

ONTARIO'S CONSERVATIVES PROMISE TAX CUTS

Newly elected Ontario Premier Mike Harris has said his government's top priority will be to stimulate the economy.

"We very clearly believe that getting the economy going is important, and tax cuts are key to that," Mr. Harris said. "This economy needs stimulating." He said half the promised income tax cuts will be included in his government's first budget next year.

Mr. Harris' Progressive Conservative party won a sizeable majority in the provincial election held on June 8, on a platform of shrinking government, reducing taxes and reforming welfare. It captured 82 legislative seats out of 130 with 45 per cent of the popular vote. Mr. Harris was sworn in as premier on June 26, succeeding New Democrat Bob Rae.

The incumbent New Democratic Party (NDP) came in third, reduced to 17 seats and 20 per cent of the vote. The Liberals won 30 seats, with 31 per cent of the vote. One seat was won by an Independent.

The Ontario Conservative Party had governed continuously for more than 40 years before the Liberal victory in 1985.

The Conservative "Common Sense Revolution" platform called for a 30-per cent cut in income tax rates and elimination of some payroll taxes, \$6-billion in spending cuts to balance the budget in five years, elimination of 13,000 civil service jobs or 15 per cent of the government workforce, and repeal of some of the NDP's most controversial measures: an employment equity law setting targets

for hiring women and various minorities, a labour law prohibiting the hiring of replacement workers during strikes, and a photo radar system aimed at highway speeders. The Conservatives also promised to overhaul the welfare system by reducing benefits to 10 per cent above the national average, tightening eligibility and requiring recipients to work or enroll in training programs. They said they would freeze rates charged by the provincially owned power company, Ontario Hydro, for five years.

Mr. Harris, 50, who comes from North Bay, has been party leader since 1990. He was first elected to the provincial parliament in 1981 after a career that included stints as a golf pro, resort manager and school teacher. During the campaign he promised to resign if his government did not fulfill its promises.

SASKATCHEWAN RE-ELECTS NDP GOVERNMENT

The New Democratic Party led by Premier Roy Romanow won re-election in Saskatchewan on June 21 with a large legislative majority of 42 seats out of 58 and 47 per cent of the vote.

The Conservatives, who held power four years ago, won five seats, and the Liberals captured 11, after winning a single seat in the last election.

"It's a strong mandate to pursue our jobs and economic growth plan... (and to get) the bankers off our backs," Premier Romanow said. His social democratic government has governed on the theme of "fiscal austerity with compassion," cutting spending (including closing 52 rural hospitals) and raising taxes to convert an \$842-million deficit in 1991 to a projected surplus of \$119 million for 1995.

First Quarter Economic Update

Canada-U.S. merchandise trade totalled US\$88.7 billion in the first quarter of 1995, according to Statistics Canada, up 29 per cent over the same period in 1994. Canada sold \$49.9 billion worth of goods to the U.S., and bought \$38.8 billion worth.

Canada's economy slowed sharply in the first quarter of the year, growing at a real annual rate of only 0.7 per cent, compared to the last quarter of 1994, when GDP rose by 4.6 per cent. The slowdown was attributed to higher interest rates which dampened consumer spending, rail and dock strikes and the sluggish economy of Canada's most important trading partner, the United States. While business investment grew during the quarter, consumer spending declined and real exports rose by only 1.3 per cent over the previous quarter.

Finance Minister Paul Martin acknowledged the slowdown but said he expected a recovery later in the year. He said he expects the government to meet its deficit reduction targets despite the sluggish first quarter because the budget was based on very prudent revenue projections.

Governor of the Bank of Canada, Gordon Thiessen, said in June that he is confident the economy is fundamentally strong because of low inflation (2.5 per cent in the first quarter), higher productivity and provincial and federal government attempts to cut their deficits. "We have to look at the underlying trend and a lot of positive factors are at work there," he said.

Canada

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