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POSTED AT 5:51 PM EDT Sunday, June 2

Manley named Finance Minister

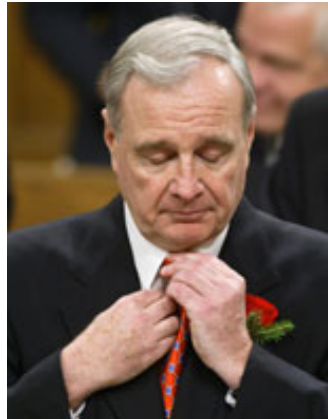
Globe and Mail Update and Canadian Press

Prime Minister Jean Chrétien turfed Paul Martin as his long-time finance minister Sunday in a rift that has rocked the Liberal party and threatens financial markets.

Mr. Martin was replaced in Finance by John Manley, who will also retain his post as Deputy Prime Minister.

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Former finance minister Paul Martin adjusts his tie in this file photo from his 2001-2002 federal budget speech in the House of Commons in Dec 10, 2001. Photo: Tom Hanson/CP Archive

The surprise shuffle, made official by the Governor-General, ends a tense weekend of speculation about the future of Mr. Martin, whose simmering feud with the Prime Minister finally broke out into the open.

A source close to Mr. Martin said he was fired by the Prime Minister after testy discussions throughout the afternoon with the Prime Minister's Office.

"The PM fired him," said the source. Mr. Chrétien "didn't wait for him to make a decision whether he would resign or not."

Mr. Martin intends to remain as a backbench MP for the time being, he added.

The departure of Mr. Martin threatens to badly split the Liberal party, undermining support for Mr. Chrétien who faces a leadership review in February. The Prime Minister has said he intends to remain in office until the end of his current mandate.

Sunday's announcement follows a tumultuous two weeks of corruption allegations, the demotion and firing of two cabinet ministers and a series of damaging leaks against the government.

Events came to a head late last week when Mr. Chrétien suggested the leaks about alleged corruption were being orchestrated by potential leadership contenders in his own cabinet.

Mr. Chrétien said in Toronto that he intended to remain as leader until the next election and threatened to fire any cabinet ministers who continue to campaign quietly as his replacement.

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The Prime Minister's warning was seen as a direct rebuke of Mr. Martin, who has served three terms as finance minister since the Liberals were first elected in 1993.

Later the same day, Mr. Martin announced he was reconsidering his future in the government.

The loss of Mr. Martin, who turned massive deficits of up to \$40-billion into a series of healthy surpluses, comes as the Canadian economy is rebounding, the dollar is rising and the leading industrial nations meet this summer in Alberta with Canada as host.

Some analysts say the loss of Mr. Martin could rattle markets on Monday, driving down the value of the loonie.

Earlier Sunday, Mr. Martin cancelled a meeting scheduled in Montreal on Monday morning at an international monetary conference.

At a press gallery dinner in Ottawa on Saturday night — which Mr. Martin did not attend — Mr. Chrétien played down the controversy by joking he had banished the finance minister to Afghanistan.

"Late last night I asked Paul Mr. Martin to go in my place," he quipped. But he was quick to change the subject and brushed off questions about Mr. Martin.

In Ottawa, Conservative Leader Joe Clark said Saturday the internal party squabble could have ramifications on a greater scale.

"This chaos in the Liberal party is putting the reputation of the country at risk," he said. "Let's be clear about something: the world doesn't care about the internal conflicts in the Liberal party. But the world does care very much about the financial stability for this country."

"Canada has a G8 summit coming up in a matter of weeks that requires real stability and leadership at the centre of the government."

Mr. Chrétien last shuffled his cabinet a week ago when he fired Art Eggleton as defence minister for giving a contract to a former girlfriend. He also demoted Don Boudria, formerly public works minister, for staying at the chalet of the owner of a major advertising firm that dealt with the department.



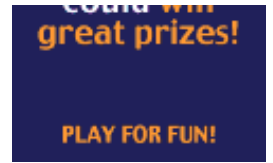
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