

DOCS

CA1
EA980
C16
v. 4
July
1996

LIBRARY E A / BIBLIOTHÈQUE A E



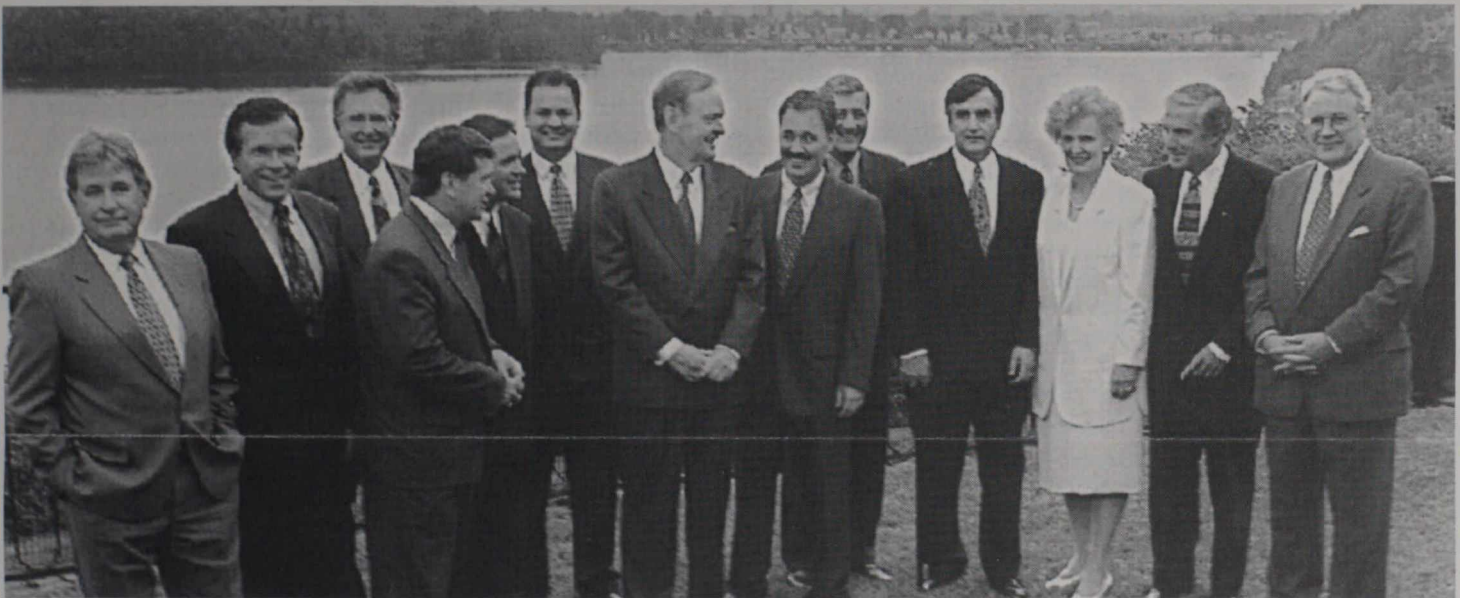
3 5036 01031388 3

Dept of External Affairs
Min. des Affaires extérieures

CANADA QUARTERLY

July 1996

Volume 4 Number 3

COOPERATION THE FOCUS OF FIRST
MINISTERS' MEETING

Canapress Photo/Fred Chartrand

Prime Minister Jean Chrétien with provincial and territorial leaders in front of the Ottawa River before their dinner meeting on June 20. Left to right: Alberta Premier Ralph Klein, Manitoba Premier Gary Filmon, Yukon leader John Ostashek, New Brunswick Premier Frank McKenna, Newfoundland Premier Brian Tobin, N.W.T. leader Don Morin, Prime Minister Jean Chrétien, B.C. Premier Glen Clark, Ontario Premier Mike Harris, Quebec Premier Lucien Bouchard, Prince Edward Island Premier Catherine Callbeck, Saskatchewan Premier Roy Romanow, and Nova Scotia Premier John Savage.

At a meeting held in Ottawa on June 20 and 21, the Prime Minister and provincial and territorial leaders agreed to collaborate on harmonizing environmental standards, organizing a high-level trade mission to the Far East, accelerating the removal of barriers to internal trade, and creating a national child benefit package.

Prime Minister Jean Chrétien said: "It was a very good meeting...with concrete results," and Newfoundland Premier Brian Tobin agreed: "I'm going away feeling that there is still a strong desire to have an effective national government and a strong desire to live and work together." Quebec Premier Lucien Bouchard said, despite the existence of what he called "two different visions" of the country: "I don't think it's a waste of time... I note... obvious good will on the part of all around the table. We share the same concerns."

Such meetings of the "First Ministers," as they are known, play a crucial role in the Canadian federal system. Because of the extensive overlap of governmental responsibilities and the necessity for joint funding in most areas of public policy, the efficient functioning of the federation depends upon federal-provincial cooperation at all levels. The most visible mechanism for managing intergovernmental relations is the First Ministers' Conference, chaired by the Prime Minister. It has no regular schedule of meetings and is convened by the Prime Minister as issues arise.

A major theme of this year's conference was clarifying the responsibilities of the two orders of government to reflect the country's changing needs and resources. In a speech delivered on June 18, Prime Minister Jean Chrétien outlined his government's approach to modernizing the federation: "We have

been through two failed constitutional attempts in the last 10 years. In each case, large, complex, all-or-nothing packages were put on the table. In each case, good intentions ended in failure.... If we have learned anything from these experiences, it is that a different approach is needed, a more step-by-step, pragmatic approach. Identifying a problem, getting agreement and solving it. Then moving on to the next problem."

One element of this approach is the federal plan to withdraw from several areas of provincial jurisdiction—labour market training, mining, forestry, recreation, and administration of social (public) housing. The federal government has also announced it will not use its constitutional spending power to create new shared-cost programs in areas of exclusive provincial jurisdiction without the consent of a majority of

(continued on page 2)

CANADA PROTESTS U.S. CHINOOK PLAN: STOCKS AT ALL-TIME LOW

Canada has protested the United States' plan for harvesting chinook salmon off the southeast coast of Alaska, which was announced less than a week before the July 1st opening of the 1996 fishing season.

Canada is concerned that the catch limit is too high to allow the rebuilding of endangered stocks. Scientists forecast that the number of chinook returning to spawning grounds on the west coast of Vancouver Island will be at an all-time low this year, with only one or two dozen females expected to return to some streams.

Canada's Fisheries and Oceans Minister Fred Mifflin said: "Alaska is advocating limits which are clearly inconsistent with the conservation actions taken by Canada and will undoubtedly increase the harvest rate on seriously depleted stocks."

Under the 1985 Canada-U.S. Pacific Salmon Treaty, which covers six species of salmon and steelhead, the two countries are obliged to cooperate in managing stocks and preventing overfishing. Catch limits are supposed to be negotiated within the bilateral Pacific Salmon Commission established by the treaty, based on recommendations by a technical committee composed of Canadian and American scientists.

In 1994, scientists from both countries recommended that significant reductions in chinook catch limits be put in place, in view of major declines expected in runs in 1995, 1996 and 1997. They attribute the low abundance to past overfishing, breeding cycles and abnormally warm ocean temperatures that encouraged mackerel, a salmon predator, to migrate farther north than usual.

The U.S. harvesting plan for chinook, the largest and most valuable species of Pacific salmon, calls for a total catch of between 140,000 and 155,000. This is more than twice the maximum Canadian scientists recommend to allow the rebuilding of B.C. stocks. At the March meeting of the Pacific Salmon Commission, Canada proposed a limit of 60,000 for all chinook fisheries off the southeast Alaska coast.

In response to the conservation crisis, Canada has banned all commercial chinook fishing this year along the entire

British Columbia coast and all sport and Aboriginal fisheries for the species off the west coast of Vancouver Island. Canada has also announced it will cut the entire West Coast commercial salmon fishing fleet in half over the next several years by buying back licenses.

Since most B.C. chinook must pass through Alaskan waters before reaching their native streams, Canadian conservation efforts alone cannot halt the decline. About 60 per cent of those caught off southeast Alaska originate in Canadian streams, with the rest native

to waters in Washington, Oregon and Idaho.

Negotiations within the Pacific Salmon Commission and directly between the Canadian and U.S. governments on a formula to share the harvest and to establish long-term fishing regimes have broken down. Canada is pressing the United States to agree to a public process that would make recommendations to resolve the impasse and re-establish the health and long-term future of the West Coast salmon fishery.

FIRST MINISTERS *(continued from page 1)*

provinces, a longstanding priority for some provinces.

The federal government has also proposed the creation of joint bodies to administer areas having both national and provincial dimensions. Most leaders agreed in principle to create a national securities commission headquartered in Toronto. The Canadian counterpart to the U.S. Securities and Exchange Commission, it would greatly reduce the administrative burden on companies, which now must comply with 12 different regulatory regimes. The premiers of Quebec and British Columbia, which have their own stock exchanges, have said they would not participate. Most provincial leaders also agreed on the need for an integrated food inspection agency and a central tax collection agency.

The first ministers reached unanimous agreement on completing a comprehensive environmental accord that would provide for the highest standards across the country and coordinate regulatory and assessment efforts. Under the Canadian Constitution, neither the federal nor provincial governments have explicit jurisdiction over the environment. The provinces are responsible for land use planning, natural resource management and air and water quality standards, while the federal government establishes national goals and standards, undertakes scientific research and deals with transboundary and global issues. While these roles are complementary, there is some duplication, which could be eliminated by an umbrella accord.

Fostering economic growth and creating jobs, which have been priorities for the Prime Minister and the provinces, was another focus of the meeting. The first ministers committed themselves to continue their efforts at deficit reduction, which are expected to give Canada by next year the lowest combined government deficit as a percentage of Gross Domestic Product (GDP) within the Group of Seven. The Prime Minister noted that Canada's economy is more dependent on exports than that of any other western country—37 per cent of GDP depends on them—and he won agreement from most of the premiers, including Quebec's Lucien Bouchard, to take part in a trade mission to South Korea, Thailand and the Philippines in early 1997. Quebec did not participate in earlier "Team Canada" missions led by the Prime Minister to the Far East and Latin America.

The first ministers also agreed to move forward in creating a more open trading environment within Canada. An Internal Trade Agreement that took effect a year ago reduced trade barriers in a number of sectors, but work remains to be done in energy and procurement, occupational standards and dispute settlement.

During the discussions on social policy, a proposal by Saskatchewan premier Roy Romanow to concentrate resources on combatting child poverty elicited considerable interest. It calls for integrating programs at the federal, provincial and municipal levels to create a new national child benefit that would be given to all poor families.

CANADA-U.S. TRADE EXPANDED IN 1995

The volume of goods, services and investment income flowing between Canada and the United States increased by 13 per cent in 1995 over the previous year, totalling more than U.S. \$334 billion, according to preliminary figures from the U.S. Department of Commerce. This was the largest two-way trade in the world, exceeding by 23 per cent U.S. trade with Japan, its second most important trading partner.

The U.S. exported \$164 billion worth of merchandise and non-merchandise to Canada, 17 per cent of U.S. exports to the entire world. U.S. imports from Canada totalled \$171 billion. The U.S. sold \$128 billion worth of merchandise to Canada, more than twice as much as it sold to Japan and more than it sold to the 15 countries of the European Union combined. The U.S. exported \$18 billion worth of services to Canada in 1995 and received \$18 billion in income from its Canadian assets.

Canada exported \$148 billion worth of merchandise and \$13 billion in services to the U.S. in 1995, and received \$10 billion in income from its U.S. assets.

In 1995, motor vehicles and parts accounted for 28 per cent of U.S. merchandise exports to Canada and 31 per cent of imports. The second largest category of U.S. exports to Canada was electronic and telecommunications equipment, including \$6 billion worth

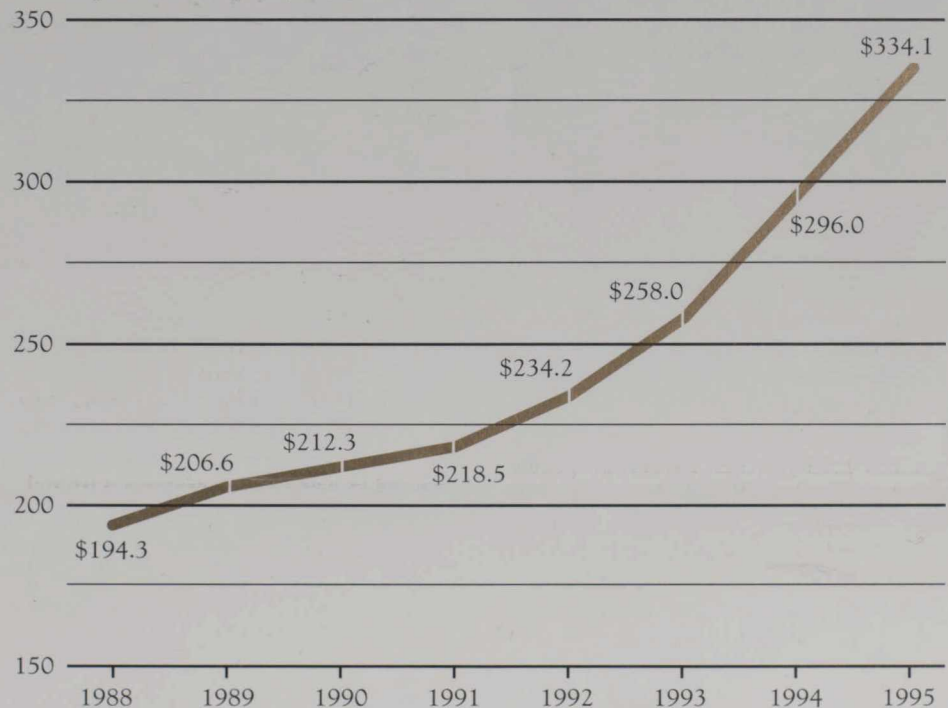
of computers and \$2 billion worth of tubes and semi-conductors. Canada sold the U.S. \$15 billion worth of energy products, including \$7 billion worth of crude petroleum, \$4 billion worth of

natural gas, \$3 billion worth of petroleum and coal products, \$864 million worth of electricity and \$113 million worth of coal.

(All figures are in U.S. dollars.)

U.S. TRADE WITH CANADA

1988-1995, in billions of U.S. dollars
Exports and Imports, Merchandise and Non-Merchandise



Source: U.S. Department of Commerce

ECONOMIC AND TRADE UPDATE

Recent government efforts at the federal and provincial level to curb deficits are paying off.

The federal government bettered its deficit reduction target for 1994-95 and is on its way to coming under the 1995-96 target. Six of Canada's 10 provinces posted balanced budgets or surpluses for 1995-96, and the two largest provinces, Ontario and Quebec, have announced balanced budget plans.

Inflation as measured by the consumer price index averaged 1.4 per cent over the first four months of 1996, about half the U.S. rate, as a result of declining unit labour costs and lower wage settlements, which have risen by less than 1 per cent since 1993. Inflation inched higher in June, to 1.5 per cent, largely

due to an increase in gasoline prices.

Restructuring and low inflation have boosted Canada's international competitiveness over the last two years, and exports have grown by 41 per cent. The strong export performance has led to a narrowing of the current account deficit from 4 per cent of GDP in 1993 to 1.4 per cent in 1995.

Success in reducing deficits and keeping inflation low has resulted in declines in short-term interest rates, which have come down about three percentage points since last year and, for the first time for a sustained period since 1980, are lower than U.S. rates.

The unemployment rate rose sharply in June to 10 per cent, up from 9.4 per cent in May, after remaining relatively stable since 1994. The rise was attributed to government cutbacks and an increase

in job-seekers. Before the job losses in June, which totalled 56,000, employment growth over the past year had averaged 19,000 jobs a month.

Despite a slowdown in 1995 that continued into the first quarter of 1996, growth is expected to pick up in 1996 and beyond. Real GDP grew at an annual rate of 1.2 per cent in the first quarter of 1996, up only slightly from 0.9 per cent in the previous quarter. The International Monetary Fund forecasts a 2.9 per cent growth rate for Canada in 1997, compared with a G-7 average of 2.6 per cent.

On July 10, the noon exchange rate was
US\$1 = C\$1.3689.

MEDAL HOPES FOR CANADA'S OLYMPIC TEAM

Canada's 306-member Olympic team includes 16 medalists from the 1992 Barcelona Games and 11 current world champions.

Canada carried home 18 medals from Barcelona—seven gold, four silver and seven bronze, and many of the medalists are competing in Atlanta. Sylvie Fréchette, a member of this year's synchronized swimming team, won a gold for the solo event in 1992. Cyclist Curt Harnett won a bronze in the individual sprint in Barcelona and placed second in the 1995 world championships. Nicolas Gill, entered in the 86-kg judo competition, won a bronze in 1992 as did the yachting pair of Ross MacDonald and Eric Jespersen and the men's 100-metre relay swimming team.

One of the most anticipated races this year in Atlanta is the men's 100-metre athletics (track and field) sprint. It will pit Canadians Donovan Bailey and Bruny Surin, who placed first and second in the 100-metres at the 1995 world championships, against American Dennis Mitchell, who came in third, and the 1992 Olympic gold medalist, Linford Christie of Great Britain. Bailey won the 100-metres at the Canadian athletics championships last year with the fastest time recorded to date, 9.91 seconds, a record recently broken by Namibia's Frankie Fredericks, who ran it in 9.86 seconds. Dennis Mitchell's best time is 9.92. Donovan Bailey and Bruny Surin are also members of the world-champion 100-metre relay team. The individual



Canapress Photo/Ron Pelling

The Canadian women's eights team with coxswain captured a gold medal in the 1992 Olympic Games in Barcelona.

100-metre final will be run in Atlanta on July 27 and the 100-metre relay final on August 3. Canada's Michael Smith, who placed third in the decathlon at the 1995 worlds, is also in contention for an Olympic medal.

Canadian rowers are expected to do well this year, after collecting four golds and a bronze in Barcelona. The women's team includes Marnie McBean and Kathleen Heddl, who paired to win a gold medal in the double sculls in Barcelona as well as in the 1995 world championships. They are also on the quadruple sculls team, which ranks second in the world. Silken Laumann, who won a bronze in the 1992 women's single sculls, will compete again, as will Wendy Wiebe and Colleen Miller, who

placed first in the world in the lightweight double sculls in 1993, 1994 and 1995. Both the Canadian women's eights and fours teams won golds in Barcelona as did the men's eights. The rowing events will be held July 21-28 in Gainesville, Georgia.

Canada's 1996 Olympic contingent also includes a pair of fencing brothers, Jean-Paul and Jean-Marie Banos, who will compete against each other in the sabre class; husband-and-wife Joanne and Bill Abbott, who are teaming up with Brad Boston in the yachting competition, soling class (27-foot single-masted boats); and show jumper Ian Miller, a member of Canada's national equestrian team for 25 years.

Canada

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