

The Economic Club of New York

355th Meeting
92nd Year

The Honorable Jean Chretien
Canadian Prime Minister

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Questioners: Robert Hormats
Vice Chairman, Goldman Sachs

Robert MacNeil
News Commentator

Introduction

Chairman William J. McDonough

Ladies and gentlemen, would you please take your seats. Let me welcome you to the 355th meeting in the 92nd year of the Economic Club of New York. We are going to change our arrangements a bit today. This is the holy season of lent. So we are going to have our presentation and the question and answer first, and then we will have lunch afterwards. So if you would honor that, the Prime Minister will not have to listen to knives and forks clicking on plates in the meantime.

We are particularly happy that the Canadian Society of New York has cooperated so closely with the Economic Club in organizing this enormous turnout, about twice the number of people that we would expect at an Economic Club luncheon normally. It reflects very well on the support of the Canadian Club and especially of the wonderful Consulate General, that Canada has representing it in New York. (Applause)

Geo-politicians sometimes debate; which is the single most important bilateral relationship for the United States, the answer to that is extremely simple. It is the relationship we enjoy with Canada; by far our most important trading partner, by far our most important investment partner, an ally in peace and war, a country with which the United States has a particularly warm and special relationship. Therefore, it is with great pleasure that we present to you, the distinguished

Prime Minister of Canada, the Right Honorable Jean Chretien.

The Honorable Jean Chretien

Canadian Prime Minister

Merci beaucoup Mister President, Consulate General, Ambassador, and other ambassadors, I met some before, ladies and gentlemen. I am delighted to have the opportunity to address the Economic Club today and to bring you up-to-date on the remarkable progress of the Canadian economy. Speaking before you is an occasion I have looked forward to for a very long time. But to be honest, it is also an occasion I have had to put off for a very long time too. Because we have been busy in Canada over the last four years. Busy rebuilding the economy, cleaning up a fiscal disaster, and most important reuniting a spark of hope and optimism among Canadians. And our accomplishment together can only be truly understood in the context of where our country stood for four years ago, and how far we have traveled.

When our government took office, a little more than four years ago, this was the state of the Canadian economy. Our deficits stood at \$42 billion, the highest in our history and growing. Even worse, at 6% of our GDP we had the second highest deficit to GDP ratio of any G7 nation. The federal debt to GDP ratio was over 70% and growing and we were heavily dependent on foreign borrowing to finance our debt. Our national unemployment rate was 11.4 at the beginning of 1994.

We were coming through a recession twice as severe as the recession in your country. Our interest rate, it seems to be permanently stuck above U.S. interest rates even though our inflation rate was lower. In 1994, the World Economic Forum rated Canada 16th in terms of international competitiveness; down from 5th position several years earlier. And to top it all off, *The Wall Street Journal* was referring to Canada as a candidate for membership in the third world. So, you can see why I did not exactly rush to New York to address the Economic Club four years ago. (Laughter) But ladies and gentlemen, as the expression goes, that was then, and this is now.

In four years we have gone from being an honorary member of the third world to being what *Business Week* recently referred to as the “Maple Leaf Miracle” and what the economists refer to as the fiscal virtuoso of the G7 countries. One week ago my Finance Minister Paul Martin delivered a balanced budget for 1997. Our first in almost 30 years and the only balanced budget of any G7 nation. And he announced that the next two budgets will be balanced. The first time a Canadian government will have accomplished three consecutive balanced budgets in almost 50 years. So the budget of 1997, of 1998 and 1999 will be balanced. Our debt to GDP ratio is in a permanent downward track. And even more, we are going to pay down the debt year after year after year.

In 1997 economic growth in Canada was a bit better than in the United States, outstripping the rest of the G7. But in 1998, Canada is expected to post the fastest growth in the G7. More than a million net new jobs have been created in Canada since we took office. All of them in the private

sector. Indeed, public sector employment in Canada has been reduced by 100,000 jobs.

Relatively speaking, our economy is creating more jobs than any other G7 country. Our unemployment rate while still too high, is down to under 9% from 11.4 and a downward trend is clear.

For the first time ever, both short and long-term interest rates are lower than in the United States. In 1997, Canada was back up to the fourth position in the world economic forums rating of international competitiveness. The economists recently rated the business environment of several countries using market potential, tax, labor, market policies, infrastructure, skills and political environment as indicators. From 1997 to 2001, Canada rates as the third best country in the world, in which to do business. It is an historic accomplishment.

It is no wonder that Canada is being seen as the comeback kid of the industrialized world. Now, I don't want to sound like I am bragging, after all we all know how unCanadian that will be. (Laughter) And we are not from Texas I guess. (Laughter) But in any case the bragging rights do not really belong to me, nor to my excellent Minister of Finance, Paul Martin, or to our government. They belong to the Canadian people. They are the ones who demanded action and they are the ones who made the sacrifices. They are the ones who believed in the plan that we put forward and stuck with it. But like so many Canadians I cannot hide my sense of pride or accomplishment in putting Canada back in the black. This accomplishment is even more impressive when you consider that our fiscal measurement is a very strict one. We operate on

public accounts basis, which includes all of the liabilities that the government accrues during the year, not just what is paid out. This includes, for example, our public sector pension liabilities.

This is a very stringent requirement. No other G7 country uses it as a tough measurement.

The United States, Germany, the United Kingdom, France, Japan, and other countries report their budget balance on the basis of the cash requirements or surplus resulting from government operations. If we were to use the same measurements to calculate our budget balance, we already had a surplus in 1996. And in 1997, we will have a surplus of \$12 billion on financial requirements or 1.4% of our GDP. To put it in more familiar terms, that would be roughly equivalent to the U.S. having a surplus of over \$110 billion in U.S. dollars this year. But, whatever yardstick you use, our success has come faster than we have dared to hope. You can see why, us and most Canadians believe that we have entered an exciting new area of optimism and hope. What I want to share with you is how we got to this moment. What lessons we have learned, and how we will build on this success.

Shortly after we took office, we began coming to terms with the enormity and severity of the deficit we had inherited. We knew that nothing short, nothing short of a fundamental rethinking of government was necessary. Not just to clean up the fiscal mess, but to insure that the government of Canada never, never again found itself in such a position. We undertook what we called program review, where we reviewed department by department, program by program, line by line, the services that the government was providing. We asked the same simple, but difficult

question of every single program. Is this an area that makes sense for the government to be in at all in the 1990's? Next year federal program spending relative to the size of the economy will be lower than it has been for 50 years. But program review has had even more important and long-term lasting benefits. It has led us to create new and more modern forms of partnerships with other levels of government and with the private and the volunteer sectors. Services best delivered by the private sector, were privatized or commercialized. And programs that could be best delivered by provincial governments were transferred, reducing overlap and duplication. We also made major structural reforms to the programs that you would refer to as entitlements.

For example, we took the unemployment insurance program and transformed it into a sustainable new employment insurance program. As the name suggests, this program has put the accent on helping people get and keep jobs by removing disincentives to employment.

An even bigger accomplishment has been our reform of our public pension system, The Canada Pension Plan. This major overhaul makes us the first industrialized country to insure the sustainability of its public pension system for future generations, well into the new century. I noted in President Clinton's State of the Union Address that one of his main goals is the reform of Social Security to ensure its sustainability. We have already done that in Canada. Our commitment to entering a healthy fiscal environment for the long-term is one of the top priorities of my government and is a key team in our budget.

Believe me, we did not, as a nation, go through all of the pain and sacrifice just to wind up back in the red. We will not squander our hard won gains as a nation on a bunch of political quick fixes or spending sprees. Those days in Canada are over for good, end of story.

Now, we want to take the same approach that we used to eliminate the deficit to put it to work on reducing the burden of our debt. We know that our debt to GDP ratio is too high. We are determined to bring it down in a sustained and permanent way. In 1996/1997 our debt to GDP ratio fell; the first meaningful decline since 1974/1975. We are forecasting a reduction in the debt to GDP ratio from 72% in 1995/1996 to less than 62% in 1999/2000; the biggest percentage decline of any G7 nation. And it will continue to decline steadily after that. The last week's budget we announced a debt repayment plan that will put our debt in decline not just as a proportion of our economy but in absolute terms. We plan to pay down the debt each and every year. Indeed during the first nine months of the current year we paid down \$12.9 billion in marketable debt. In fact, you know, I met a lot of stock brokers in my career, and they were all giving me hell because of the deficit and the government spending. And I am happy to report to them, that the EU won't have any more commission to receive from us because we will have bonds of Canada to sell. So you will have to find another market. (Laughter and applause)

But as we use unflinching discipline to bring down the debt, we also have to continue creating a climate for continued economic growth as we enter a new millennium. That is why, for example, we will continue to make trade expansion a major priority. Exports account for 40% of our GDP,

making us the most trade dependent country in the G7. In fact, our focus on trade and attracting investment has been the keystone of our government's economic approach. In its own way, as important is the median term to our economic recovery, as our fiscal plan.

That is why we have been so aggressive in promoting liberalized trade all over the world. You know about Team Canada. And somebody the other day was kicked out of a hotel, more or less in Chili because the Canadian arrived. We had a small delegation of 500 business people. So that is what we believe in. So whatever it is, free trade area of the Americas, the pacific free trade zone or a link between NAFTA and EU or whether it is fighting wrongheaded counterproductive legislation like Helms-Burton; our government is committed to free expanding trade. Make no mistake about it; our government is committed to fast tracking freer trade. The whole purpose of getting our fiscal house in order is not so that I can come to New York to recite statistics. It is to be able to secure the resources necessary to invest in our future, to help those least able to help themselves, to put money back in the pockets of Canadians through lower taxes. That is what last week's budget was all about. We announced a comprehensive strategy designed to give every Canadian who wants to learn, the opportunity to learn. We call it the Canadian Opportunity Strategy, a strategy that will prepare Canadians for the new information based economy of the 21st century. It includes everything from a new Canada education savings grant to help parents save for their children's college and university education, to allowing Canadians to make tax free withdrawal from their registered retirement plans to upgrade their skills throughout their working career, to easing the debt burden on university and college graduates, to give children in low

income families a fair start in life.

Ladies and gentlemen, one of the most exciting elements of the Canada Opportunity Strategy is the Canadian Millennium Scholarship Foundation. This foundation will award scholarships to more than 100,000 students each year over the next 10 years through an initial endowment of \$2.5 billion. This will be the single largest investment ever made by a federal government to support young Canadians going to universities, colleges and vocational schools. Again, let me put it in terms familiar to you.

In your country, you remember, you remember the impact of the GI Bill on returning veterans. How it helped create the greatest sustained economic boom this continent, and for that matter the world, has ever known. This is the same principle behind the Millennium Scholarship. Picture the impact on our economy. Again, in American terms, it will be comparable to a \$25 billion scholarship fund in your country helping millions of students every year. That can give you something of the sense of what this project can mean for Canada and our economy going into the new century.

Before I close I want to speak for a moment about the globalization of the world we live in. It may be a cliché to talk about globalization, but it is not a cliché to talk about our responsibilities in the world. It is in everyone's interest to create the conditions to narrow the gap between the rich and the poor nations. Last week our budget, we restored part of the foreign aid cuts we made

in difficult times. Believe me there is no votes in foreign aid, but we insisted on doing more because we believe that wealthy countries as they get their books in order have a responsibility beyond their own borders. New York is the home of the United Nations, an institution which plays a vital role in the world we live in. We saw last week in the work of Secretary General Kofi Annan. Ladies and gentlemen, Canada pays its dues in full, on time, the first of the month. (Laughter) I hope your Congress will soon allow President Clinton to make the same boast. And think about it, last week, a trip of Kofi Annan, avoiding a confrontation in Iraq, will save the American treasury billions of dollars to just take a few of them and send them back to New York here, to the U.N. because I said, one time before, that if you don't like it here, you make money with the U.N. in the United States, you will take it back to Montreal tomorrow and will pay your contribution to the U.N. but I don't think it will happen. (Laughter)

Ladies and gentlemen, as you can see the future, my country's future is something that fills me with great enthusiasm and confidence. We have a success story to tell the world. And I am delighted to be here to tell it to you. Even if it took me four years. But, this is not just the optimism of a Prime Minister boasting about his own country, although I am proud to do so. The optimism I am describing is the optimism of a nation that has been through a long and deep valley. That worked hard, very, very hard to find its way out and that has emerged, to a bright future full of hope and promise with new confidence in its abilities and a new belief in its destiny. Merci beaucoup, thank you very much. (Applause)

QUESTION AND ANSWER PERIOD

CHAIRMAN WILLIAM J. MCDONOUGH: Mr. Prime Minister I suspect that there were many in the audience who thought that given how much you have accomplished, it is amazing that we don't have ten more years to wait for your visit. All that in four years, a great success for your government and for the Canadian people. As is the custom of our club, we will now have a question period with answers by the Prime Minister. For those of you not familiar with Canadian politics, he has a question period in the House every day. So answering questions for the Prime Minister of Canada, especially for this Prime Minister, is a very well developed skill. Our questioners will be Robert Hormats of Goldman Sachs and Robert MacNeil, one of the great, great people of American television but born in Canada. We will begin with Mr. Hormats. Mr. Prime Minister if you will rise, I will sit back down, and they will just rotate the questioning.

PRIME MINISTER JEAN CHRETIEN: Parliament is not in session this week, so I need a practice run, go ahead.

ROBERT HORMATS: First of all let me join Bill McDonough, Prime Minister, in welcoming you to the United States and to New York. I also want to thank Robin MacNeil and Ray Price for allowing me to play the role of Jim Lehrer for a day on this panel. (Laughter) Prime Minister you have described very effectively the dramatic change that has taken place in Canada over the last four years, particularly in taking a country that had a long string of deficits and producing a

surplus and indeed the expectation of continued surpluses. Could you describe for this audience the political process you went through to convince Canadians to make the kinds of sacrifices to obtain the kind of support that you needed to make the changes that you did in this very short period of time, which is very impressive?

PRIME MINISTER JEAN CHRETIEN: The challenge for the Canadian government was to do the cuts that we had to do in a very fair fashion. Just to give you an example, we have reduced by 19% the number of federal bureaucrats. Sixty thousand jobs have been eliminated. Of course we treated them reasonably well, with not the kind of handshake you are getting in New York (laughter), you call it gold in here, and I could not say that in Ottawa, but it was well accepted. And we treated every program quite well. Every program was touched but one. The one that was not touched was the Indian Affairs Department because it is a very difficult social program that we are having there, and I am a former Minister of Indian Affairs and I felt that we could not cut there. Despite the difficulties we could afford to keep it. But when I look at Canada compared to the other nations like Germany and France and so on, we have managed to do that probably because we are fair and because the Canadian people are very disciplined because we have done it with very little trouble. I know my office was visited by _____ visitors a few time in my writing, but not that bad. So firmness was the key, I guess. And people understood that we were going in the wrong direction. There was no need to convince the people. They understood.

ROBERT MACNEIL: Canadians pride themselves on the healthcare system in Canada. Some

people call it the jewel in Canada's crown. It is the envy of those Americans who advocated a one-payer system here. But the polls show recently that the satisfaction with the system has fallen sharply from 60% two years ago to 30% now. There are numerous reports of overcrowding and neglect. Your budget makes no new investment in health, so how will confidence and pride be restored, or are you counting on the private sector to take up the slack.

PRIME MINISTER JEAN CHRETIEN: No, we are not counting on the private sector. The Medicare system in Canada will remain a public one, where everybody has the same access to the medical services. It is free, it is portable, and it is publically administered and it will remain like that. We have nothing in this budget, but we have introduced \$1.5 billion more in the system earlier in the year. As you know we had the national forum on health that went across the country and said that if we were to have a floor of \$12.5 billion of cash transfer, because we transfer cash money to the provinces and we gave them tax points too; that it was to be enough. Second, we kept investing. We have invested more in the budget on medical research. We have invested in research for AIDS and breast cancer, and a few more programs of that nature. But we are going through a problem of adjustment. Medicare is of a different...there is now, you know the hospital operate in a different fashion. Hospitals were starting to be closed before I became the Premier; 28 hospitals were closed in Saskatchewan before I became the Prime Minister. And now they go through an adjustment. They have their own priorities too. Ontario opted, for example, for tax cuts. So they say that they should receive \$1 billion more, but if they cut only \$3 billion rather than 4, they will have no problem. And other provinces have other priorities. So

it is fine. You know some province because of the health of the economy they have more revenues than expected. So the added revenue was allocated. For example, there was an announcement in Ontario that they had more than \$200 million to spare at the end of the year and they put some into university and the other part in paid equity. That was their choice. We do not run the Medicare provincially. But we want to maintain Medicare, but if we didn't have the courage to do what we did, we were to lose Medicare, because when you are bankrupt, you cannot afford these programs. And we have to build from there. And it is always extremely difficult with Medicare. I was in New Brunswick talking with the Premier yesterday, he was the Minister of Health and he was complaining a bit, but I said, when you were the Minister of Health, was it nice. He said, no, it is the worst job in any government to be Minister of Health. I refuse to be, one time it was offered to me.

ROBERT HORMATS: Prime Minister I would like to ask you a question about NAFTA. As you know that was a very controversial issue in both of our countries. In the U.S. the President now is going back to get fast track authority for additional trade expansion. I would be interested in your thoughts on how you see NAFTA in terms of its impact on Canada and also you have just completed a very successful visit that you pointed out to Chili and Mexico and other countries in Latin America. I wonder if you could describe for this audience the new opportunities you see for Canada in terms of western hemispheric trade over the next several years.

PRIME MINISTER JEAN CHRETIEN: For us, I think that NAFTA has been very successful for

Canada. There was a lot of uncertainty about it, nobody could predict exactly the future and it turned out to be quite a good success for us. The trade, you know, has increased fantastically. We export a lot. As Mr. McDonough said to you, you know, we have the biggest clients of the United States and we have a large straight surplus too, but you have large investments and the balance of payment is probably in your favor. And you have the winter tourist trade, you know, snow birds going to play golf. I went to Latin America twice as a Prime Minister and the last one with Team Canada; we had 500 people traveling us. I guess the potential is good. I am very impressed by the quality of the governments that they have now. They are committed to democracy, they are committed to market economy and they want to do the right thing. So for us we think that we have greater opportunities because in many fields we are the experts. With Chili our oil and gas and mining industry is doing very well at this moment, and a lot of investment. I think now Canada is the second biggest investor in Chili and the potential in Brazil and Argentina and Mexico is pretty good. So I believe that we are going into an area of freer trade for everybody. And we have to find the proper niche and it is one reason why I say we are lucky to have a lot of resources in Canada. But you know, we are preparing our people to be very competitive intellectually in the next century. Canada has the highest percentage of people who graduated from universities. And we want to increase it again. So we will be in a better position. We should sign a FTA, I am sorry the President cannot have the fast track. I am telling you that we are taking advantage of it, but I won't tell you where. (Laughter)

ROBERT MACNEIL: Prime Minister now that you have tasted the sweet taste of fiscal

responsibility and discipline, do you think it is time to make Canada even less of a welfare state to reduce the tax burden which is high in comparison with the Americans, even further and to expose Canada's social needs even more to the rigors of the marketplace?

PRIME MINISTER JEAN CHRETIEN: You know I am not doctrinaire about these things. I am a Canadian liberal. Very balanced. I believe that the government can be a force of good in society. I believe that there will always be people who will not be able to manage on their own in society and it is the role of government to help them. So it is why our budget position is that with the surpluses that we will face in years to go, half of it will go for social and economic investment and programs and the other half will go for debt reduction and tax reduction. Yes, we have a high level of taxes in Canada relative to the United States, but we are about average on the G7, on the OECD. But, I want to make a point on taxes. In Canada, you don't have to buy insurance for your health. What is the cost for any one of you to buy your insurance? That is part of your tax bill in Canada. What is the cost in the United States to go to university compared to Canada? You know, we have a problem, in Canada our student after four years in university has a debt of \$25,000. It is the debt of one student in the United States in a year. So I think that we will always be more intervening than here. We are middle of the road. You know, you ask me, what is it to be a liberal and it is easy. The left say that I am a right winger and the right wingers say I am a little bit of a left winger. So I must be right. (Applause)

ROBERT HORMATS: Prime Minister, one of the contentions issues between our two countries

in an otherwise very tranquil relationship is the question of American sanctions, particularly extraterritoriality of those sanctions. You mentioned the Helms-Burton Bill; I would be interested in your thoughts on this controversial subject in terms, both of its relationship between the United States and Canada and more broadly in terms of America's role in the world if this kind of unilateralism continues.

PRIME MINISTER JEAN CHRETIEN: You know the United States is the most powerful nation in the world. Never a country has been so powerful ever. So it is the time to be benevolent, it is the time to be nice; it is the time not to make sure to lose it. And I don't think that Helms-Burton is very useful that way. I don't think Bills of that nature, you cannot dream of running all of the countries of the world, because all of the countries of the world will turn against you. That is something I believe very strongly in. For example, you don't like Castro, it is your choice, is he a dictator, yes. But you dealt with other dictators before in that part of the world. And if you want to get rid of him, let the American go down with their dollars. But don't do it too fast, because by the time you will do it, you will be welcomed in Canadian hotels. (Laughter and applause)

ROBERT MACNEIL: Speaking of Canada's role in the world, Canada has sent a frigate and two refueling planes to back up the U.S. and British forces against Iraq. If Saddam Hussein does not honor the agreement, that Kofi Annan negotiated recently and signed with him, would it justify the U.S. in using force as the American government now says, unilaterally the force that was withheld this time, and would Canada take part?

PRIME MINISTER JEAN CHRETIEN: It is a political question that I am advised since 35 years not to answer too often, but you are a nice guy...(laughter) If we were back the way we were, the policy would have to be the same. The modality I don't know exactly because I don't know, there was a resolution, that the General said yesterday and that the U.N. Security Council, I don't know all the terms, but Saddam has to respect the decision of the U.N. and we moved quickly on that because we were convinced that dragging our feet was to led nowhere. I know President Clinton called me on Sunday afternoon and we had a debate on Monday night. We were the only country of all those participating who had a debate in Parliament and we made the decision on Tuesday morning. Probably our participation was with that type of attack that was planned was more symbolic because it was not ground troops, but I think that President Clinton and the U.N. are right to make sure that this man does not keep producing the type of weapons, chemical and biological weapons because he is dangerous. He used that against his own people. So we have no hesitation on that. And we were supported by all of the parties in the House, but one.

ROBERT HORMATS: Prime Minister, one interesting problem the United States has confronted over the last several years, particularly resulting from globalization is the backlash against the U.N. the IMF, the World Trade Organization, the World Bank, much less support than there was, particularly during the Cold War. Canadians, have, as you pointed out in your speech, a long record of support for multilateralism. I am interested in knowing, our two countries are so close in many ways, how you have been able to sustain that support in Canada at a point in time when it seems to be reduced dramatically in the United States?

PRIME MINISTER JEAN CHRETIEN: But in Canada, the U.N. has been extremely popular since Mike Pearson. When he managed to find a solution that handled the Suez crisis when Great Britain and France invaded Egypt. And we were in fact, the one who started the forces moving around the Blue Berets groups. So in Canada there is no debate about it. And we have been at all of the peace missions and whenever we move there is virtually anonymity. Of course like anybody we are not always satisfied with the World Bank and the IMF and so on and there is new challenges that face the world with this globalization. For me, I do think that the situation of currency is a little bit exaggerated these days. And it is a problem that I don't know how to tackle that because it is not made in a very rational way. It is done with short term money, overnight, with guys with red suspenders; apparently, I don't have them. But it is not based on a very rational situation. You know the problem with anybody and any group, and it is the same thing for the markets and the private sector. There is always a tendency to carry it too far. That is why I am a centrist in politics because you always want to go one bridge too far and this causes problems. So this is one of the problems at this moment. I don't know, there is no easy solution. I see the debates; there was some article this morning between Japan who has to review the mechanism of the written word agreements. I don't know if it is a solution. But when I was a President for the G7 meeting in Halifax, I worked on that with my colleagues. I had meetings before that, and we have decided to strengthen the IMF and add liquidity to the system and have a better system of detection into prevention if possible. But probably this will have to be strengthened even more. Because today I am very happy...we have a low Canadian dollar and I don't count, but I look at all of the figures, we are doing very well and the dollar is not

strengthening. I love it for exports. But normally I was afraid of the other side of the coin.

...(CHANGED AUDIO SIDES)it has to be looked at by everybody. But I have been studying that, you know I started as Parliamentary Secretary to Mitchell Sharp in 1965 and at that time we are talking about the liquidity in the world and we still talk about it today and my grandson will come to talk about it in 50 years. Next...

ROBERT MACNEIL: Also on Canada's role internationally, do you support the enlargement of NATO or do you fear, as some Americans do, that it will dangerously provoke Russian nationalism?

PRIME MINISTER JEAN CHRETIEN: No...I support it very strongly from the beginning because we had a moral commitment there. We said to these nations that if you become a democracy and a market economy, we will take you under our umbrella. And we were not delivering. That is the point I made in January 1994 at the first meeting of NATO in Brussels. Everybody was afraid that it was to destabilize the Russians. We have moved in August, there is no destabilization there. They are not happy. But for me, I would always recall, one day I was in Budapest, and there was a group of young politicians who are liberals, belong to a liberal international and they asked to see me, and they had on it, the preoccupation, they were telling me, we don't want to go back, and you told us, you told us, because for them the fear was an element to paralyze them on everything. It was an obsession for them. Now that we have decided to take them, you know, they will be able to concentrate on something else. And we can have

very good relation between NATO and the Russians, nothing to prevent that. My view is, I was of the view that it was not to cause the dismantlement of the situation in Russia and it did not. So I agree that expansion is a good thing. And it is a moral commitment we have made.

CHAIRMAN WILLIAM J. MCDONOUGH: We have one more question from each side.

ROBERT HORMATS: Prime Minister, one of the interesting developments in Canada over the last several years is that you have been able to grow as rapidly as you have, and as successful as you have. The U.S. has also been growing very rapidly. But there is one key difference and that is, we have in the United States a history of a very wide gap between the wealthiest sector of the economy and the poorest. In Canada you have managed to avoid that. There is a much narrower gap between rich and poor. I wonder if you could share with this American audience the kind of programs, the kind of policies that have allowed that to happen and how perhaps we could learn a little bit more.

PRIME MINISTER JEAN CHRETIEN: Well we have Medicare that we discussed earlier that nobody is preoccupied in Canada about his health, nobody is afraid to lose his or her home because somebody is sick in the family, and you know we protect everybody, you have 40 million people who are not covered in the United States. We have a good system of pension that we have made sure that it will be there for future generations. We have compared to some states, some say, I judge, good level of minimum wage. I don't think...I think in a civilized country we

need minimum wage, otherwise it will be always people will abuse, and some poor people cannot defend themselves. And that is the mentality that we have in Canada. We have less poor people. It is one of the reasons because we have a good base for social programs that some will argue that our unemployment will never go as low as yours, because some jobs in the United States are much less than being unemployed in Quebec in term of income for the family. We have done it, and we are very proud to have less poor people. And yes, we have much less rich people. Because I never met a millionaire that was rich enough. That is why I stayed in politics.
(Laughter)

ROBERT MACNEIL: Your government has recently taken a more aggressive approach to the separatists in Quebec, does that mean that you personally, a Quebecker yourself, are more worried about the possibility of secession. Would you describe the risk, as you see it?

PRIME MINISTER JEAN CHRETIEN: But for me, you know some say we have taken a stronger position, yes; we went to the Supreme Court. Because there was some methodology in my judgment existing there. For years, there is a notion with a lot of people that the right to self-determination means automatic separation. It is not true. It is not true. The Boulangerie Council reported they had a document prepared by five international specialists who said that no, it is not the case. To have the right of separation you have to be occupied militarily or you have to be a colony. It is very difficult for Quebeckers to claim that we are a colony and one of them is the Prime Minister. The Minister of Finance is from Quebec, the Chief Justice of Canada is from

Quebec, the Chief of the Army is from Quebec and the Ambassador to Washington is from this same town and the same family then I. So I think that has to be clarified. I don't know what the court would say. I don't know. When you go to court you go to court. I hope they will render a good judgment. But on the issue, the people are fed up in Quebec about the referendum. It is causing pain to everybody. It is causing lack of growth. Everybody now recognizes that who looks at the situation seriously, and you must know that, you used to live in Montreal. Montreal is not what it used to be, and it is very sad. So we have to terminate that. We have two referendums, where the people of Quebec voted to stay in Canada. We always use the word democracy; when they will respect democracy, that is a question. And the others, these are questions that were not clear. You know, so we say, I don't think it is tough to ask an honest question. And should we...can you break a country with one vote of majority. The poor person who makes the difference, what will happen to him? He will be killed and it will be even after that. (Laughter) Even to elect a Pope they need, you know, the Roman Catholic Church is not the greatest democracy in the world. (Laughter) But in the Conseils Latran, in 1172 they said that they need two-thirds of the Cardinals to elect the Pope. So I don't know what we will do, I think, I hope that there will be no more referendum. I am optimistic that the next election they will have to...everybody will want to be elected; will have to say that they don't want a referendum. And we will have solved the problem. But it will always be a problem. So those who dream of a solution that will be clear forever, it is impossible. There will always be the people who think that Canada should not be....or will the Francophobe be incorporated in Canada. For me, I know, the wolf came in the middle of the night. If I had been there I would have waked up more cows,

but I was not there. But you know the Brits always come in the middle of the night. They came in the Forelands a few years ago in the middle of the night. Thank you very much. (Laughter and Applause)

CHAIRMAN WILLIAM J. MCDONOUGH: Thank you Mr. Prime Minister. Many of the people of Canada have been watching their Prime Minister by television and we can assure you that it was a success. (Applause)