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POSTED AT 5:08 PM EDT Saturday, June 01

Liberals bracing for Martin resignation

By SHAWN MCCARTHY and OLIVER MOORE
Globe and Mail Update

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Federal Liberals are bracing this weekend for the resignation of Paul Martin, which come as early as Sunday. Liberal sources have told The Globe and Mail that they believe the rift between Prime Minister Jean Chrétien and his Finance Minister is irreversible.



Prime Minister Jean Chrétien arrives at the annual Press Gallery dinner Saturday in Ottawa. Photo: Dave Chan/CP

"It has to be sorted out this weekend," said one senior Liberal. "If this were the environment minister, he could let it go, but with the Finance Minister, [Mr. Chrétien] has to deal with it immediately."

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There is widespread speculation as to who would replace Mr. Martin. One likely candidate is Deputy Prime Minister John Manley, who is seen as a strong, business-friendly veteran in the cabinet. Liberals suggest that Mr. Chrétien would likely appoint a new Deputy Prime Minister, but one with less responsibility than Mr. Manley had. Some of his roles could be spread among other senior ministers.

Mr. Martin is supposed to be making a speech in Montreal on Monday morning and, so far, there is no word as to whether that talk will go ahead — but Liberals in Ottawa said Saturday that they expect a statement from the Finance Minister before financial markets open Monday.

A senior Martin advisor told Reuters Saturday that the Finance Minister had deliberately timed his announcement Friday so as to give the financial markets as much time as possible to absorb the news. "It is the minister's strong wish that the markets not overreact, not start to react in any negative fashion to what's occurred," the source said.

(As the second most powerful person in the Liberal cabinet, Mr. Martin is

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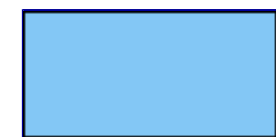
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credited by most economists and analysts with taming Canada's deficits and setting the new financial course for the country. The extent of his reputation is enormous, leading to a drop in the Canadian dollar when an April Fool's Joke circulated that he was resigning.)

Mr. Martin, for years considered the clear favourite should Mr. Chrétien ever step down, revealed Friday night that he is actively questioning his political future after the Prime Minister clamped down on jockeying for the leadership of the party.

"I'm going to have to reflect on my options," he told reporters at a Liberal party function in Toronto. "When I do so, I'm not going to do so only in the context of a leadership race. There's something far more important at issue here."

When asked if he was considering resigning, he Martin repeated: "I have to reflect on my options given the events of the past few days and on my capacity to have an impact on those events."

Martin supporters insisted then that the Minister had not given Mr. Chrétien an ultimatum, but they said the Prime minister would have to publicly assure Mr. Martin that the two long-time rivals could work together in cabinet.

Liberal sources suggested Saturday that Mr. Chretien is unlikely to bow to such demands from one of his cabinet ministers.

The Martin advisor told Reuters that the Finance Minister had not yet decided whether to quit. Speaking on condition of anonymity, he stressed that the root of the latest dispute between the two long-time rivals had more to do with policy divisions than with any immediate desire by Mr. Martin's camp to oust Mr. Chrétien.

"Paul and the Prime Minister have very different points of view on very important policy choices that lie ahead for us as a country," the aide said, adding that Mr. Martin is regularly frustrated by Mr. Chrétien's focus on day-to-day matters and his unwillingness to make long-term plans.

"If the reality is that we're facing another two or three years of incremental government, of potential drift, then I think for Paul that becomes a barrier, an obstacle to actually fulfilling his job."

Progressive Conservative leader Joe Clark on Saturday urged the two men to "grow up" and not allow their partisan battles to damage Canada's economy or international stature,

"I leave it to them to determine how to settle it. But stop sending messages of chaos to the world. Get on with the business of protecting Canada's interests," the former prime minister told reporters.

Asked whether Mr. Martin could have any hope of simply returning to the cabinet table and continuing to do his job as if Friday's remarks had never been made, Mr. Clark said that he should resign, and resign immediately, if he can't fulfill his role.

"The world doesn't care about the internal conflicts in the Liberal Party of Canada, but the world does care, very much, about the financial stability of Canada."

Mr. Clark mentioned the possible economic effects of a Martin departure, but he suggested that a continuation of this weekend's state of limbo could be even more dangerous.

"People take a look as chaos in governments and they lose confidence in the economies of those countries. That could happen here," he said.

"There are decisions being taken by investors, by major companies, by other



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countries every day of the week about where they're going to put their interests in the future. And if what they get out of Canada is chaos ... they think that this isn't just something within the Liberal Party, they think [it reflects] the country."


"The government has an obligation to stop that right now."

With reports from Reuters News Agency and The Globe and Mail's Allan Woods



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