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PRIME MINISTER LINKS
GROWTH AND UNITY

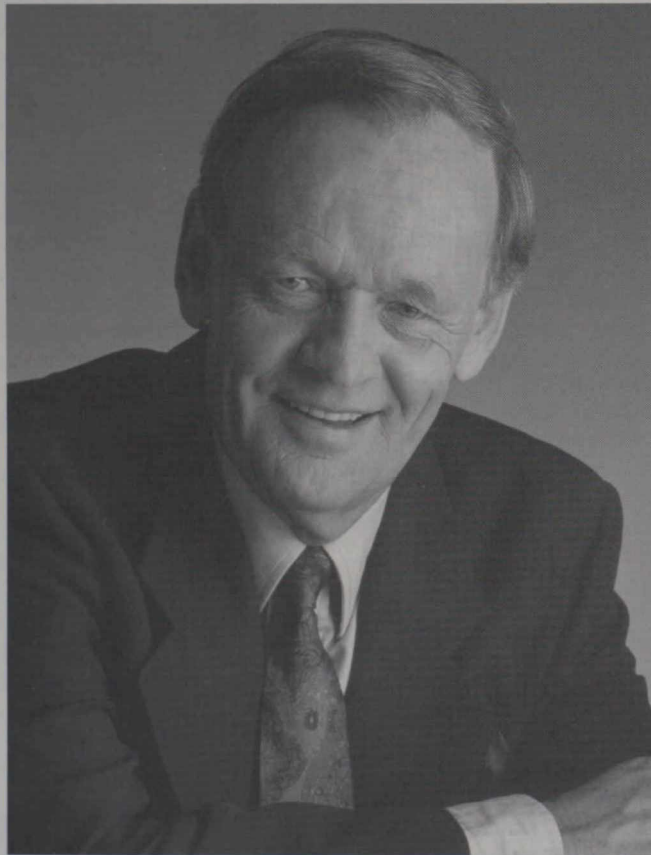
In his first major address since the election of a Parti Québécois government in Quebec, Prime Minister Jean Chrétien outlined a four-point economic agenda for his government that emphasizes the connection between sustaining growth and maintaining national unity.

The Prime Minister said in a major speech to the Canadian Chamber of Commerce in Quebec City on September 18 that his government would focus on reforming social security, meeting its deficit reduction targets, reviewing and restructuring all government programs to control their size and cost, and creating a climate for business that will encourage the creation of jobs.

He cited a new sense of optimism among Canadians, reflecting the growing strength in the national economy, which expanded by 6.4 per cent in the second quarter of this year. (See article on page 4).

Mr. Chrétien said that his first responsibility as Prime Minister of Canada, however, is to ensure the unity of the country. He said he would participate "as a proud Quebecker" and the leader of all Canadians in the debate on Quebec's future in the wake of the victory of the Parti Québécois (PQ) in the provincial election on September 12. The PQ is committed to holding a referendum on separation from Canada in 1985.

"Everyone knows where I stand," the Prime Minister said. "I come from Shawinigan. My province is Quebec.



Prime Minister's Office

My country is Canada. My language is French. And they are all compatible."

The Prime Minister said he would remind the international community that this is not the first time Quebeckers have been faced with such a choice and that "Quebeckers have always chosen Canada in the past, and will again in 1995."

In a referendum called by a previous PQ government in 1980, Quebeckers, by a margin of three to two, voted "no" to the option of sovereignty combined with economic association with Canada.

Mr. Chrétien said that "When the referendum is over, and Canada has won, we must go forward with strength and unity."

He said he will make the case for Canada by concentrating on his government's economic agenda: "on providing

good government, on promoting jobs and economic growth, on getting our fiscal house in order, on modernizing the roles and responsibilities of the federal government."

As a first step in implementing the economic agenda, Mr. Chrétien said that the Minister of Human Resources, Lloyd Axworthy, will table a discussion paper on social security reform in the House of Commons during the first week of October. The paper will focus on the government's three main goals for reform of the social safety net: helping those most in need more efficiently and more cost-effectively, contributing to the retraining and upgrading of the labour force, and removing disincentives to work.

An essential element in creating jobs, the Prime Minister said, is reducing the federal deficit and debt. His government has pledged to cut the deficit from over 6 per cent of Gross Domestic Product to 3 per cent by the end of 1996. He said Paul Martin, the Minister of Finance, will soon present an outline of the government's fiscal options for meeting the target to the House of Commons, beginning a round of public consultation leading up to the release of the 1995-96 federal budget in February.

In order to ensure that budget cuts are not made indiscriminately, Mr. Chrétien said the government is conducting a parallel evaluation of all government programs, led by Marcel Massé, the minister responsible for renewal of the public service. The review will consider whether some programs should be transferred to the provinces or the private sector. Their usefulness to the public, efficiency and affordability will also be assessed.

The final item on the government's economic agenda is improving the business climate, making it easier for entrepreneurs to enter the market and helping business take advantage of technological advances and expand markets abroad.

The Prime Minister expressed confidence that Canadians would celebrate the next Canada Day, July 1, 1995, "as a proud, prosperous, and above all, united country."

REACTIONS TO THE QUEBEC ELECTION



Brian Gable / Reprinted with permission from *The Globe and Mail*, Canada's national newspaper

Political Leaders

Prime Minister Jean Chrétien: "This is the third time that Quebecers have chosen the Parti Québécois to form a provincial government. In electing the Parti Québécois in the past, the people of Quebec never rejected Canada....I am convinced that in the coming months Quebecers will once again demonstrate their profound attachment to being a full part of Canada."

Finance Minister Paul Martin (on the positive response of financial markets to the election): "There is a great deal of momentum in the Canadian economy right now and Quebecers want that momentum to continue."

Parti Québécois Leader Jacques Parizeau: "We are fully aware of our responsibility, as a government proposing sovereignty to its people, of keeping this debate in the confines of a civilized, democratic, if heated, debate."

Quebec Liberal Party Leader Daniel Johnson: "We will be there to remind Quebecers that they are already part of a great country."

Bloc Québécois Leader and Leader of the Opposition Lucien Bouchard: "It was a little less than I expected but still it is a majority government."

Reform Party Leader Preston Manning: "I think there are two things that federalists like ourselves can contribute: ...to insist that the question asked in any Quebec referendum be clear and explicit and that it be asked fairly quickly."

Conservative Party Leader Jean Charest: "Quite clearly this is a mandate to change governments and nothing more. It is now on the shoulders of Péquistes [PQ supporters] to demonstrate to Quebecers what their option is, what it means and what the consequences are."

Assembly of First Nations Leader Ovide Mercredi: "We have to make sure the Canadian public...hears the message that Quebec has no right to break up the country."

Provincial Premiers

Frank McKenna (New Brunswick): "I think we should take a Valium and stay calm."

Bob Rae (Ontario): "While we respect (Quebeckers') right to choose a new government, it's our view that that government has no mandate to break up the country."

Roy Romanow (Saskatchewan): "...we now have a very strong federalist voice on the provincial scene, coupled by the Prime Minister and the support that he will give in this upcoming referendum battle—this makes it a little easier for the rest of us."

Mike Harcourt (British Columbia): "British Columbians want to see Canada stay whole. Change, yes, but stay whole."

Editorials

The Globe and Mail (Toronto): "Confident that they can decide on sovereignty later on, Quebecers have exercised their right to choose a government to address the same issues as voters in any other province....In giving the PQ a limited majority, Quebecers are expressing their reluctance to give the PQ a free hand to detach Quebec from Canada."

Vancouver Sun: "(PQ Leader Jacques) Parizeau made two promises: to provide a provincial government that would be preferable to its Liberal predecessor; and to lead Quebec out of Confederation. In the first promise, we must wish him all the best. In the second, we must do nothing that gives him support."

La Presse (Montreal): "Mr. Parizeau was certainly clear about his party's option throughout the campaign. He will be able to use his majority to begin talks with Ottawa or in our name declare Quebec's wish to accede to sovereignty without contravening the parliamentary rules of our democracy in the slightest. But that would be illusory and would confuse the will of his party with the will of the people. Our democracy is not based on rules alone. It is based on rules and common sense. The new government has the moral obligation to reflect the wishes of the people who brought it to power. And that before all is what should determine the next government's mandate. (Alain Dubuc) (translation)."

Halifax (Nova Scotia) Chronicle-Herald: "...the survival of a reasonably strong Liberal opposition...ensures the federal government will not fight alone in the coming referendum."

Moncton (New Brunswick) Times-Transcript: "It is time for common sense and reason to prevail. Canada is too great a country to allow it to slip away in a fit of pique and frustration."

Quebec Election Results		
Party	Seats	Popular Vote
Parti Québécois (led by Jacques Parizeau)	77	44.7%
Liberal Party of Quebec (led by Daniel Johnson)	47	44.3%
Parti Action Démocratique (led by Mario Dumont)	1	6.5%
Other Parties	0	4.5%
Total Votes Cast: 3.9 million (80 per cent of eligible voters).		

PROMOTING INTERNATIONAL SECURITY

Canada has proposed a new approach to peacekeeping that would permit rapid deployment of intervention forces in times of crisis.

In a speech to the U.N. General Assembly on September 29, Foreign Affairs Minister André Ouellet announced that Canada is launching an in-depth study of options to strengthen the U.N.'s rapid response capability, including the creation of a permanent multilateral military force to be used at the discretion of the Security Council.

"Too often, the intervention of the United Nations comes too late, is too slow, and is carried out under inadequate conditions," he said.

The review will be conducted by the Departments of Foreign Affairs and National Defence and will involve peacekeeping experts from around the world. Mr. Ouellet said the government expects it to lead to a concrete proposal that will be submitted to the United Nations sometime next year.

Mr. Ouellet also announced that Canada will open an international peacekeeping research and training centre in October at a former military base in Cornwallis, Nova Scotia. The centre will be run by the Canadian Institute of Strategic Studies, a private think tank, and will offer training by Canadian and foreign experts for military officers, police, aid workers and other civilians from around the world. Among its first

students will be junior military officers from eastern Europe, in a project sponsored by NATO's Partnership for Peace.

Since Canadian Lester Pearson won a Nobel Prize in 1957 for his pioneering work with the United Nations in defusing the Suez crisis, peacekeeping has been a central element of Canada's foreign and defence policies.

More than 100,000 Canadians have taken part in peacekeeping missions, both under U.N. and other auspices, a record unmatched by any other country. One hundred have lost their lives while serving overseas.

Canada has led efforts for a sweeping reform of the United Nations and has given priority to using its experience and expertise to help improve the U.N.'s peacekeeping capabilities.

Canada's other priorities for U.N. reform, Mr. Ouellet said, include strengthening the organization's ability to prevent crises, re-evaluating its economic and social activities, expanding the Security Council to make it more representative of today's world, and putting the U.N. on a sound financial footing.

The New Peacekeeping Environment

Since the collapse of the Soviet Union and the end of the Cold War, the demand for U.N. peacekeeping operations has expanded dramatically. In a number of recent missions, a civilian component—such as police, election organizers, human rights observers and legal advisers—has been added to the traditional military presence. Another new concept, humanitarian intervention, was introduced in Somalia and Bosnia.

The costs have skyrocketed as well. Canada's share of the U.N. peacekeeping budget has remained steady at 3.11 per cent for the last five years, but in absolute terms its contributions have risen from \$12 million in 1991-92 to a projected \$158.9 million for 1994-95.

Currently 3,125 Canadian armed forces personnel and 353 civilians, including 45 Royal Canadian Mounted Police (RCMP) officers, are engaged in 12 peacekeeping operations, in the

"Canadians have long believed our interests to be served by the rule of the law and by international agreements which promote collective security. We believe that our involvement in peacekeeping operations over four decades is a concrete reflection of our basic security and foreign policy interests."

—André Ouellet, Foreign Affairs Minister

Middle East, Korea, Cambodia, Mozambique and the Dominican Republic, among others. The largest contingents are in the former Yugoslavia (2,000) and Rwanda (600).

Bosnia and Croatia

Canada has played a key role in the Balkans since 1991 when it joined the European Community Monitoring Mission in Croatia. It committed troops to the U.N. Protection Force the following year, and Canadian naval forces and a destroyer are part of NATO's fleet in the Adriatic. Canada has the third largest contingent, after Britain and France, in the U.N. force.

On September 23 Defence Minister David Collette announced that Canada would extend the mandate of its troops in Bosnia and Croatia for another six months. Foreign Minister Ouellet told Parliament: "We need to give negotiations a chance to work. We need to ensure the provision of humanitarian assistance while political pressure takes effect."

Since the fall of 1991, Canada has contributed \$60 million in humanitarian aid for victims of conflict in the former Yugoslavia.

Haiti

Canada, which has a large Haitian community centred in Montreal, has played and continues to play an active role in international efforts to restore Haitian President Jean-Bertrand Aristide to power.

Canada has pledged to send 100 RCMP officers as part of a U.N. peacekeeping mission to help restore order and train a civilian police force in Haiti. They will be accompanied by 600 military personnel who will provide engineering and logistics support. In October, the RCMP will begin training Haitians in Canada to become part of a new civilian police force that will replace Haiti's military-controlled police. Mr. Ouellet has said Canada will also provide substantial

(continued on back cover, column 3)

National Defence



Canadian peacekeepers and refugees in Croatia

ECONOMY TURNS IN BEST PERFORMANCE IN 7 YEARS

Canada's economy grew at an annual rate of 6.4 per cent in the second quarter of this year, to reach a total real output of \$739.6 billion.

Strong exports, a jump in housing starts, and an increase of 23 per cent in business investment in machinery and equipment fuelled the expansion, the greatest in a single three-month period since the third quarter of 1987. The large increase in investment by business was sustained by profits that rose by 26 per cent in the second quarter, and an increase in production in 20 out of 21 major industrial sectors. Consumers also played a part in the boom, spending 3 per

cent more on goods and services than in the previous three months.

The surge in output was not accompanied by inflation; in fact prices fell for the second consecutive quarter, largely because of a cut in federal and provincial tobacco taxes. Prices rose slightly in July, at an annual rate of 0.2 per cent, with no change in August.

"It's clear Canada is now experiencing the best mix of strong growth and low inflation that the country has seen in decades," Ted Carmichael, senior Canadian economist for the Morgan Bank of Canada, told *The Financial Post*.

The economy's strong performance in the first two quarters means that the growth rate for the year should reach at least 4 per cent, outperforming all the other Group of Seven countries. The rate for 1993 was 2.2 per cent and for 1992, 0.6 per cent.

The expanding economy created 122,000 full-time jobs in the second quarter, and labour income grew by 5.6 per cent on an annualized basis.

PEACEKEEPING

(continued from page 3)

economic assistance for the reconstruction and development of Haiti.

Rwanda

Canada has been providing humanitarian relief and military personnel to the U.N. assistance mission in Rwanda since June 1993. Canadian Major-General Roméo Dallaire commanded the U.N. mission from July 1993 until he was replaced by another Canadian, Major-General Guy Tousignant, in August of this year.

For more than a month during the height of the bloodletting after the deaths of the presidents of Rwanda and Burundi in a suspicious plane crash in April 1994, Canadian Forces provided the only airlift of international relief supplies and workers to Kigali, the Rwandan capital.

Later, Canadian troops reopened the airport after it was shut down by shelling and helped restore communications functions to the U.N. mission.

CANADA-U.S. TRADE UPDATE

The flow of goods, services and income between Canada and the United States continued to increase in both directions in the second quarter.

According to Statistics Canada, U.S. exports of goods to Canada increased by 21 per cent over the same period in 1993, to \$39.6 billion, and Canadian exports to the U.S. rose by a similar amount, 22 per cent, to \$45.7 billion. U.S. exports of services and other non-merchandise rose by 5 per cent to \$12.3 billion, while Canadian non-merchandise exports to the U.S. hit \$6.3 billion, an increase of 12 per cent. The \$103.8-billion in two-way trade was almost in balance: the Canadian surplus in merchandise trade offset that of the U.S. in non-merchandise, giving Canada a slight edge of \$37 million in the current account for the quarter.

All figures are in Canadian dollars. The official noon exchange rate on September 29 was US\$1 = C\$1.3422.

Canada's Real Quarterly GDP Growth

1987-1994, % Change at Annual Rates and Constant Prices



Source: Bank of Canada Review

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