

UNITY REFERENDUM LOOKS WINNABLE

Main trouble spot likely to be western Canada

by Patrick J. Monahan

The new unity package agreed to in Ottawa on August 22 has achieved what seemed virtually impossible just weeks before. Not only has the package secured the unanimous agreement of all Canadian governments, it appears to stand a good chance of being approved by the electorate in a national vote this fall.

The unity package has already been subject to attack by nationalist forces in Quebec and by the Reform Party in the west. But the package has at least two major things working in its favour.

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Unlike the Meech Lake Accord, these proposals respond, at least in part, to the constitutional demands of all parts of the country. True, no single group or constituency obtained everything it wanted out of the negotiations. But the fact that everyone had to compromise only strengthens the perception that this is a balanced and reasonable set of proposals.

Second, these proposals promise an end to the seemingly interminable constitutional discussions that have plagued the country for close to three decades. Unlike Meech, which contemplated a "second round" of negotiations to deal with a variety of unfinished business, these proposals are presented as the final chapter of the constitutional saga. With constitutional fatigue running rampant in all parts of the country,

the chance to bring an end to this fractious debate is an overwhelming attraction to the package.

QUEBECKERS SHOULD RATIFY

In the days following the August 22 agreement, media attention was focused on the fight that the proposals will encounter in Quebec. But it seems hard to believe that Quebeckers will ultimately turn down a package that would represent a major gain over the status quo.

Quebec critics have focused attention on the fact that the package fails to meet the demands of the Allaire Report for major transfers of powers to the province. But while the transfer of powers is relatively modest, Quebec's role in federal institutions is permanently enhanced and protected. Quebec gains a guarantee of 25 percent of the seats in the House of Commons in perpetuity; the six senators from Quebec, appointed by the Quebec premier, will have a veto over all federal laws which "materially affect" language and culture; the provincial government gains a veto over the appointment of the three Quebec judges to the Supreme Court of Canada; and none of these guarantees can be changed without Quebec's approval. Quebec also obtains all the elements of the failed Meech Lake Accord.

Of course, anything can happen in a referendum campaign. But voting against the package would mean passing up these major gains, in exchange for renewed uncertainty about the province's political future. No doubt the referendum fight in Quebec will be tough. But one has to assume that Quebeckers, renowned for their political savy, will opt for ratification.

WESTERN REACTION BIG QUESTION MARK

What of the prospects in the rest of Canada? In both Ontario and the Maritimes, where constitutional fatigue is running high and there has never been an identifiable constitutional agenda, the package would seem likely to carry. The biggest attraction in these regions is simply the prospect of closing the constitutional file for the foreseeable future.

The biggest potential trouble spot is likely to be western Canada. In the days immediately following the an-

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nouncement of the agreement, critics in British Columbia had a field day pointing out that Mike Harcourt had agreed to a reduction of the province's representation in the House of Commons.

What will also be a hard sell in the West are the guarantees for Quebec in the Senate, House of Commons, and the Supreme Court. The Western agenda in this round was to strengthen its political clout in national institutions. Rather than achieve this goal, the agreement appears to reinforce the predominance of Central Canada in Ottawa.

At this stage it is unclear whether these objections will be sufficient to scuttle the deal in western Canada. Working in favour of ratification is the fact that Newfoundland Premier Clyde Wells, the staunchest opponent of Meech Lake and of "special status"

for Quebec, is on side for this package. Plus, westerners are as tired of this debate as are Canadians elsewhere. A key question is whether the Reform Party will campaign vigorously against the deal, thus providing a focus for western opposition.

The coming campaign will undoubtedly be full of unforeseen twists and surprises. But the biggest surprise of all would be if Canadians pass up a historic opportunity to settle their constitutional future once and for all.

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CANADA AND NAFTA

by David Leyton-Brown

NAFTA (the North American free trade agreement) should not be evaluated in terms of the overall economic and political effects on Canada of free trade. Rather it should be judged in terms of the actual stakes for Canada in the negotiations — what Canada sought to achieve, and to avoid.

In the Canada-U.S. free trade agreement (FTA), which came into force in 1989, Canada pursued the anticipated benefits of increased investment, industrial restructuring, and economic growth resulting from (more) secure and enhanced access to the U.S. market, on which we depend for over 75 percent of our exports. However, Canada paid a considerable price in the negotiations for those benefits. Indeed, public disagreement over the balance between the benefits and costs underlay the federal election campaign

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of 1988, and the ongoing public debate about the effects of the FTA on Canada's economy and society.

Having entered into that complex of benefits and costs, Canada would have been severely disadvantaged if the benefits had been lost or diluted, without any reimbursement or reduction in costs. That would indeed have occurred, if the United States and Mexico had entered into a separate bilateral free trade agreement, giving Mexico, with its lower-cost labour, preferential market access comparable to Canada's. Furthermore, separate Canada-U.S. and Mexico-U.S. trade agreements would have created a "hub-and-

spokes" arrangement, whereby the United States would enjoy preferential access to the markets of both of its partners, but each of them would have only competitive access to the U.S. market, and a lesser degree of access to each other. In order to protect its interests, Canada could not afford not to take part in the NAFTA negotiations.

CANADA'S OBJECTIVES IN THE NAFTA NEGOTIATIONS

Accordingly, Canada entered into the NAFTA negotiations with the primary objective of preventing the erosion of the benefits achieved, and paid for, in the FTA. It also sought to achieve further benefits in terms of increased access to the U.S. market or improvements to the FTA, while resisting U.S. attempts to reopen "unfinished business" with Canada that it was unable to achieve in the FTA, or to push Canada for further concessions as the price for participation in NAFTA. Finally, it sought increased access for Canadian goods, services and investment to Mexico, which with the prospect of economic growth could in the long term be transformed into a major market.

THE IMPLICATIONS OF NAFTA FOR CANADA

In the light of these objectives, what then are the implications of NAFTA for Canada? Some modest improvements were made to the FTA with regard to access to the U.S. market (for example, government procurement), and most notably in clarification of rules of origin (for example, regarding definition of North American content). Efforts to worsen the FTA bargain in several areas were successfully resisted: the screening of new foreign acquisitions was maintained, at the same