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Why Canada's Finance Minister 'Was Resigned'

by Gilles Gervais

Canadian Prime Minister Jean Chrétien, less than four weeks before his hosting of the Group of Seven heads of state and government summit on June 26-27, sent a resignation letter, on May 31, to Finance Minister Paul Martin, for the latter to sign. Chrétien did not wait for the fax to be returned, but announced, just a few hours before the markets would open on June 1 in Asia, that Deputy Prime Minister John Manley would henceforth also hold the Finance Minister portfolio, but that the financial policy course of Canada, charted by Martin for the last nine years, would remain unchanged.

Press exposés of ministerial corruption in the handling of advertising contracts, and cases of ethical misconduct, had obliged Chrétien to fire Cabinet ministers and reshuffle other ministerial portfolios twice the week before sacking his most important minister.

The firing of Martin has ended, for the present, a virtual "palace coup," orchestrated through leaks to the press originating, according to the Prime Minister, from "traitors" within his own Liberal Party majority government.

Eyewitness accounts of a May 29 Cabinet meeting report that the Prime Minister read his ministers the "Riot Act": Henceforth, the utmost probity was to be required of every member of the Cabinet, a new ethical code of conduct would be introduced in the House of Commons, and closing ranks behind the Prime Minister was mandatory. Chrétien announced that he was shutting down all leadership campaigns, including that of Paul Martin. No one should even think of replacing me soon, Chrétien reportedly told his ministers, since I will be staying on as Prime Minister for at least two more years.

Martin, who felt unjustly singled out by the Prime Minister, announced to the press that he was taking a leave of absence, for a few days, to reflect on his future within the Chrétien government. Martin will now be free to campaign all Summer and hopes to get the Liberal Party leadership convention to occur earlier than February 2003.

Paul Martin, the IMF's Pied Piper

Is this simply, as we are being told by the Canadian media, a soap opera about the "Crown Prince" being tired of waiting after nine years? The answer lies outside of Canada per se, in the realm of international finance. Martin, since 1995, has been assigned a principal role by the International Monetary Fund—first, as a Finance Minister of a Group of Seven country, to advance the case for the reform of the international financial system. Further, if as expected, he should soon become the Prime Minister of Canada, he would become the G-7's Trojan Horse bearing this "wonderful reform policy gift" from the IMF to the underdeveloped countries.

Late last year, *EIR* exposed the desperation of a certain group of international bankers, who realize that the debts to the IMF can not possibly be paid (*EIR*, Dec. 7, 2001). The attempts by bankers and economists to advise governments on a "new financial architecture" were not only fraudulent, but in some cases, were cheap imitations directed explicitly against Lyndon LaRouche's New Bretton Woods proposal (see "LaRouche Challenges Rohatyn on New Bretton Woods System," *EIR*, Aug. 31, 2001). Lazard Frères' Felix Rohatyn had been calling for a New Bretton Woods monetary conference. As we reported on Dec. 7, "Rohatyn, Volcker, et al. will try to forestall demands for a real solution: The IMF system itself must be shut down, and replaced by something completely new."

Enter Paul Martin, riding on what's left of Canada's reputation as an honest broker. As Finance Minister, he had used budget cuts to turn a $42 billion budget deficit into a surplus in 1999, reduced the role of the Ottawa government, by getting the provinces to spend more and reducing transfer payments to the provincial and territorial governments. Canada is now the only G-7 country with a budget surplus. Moody's rating agency recently gave its bonds a triple-A rating.

On Oct. 28, 1998, Martin declared that the Bretton Woods institutions (the IMF and World Bank) had to be renovated to deal with growing crises. In July 1999, Martin gave a speech to the Canadian Institute for Advanced Legal Studies in Cambridge, U.K., calling for an international "legal framework analogous to domestic bankruptcy regimes." In 1999, after the collapse of the Long Term Capital Management hedge fund nearly melted down the financial system in October 1998, he was key in creating the Group of 20, which brought together finance ministers and central bankers from industrialized and developing countries. He served as the first chairman of the G-20 until his term ended last February.

At the IMF meetings in Prague in September 2000, Martin "called for immediate suspension of debt interest payments for the world's poorest countries, and a substantial relaxation of conditions under which those countries would receive total debt forgiveness. His position surprised and annoyed several allies in the Group of Seven," reports a recent editorial in the Canadian *Globe and Mail*. Finally, in May 2002, the G-7 Finance Ministers meeting in Washington approved the Martin Plan to establish a new set of rules for borrowing and lending, similar to domestic bankruptcy laws, "a key step in Mr. Martin's ultimate goal of establishing an international bankruptcy court," crowed the *Globe and Mail* on June 5.

If the Canadian prime ministership should elude him, Martin could probably move to Washington, D.C., where there will certainly be job openings at IMF headquarters.

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