

# IMF's Paul Martin Now Canada's Prime Minister

by Gilles Gervais

Upon Prime Minister Jean Chrétien's pre-scheduled retirement on Dec. 12 of last year, Paul Martin became Canada's 21st Prime Minister. Under his leadership, the Liberal Party is expected to be re-elected with a majority in late Spring 2004, during the course of a general election in Canada. How will a changing of the guard in Canada affect the United States' relation with its most important trading partner and its former closest ally?

During his last year in power Prime Minister Chrétien had sided with President Jacques Chirac of France, German Chancellor Gerhard Schröder, and Russia's President Vladimir Putin in refusing to be drawn into the United States' recent neo-conservatives' war against Iraq. Subsequent to that sovereign decision, Canada's relations with the Bush Administration hit a record low.

To forecast what Paul Martin will now do to mend this special relation, requires that we first examine what his role was as Finance Minister in the Chrétien government, in transforming Canada from a once-prosperous social democratic state into an ailing victim of neo-liberal economics.

In June 1995, Chrétien hosted the Halifax G7 heads of state summit. At that summit, President Chirac described the world financial crisis as full-blown "financial AIDS." Chrétien bitterly asked, "Who is ruling Canada? Yuppies with red suspenders from the bond rating agencies, or the elected government of Canada?" The Prime Minister was referring to a well orchestrated top-down press operation that was demanding his government deal urgently with the large "unsustainable" debt of Canada—which, at the time, amounted to 70% of GDP (Gross Domestic Product)—through a policy of massive cuts to social programs in order to reduce the current budget deficit, at least, to zero.

As Murray Dobbin recounts these events in his *Paul Martin: CEO for Canada*: "In the Fall of 1994, the IMF [International Monetary Fund] delivered its latest prescription for 'economic efficiency' to Paul Martin and his finance department. Article IV in the IMF's statement advised Martin 'to consolidate the Federal fiscal position by cutting government spending. It is critical that fiscal policy take the lead.' While the report arrived too late to have impacted Martin's first budget, it would end up looking like the blueprint for the budget Martin would present in 1995.

Prime Minister Chrétien, at one point, caved in and let his

Finance Minister proceed with the deep cuts that were decided for the period 1995-98. Fifty thousand Federal employees were laid off. The IMF demands were met, as Canada brought down its 1995 budget deficit of \$42 billion to zero by 1997, one year earlier than it had pledged. Canada became the IMF's showcase for the industrialized countries: the first of the G7 countries to attain a zero budget deficit.

Given Prime Minister Martin's IMF background, is there any hope for a renewed Canada-United States relation that would be based on some real physical economic growth; that would reflect a commitment to the common good of the citizens of both nations? Could a new era of joint great projects, similar to that historical collaboration that existed between U.S. President Dwight Eisenhower and Prime Minister Louis St-Laurent, be revived today?

Those Canadian critics that have had Martin under a microscope for a long period of time, argue that the new Prime Minister is now heading in the direction of the policy that the Canadian Council of Chief Executives (CCCE) calls "deep integration" with the United States.

The CCCE is the organization that traveled to Washington on April 10, with Canada's top 100 CEOs, to talk to Homeland Security Czar Tom Ridge, and the infamous neo-con Richard Perle of the Defense Policy Board, on how best to bring Canada back into sync with the Bush Administration. The CCCE had already established a 30-member CEO Action Group on North American Security and Prosperity back in January 2003, whose mandate was to launch "a new initiative for action on five fronts: reinventing borders, maximizing economic efficiencies, negotiation of a comprehensive resource security pact, sharing the burden of defense and security, and creating a new institutional framework." This is the organization that Paul Martin has looked to in the past for policy direction as Finance Minister.

According to Murray Dobbin, "The deep integration plan was launched in the Spring of 2002 with an article for the C.D. Howe Institute written by economist Wendy Dobson, a former finance department official under Paul Martin." She presented her blueprint as a 'Big Idea'; but far from being something new, imaginative, or visionary, it was designed, said Dobson, to get the attention of the Americans, who would otherwise continue to ignore us. She wrote, 'Canada should anticipate change and initiate a Big Idea that serves the major interests of its partner, while channeling action in ways that best serve its own interests.' Dobson claimed a key component of the Big Idea should be the handing over of Canada's energy resources as a sort of initial sacrifice: 'Instead of waiting to be told what's expected of us, Canadian governments and industry should prepare for this possibility in a proactive way. The plan to ensure American energy security could also provide a model for dealing with demand pressures on other natural resources such as water.' Other sacrifices would include joint continental defence, aligned immigration policies, and border security."