

*"The United States and Quebec,"
continued from page 77.*

Yet the North American continental state is in many respects the antithesis of the European model:

- The European Community has been developed over the course of five decades gradually, democratically, cautiously. North America was remodeled in the space of five years as a result of hasty, almost desperate negotiations by government officials and business interests from which a generally antipathetic public was excluded.
- The EU has an elaborate array of supranational executive, administrative, legislative, judicial, and functional institutions to which the member states devolve parts of their sovereignty. The new North American state has an astonishingly weak institutional structure.
- Weighted participation in the EU gives smaller members disproportionately more power and bigger members disproportionately less. Apart from the one-country-one-vote arrangement in the

NAFTA's weak trade commission, the absence of democratic representation in supranational institutions means that the United States has increased its already vastly greater power while Canada and Mexico have lost clout.

- Free trade creates both winners and losers. The EU has defined its social values and has established policy mechanisms that can redistribute wealth across national borders from the wealthier regions to the poorer. The new North America has no such instruments for redistribution.

An independent Quebec in North America will probably be weaker. It will have lost the partial exemption from the disciplines of FTA and NAFTA that provincial status afforded it. It will have lost the capacity that "French power" in Ottawa—disproportionately greater power for Quebec in federal politics—gave it to have Canada defend its interests in Washington.

The paradox is that once Quebec achieves its long-coveted sovereignty, it will have to divest itself of the chief economic policy instruments it needs if it is to compete

successfully in the U.S. market. Like other jurisdictions that have accepted the principle of national treatment, it would be forced to concentrate its resources on developing its social assets—its transportation and education system and public health facilities—as an alternative to an activist collaboration with selected economic leaders. And these national champions—not just Consolidated Bathurst, but Power Corporation itself—would now be vulnerable to takeover by American transnationals.

In effect, once Quebec has savoured what symbolic satisfaction it can extract from its sovereignty, it faces a difficult choice. Either gain membership in NAFTA and face cultural decline or stay out of NAFTA and face economic decline. The dilemma of the péquistes is dreadful: whatever increase in sovereignty they can win with a formal declaration of independence would most likely translate into a decreased autonomy in the continental political economy.

Stephen Clarkson is a Professor of Political Science at the University of Toronto.



THE STATUS QUO: WORKABLE, BUT INTOLERABLE?

by Peter M. Leslie

In Canada today, there are potent forces for change to which collective responses must be found. No one can doubt that there will be change; what is at issue is whether change occurs through the Canadian federal state or through two or more successor states. The choice of a political framework does not automatically determine the nature or thrust of the responses in question.

Reworking the Canadian constitution does not seem to be an option;

a new set of constitutional proposals either before or after a Quebec referendum is, therefore, unlikely. Quite simply, if there is to be a "new constitution," it will emerge only as a consequence of secession by Quebec. Secession would imply that the status quo, in the sense of the formal constitutional structure within which change takes place all the time, had been judged to be intolerable by those who had succeeded in breaking it asunder.

Whether or not the existing constitutional framework is intolerable or (from a Quebec perspective) is worse than breakup, is not for me to say. Those who find it intolerable—evidently a significant minority of Quebecers—are expressing a subjective view and all a non-Quebecker can do is to take note of it and work out how to react if that opinion ever does carry the day.

THE "STATUS QUO" AND THE FORCES FOR CHANGE

In the meantime, and for the indefinite future, publicly minded or politically involved Canadians may reasonably concentrate on changing

the status quo through the existing constitutional framework. "The status quo," in this context, must be taken to mean *inherited habits of governmental behaviour and the current thrust of policy*. It is clearly unworkable or unsustainable, given the forces for change.

These forces are by no means unique to Canada and are obvious to all:

- The consequences of past fiscal mismanagement or short-sightedness now require the federal government to spend more than a third of its revenues on servicing the accumulated debt. This clearly indicates a need for trimming government spending to a level that can be sustained at rates of taxation that are not intolerably high. This need has become a pressing one at the very time that demographic, economic, and technological factors (aging population, high unemployment, increasingly sophisticated and costly techniques of medical care) are imposing ever heavier obligations on government.
- There is also the need to adapt to the realities that are imposed by technology-driven changes in production techniques and by the now formidable industrial capacity of countries in Asia, Latin America, Eastern Europe, and elsewhere. Consequences include painfully high levels of "labour shedding" (to use the anodyne phrase of business-speak), the polarization of earnings, high and rising premiums on work skills, and, in the service sector, the rapid growth of both "good jobs" and "bad jobs"—the latter being characterized by low wages, short-term and unstable employment, an absence of fringe benefits, and extreme boredom.
- The degradation of the natural environment also points to the non-sustainability of current public policy and perhaps of current

levels or forms of production and consumption.

- The degradation of the social environment is probably no less severe than that of the natural environment. Social degradation is evident in growing economic, emotional, and physical insecurity throughout much of the world. Canada is better off than many other countries, but by no means immune.

Governments in Canada must cope with these and other problems in circumstances fundamentally conditioned by our proximity to the United States and the processes of continental economic integration. In the past, Canadians have made collective choices noticeably different from those made by the United States, and there is every reason to expect this tendency to continue, if we have any choice about it. Within Canada, too, there has been noticeable diversity and our federal system has accommodated such diversity to a considerable degree. But not enough for many Quebecers.

Those Quebecers who insist that federalism is not a workable system of government for Canada, or that the attitudes of Canadians outside Quebec have made it unworkable, seem to be saying two things. One is that, as a minority at the federal level, Quebecers have been unable to exercise sufficient influence in Ottawa to bring about the adoption of a minimally acceptable set of federal policies. The other is that, mainly as a consequence of this, the policy domain reserved to Quebec is too narrow. It is argued that most Quebecers would like to do things differently from the rest of Canada (ROC) and that the ROC stifles or disregards them. The logic of this, to the extent that mental calculations are relevant at all, is *indépendantisme*.

Implicit here is the belief that as an independent state, Quebec would be more effective in coping with the

forces of change or the problems resulting from past policies, than it is now, as part of the Canadian federal state. One may assume that Quebec could not, any more than the ROC, simply liberate itself from such problems or forces by the mere accession to independence. The aim, rather, is to gain greater room for manoeuvre in coping with them, consistently with the character of Quebec as a distinct society.

There is a partial analogy between the desire of *indépendantistes* to turn Quebec into a sovereign state and Canadians' desire to remain politically independent of the United States: we think of ourselves as a distinct people and we want our own values and preferences to be reflected in (and supported by) public policy. The Canada/US-Quebec/ROC analogy breaks down, however, when we consider the question of economic union. Few Canadians would contemplate full economic union with the United States essentially because they know it would render independence illusory. Paradoxically though, even the strongest Quebec *indépendantistes* not only want to preserve the existing Canadian economic union, they take it for granted that political independence will not disrupt economic arrangements. They expect to dismantle the political union, but to hold onto the economic one.

AN ECONOMIC, BUT NOT POLITICAL, UNION

The workability of an economic union—including its acceptability to the ROC—deserves careful scrutiny. To think about this, it is essential to recognize that the Canadian economic union comprises several elements. Each one points to the need for political decision—that is, choosing among policy alternatives that different groups will evaluate in different ways:

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- One element of the economic union is the customs union, a precondition for avoiding border controls between the provinces. Having a customs union means having a common trade policy (a single tariff schedule and a single system for imposing other import charges such as anti-dumping duties). As the GATT negotiations under the Uruguay round have clearly shown, not to mention the high-tension debates over the FTA and the NAFTA, setting trade policy involves deeply *political* decisions, especially now that trade agreements increasingly involve other matters such as investment. In fact, the decisions in question are quintessentially political. To make such decisions, a political mechanism—a solid institutional framework—is required.
- A second element of the Canadian economic union is a common market, meaning the free flow of capital, labour, goods, and services. Of course, some interprovincial barriers do exist, but their extent is limited by a 1994 agreement on internal trade and, long before this, by the federal power to regulate trade and commerce. The removal or control of internal barriers, in fact, requires substantial consistency of regulatory regimes among the participating states; that, indeed, is a lesson of the European Community's decision to remove internal frontiers in 1992. The Europeans found that to do this, it was necessary to create a stronger political framework reflected in treaty amendments in 1987 and 1992. New voting rules are now in place that enable the member states to reach common political decisions over a wide range of

matters by "qualified majority." This change even led Commission President Jacques Delors to say (unadvisedly) that, before long, about 80 percent of national legislation in the EC should be mandated by political decision at the Community level. The fact that he was exaggerating a little does not impair the general observation that to make a common market work, extensive political decision making at the centre is essential and the powers of the participating states must be significantly limited.

- A third and final element of the Canadian economic union is the monetary union. Canadians take it for granted, but it is possible to do so because the fiscal presence of the federal government (notwithstanding the deficit and the accumulated debt) is still considerable; Ottawa is extensively involved in interprovincial fiscal redistribution. In the absence of such mechanisms of adjustment—that is, if Quebec were to secede—there would have to be far-reaching controls on the fiscal and budgetary policies of the member states to make monetary union possible. This would be especially necessary considering that Quebec would have a public debt equal to more than 100 percent of its GDP. In fact, the need for budgetary controls is widely recognized in Europe as a precondition of creating a monetary union among some of the members of the European Union. This is exactly why countries like Britain and Denmark do not want to participate. Again, the pervasiveness of politics, or the necessity of far-reaching political decision, is evident.

So, what sort of institutional framework would be needed to sustain an economic union between an independent Quebec and the ROC? We are not talking only about Que-

bec as a member of an enlarged NAFTA. Presumably, Quebec's accession to a somewhat modified NAFTA could be accomplished without too much difficulty, although the terms demanded by the United States might not be entirely to Quebec's liking. But we're not talking about the NAFTA: we are focusing instead on full economic union along existing lines in Canada and how its governance could be assured. What arrangements would be workable?

None that I can think of.

Under any set of institutions that one might imagine, either Quebec would have equal weight with the ROC or it would not. The idea behind the 1980 sovereignty association formula was parity. This formula seems now to be emerging again, especially in the rhetoric of Bloc leader Lucien Bouchard, though he studiously avoids this discredited label. But whatever term is used, the concept of parity implies that Quebec would gain in the new institutions a voice equal to that of the other nine provinces (plus the territories) in today's Canada. It would gain a veto over a wide range of political decisions: all those required to make a customs union, a common market, and a monetary union work. This is a recipe for paralysis. It is also clearly unacceptable to the ROC.

The other possibility is proportionality, not parity. There would be weighted votes. But with only two entities voting, Quebec would lose out every time. Such an arrangement would certainly be workable, at least in a technical sense. The ROC would probably accept it. But from Quebec's perspective, would it be tolerable?

Peter M. Leslie is a Professor of Political Science at Queen's University.

