The Prime Minister noted that "we wanted to negotiate some improvements to NAFTA if we were to proclaim"



Prime Minister Jean Chrétien and President Bill Clinton in Seattle on November 18.

the legislation adopted by the previous Parliament, and he was clearly satisfied with the results of his talks with President Clinton and President Salinas.

In Washington, the White House issued a statement by the President that he was "delighted that, as a result of discussions following up on our meeting in Seattle, Prime Minister Chrétien has announced his intention to proclaim the NAFTA by January 1, 1994. We look forward to the smooth and effective implementation of this historic agreement."

The President and the Prime Minister had their first meeting and bilateral talks at the Asia-Pacific economic meeting in Seattle in mid-November. The Prime Minister later described his talks with the President as friendly but business-like.

"We can play a very useful role in many fields as a good friendly neighbor that is independent," Chrétien said after the Seattle meeting. "Will that be different from the previous administration? Probably."

Chrétien, 59, became Canada's 20th Prime Minister after his Liberal Party swept to a strong national majority in the October 25 elections, winning 177 of the 295 seats in Parliament. The separatist Bloc Québécois will form the Official Opposition with 54 seats, closely followed by the western-based Reform Party with 52. The former Progressive Conservative government was reduced to only two seats and the New Democratic Party to nine.

Chrétien sent an unmistakable signal that he means to run a leaner and more efficient government when he introduced his 22-member cabinet at Rideau Hall on November 4. (See article on page 2.)

Markets, which had been reassured by the election of a majority government, were clearly pleased with the Prime Minister's choices for the senior economic portfolios of finance and trade.

Finance Minister Paul Martin, a former Montreal business executive, wasted no time in getting hold of the government's books, and announcing that the deficit for fiscal 93-94 would be worse than forecast, in a range of \$44-46 billion, rather than \$33 billion as projected by the previous government. He also announced that outside consultants would be brought in to determine if the Department of Finance could improve its fiscal forecasting.

Trade Minister Roy MacLaren, who negotiated many of the improvements to the NAFTA with his American colleague Mickey Kantor, participated in the final round of the seven-year GATT talks in Geneva.

The Prime Minister has called Parliament for January 17, when the government will outline the new Canadian agenda in its Speech from the Throne.

All figures are in Canadian dollars.  
The official noon exchange rate on  
December 7 was US\$1 = C\$1.3226.