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Promoting international security through peacekeeping has been a central element of Canada's foreign and defence policies for four decades. More than 100,000 Canadians have taken part in United Nations and other multilateral peacekeeping operations.

Foreign Affairs Minister André Ouellet announced in September 1994 that Canada would use its peacekeeping experience to conduct an in-depth study of options to increase the U.N.'s rapid reaction capability.

On September 26, 1995, Mr. Ouellet presented the study's final report to the U.N.'s 50th General Assembly. It calls for significant changes in the way the organization responds to emerging crises.

The report centres around the "vanguard concept": the idea that the U.N. should be able to mobilize a multidisciplinary force of up to 5,000 and quickly deploy it to stabilize conflict situations. The force would be made up of military and civilian personnel kept on standby by member states. It would be deployed on the authority of the Security Council and controlled by a new operational-level headquarters of 30 to 50 people responsible for intelligence analysis, planning and advance preparations.

Canada undertook the study because of widespread concern that the U.N.'s recent peace efforts have failed, in the words of the report, "to meet reasonable targets of rapid response." The failure was particularly evident in Rwanda, where a small, poorly equipped peacekeeping force could not prevent the massacre of hundreds of thousands of people. Rwanda's lesson, the report says, is that "modest but timely measures can make the difference between a situation which is stable or contained and a humanitarian disaster which has spiralled beyond control."

The U.N.'s experience in Rwanda also demonstrates the escalating financial cost of postponing intervention. While the U.N. assistance mission sent to Rwanda in 1993 received only a fraction of the US\$200 million budgeted for it, the United States alone spent US\$350 million in aid in the first six weeks after the massacres began in the spring of 1994.

CANADA PROPOSES U.N. PEACEKEEPING REFORMS



AP Photo/Kathy Willens

Canada's Minister of Foreign Affairs André Ouellet, left, presents U.N. Secretary-General Boutros Boutros-Ghali with a study of the U.N.'s rapid reaction capability.

A joint effort by Canada's departments of foreign affairs and defence, the rapid reaction study had input from outside experts and other countries involved in peacekeeping. It placed particular emphasis on the need for a multidisciplinary response to conflicts, with civilian as well as military components. The study produced 26 recommendations for the short, medium and long-terms, none of which would require changes in the U.N. Charter.

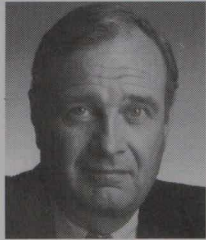
Most of the recommendations relate to implementing the vanguard concept, which depends upon quick decision-making, advance planning and the availability of well-trained troops at short notice. A key proposal is for troop-contributing countries to provide more information to the U.N. in advance about the training and combat readiness of standby military forces, equipment specifications and civilian expertise. The report also

recommends that the U.N. establish an early warning alert system that would trigger decision-making in the Security Council and contingency planning by the new operational headquarters, upgrade the military advice provided to the Security Council, develop standardized training procedures and contract in advance for equipment and transport.

Given the U.N.'s current financial crisis, the report does not recommend increased spending but rather a streamlining of procedures and a reallocation of funds. Changes such as developing a unified peacekeeping budget (replacing separate budgets for each mission), delegating financial authority from U.N. headquarters to field operations and doubling the Peacekeeping Emergency Fund, the report says, would help establish a more secure financial support system for peace operations.

(continued on page 4)

THE CANADIAN EXPERIENCE IN REDUCING BUDGET DEFICITS AND DEBT



Excerpts from a speech by Paul Martin, Canada's Minister of Finance, to the Federal Reserve Bank of Kansas City Symposium on "Budget Deficits and

Debt: Issues and Options," in Jackson Hole, Wyoming, September 1, 1995

The growth of debt since the mid-70s has coincided not only with the maturation of the modern welfare state but also with the great productivity slowdown in all of the advanced economies. In this regard, Canada's situation has much in common with most G-7 countries.

....as we headed into the 1981-82 recession, (federal government) debt was a manageable 30 per cent of GDP. Five years later, the ratio had climbed over 50 per cent and warning lights had begun to flash. With the last recession, it jumped again, from about 55 per cent of GDP in 1989-90 to approximately 73 per cent today....

We entered the 1993 election campaign with a commitment to ultimately balance the budget and a very specific interim target to reduce the deficit to 3 per cent of GDP by 1996-97. While some have considered this to be an insufficiently ambitious target, the reality is that Canada's federal deficit has exceeded 4½ per cent of GDP virtually every year since 1976 and the resulting accumulation of debt made hitting the 3 per cent target in 1996-97—down from about 6 per cent in 1993-94—a really significant challenge....

I would emphasize that 3 per cent is an interim target on the way to a balanced budget....it can be argued that an even more fundamental objective in strictly economic terms is to put the debt-to-GDP ratio on a steady downward trend....

We have already made a great deal of fiscal progress.

■ ...spending cuts and some very limited revenue measures will total C\$29 billion over the three years through fiscal

1997-98. To put that figure in a U.S. context, it would be equivalent to roughly US\$210 billion of action over the same period.

■ The fiscal savings will come overwhelmingly from spending cuts—they will outweigh tax increases by a ratio of 7 to 1....

■ Program spending by 1996-97 will be 10 per cent lower than in 1993-94. In fact, Canada is the only member of the G-7 to budget an absolute decline in program spending.

■ By 1996-97, the 3 per cent deficit target will be met and our market borrowing requirement...will be down to 1.7 per cent of GDP, projected to be the lowest among central governments of G-7 countries.

■ The operating surplus is forecast to be 3.6 per cent of GDP (C\$30 billion) by 1996-97. Most significantly, this will be sufficient to finally begin cutting the debt ratio....

*The foundations
for fiscal recovery
are already
solidly in place.*

These facts and figures tell only part of the story....More fundamentally, we have sought to change permanently the structure of federal government spending. Since our fiscal problem is structural, our remedies must be structural as well....

We have developed a comprehensive game plan to address the underlying issues, focusing primarily on promoting productivity growth while working to correct aspects of the labour market that have caused Canada's core unemployment rate to roughly double over the past 20 years....

For example, it was clear to us that many long-standing business subsidies were in fact hurting our productivity and competitiveness. So in last February's budget we cut total subsidies to business by 60 per cent over the next three years...

We realized that many features of Canada's unemployment insurance

system were impeding rather than promoting the efficient function of our labour market. So we are taking significant steps to transform unemployment insurance—with emphasis on getting the incentives right and on active measures to help the long-term jobless.

We also took a hard look at federal transfer payments to the provinces, which this year will account for almost 23 per cent of program spending.

...to give the provinces greater flexibility we will convert the present cost sharing of social assistance payments into part of a larger block grant....the new block-funded transfer will still require provinces to respect certain nation-wide principles, particularly in respect of health care delivery but also in the social assistance domain....

The 1995 budget also announced significant reductions in spending by federal departments and agencies. As a result, departmental outlays by 1997-98 will be close to 20 per cent lower (in absolute dollar terms) than last fiscal year; the public service will be reduced by about 15 per cent or roughly 45,000 positions; and several activities, notably in the transport sector, will be privatized or commercialized.

...the principal elements of our budget strategy were:

■ First, to set two-year rolling deficit targets backed-up by an ironclad political

October Referendum on Quebec Sovereignty

On September 7, the Parti Québécois government of Quebec introduced sovereignty legislation in the National Assembly and released the question for a referendum to be held on October 30:

Do you agree that Quebec should become sovereign after having made a formal offer to Canada for a new economic and political partnership, within the scope of the bill respecting the future of Quebec and of the agreement signed on June 12, 1995?

The question refers to an agreement between the leaders of the Parti Québécois, the Bloc Québécois (the official Opposition in the Canadian Parliament) and a new provincial party, Action Démocratique, which calls for sovereignty coupled with an offer from Quebec to Canada to negotiate an economic and political association.

Unless otherwise noted, all figures are in Canadian dollars. The official noon exchange rate on October 4 was US\$1 = C\$1.3308.

commitment to hit the targets and to base fiscal forecasts on prudent economic assumptions further supported by substantial contingency reserves;

■ Second, to establish an internal process with the authority to allocate spending reductions among departments, reflecting overall government priorities; and

■ Third, to engage in wide-ranging pre-budget public consultations....

Once we set our fiscal target, the thing that matters above all else is our absolute political commitment to hit that target. And the fact that the targets are near-term means that we have had to react immediately to events like (the 1994 Mexican peso crisis).

Looking back in summary on last February's budget, I believe it succeeded despite the tough medicine for basically the following reasons:

■ First and most fundamentally, the majority of Canadians were already on-side with our general objective—in fact, on the fiscal issue, the public was out in front of most governments....

■ Second was the fact that the budget immediately won the approval of opinion leaders thanks to the prudence of its overall set of assumptions and to the structural quality of the measures themselves.

■ Third, the actions in the budget were broadly seen to be balanced and fair and to be generally responsive to the public's overall sense of priorities. Most of the credit for this has to go to my Cabinet colleagues who not only had to make the sacrifices in their own ministries, but then had to sell the overall justification to their constituencies.

■ Fourth, we achieved substantial fiscal savings while keeping new taxes to a minimum and especially ruling out any personal income tax rate increases. The fact that we cut back so heavily on our own activities, rather than putting the burden of deficit reduction on the backs of taxpayers, was a key plus....

■ Finally, we have had reasonable success in communicating why action to deal with deficits and debt had to be the government's immediate priority and why this was not inconsistent with our jobs and growth agenda—in fact, quite the contrary....

The bottom line message here is clear. It is that our commitment to stay the course of fiscal recovery is unequivocal, and the foundations for that recovery are already solidly in place.

...the 1994 and '95 budgets were obviously much more than cost-cutting exercises to get the markets off our back. What we have really launched is a fundamental reappraisal of the appropriate role

of the national government.

The context for such a reappraisal is an increasingly interdependent global economy where no nation, however powerful, can really control even so basic a parameter as the exchange rate of its currency. The truth is that the limits on the ability of government everywhere to decree social and economic outcomes have become starkly apparent....

In Canada's case—a highly sophisticated, yet relatively small and open economy, heavily indebted to boot—these issues have particular salience and urgency. For us, globalization—whether of financial markets or of economic competition—is simply a fact of life. The real challenge we face is to turn globalization to our favour and to maximize our freedom of action.

The only way to do this, it seems to us, is to put our fiscal house in order, and to do all we can to boost productivity....

Seen in this light, our fiscal strategy is also a strategy to safeguard Canada's independence. But it is also true that the restraint associated with the strategy is leading to a government that is smaller, at least by the measures of head-count and spending volume. For some, smaller government is an objective in itself. But for us, it is simply a means to an end. We do believe that government should do only what it can do best—and leave the rest for those who can do better—whether business, labour or the voluntary sectors.

What we must still achieve at the end of the day is a government that is fully capable of assisting the disadvantaged; a government that is unequivocally committed to our publicly-funded national system of health care; a government that is more adept at providing those things the private marketplace cannot—things

such as strategic support for aspects of science and technology; and a government that is focused on getting the incentives right—whether to foster environmental protection, to attract footloose investment, or to spring people from the welfare trap and onto the job ladder....

What is called for here is not only a change in attitude; it is a sea-change in the nature of politics as it has been practised in the affluent democracies over the past five decades....Creating a public sector where it can truly be said that "less is more" is the greatest challenge we face.

Second Quarter Economic Update

Canada's real GDP dropped by an annual rate of 1 per cent in the second quarter, the first decline since the first quarter of 1991.

Statistics Canada attributed the decline to higher interest rates in Canada and the United States. Exports of goods and services fell by 3.4 per cent in volume, with the automotive sector accounting for 80 per cent of the drop.

The annual rate of inflation as measured by the Consumer Price Index rose in the second quarter to 2.7 per cent from 1.6 per cent in the first quarter. However, it fell in July to 2.5 and again in August to 2.3.

The unemployment rate fell in the second quarter to 9.5 from 9.7 but rose again to 9.6 in July and 9.8 in August.

Merchandise trade between Canada and the United States totalled \$90.45 billion in the second quarter, down by 6 per cent from the first quarter but up by 12 per cent over the same period last year.

Canada's Federal Government Deficit As a Percentage of GDP



UPDATE ON PACIFIC SALMON

Canada and the United States have entered into mediation on the equity principle of the Pacific Salmon Treaty and have appointed Ambassador Christopher Beeby of New Zealand as mediator. Agreement by the two countries on the equity issue would facilitate future negotiations on long-term salmon fishing arrangements.

The Pacific Salmon Treaty, signed in 1985 by Canada and the United States, was based on two principles: equity, to ensure that each country receives fishery benefits corresponding to the salmon spawned in its waters; and conservation, to prevent overfishing and to maximize production. Equity is of concern to Canada because American fishermen have increased their interceptions of Canadian-origin fish by more than 50 per cent since the treaty was signed, while Canada has reduced its interceptions of American salmon by more than 40 per cent. The imbalance means approximately \$70 million lost to Canadian fishermen.

Canada, which has undertaken comprehensive efforts to conserve salmon runs in its waters, is also concerned that without a new agreement on fishing arrangements, weak salmon stocks will decline severely. Of particular concern

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to Canada are chinook salmon from the west coast of Vancouver Island. In 1992 and 1993 these stocks were subject to exceptionally high predation by mackerel, which had migrated further north than usual due to warm ocean temperatures. Consequently very low abundance was forecast for 1995 and 1996.

Canada reduced its 1995 catch of chinook salmon by 50 per cent or more, depending on abundance. Washington and Oregon imposed similar conservation measures. Alaska, however, unilaterally announced a reduction of only 4 per cent in its chinook catch off the southeast coast for 1995, which would have been insufficient to deal with the conservation problem. Alaska's cooperation is important since, on average, 90 per cent of the chinook catch in southeast Alaska is taken from stocks originating in Canada and the U.S. Northwest.

U.S. Pacific Northwest tribes, with Washington and Oregon, filed suit to stop Alaska's 1995 commercial fishery for chinook salmon. Canada supported the action by filing a brief as an *amicus curiae* (friend of the court) containing

scientific information on the impact of Alaska's actions on the bilateral rebuilding program for chinook established in the Pacific Salmon Treaty.

On September 7, a U.S. Federal District Court judge in Seattle granted a temporary restraining order suspending the Alaskan chinook fishery until September 30, effectively precluding any further commercial chinook fishing this year. The judge's ruling found that "the estimated impact of Alaska's proposed 1995 plan, even using the evidence upon which Alaska relied at the preliminary injunction hearing, poses the threat of irreparable harm to those depleted stocks."

Canada's Minister of Fisheries and Oceans, Brian Tobin, said, "...I hope that this decision will not be seen in terms of winners and losers, but rather as a signpost to remind us of the reasons that led to the endorsement of the Pacific Salmon Treaty. We must recommit to the principles of this treaty, to the notion of our shared responsibility for conservation, and to the recognition that the best outcomes are those negotiated at the Pacific Salmon Commission table."

U.N. RAPID REACTION

(continued from page 1)

The report offers several ideas for future consideration, among them establishing a standing U.N. emergency military force, creating regionally-based peacekeeping headquarters and finding an independent source of revenue for the U.N.

Mr. Ouellet told the General Assembly that the report is only the first step for Canada, which is prepared to provide personnel on loan to the U.N. to help it establish an operational-level peacekeeping headquarters and to build

up its capacity in human rights, legal advice, humanitarian assistance and other civilian areas.

Canada is working with other countries that contribute peacekeepers to build support for reforms to improve the U.N.'s response to crises.

Canada's report on the U.N.'s rapid reaction capability is available in English and French on the Internet. The address is: <http://www.dfait-maeci.gc.ca>

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