

DOCS  
 CA1  
 EA980  
 C16  
 v. 2  
 January  
 1994

# CANADA QUARTERLY

Dept. of External Affairs  
 Min. des Affaires extérieures  
 F E V 1997  
 RETURN TO DEPARTMENTAL LIBRARY  
 RETOURNER À LA BIBLIOTHÈQUE DU MINISTÈRE  
 Volume 2 Number 1

January 1994

## 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.

# CANADA'S NEW GOVERNMENT

After being sworn in as Canada's 20th Prime Minister on November 4, Jean Chrétien unveiled a pared-down cabinet of 22 ministers and underscored his government's commitment to integrity and fiscal responsibility.

The new cabinet, the smallest in recent Canadian history, is among the most experienced, beginning with the Prime Minister, who has held every major portfolio in government. Five other ministers have had previous cabinet experience in pre-1984 Liberal governments, and four have served as parliamentary secretary to a minister. Ministers holding the key economic portfolios of Finance (Paul Martin), International Trade (Roy MacLaren) and Industry (John Manley) have had successful careers in business and are all considered to be fiscal conservatives.

Regionally, 10 ministers are from Ontario; four, in addition to the Prime Minister, are from Quebec; three are from the Atlantic region; and four plus the Senate leader are from the West.

In a departure from tradition, the new government includes a second tier of eight secretaries of state outside the

cabinet, along the British model. They report to ministers and have been given specific responsibilities, for example, the status of women, which falls within the Canadian heritage portfolio, and international financial institutions, within the finance portfolio. Secretaries of state are paid 75 per cent of cabinet ministers' salaries and have considerably smaller staffs.

To help restore public confidence in the institutions of government, one of his avowed goals, Chrétien has appointed Mitchell Sharp, 82, to serve as his personal adviser on ethics. Sharp, who held a number of cabinet posts in the Pearson and Trudeau governments, will receive a salary of \$1 per year. In addition, the Prime Minister has reaffirmed his campaign pledge to reform MPs' pensions and the practice of "double-dipping," regulate lobbyists and examine government advertising and communications practices. He has also abolished the political post of chief of staff to the minister and reduced the number and budgets of other political staff in the ministries, saving an estimated \$10 million per year.

Among those ministers who will play important roles in relations between Canada and the United States are:

Canapress Photo/Fred Chartrand



**Sheila Copps**  
*Deputy Prime Minister and Environment Minister.*

The Deputy Prime Minister acts for the government in the absence of the Prime Minister, for example, during Question Period in Parliament. Copps, 40, has been the Member of Parliament for Hamilton (East), Ontario, since 1984 and before that was a member of the Ontario legislature. While the Liberals were in Opposition, she held the posts of environment critic and co-critic for social policy. A candidate for the Liberal Party leadership in 1990, she became Deputy Leader of the Opposition in January 1991. Copps has said that cleanup and protection of the Great Lakes will be the government's highest environmental priority: "(The Great Lakes) will be the flagship of our environmental agenda and it will be the agenda by which we are judged," she said in November at a conference on cleaning up Hamilton Harbour.

Office of the Minister of Finance



**Paul Martin**  
*Minister of Finance.*

The son of a long-time Liberal cabinet minister, Martin, 55, was first elected to Parliament from Montreal in 1988. He was a candidate for the Liberal Party leadership in 1990 and was co-author of the 1993 Liberal platform. Before entering politics, he was chairman and CEO of Canada Steamship Lines, Inc., which became Canada's largest private transport concern under his leadership. In addition to holding the Finance portfolio, he will have responsibility for the federal Quebec regional development agency. In his second week in office, Martin reaffirmed the government's "double-track" economic strategy: "The fact is that the root cause of the problem of the deficit is the weakness of the economy, and while we are going to have to clearly look line by line at all government expenditures, at the same time we are going to have to create jobs in this country and provide hope."

## Cabinet Members

In order of precedence (based on length of federal government service):

**Jean Chrétien**  
*Prime Minister*

**Herbert Gray**  
*Solicitor General and Leader of the Government in the House of Commons*

**André Ouellet**  
*Minister of Foreign Affairs*

**Lloyd Axworthy**  
*Minister of Human Resources Development and Minister of Western Economic Diversification*

**David Collenette**  
*Minister of National Defence and Minister of Veterans Affairs*

**Roy MacLaren**  
*Minister for International Trade*

**David Anderson**  
*Minister of National Revenue*

**Ralph Goodale**  
*Minister of Agriculture and Agri-Food*

**David Dingwall**  
*Minister of Public Works and Government Services and Minister Responsible for the Atlantic Canada Opportunities Agency*

**Ron Irwin**  
*Minister of Indian Affairs and Northern Development*

**Brian Tobin**  
*Minister of Fisheries and Oceans*

**Joyce Fairbairn**  
*Leader of the Government in the Senate and Minister with Special Responsibility for Literacy*

**Sheila Copps**  
*Deputy Prime Minister and Minister of the Environment*

**Sergio Marchi**  
*Minister of Citizenship and Immigration*

**John Manley**  
*Minister of Industry*

**Diane Marleau**  
*Minister of Health*

**Paul Martin**  
*Minister of Finance and Minister Responsible for the Federal Office of Regional Development-Quebec*

**Doug Young**  
*Minister of Transport*

**Michel Dupuy**  
*Minister of Canadian Heritage*

**Arthur Eggleton**  
*President of the Treasury Board and Minister Responsible for Infrastructure*

**Marcel Massé**  
*President of the Queen's Privy Council for Canada, Minister of Intergovernmental Affairs and Minister Responsible for Public Service Renewal*

**Anne McLellan**  
*Minister of Natural Resources*

**Allan Rock**  
*Minister of Justice and Attorney General of Canada*



**Roy MacLaren**  
*Minister for International Trade.*

MacLaren, 59, was first elected to Parliament in 1979. He was appointed Minister of State (Finance) by Prime Minister Trudeau in 1983 and promoted to Minister of National Revenue the following year. Before entering politics he was vice president of Massey Ferguson and president of Ogilvy & Mather. He was formerly publisher and is currently chairman of *Canadian Business* magazine. As a Foreign Service officer from 1957 to 1969, he was posted to Hanoi, Prague, Geneva and the United Nations. Mr. MacLaren said in a CBC interview that "Canada's interests as a major trading nation are best served when international trade is subjected to common rules. That's what we've been seeking in the Uruguay Round of the Gatt and what we are now seeking in the context of NAFTA."



**Marcel Massé**  
*President of the Privy Council, Minister of Intergovernmental Affairs and Minister Responsible for Public Service Renewal.*

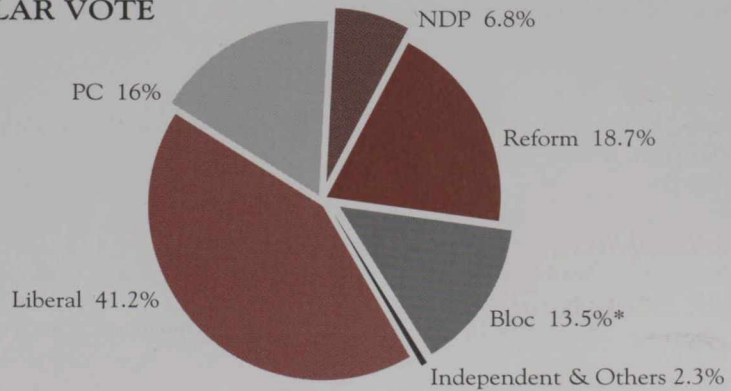
Formerly Canada's top civil servant as Clerk of the Privy Council (secretary to the cabinet) under Joe Clark's Conservative government, Massé, 53, has been given the task of reaching out to the Canadian federal bureaucracy, which has been hit by severe cutbacks in recent years. A Rhodes scholar, Mr. Massé holds a law degree from McGill, an international law diploma from Warsaw University in Poland and an advanced degree in economics from Oxford. His government career has included service as Under Secretary of State for External Affairs and twice as President of the Canadian International Development Agency. He was first elected to Parliament in 1993, from Hull-Aylmer, Quebec, across the Ottawa River from the capital. On the subject of national unity, which falls within his intergovernmental relations portfolio, Massé has said that Canadian federalism could be renewed through administrative agreements with the provinces rather than constitutional reform.

**FINAL ELECTION RESULTS**

	Liberal	PC	NDP	Reform	Bloc	Ind.	Total
Newfoundland	7						7
P.E.I.	4						4
Nova Scotia	11						11
New Brunswick	9	1					10
Quebec	19	1			54	1	75
Ontario	98			1			99
Manitoba	12		1	1			14
Saskatchewan	5		5	4			14
Alberta	4			22			26
B.C.	6		2	24			32
N.W.T.	2						2
Yukon			1				1
<b>Total</b>	<b>177</b>	<b>2</b>	<b>9</b>	<b>52</b>	<b>54</b>	<b>1</b>	<b>295</b>

Source: Elections Canada. Figures are unofficial.

**POPULAR VOTE**



\*The Bloc Québécois received 49.2% of the popular vote in Quebec, the only province in which they fielded candidates. Source: Elections Canada. Figures are unofficial.



**André Ouellet**  
*Minister of Foreign Affairs.*

A lawyer before his election to the House in 1967, Ouellet, 54, held a number of cabinet posts in the Trudeau governments, including Postmaster General, Minister of Consumer and Corporate Affairs, Minister of Public Works, and Minister of Labour. After being sworn in as Minister of Foreign Affairs in the renamed Department of Foreign Affairs and International Trade (formerly External Affairs), Ouellet told reporters: "It's clear Canada's foreign policy must be reviewed in the context of the end of the Cold War. It also has to be reviewed in the context of Canada's capacity, as a middle power, to play an important role at the United Nations - but not necessarily the same role we played over the past nine years."



**David Collenette**  
*Minister of National Defence and Minister of Veterans Affairs.*

Collenette, 47, was first elected to Parliament in 1974 and served as multiculturalism minister under Prime Minister Trudeau. As Deputy Government House Leader during the constitutional debates of the early 1980s, he was sent to Westminster to explain Canada's position on the constitutional patriation process to the British Parliament. Before the recent general election, he was executive vice-president of Mandrake Management Consultants in Toronto. Prime Minister Chrétien has asked Collenette to conduct a comprehensive review of defence policy within the year. The defence minister has said that the review process "must attempt to seek to balance international and domestic commitments with financial restraint."

## "NEW DIRECTIONS"

Canada seeks "new directions" in relations with the United States, according to a senior member of the new Liberal government.

In his keynote address to the biennial convention of the Association for Canadian Studies in the United States (ACSUS) in New Orleans on November 20, Intergovernmental Affairs Minister Marcel Massé quoted from the Liberal Party election platform: "Our objective is... a mutually respectful relationship with the United States that balances our ongoing interest in having the Americans remain our closest friends, and our largest trading partners, with a desire to seek out new avenues of cooperation and dialogue made possible by the end of the Cold War and other new realities."

One of those new realities, the potential for increased Pacific trade, was addressed the same day by Prime Minister Chrétien at the Asia Pacific Summit in Seattle.

"The future is a lot more on the Pacific than on the Atlantic these days," Chrétien said in a CBC interview. "The economic growth is very high in all those countries. The potential is fantastic."

But Massé also emphasized the close economic and political ties between Canada and the United States.

Noting that the two countries conducted \$287 billion of trade in 1992, Massé observed that "no other bilateral trading relationship in the world matches that for intensity."

The U.S. receives more than 75 per cent of Canadian exports, while sending more than 20 per cent of its exports to Canada. As Massé noted, "More than 2 million jobs in each country depend directly on trade with the other."

Massé also looked ahead to the

NAFTA and the evident "potential of this new North American market... 360 million people and one-third of the world's output." He pointed out that "NAFTA marks the first trade agreement ever negotiated between two developed countries and a developing one."

He added, "Between States, liberalised trade is one of the best – or perhaps the best – strategy for sustained movement away from underdevelopment towards development."

Massé has been given responsibility for public service renewal, a mandate similar to Vice President Gore's task of reinventing government. "The public expects us to spend smart," Massé said. "They want government to be efficient and effective."

With respect to the rise of the regional parties in the October 25 elections, and the resulting shape of the next Parliament, Massé said: "We do not dismiss the rise of the Reform Party in the West, and the Bloc Québécois in Quebec, as mere accidents... We in the federal government will be challenged not only in Quebec, but elsewhere in Canada, to demonstrate that a united Canada is the best solution for all Canadians."

Looking ahead to a Parliament where the governing Liberals will be faced with the Bloc as the Official Opposition, Massé acknowledged the possibility that "regional tensions which gave rise to the Reform Party may only be accentuated." However, he went on to say, "I put my faith in the common sense of Canadians, as well as their love of country, to help counter that risk. I would also count on our Prime Minister. Mr. Chrétien is the most experienced Prime Minister to take office in Canada since Lester Pearson in 1963."

Massé stressed that the government's immediate priorities were economic and ruled out any constitutional debate in the near future.



"Canadians clearly are in no mood for further constitutional debate," he said. "They want economic renewal first, in Quebec, as elsewhere in Canada."

But the fact that the constitutional books remain closed, he stressed, does not "signal the end of the Canadian compromise."

He added: "Our government will begin the search for a new consensus, built on practical arrangements that will enable governments to work together more efficiently, and Canadians to live together more comfortably."

Massé lauded the work of ACSUS, which has grown from modest beginnings in the early 1970s, to an organization with real critical mass, as attested by its four-day New Orleans meeting, attended by 500 Canada watchers, who heard 300 presentations in 100 workshops.

"The statistics tell the story," Massé said. "Over 500 American universities and colleges offering courses related to Canada, 55 universities with centres or programs of Canadian studies, 25,000 students enrolled yearly in Canadian studies courses, over 1,000 professors teaching, researching and publishing about Canada."

The New Orleans meeting attracted prominent visitors from Canada, including former Prime Minister Joe Clark, former Manitoba Premier Howard Pawley, *Globe and Mail* columnist Jeffrey Simpson and Bell Canada Vice President Richard French. The next ACSUS convention is scheduled for the fall of 1995 in Seattle.

## CANADA QUARTERLY

Canadian Embassy  
501 Pennsylvania Avenue, N.W.  
Washington, D.C. 20001  
Tel.: (202) 682-1740  
Fax: (202) 682-7791

Edited by Judith Webster  
Designed by Sharon Musikar

If you wish to change your address,  
please include your mailing label.

Address Correction Requested



FIRST CLASS MAIL  
U.S. POSTAGE  
PAID  
SO. MD. FAC.  
PERMIT NO. 1451



Printed on recycled paper