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MIPT: CANADIAN FEDERAL ELECTION: INITIAL ASSESSMENT

## SUMMARY

1. THE CONSERVATIVE VICTORY IS A NOTABLE PERSONAL TRIUMPH FOR MR MULRONEY AND SHOULD ASSURE THE ADOPTION OF THE FREE TRADE AGREEMENT WITH THE US. IT SHOULD ALSO BE GOOD FOR ANGLO-CANADIAN RELATIONS. BUT THE NEW GOVERNMENT WILL HAVE TO COME TO GRIPS WITH A NUMBER OF DIFFICULT PROBLEMS, NOTABLY THE LARGE AND INCREASING NATIONAL DEBT.

## DETAIL

2. THIS IS AN EXCEPTIONAL ACHIEVEMENT BY MULRONEY: NOT SINCE 1953 HAS ANY PARTY SECURED A SECOND OVERALL MAJORITY AND NOT SINCE THE LAST CENTURY HAS THIS BEEN ACHIEVED BY THE CONSERVATIVES. TWO MAIN FACTORS ACCOUNT FOR HIS SUCCESS. FIRST AND MOST IMPORTANT IS HIS CAPTURE OF THE VOTE IN QUEBEC, FOR MANY YEARS THE LIBERAL POWER BASE. HERE HE REAPED THE REWARD FOR DELIVERING THROUGH THE MEECH LAKE AGREEMENT ON THE PROMISES MADE IN 1984. SECOND, THE LIBERAL FAILURE TO PUT ACROSS THE IDEA THAT THEY HAD ANYTHING ELSE TO OFFER OTHER THAN OPPOSITION TO THE FREE TRADE AGREEMENT. IT WAS NOT JUST THAT TURNER FAILED TO SECURE WHAT CONRAD BLACK HAS APTLY DESCRIBED AS HIS QUOTE FAUSTIAN BARGAIN UNQUOTE OVER FREE TRADE SEMI-COLON HE ALSO PAID FOR EARLIER FAILURE TO UNITE THE LIBERAL PARTY ROUND COHERENT THEMES, SO THAT ITS SPECIFIC POLICIES MIGHT CARRY CONVICTION. HIS PARTY HAD BEEN WORN DOWN NOT ONLY BY INTERNAL STRIFE, BUT ALSO BY ITS INABILITY TO RESPOND CONVINCINGLY UNDER THE PRESSURE OF A SUCCESSION OF CONSERVATIVE POLICY INITIATIVES OVER THE PAST 18 MONTHS.

3. NEVERTHELESS MULRONEY'S SUCCESS IN SELLING FREE TRADE IS REMARKABLE. HE HAD TO OVERCOME THE DEEPLY ROOTED SENSE OF INSECURITY AND INFERIORITY VIS-A-VIS THE UNITED STATES, WHICH FREQUENTLY EMERGES IN RELATION TO SPECIFIC POLICY ISSUES: TWICE IN THE PAST THE TRADE RELATIONSHIP WITH THE US HAS BEEN THE CENTRAL ELECTION ISSUE AND TWICE THE PARTY PROPOSING FREE TRADE HAS BEEN REJECTED AT THE POLLS. FURTHERMORE IN THE PAST IT HAS BEEN THE

CONSERVATIVES WHO HAVE RESISTED FREE TRADE. MULRONEY ALSO HAD TO LAY AT REST THE WIDESPREAD AND CONTINUING DISTRUST OF HIMSELF (AS ONE PERCIPIENT OBSERVER HAS COMMENTED: QUOTE IT IS MULRONEY'S SINGULAR MISFORTUNE ON TELEVISION TO LOOK PHONEY EVEN WHEN HE IS BEING NATURAL UNQUOTE). BY ACCEPTING MULRONEY'S POLICIES CANADIANS HAVE INDEED MADE AN UNCHARACTERISTIC LEAP OF FAITH AND HAVE RECONGNISED THAT THEY MUST TAKE RISKS IF THEY ARE TO MEET THE ECONOMIC CHALLENGES THE WORLD AND NOT JUST THE UNITED STATES PRESENT TO THEM.

4. NONETHELESS, THE REGIONAL RESULTS CONTAINED SURPRISES. IT WAS CENTRAL CANADA WHICH RETURNED THE CONSERVATIVES, WITH THE PERIPHERAL REGIONS TO WHICH THE GOVERNMENT HAD PAID SO MUCH POLITICAL AND FINANCIAL ATTENTION LETTING THEM DOWN. NO DOUBT EXPLANATIONS WILL EMERGE: ATLANTIC CANADA'S ADDICTION TO FEDERAL HANDOUTS RATHER THAN FACE US COMPETITION: ONTARIO'S LAST MINUTE CONVERSION TO THE WINNING SIDE SEMI-COLON CONTINUED ILL-FEELING IN WINNIPEG OVER THE AWARD TO CANADAIR IN MONTREAL OF THE CF18 MAINTENANCE CONTRACT SEMI-COLON IN SASKATCHEWAN THE STUDIED COOLNESS OF THE WHEAT BOARD TO THE FTA SEMI-COLON AND THE CHARACTERISTICALLY MAVERICK BEHAVIOUR OF BRITISH COLUMBIA. HENCE MULRONEY'S FIRST WORDS TO THE MEDIA AFTER HIS VICTORY WERE ABOUT THE NEED TO CONTINUE THE SEARCH FOR NATIONAL HARMONY AND TO HEAL THE WOUNDS OF THE CAMPAIGN.

5. THE CONSERVATIVES ARE NATURALLY JUBIALNT. IT IS NOT CLEAR WHETHER THEY HAVE FULLY GRASPED THE DIFFICULT ECONOMIC PROBLEMS THEY NOW FACE AND WHICH THEY HAVE AVOIDED CONFRONTING FOR THE PAST TWO YEARS AS THE GOVERNMENT SOUGHT TO RECOVER POPULAR SUPPORT. THE FIRST AND GREATEST OF THESE IS THE NATIONAL DEBT. WITH THE TOTAL NOW AT DOLLARS 300 MILLION, 30 PER CENT OF FEDERAL REVENUES ARE REQUIRED TO SERVICE IT. A SIMILAR PERCENTAGE IS ABSORBED IN STATUTORY EXPENDITURE, A GOOD DEAL OF IT IN THE FORM OF FEDERAL TRANSFERS TO THE PROVINCES. THE GOVERNMENT WILL HAVE TO DECIDE VERY SOON WHAT COMBINATION OF HIGHER TAXATION, REDUCED EXPENDITURE AND FURTHER BORROWING WILL BE NEEDED. HOW THIS MAJOR TASK IS TACKLED WILL SHOW WHETHER MULRONEY, WITH HIS RENEWED MANDATE, IS NOW READY TO TAKE AND STICK TO UNPOPULAR DECISIONS. HE AND HIS MINISTERS ARE UNDOUBTEDLY AWARE THAT THEY LOST GROUND BY THEIR FAILURE TO DEMONSTRATE POLITICAL WILL AND COHERENCE IN THEIR FIRST YEARS OF GOVERNMENT. THEY MUST ALSO BE AWARE THAT THEY WILL BE LESS EASILY FORGIVEN IF THEY DO THE SAME NOW, SINCE THEY LACK THE EXCUSE OF INEXPEREINCE. BUT THERE MUST BE A RISK THAT MULRONEY WILL FEEL HIS POLITICAL AGILITY HAS SECURED HIS RE-

ELECTION THIS TIME AND THAT HE CAN SIMPLY USE THE SAME TACTICS AGAIN.

6. THE FIRST ITEM ON THE NEW GOVERNMENT'S AGENDA WILL BE THE LEGISLATION TO IMPLEMENT THE FREE TRADE AGREEMENT, WHICH MUST NOW RESTART ITS PASSAGE THROUGH THE TWO HOUSES OF PARLIAMENT. THERE ARE CONSTITUTIONAL OBJECTIONS TO RE-ASSEMBLY BEFORE 12 DECEMBER, BUT MULRONEY IS SAID STILL TO BE KEEN TO HAVE THE NECESSARY LEGISLATION PASSED BY 1 JANUARY 1989. THIS WILL REQUIRE THE COOPERATION OF THE OPPOSITION PARTIES, ESPECIALLY OF THE LIBERALS IN THE SENATE, AND IT REMAINS TO BE SEEN WHETHER THIS WILL BE FORTHCOMING.

7. BUT IF FREE TRADE IS THE FIRST TEST FOR THE GOVERNMENT, IT POSES EVEN GREATER PROBLEMS FOR THE LIBERALS. THE ROW BETWEEN THE PARTY'S LEFT AND RIGHT WINGS CAN BE EXPECTED TO BREAK OUT VERY SOON, AND FREE TRADE IS ONE OF THE BONES OF CONTENTION BETWEEN THEM. TURNER'S HOPES OF A BREATHING SPACE FOR HIMSELF AND HIS PARTY MAY

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THEREFORE BE SHORTLIVED: HE ACKNOWLEDGED LAST NIGHT THAT THE ELECTORATE'S VIEW WAS CLEAR (AN ECHO OF HIS ELECTION SLOGAN QUOTE LET THE PEOPLE DECIDE UNQUOTE) AND MENTIONED HAVING SPOKEN TO MULRONEY, OFFERING HIM HIS COOPERATION. OTHERS HOWEVER HAVE SUGGESTED THAT THEY WILL FIGHT ON. SENATOR MCEACHEN, THE LIBERAL LEADER IN THE SENATE, WHO WAS RESPONSIBLE FOR BLOCKING THE AGREEMENT IN THE SENATE IN SEPTEMBER, HAS GONE TO GROUND.

8. THE NDP TOO WILL BE LICKING THEIR WOUNDS. BUT THEY ARE LESS LIKELY THAN THE LIBERALS TO OBSTRUCT THE FREE TRADE LEGISLATION. THERE ARE PERSISTENT REPORTS THAT BROADBENT MAY CALL IT A DAY.

9. THE RESULT IS CLEARLY IN OUR BEST INTERESTS. AS THE PRIME MINISTER POINTED OUT IN HER MESSAGE OF CONGRATULATIONS, WE HAVE THE GREAT ADVANTAGES OF CONTINUITY AND OF A GOVERNMENT WITH WHICH WE SEE EYE TO EYE ON MANY MATTERS, AND ESPECIALLY OVER ECONOMIC AND DEFENCE POLICY. WE SHALL ALSO FIND OURSELVES DEALING WITH A GENERALLY EFFECTIVE AND EXPERIENCED TEAM OF MINISTERS, PARTICULARLY IF AS SEEMS LIKELY CLARK AND WILSON KEEP THEIR PRESENT PORTFOLIOS. WE HAVE THEREFORE THE BASIS FOR BUILDING ON THE FOUNDATION OF COMMON INTEREST AND GOOD RELATIONS ESTABLISHED OVER THE PAST 4 YEARS. THE IMMEDIATE ISSUE IS THE OUTSTANDING DECISION ON THE ACQUISITION OF SSNS FOR THE CANADIAN NAVY. AS THE DEPARTMENT KNOWS FROM SEPARATE CORRESPONDENCE, THE DECISION WILL NOT BE AN EASY ONE FOR THE CANADIANS AND IT WOULD NOT SURPRISE ME IT IF IS FURTHER DELAYED. THE NEED TO ESTABLISH THEIR PRIORITIES

IN THEIR DEALINGS WITH THE NEW US ADMINISTRATION MAY ALSO INCLINE  
THE CANADIANS TO DELAY.

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