

DOCS

CA1  
EA980  
C16  
v. 1  
July  
1993

LIBRARY E A / BIBLIOTHÈQUE A E

3 5036 01031376 8

Dept. of External Affairs  
Min. des Affaires extérieures

FEB 6 1997

RETURN TO PARLIAMENTARY LIBRARY  
TOURNER A LA BIBLIOTHÈQUE DU MINISTÈRE

## CANADA QUARTERLY

July 1993

Volume 1 Number 1

## CANADA'S NEW PRIME MINISTER



Kim Campbell was sworn in as Canada's first female Prime Minister on June 25.

**K**im Campbell, the new leader of the Progressive Conservative party, was sworn in as Canada's 19th Prime Minister on June 25th.

Campbell, a 46-year-old Vancouver lawyer, becomes the first woman Prime Minister in Canada's history.

"I simply state that we will do our best," Prime Minister Campbell said after

the swearing-in, "and spare no effort to help Canadians reach their full potential, and the full promise of this country.

"We recognize," she added, "that public trust is not something given but something that must be earned each and every day."

Campbell, who won her party's leadership in a closely contested convention in

Ottawa on June 13, succeeded Brian Mulroney who had announced in February his intention to leave politics after a decade as PC leader and nearly nine years as Prime Minister. She defeated Environment minister Jean Charest by a 53-47 percent margin on the second ballot.

Charest, 35, was named Deputy Prime Minister and Minister of Industry, Science and Technology and Consumer and Corporate Affairs in the new Campbell administration. The new cabinet, downsized from 35 to 25 members, was also sworn in at Government House in the presence of Governor General Ray Hnatyshyn.

Markets reacted positively to the appointment of Finance Minister Gilles Loisel, 64, a former Treasury Board president. Jim Edwards, a 56-year-old Albertan who had stressed the need for fiscal responsibility during his third-place run for the Conservative leadership, succeeded Loisel at Treasury Board.

Perrin Beatty, 43, a former Defence minister in the Mulroney government, was named Secretary of State for External Affairs.

Tom Hockin becomes Minister for International Trade. As former Small Business and Tourism minister, he is familiar with Canada-U.S. trade issues. Hockin, 54, holds a master's degree in public administration and a doctorate in government from Harvard.

The Prime Minister described her cabinet as "not only a new team, but a new lean, streamlined government that will be more responsive to the needs of Canadians."

She pointed out that "the cabinet has been cut to its smallest size since 1963."

Prime Minister Campbell has affirmed her government's commitment to the North American Free Trade Agreement. The enabling legislation for NAFTA has cleared both the House of Commons and Senate in Canada. No additional legislative authority is required to implement the side agreements on the environment and labour currently being negotiated with the United States and Mexico.

(continued)

However, the NAFTA will go ahead in Canada only if approved by legislatures in the other two countries in time for implementation on January 1, 1994.

The new Prime Minister, who during the transition had described her agenda as "work, work, work," participated in Canada's National Day celebrations on July 1 before flying to Tokyo to attend the July 7-9 Economic Summit.

The Tokyo Summit marked Prime Minister Campbell's first meeting with President Bill Clinton and other heads of government in the G-7 Summit group. In Tokyo, she also met Russian President Boris Yeltsin and European Community representative Jacques Delors.

Prime Minister Campbell, who is the same age as President Clinton, spoke of a new "politics of inclusion" during her party's leadership campaign and pledged to "do politics differently" in Canada.

Campbell is noted for her quick turn of phrase. Named Defence minister in January, she said: "Watch out, I've got tanks!" When the British tabloid press, commenting on a picture of her posing bare-shouldered behind judicial robes, suggested that she was "the Madonna" of Canadian politics, Campbell quipped that "the difference between me and Madonna is the difference between a strapless evening gown and a gownless evening strap."

First elected from the riding of Vancouver Centre in the 1988 "free trade election," Campbell has been a strong supporter of the Canada-U.S. Free Trade Agreement, but also a proponent of stronger trade links between Canada and Pacific Rim nations.

A strong advocate of fiscal restraint, Campbell has undertaken to eliminate the deficit and balance the federal budget within five years.

"The target has been clearly stated by the Prime Minister," Finance minister Loiselle said after the swearing-in, "to bring the deficit to zero within five years."

First brought into the cabinet as junior Minister of Indian Affairs in 1989, Campbell was soon promoted to the senior Justice portfolio in 1990, where she quickly left her mark with major legislation on such sensitive social issues as gun control, family violence, child pornography, rape and abortion.

The first woman to occupy the Justice portfolio, she also became the first woman named Minister of National Defence from January of 1993, and the only woman Defence minister in the NATO alliance.

A graduate of the University of British Columbia law faculty, Campbell first became politically active as chairman of the Vancouver School Board in 1983,

and was elected to the provincial legislature in 1986.

Over the summer hiatus, Prime Minister Campbell must decide whether to recall Parliament as scheduled on September 20 to present her program, or to call an election.

In the House of Commons on June 16, her first day in the House as Conservative leader and Mulroney's last as Prime Minister, Campbell pointedly said that she had won the right to sit in the Prime Minister's historic front bench chair in the Commons by virtue of winning the confidence of her party. But she added: "I really look forward to the opportunity to take that historic seat as Prime Minister of Canada by virtue of the support given to me and my party by the people of Canada."

Canadian election campaigns last seven weeks, and normally include televised debates in English and French among the leaders of recognized parties in the House of Commons.

Prime Minister Campbell's principal opponents are Opposition Leader Jean Chrétien, who heads the Liberal Party, and Yukon MP Audrey McLaughlin, leader of the New Democratic Party.

Chrétien, 59, was elected leader of his party in June of 1990, succeeding John Turner. Chrétien first entered the cabinet in 1967 in the government of Lester Pearson, and occupied a number of senior portfolios in successive governments under Pierre Trudeau from 1968 to 1984, including Justice, Treasury Board and Finance. He also served briefly as External Affairs minister in Turner's government before the 1984 election. Chrétien has said if the Liberals come to power in the next election they will seek to renegotiate some of the terms of the NAFTA.

McLaughlin, 56, was first elected from the Yukon in a 1987 by-election, and succeeded Ed Broadbent as NDP leader in December of 1989, becoming the first woman to lead a national party in Canada. She has said an NDP government would not implement the NAFTA.

Other parties with representation in the House of Commons contesting the election are the western-based Reform Party led by Preston Manning, 51, and the separatist Bloc Québécois, led by onetime Mulroney cabinet minister Lucien Bouchard, 55. Both regional parties have at times placed strongly in the polls but more recent polls suggest their support is waning and that the election will be competitive among the three recognized parties in the House.

All figures are in Canadian dollars.  
The official noon exchange rate on  
June 30 was US\$1 = C\$1.2823.

## Quebec Eases Language Law

The Quebec National Assembly passed legislation in June that ends a 16-year-old ban on languages other than French on commercial signs.

Bill 86 revises the French Language Charter, Bill 101, to allow bilingual signs outside commercial establishments as long as French is "markedly predominant." It also authorizes English immersion classes in French schools, provides for expanded exceptions to the regulation requiring immigrants to send their children to French schools and abolishes the commission responsible for monitoring compliance with the language charter (sometimes referred to in the media as the "language police").

The Quebec government has released the first of a series of draft regulations interpreting the law, which are expected to take effect in October. They specify that the space given to French and the French letters themselves must be twice as big as those allotted to any other language, and that other characteristics, such as design or colour, must not diminish the impact of the French. Publicly-owned corporations, such as Hydro-Québec, will be prohibited from using any language other than French on billboards or public transportation systems. As an aid to tourists, bilingual signs will be allowed at government-run attractions such as museums, gardens and zoos, and English road signs will be permitted within 15 kilometres (9 miles) of a point of entry into Quebec.

A recent poll by the Centre de recherches d'opinion publique (CROP) for *La Presse* of Montreal found that three out of four Quebecers favour bilingual commercial signs.

## Canadian Peacekeepers Leave Cyprus

Canada formally ended its longest-running UN peacekeeping mission, in Cyprus, on June 16. The 514-member Canadian contingent transferred control over its section of the buffer zone dividing the island between Greek and Turkish Cypriots to British and Austrian troops.

Since 1964, more than 35,000 Canadian soldiers have served in Cyprus, and 28 have died there.

Joe Clark, recently Canada's Constitutional Affairs minister and Prime Minister in 1979, has been named special UN envoy charged with developing a federal structure for Cyprus, which has been divided since the 1974 civil war.

## Governments Adopt Austerity Budgets

The government of Brian Mulroney made deficit reduction one of its highest priorities, introducing significant spending cuts and tax reform. By the end of its nine-year tenure the federal government was no longer running a deficit in its day-to-day operations, although interest on the national debt and transfer payments to the provinces and individuals resulted in a federal deficit for 1992-93 of \$34.4 billion.

Prime Minister Campbell has also made the economy her top priority and has said she plans to balance the budget by 1998. "This cabinet will respond to the public demand that the dead weight of the deficit be lifted," the Prime Minister declared.

Despite concern over government debt, Canada is seen as a good place to invest. Moody's Investors Service Inc., a leading New York bond rating agency, released a statement in June that said: "We see no significantly negative trends in Canada's debt burden that could justify a change in the [triple-A] ratings of the nation's Canadian dollar and foreign currency debt."

Provincial governments of all political stripes—Conservative, Liberal and New Democratic Party (NDP)—have already released tough budgets that put the emphasis on cost-cutting. The federal and provincial governments together will cut their annual deficits this year by at least \$9 billion, slowing the growth in government debt to less than the growth of the economy.

Two provinces, Alberta and New Brunswick, have passed legislation requiring balanced budgets, and voters in British Columbia and Saskatchewan have approved the idea by referendum.

There is evidence that Canadian voters are accepting the restraints. In Newfoundland and Alberta, the governing parties have recently been returned to power with large majorities after run-

ning on themes of austerity and sacrifice.

In Newfoundland, which has been hit hard by a moratorium on cod fishing that has thrown 25,000 fishermen and processing employees out of work, Liberal Premier Clyde Wells called an election after public sector workers threatened to strike over proposed cuts in pension fund contributions. His party won a resounding victory.

In Alberta, the Conservatives led by Premier Ralph Klein won reelection on June 15, giving the party its seventh consecutive term. They ran on a budget which included an 11 percent rise in health care premiums.

The Liberal challengers in Nova Scotia, which has a 15 per cent unemployment rate, won on a platform emphasizing job creation and improving government efficiency. New Premier John Savage, a family physician, said after the victory: "So long as Nova Scotians are jobless, we cannot cut and slash our way to economic recovery." His government has said it will hire auditors to find ways to cut spending.

---

*"It has been the habit of politicians to attempt to buy the support by spending the electorate's own money, frequently against their interests. I think this election may have made a substantial contribution towards limiting, if not ending, that approach in the future. Maybe that's just wishful thinking on my part."*

---

Newfoundland Premier Clyde Wells.

The *Toronto Globe and Mail* described the budget brought down in May by Bob Rae's NDP government as "the most far-reaching and painful austerity program ever undertaken in Ontario." It holds the projected deficit below \$10 billion through spending cuts of \$2.4 billion, tax increases of \$1.6 billion, and negotiation of a "social contract" with 950,000 public sector employees to cut wage and benefit costs by \$2 billion.

The governments of Prince Edward Island, New Brunswick, Quebec, Manitoba and Saskatchewan also targeted public payrolls, and most provincial budgets singled out health care spending as well, eliminating hospital beds, services and jobs. The Liberal government in Quebec led by Robert Bourassa has said it will lobby the federal government to permit user fees or a tax on some medical services, which are currently discouraged under the Canada Health Act.

## Softwood Lumber Report Due in July

A binational dispute settlement panel established under the Free Trade Agreement (FTA) is scheduled to report July 27 on whether alleged subsidized imports of softwood lumber from Canada are injuring the U.S. industry.

In May another FTA panel found that the Department of Commerce (DOC) had not made its case that Canada subsidizes softwood lumber exports, and it gave the department 90 days to review its findings on a host of issues involved in the subsidy determination. A duty of 6.51 per cent imposed on certain softwood lumber imports from Canada, which amounts to more than \$250 million a year, remains in effect during the review process.

Softwood lumber has been a contentious trade issue between the two countries for more than a decade. The U.S. government initiated its third countervailing duty investigation of softwood lumber in October 1991, after Canada exercised its right to terminate the 1986 Softwood Lumber Memorandum of Understanding (MOU). Under the MOU, Canada agreed to collect an export charge of 15 per cent on the value of softwood exported to the U.S. By 1991, by mutual agreement, the export charge had been eliminated on lumber from British Columbia and the Atlantic provinces and reduced to 6 per cent on Quebec lumber. Using a U.S. Forest Service accounting system to analyze timber sales, the Canadian government concluded that there was no subsidization of lumber exports and the MOU no longer served any purpose.

In May 1992 the Commerce Department determined that provincial stumpage programs and British Columbia's log export restrictions constitute a subsidy to Canadian exports. When the U.S. International Trade Commission determined in June that imports of Canadian lumber injured U.S. lumber producers, DOC imposed the countervailing duty. Canada appealed both decisions to binding binational panel review under the FTA.

Canadian exports of softwood lumber to the U.S. totalled \$4.2 billion in 1992 and accounted for about 29 per cent of the U.S. market, down from a high of 33 per cent in 1985. U.S. demand for Canadian lumber increased significantly in 1992 because of a jump in housing starts and restrictions on logging in the Pacific Northwest aimed at protecting the spotted owl.

## Productivity Rebounds

The productivity of Canada's manufacturing sector grew by 4.2 per cent in 1992, and output by all sectors increased by 2.2 per cent, after several years of disappointing performance. Unit labour costs increased last year by only 1.7 per cent, the smallest increase in almost 10 years.

# THE ENVIRONMENT

## Wilderness Area Set Aside in BC

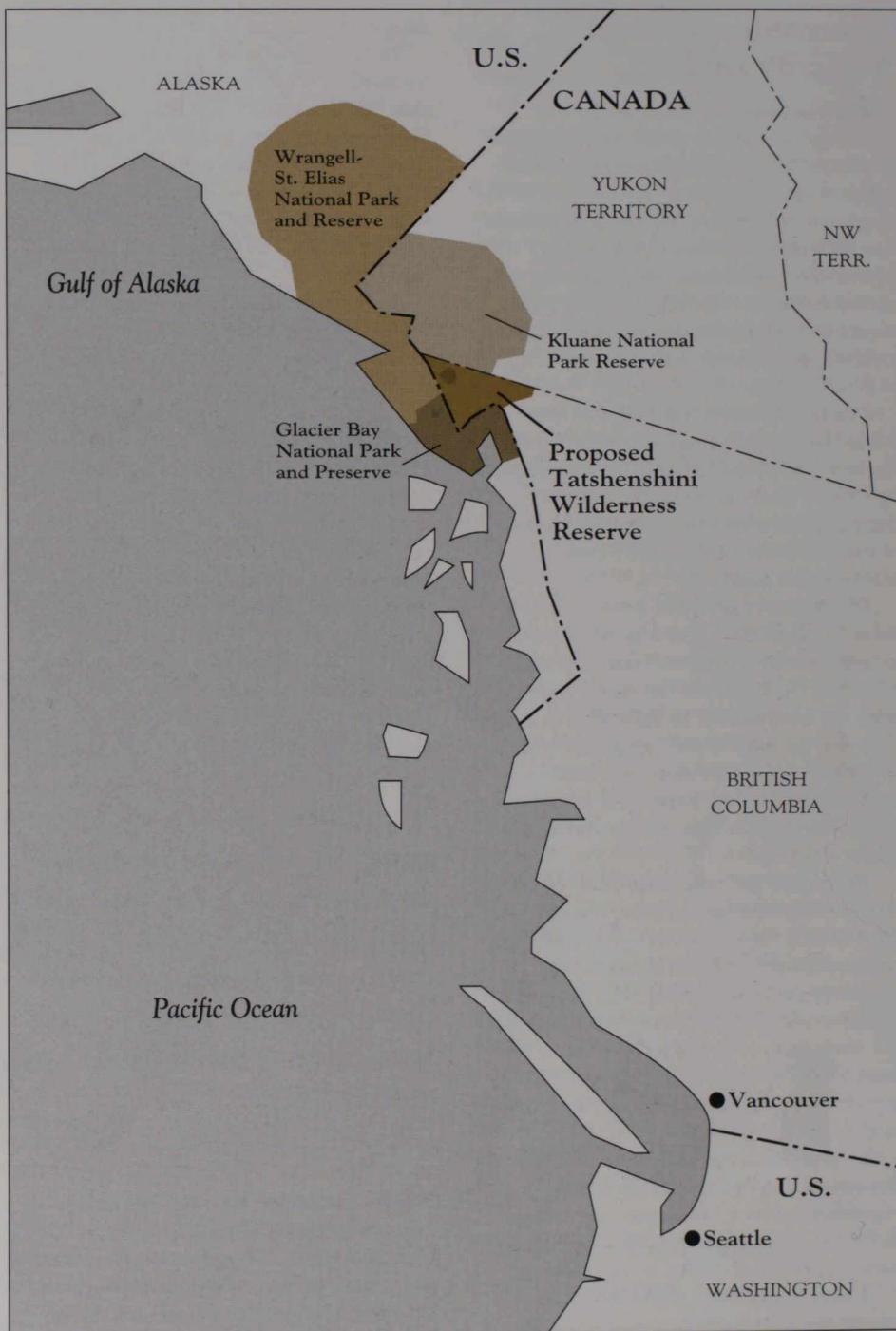
The British Columbia government has decided to preserve a remote wilderness in the northwestern corner of the province, Premier Mike Harcourt announced on June 23.

The government will create a park out of the Tatshenshini-Alsek region, a 2.5 million-acre watershed that is home to grizzly and glacier bears, wolves, bald eagles and salmon. The region, which is more than twice the size of the Grand Canyon, lies adjacent to Kluane National Park in Canada's Yukon Territory and two parks in Alaska, Wrangell-St. Elias National Park and Glacier Bay National Park. Together the three parks would make up the largest protected area crossing national boundaries. The existing parks have been designated as United Nations world heritage sites, and Harcourt said the Tatshenshini park would be nominated for that status.

The decision effectively puts an end to the proposed Windy Craggy project, a \$550-million open-pit mine that would have tapped an estimated \$8.5 billion of gold and copper reserves in the region.

Premier Harcourt said, "We came to the conclusion that the preservation of wilderness and the proposed mining activities could not co-exist." Environmentalists claimed that acid draining from the giant open pit mine would disturb the area's ecosystem and could harm salmon fisheries.

U.S. Vice President Al Gore praised the British Columbia premier for acting "boldly and with foresight to protect and preserve the natural heritage of one of the world's most important rivers." Tom Cassidy, chief counsel for American Rivers, one of the environmental groups fighting the proposed mine, said, "We see this as one of the great conservation victories in decades."



## 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 Musikar Design

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



BULK RATE  
U.S. POSTAGE  
PAID  
WASH., D.C.  
PERMIT NO. 1451

Address Correction Requested

Printed on recycled paper