



CANADA WATCH

Practical and Authoritative Analysis of Key National Issues

THE STATE OF THE ECONOMIC UNION

by Jamie Cameron

THE ELECTION CAMPAIGN

How far the three "national" parties may slide on October 25 has been the subject of much speculation thus far in the election campaign. Few expect a majority government at this point, and with the Bloc québécois and the Reform party surging, Canadians could return a Parliament that is functionally incapable of governing this country.

These dynamics have been attributed, at least in part, to a profound dissatisfaction with status quo politics and status quo politicians. Hence the rise of alternative parties, includ-

ing such unusual contenders as the Natural Law Party, which is fielding a slate of more than 200 candidates.

That the public can be so dissatisfied with the style and substance of status quo politics is disturbing. But what if this malaise represents a loss of faith in the traditional parties' capacity to reflect the interests we share as members of a nation? As commentators suggest, the prospect of a federal Parliament split along regional lines has implications for our future as a federation.

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A HOUSE DIVIDED

Prospects for Canada's Next Parliament

by Kenneth McRoberts

If current trends hold firm, the election result will raise more questions than it answers. The government that emerges probably will have a precarious hold on Parliament. It almost certainly will not be a "national" government and thus will be ill-equipped to deal with Canada's continuing divisions. At the same time, it will face two new opposition parties that will raise fundamental questions about the Canadian political order, and challenge the capacity and very legitimacy of the government to deal with them.

A CRIPPLED LIBERAL GOVERNMENT

In all likelihood, the Liberals will have the largest number of seats in the next Parliament, but they could fall well short of an absolute majority. Although the party clearly has a strong hold on Atlantic Canada and appears to be expanding its strength in Ontario, it could be virtually shut out of French Quebec and be marginal in western Canada.

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OCTOBER 1993

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Canada Watch is a publication of the York University Centre for Public Law and Public Policy and the Robarts Centre for Canadian Studies of York University.

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At the same time, we are frequently reminded that the election is about our economy and, more particularly, about job creation versus deficit reduction. In focusing on those concerns, it can be too easily forgotten that our well-being also depends on the strength of our economic union. While the campaign absorbs our attention, a trade dispute between Ontario and Quebec has been simmering ominously in the background.

DISCRIMINATION: THE ANSWER TO TRADE BARRIERS

For years now, Quebec has denied out-of-province workers access to labour opportunities in that province, particularly in the construction industry. Last year, New Brunswick responded with mirror-image policies of its own, erecting discriminatory barriers against Quebec workers. New Brunswick's strategy was rewarded when it was announced in August that the two provinces had reached an agreement on procurement and employment policy.

Following a summer of unsuccessful negotiations with Quebec, the government of Ontario also decided to retaliate. Early in September it announced measures that "duplicate for Quebec workers and firms the same discriminatory barriers currently faced by Ontarians trying to work or do business in Quebec." These measures will exclude Quebec contractors from government-funded projects and restrict Quebec construction workers in Ontario. The government also hopes to encourage private firms to favour Ontarians over Quebec contractors, subcontractors, and construction materials, and to persuade municipalities to prefer buses made in Ontario to Quebec-made buses.

Gérald Tremblay, of Quebec's Ministry of Industry, Trade and Technology, claimed that Ontario has negotiated in bad faith while playing politics at Quebec's expense. Meanwhile, Ontario's Minister of Economic Development and Trade Frances Lankin stated that the government's goal is to "get trade barriers down," and not "erect new ones."

With an annual trade volume of about \$50 billion, the stakes in the dispute between Ontario and Quebec are high. It has been estimated that as many as 4,000 Quebec construction workers work daily in Ontario in the Ottawa area, and that Ontario could claw back as many as

"... the rise of provincial trade disputes demonstrates that the dynamics currently shaping our political landscape have implications for our economic union as well."

3,500 jobs through its restrictions. In addition, the construction industry could recover billions of dollars from government policies that exclude Quebecers from public and private construction jobs. Even the dispute over who makes buses is significant: Ontario buys about \$10 million of Quebec-made buses annually.

PROTECTIONISM AND FEDERALISM

Protectionist policies, like those adopted by Quebec, New Brunswick, or Ontario would undoubtedly be invalid in the United States. The American constitution explicitly authorizes the federal government to regulate trade; in addition, the commerce clause imposes negative restrictions on state policies that are directly protectionist or that otherwise place impermissible burdens on interstate commerce.

Section 91(2) of the *Constitution Act, 1867* confers exclusive jurisdiction on the federal government to regulate trade and commerce. Like the commerce clause, section 91(2) has also been invoked against protectionist policies; in that context provincial legislation "in relation to" interprovincial trade, and not any legitimate heading of provincial jurisdiction, is unconstitutional. A constitutional jurisprudence that has in the past invalidated trade barriers against interprovincial eggs and hogs should also protect the interprovincial movement of buses, construction materials, and construction labour. In addition, section 6 of the Charter guarantees mobility rights.

Quebec's practices are difficult to defend, and it is unsettling that they have been in place for so long without challenge. At the same time, any mirror-image policies are equally vulnerable, and it is just as unsettling that other provinces have been willing to practise discrimination themselves to get trade barriers down. As Premier Bob Rae put it, "[p]erhaps an element of reciprocal treatment ... will prompt Quebec to undertake more productive negotiations." If that is the state of our economic union, we may face an uncertain future.

THE STATE OF THE ECONOMIC UNION

To initiate the process of renewal that culminated in the Charlottetown accord, the federal government issued a set of proposals, entitled "Shaping Canada's Future Together," which were intended to "give focus to a national dialogue." One section optimistically suggested that Canada prepare for a prosperous future by strengthening its economic union. The proposal to replace section 121 of the 1867 constitution with a common market clause did not survive that process of dialogue. As drafted, it was complex

and imponderable. More important, the political will to address those issues of economic integration was lacking.

The Charlottetown accord fused the federal government's proposal for economic union with Premier Rae's "social charter." Instead of a common market clause, the result was a list of policy objectives for social and economic union that established aspirational goals for the future.

Restrictive barriers such as Quebec's should not exist in a federation, and it should not be necessary for provinces like New Brunswick and Ontario to invoke retaliatory measures. Yet the rise of provincial trade disputes demonstrates that the dynamics currently shaping our political landscape have implications for our economic union as well. The political will to address Canada's economic union is at present absent. That will must be found before the destructive power of protectionism further weakens us.

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Canada Watch welcomes submissions on issues of current national interest. Submissions should be a maximum of 1,000 words. The deadline for consideration in our November issue is Monday, November 8. Write or fax us at:

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THE CAMPAIGN IN ATLANTIC CANADA

Surface Politics and Sub-Surface Problematics

by David Johnson

Contrary to popular perception, the campaign in Atlantic Canada is not straightforward. Although the Liberals show no indication of relinquishing their dominant position in the parliamentary representation of Atlantic Canada, this does not mean that the campaign down east is a simple event.

In reality there are two reflective processes under way throughout this region this fall, with the lesser-seen process posing difficult questions for whichever party forms the government following October 25.

THE CAMPAIGN: SURFACE POLITICS

The first process is the actual campaign itself; and here, Liberal strength throughout the region is palpable. According to the CBC poll of September 26, the Liberals have the support of 50 percent of electors in the region, compared to 35 percent for the Conservatives, 9 percent for the NDP, and 3 percent for the Reform party. Although various poll results suggest that Atlantic Canadians find Kim Campbell to be a better, more modern leader than Jean Chrétien, this general support for the leader does not translate into support for the party. When asked which party offers the best approach to dealing with the issues of economic development, job creation and the protection of social policies, plurality support shifts appreciably to the Liberals. This suggests that the Liberal party is in no danger of losing its bastion of support in Atlantic Canada.

The Liberals held 20 of the region's 32 seats at dissolution. Given the current polling data it is safe to

say the party can maintain — and very likely increase — its level of representation in the next House. With the prospect of a hung Parliament looming over this country, every seat gained or lost by the parties will be important; for the Liberals to make significant gains in Atlantic Canada may mean the difference between their winning a majority or a minority government.

Certainly the dynamic of the campaign has supported Liberal interests. The key issue in Atlantic Canada can be identified by one word: jobs. Conservative pronouncements on deficit reduction, the downsizing of government programs and services, and the need to be prepared for tough times lasting into the next century are hardly the types of statements designed to attract widespread support from people long hammered by the twin blows of economic depression and regional under-development.

In contrast, Liberal commitments to immediate job creation through investment in the industrial infrastructure strike a receptive chord. Although one can seriously question the amount of permanent employment that will be created through such a scheme and whether it is sufficient even to begin to alleviate the problem of regional unemployment, it is undeniable that in Atlantic Canada such doubts are placed in the background. The Liberal commitments to job creation, coupled with their professed support of social welfare and regional development programs such as Enterprise

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