

Bloc will be joined by Reform. Its critique of federal language policy mirrors the Bloc's complaint: English should be predominant outside Quebec, just as French should be predominant within Quebec. Multiculturalism is attacked because it continues the notion that cultural differences among Canadians should be publicly recognized and celebrated.

If by somewhat different routes the Bloc and Reform can agree in their rejection of these federal policies, they clearly cannot agree on how Canadian federalism should be revised. In its insistence on the absolute equality of the provinces, Reform categorically rejects any expansion of Quebec's powers alone. To that extent it confirms the Bloc's contention that the federal system cannot be satisfactorily renewed — at least not to the satisfaction of Quebec nationalists.

Herein lies the challenge to Canada's new opposition parties: to change their common opposition to the existing political order into common support of something new. Whether or not the Bloc and Reform can accomplish this, they will succeed in radically extending the terms of debate in Parliament. Policies that were once regarded as beyond criticism, because they were essential to national unity, will now be the focus of debate precisely because they have not produced national unity. Yet it is difficult to see how the Chrétien government, so deeply tied to the Trudeau administration that framed this "national unity" strategy, can do anything but defend it.

Canadians could be treated to a spectacular debate over the next few months. In the end, the country may be better for it.

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THE CANADIAN ELECTIONS VIEWED FROM SOUTH OF THE 49TH PARALLEL

by Earl H. Fry

As they awakened on October 26, most U.S. observers of the Canadian political scene were not surprised that the Liberal party had garnered a majority of the seats in the House of Commons and that the NDP had fared very poorly, but they were stunned at the virtual annihilation of the Progressive Conservative party.

The U.S. investment community will now watch the Chrétien government very closely to determine whether job stimulation will take priority over deficit restraint. Chrétien's proposed \$6 billion infrastructure project is viewed as largely ineffective, and if even more money is added for public works projects at the expense of deficit reduction, the Canadian dollar is likely to decline in value and interest rates may go up in order to attract foreign buyers for the federal and provincial governments' massive IOUs. The Conservatives' poor performance in deficit reduction over the past year just adds to the growing concern outside Canada about Ottawa's ability to control government spending.

The Clinton administration hopes that Chrétien will cool the rhetoric about renegotiating the NAFTA until after the package is voted on in mid-November in the House of Representatives. Anti-NAFTA opponents in the United States trumpeted Chrétien's victory immediately, claiming that his threat to renegotiate rendered meaningless the planned vote in Congress. Clinton already faces an uphill battle in the House among his own group of

Democratic party skeptics, but if he wins this battle, he will probably sit down with Chrétien in Seattle at the meeting of the Asia-Pacific Economic Cooperation (APEC) forum and begin to develop a cordial relationship with Canada's new prime minister. Nevertheless, he is unlikely to show any sympathy for reopening either the FTA or NAFTA texts, but may listen to suggestions for finally reaching workable definitions of subsidies and dumping.

Clinton has an ambitious job creation package for the United States and much of the program is based on increased exports linked to the approval of both NAFTA and the Uruguay round. With 30 percent of Canada's GDP linked to the exporting of goods and services, with 75 percent of all exports destined exclusively for the U.S. marketplace, and with a sizeable increase registered in Canadian exports to the United States since the FTA went into effect, Chrétien would also be wise to push for open markets, based on the premise that if the U.S. economy grows, so will the Canadian economy and Canadian jobs. Conversely, a strident campaign by Chrétien to renegotiate both the NAFTA and the FTA might backfire, giving ammunition to the growing number of protectionists in the U.S. Congress who would like to limit Canadian access to the U.S. market, especially in the agricultural and other natural resource sectors.

Continued, see "South of the 49th Parallel" on page 52.

"South of the 49th Parallel," continued from page 51.

Washington will also closely scrutinize developments in Quebec. Will the Bloc québécois' success in electing 54 MPs and forming the official opposition in the House of Commons help propel the Parti québécois to victory in next year's provincial elections? Will antipathy between Chrétien and Bouchard, and between the BQ (which ran candidates exclusively in Quebec) and the Reform party (which did not run any candidates in Quebec) foment more support for separation among francophones in Quebec? Could a new referendum on Quebec's sovereignty be approved, and what would be the strategic implications for Canada-U.S. relations?

The U.S. business community is generally pleased that the Liberals have achieved a solid majority and have elected representatives in all 10 provinces. In spite of gains by the regionally based BQ and Reform party, this majority control in the House of Commons should permit the Liberals to govern with some effectiveness over the next four years. Nonetheless, if the Canadian economy does not move forward over the next few years, business

representatives expect the impatient Canadian electorate to throw out the Liberals in the same way they jettisoned the Conservatives.


These U.S.-based businesses will be concerned about high government deficits, any increases in taxes, and any weakening of commitments to the FTA or the proposed NAFTA.

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However, if NAFTA is implemented, one should expect U.S. transnational enterprises to continue to restructure some of their operations in Canada. A subsidiary that simply services the Canadian domestic market might be closed or downsized, with the parent firm picking up the slack by exporting directly to Canada. However, Canadian subsidiaries that produce glo-

bally competitive products might be expanded and permitted to supply both the North American and international markets. As for Quebec, the business community will not be overly troubled by a PQ victory in the next provincial election, but it would be deeply disturbed by the prospects of a pro-sovereignty vote in the ensuing referendum.

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Canada Watch welcomes submissions on issues of current national interest. Submissions should be a maximum of 1,000 words. The deadline for consideration in our January/February issue is Monday, January 17. Write or fax us at:

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