

DIVIDING THE HOUSE
PLANNING FOR A CANADA WITHOUT QUEBEC

by

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Dividing the House is an exercise in synthesis as much as analysis. It draws heavily on the works of many others. The most useful specific sources are provided in the references provided at the end of the book. While sovereigntist in orientation, the research sponsored by the Bélanger-Campeau commission and the Quebec National Assembly committee on sovereignty have been particularly valuable because of their comprehensiveness.

In addition to interviews, we have also relied for quotes on newspaper reports primarily from the *Globe and Mail*, but also from the *Ottawa Citizen*.

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While this book is sometime written in the future tense as

well as the conditional, we are not suggesting that Quebec separation is inevitable. This book is offered as an exercise in contingency planning rather than forecasting. Facing the possibilities, however grim, is just common sense.

This book deals with rapidly evolving current issues. Parts of it may very well be overtaken by events. But we believe that the main thrust of our arguments and analyses will remain highly relevant during the public debate over the proposed 1995 Quebec referendum.

Ottawa, Canada

December 11, 1994

INTRODUCTION

Dividing the House is a book for all Canadians that care about their country. Its primary aim is to help develop a consensus in the rest of Canada by providing answers to the hard questions facing Canada in the event of a break-up. It also seeks to increase public understanding of the negotiating positions likely to be pursued by a separatist PQ government.

Who will speak for Canada? Can negotiations to dismantle the country be left to a government that was elected by all Canadians including Quebecers, particularly when that government is led by a prime minister from Quebec? Would a reconstituted national government of Canada be desirable? What about the role of the provinces? What would the process be for Canada to approve Quebec's withdrawal? Would a reconfederation of Canada be necessary?

Under what conditions should Canada agree to negotiate the break-up of the country? Should we start talking before a referendum? Is a simple majority in a referendum enough to begin negotiations? What if Quebec issues a Unilateral Declaration of Independence? Are there conditions under which the federal government should refuse to negotiate and use force to keep Quebec in Canada?

And what about the mechanics of splitting an advanced industrial state in the late 20th century? How can it be done? Drawing on the Quebec studies, we map out a Canadian response on key economic issues like trade, the currency, and division of assets and debt. We also advance Canadian solutions for dealing with the tough non-economic issues including boundary questions, defence, citizenship and immigration, bilingualism and aboriginal rights. We show how Canada needs to practice informed self-interest if mutually beneficial arrangements are to be made with a separate Quebec.

As important as the mechanics of separation and the protection of English Canada's interests, is the need to develop a new vision for a Canada without Quebec. While essential Canadian values will not change, some fundamental characteristics will be altered forever. Bilingualism as we know it will no longer be part of our national identity. No province will have special status. All provinces will be equal. Canada will become a more coherent political entity. It will no longer be in Lord Durham's words, "two nations warring in the bosom of a single state." While Quebec's leaving will be an occasion for sorrow rather than rejoicing, it offers Canada opportunities as well as challenges.

PART 1

PREPARING TO DIVIDE THE HOUSE

CHAPTER 1

THE TIME FOR DECISION

The time for decision is upon us. A referendum on Quebec sovereignty has been promised by the end of 1995. Will Quebec vote to separate from Canada? Quite possibly. And even if Quebeckers vote by a narrow margin to stay, the PQ's agenda will not disappear. What should Canada do? The Canadian government, seems to be unprepared even to acknowledge the situation. Prime Minister Chrétien said in an interview on Radio-Quebec in October 1994 that, "I will not spend a minute on the scenario of losing [the referendum]. I'm confident we will win the election...I don't have any Plan B [if Quebeckers vote to separate] because it won't happen."

No, you say. Québécois will never make up their minds. They will go on debating sovereignty endlessly. It is the talk, not the action, that Québécois revel in, particularly their politicians. They just love to rub English Canadian noses in it. Perhaps. That's certainly what happened the last time.

After being elected in 1976 with only 41 per cent of the popular vote, the Parti Québécois dragged its feet as long as possible, avoiding the issue at the heart of its existence. When

it finally mustered up the courage to hold a referendum on separation, it was on a ridiculously long, 109-word question seeking a mandate to negotiate sovereignty-association and promising another referendum before actually proceeding (a referendum within a referendum so to speak).

The PQ's less-than-heroic proposition was roundly rejected by 60 per cent of Quebeckers. Even 52 per cent of francophones voted no. But paradoxically, having rebuffed the PQ's program, Quebeckers turned around and returned the PQ to office in 1981 with even more seats and almost half of the popular vote. In 1995, the Quebec electorate could once again reject the PQ's *raison d'être*, while still putting its confidence in the PQ to provide the nationalistic, Ottawa-baiting government that Quebeckers seem to love.

Canadians have had enough of Quebec's incessant flirtation with separation. An obsession with the unity issue has long preoccupied the federal government and kept it from dealing effectively with the most pressing national issues of our times - high unemployment, slow growth, out-of-control government deficits and debt, ineffective social policies, and much-needed tax reform.

Uncertainty about Quebec's political future has a high economic cost for both the province and Canada. Political

uncertainty is reflected in interest rate premiums and a weak Canadian dollar. It is measured in decreased investment spending and lost jobs.

In a **Globe and Mail** article in September 1994, Reform Party Leader Preston Manning voiced the collective impatience of many Canadians: "What Canadians want, and I would assume Quebecers want, is some resolution of this eternal struggling over our own unity. How can a country consume the energy and the time of its leadership that we've consumed and get into the 21st century if we keep continually asking whether we want to do it together?" Manning's interpretation of the views of Canadians was supported by his phone-in broadcast on national unity in October. Over 92 per cent of Canadians who participated in his non-scientific sampling of public opinion believed that the national unity crisis needed to be resolved soon.

A few impatient souls have gone so far as to call for Quebec to be thrown out of Confederation. Professors David Bercuson and Barry Cooper state in **Deconfederation** that "To restore the economic and political health of Canada, Quebec must leave." Peter Brimelow in **The Patriot Game** argues that "The Quebec issue in Canadian politics may become not whether Quebec will secede -- but whether it should be expelled."

While many Canadians sincerely want Quebec to stay in

Canada, the last thing they want to hear on referendum night is Jacques Parizeau repeating Rene Levesque's words, "à la prochaine" (until the next time). Quebec must decide once and for all whether it is going to be in or out of Canada.

SOVEREIGNTY OR THE STATUS QUO

The choice facing Quebeckers in 1995 will be starker than ever before. They will be asked to choose between independence and Canada as it is. No promise of renewed federalism is being held out as in 1980. For better or for worse, Canadians ruled out constitutional changes to accommodate Quebec when they voted down the Charlottetown accord by the overwhelming margin of 54.4 per cent against to 44.6 per cent for. The accord went down in defeat from coast to coast in 7 out of 10 provinces. For their own reasons, Quebeckers rejected the Charlottetown constitutional accord by a margin of 55.4 per cent to 42.4 per cent. Politicians who suggest in 1995 that Canada be twisted into a constitutional pretzel on the off chance that these changes will convince Quebeckers to stay in Confederation for a few more years will likely get short shrift in the rest of Canada.

Quebec Liberal Leader Daniel Johnson, who will lead the Quebec federalist forces in the upcoming referendum, recognizes this Canadian reality and does not plan to offer Quebec voters an alternative to the status quo in the referendum. In his first

news conference in October 1994 after the defeat of his government in the provincial election, he said, "The evolution of Quebec and Canada was accomplished within a constitutional document which has not really changed, except with the 1982 repatriation, and which has no economic and social influence to speak of. Therefore, the day-to-day lives of our fellow citizens with regard to job creation, economic development, the health of Quebec families and the level of education responds to imperatives which are not necessarily or exclusively tied to the number of commas that can be found in a sub-paragraph of the Canadian constitution."

Jean Charest, the interim leader of the Progressive Conservative Party, apparently not having learned any lessons from his party's disastrous defeat in the last federal election, has called for a "third option" of renewed federalism. Charest's plan includes making power-sharing deals with Quebec and other provinces in such areas as manpower training and entrenching them in the constitution.

Former Prime Minister Joe Clark, the man who negotiated the Charlottetown agreement and has the scars to prove it, didn't learn much either, judging from recent his book, **A Nation Too Good To Lose**. While he is not calling for a further formal round of constitutional talks, he is proposing a sort of constituent assembly made up of "a group of credible Canadians to design a

federation for the 21st century." The purpose of the project would be "to identify an arrangement which would encourage the citizens of Quebec to choose to stay Canadian" and "to keep the promise of the 1980 referendum" for renewed federalism. Clark, who still believes that decentralization is an essential aspect of renewed federalism, is particularly attracted to solutions that involve "asymmetrical federalism" and "special status" whereby Quebec would get more powers than other provinces. He still supports the notion of "community of communities" that Pierre Trudeau loved so much to lampoon him for, calling him the headwaiter for the premiers.

The hardening of attitudes in the rest of Canada is evident in an Angus Reid/Southam survey taken in June 1994. Outside Quebec, 47 per cent of Canadians are willing to see Quebec leave Confederation rather than make further concessions. Only 44 per cent are ready to make concessions. And that was before getting jolted by the election of the Parizeau government.

A vote to stay in Canada as it is with no promise of renewed federalism would be the best possible outcome for Canada. It would mean that the sovereigntists would no longer be able to argue that the implicit contract between Quebec and the rest of the country was broken when the constitution was repatriated in 1982. In a real sense, Quebec would be endorsing the existing constitution. On the other hand, if constitutional renewal were

promised, Quebec could always claim that promise was broken if the constitutional changes fell short of expectation.

A referendum defeat on sovereignty would be portrayed by sovereigntists as a crushing blow to Quebec aspirations. Québécois, they will say, will never be able to hold up their heads again. Knife-to-the-throat demands for more from the rest of Canada will be uncovered as hollow threats. The choice in the referendum will be presented as between humiliation and national pride. It will be a difficult choice for proud Québécois.

WEAKENING OF TIES BETWEEN QUEBEC AND CANADA

The relationship between Quebec and Canada, historically, has of course been difficult and since Confederation has been punctuated by periodic outbursts over issues such as conscription, schooling and bilingualism. But since the 1960s the weakening of the emotional ties between Quebec and Canada are accelerating rapidly. Many Québécois view the rest of Canada more as a foreign country than as part of their homeland. They are more likely to visit the United States than the rest of Canada, preferring the beaches of Maine and Florida to Jean Chrétien's beloved Rockies. Only when they go abroad do many Québécois admit to being Canadians. Their attachment to Canadian symbols has eroded. Rare is the Quebec school flying the maple leaf. Can young Québécois be blamed for thinking that the colour of their

country's flag is blue and white, not red and white? *O Canada* has been greeted with boos at sporting events. (Québécois are not the only offenders. Singing the French words of our national anthem has been known to evoke similar intolerent responses outside of Quebec.)

The media plays an important role in keeping a country together. Or taking it apart. Quebec journalists and TV commentators are not strongly federalist and they will be responsible for screening and interpreting all the information passing to Quebec voters in the period leading up to the referendum. Some journalists outside Quebec have also contributed to the problem. The scene of Canadians stomping on the Fleur-de-lis flag in Brockville, replayed scores of times on Quebec TV, did more than any other single event to alienate Québécois.

Equally troubling is the penchant of Quebeckers, even the federalists, to focus on the purely economic aspects of relations between Quebec and Canada. Among francophone voters, the 1980 referendum was probably won more on the basis of the economic advantages of remaining in Canada than on strength of a commitment to Canada. The economic benefits of Confederation will also be the federalists' rallying cry in the 1995 referendum.

Federalism is always described as being a good deal for Quebec because the province gets access to Canadian markets,

because Ottawa provides equalization payments and grants to Quebec or because the cost of leaving would be too high. It's what former Quebec premier Robert Bourassa dubbed "profitable federalism."

But the sad fact is that if you always have to justify a federation in terms of specific short-term benefits like fiscal transfers, government spending, jobs, tariff protection or grants, its days may be numbered. It is also a recipe for fiscal disaster if Ottawa always has to buy off the provinces to keep them in the federation. This is one of the main causes of our current deficit and debt crisis.

In the recent debate over manpower training, it's an article of faith in Quebec that the province must have jurisdiction over manpower training. Nobody, even federalists like the Quebec Liberals, dare to argue that it might be in the interests of all Canadians, including Quebeckers, for the federal government to have an important role in deciding the direction of manpower training. In the end, both federalists and separatists are vying to be the best defenders of "Quebec first." That a federal Canada has merits in and of itself is seldom if ever defended in Quebec.

What if federalism became really profitable for Quebec and the province ceased being a recipient of federal handouts and instead became a net contributor to equalization like the have-

provinces of Ontario, British Columbia or Alberta? Chances are Quebec would soon start to complain about being forced to carry the welfare-case provinces. Separatists would surely seize on Quebec's financial support of other provinces to justify secession.

So in the end, the argument over what Quebec gets out of Confederation is a dangerous one if there is no fundamental belief in Quebec that there is a value in being part of Canada for its own sake, beyond mere financial convenience. If Quebecers are convinced that they're getting more money out of Confederation than they put in because they're poorer, it feeds into the separatist argument that Canada is an arrangement designed to keep Ontario and the West richer. If, on the other hand, they become convinced that they would be better off if they leave Canada, they'll be gone tomorrow.

THE PLAYERS

Former Liberal Premier Bourassa typified the contradiction inherent in most Québécois. Bourassa's ambivalent persona was so essential to the ongoing Quebec drama that his retirement provided an opportunity to a younger, more naive stand-in, Mario Dumont, the Leader of the Parti Action Democratique du Québec. This is the party started by Jean Allaire, who quit the Quebec Liberals after the party dropped his controversial constitutional

proposals. The Allaire proposals would have transferred most federal powers to Quebec, leaving Ottawa a shell to carry out such essential activities as defence, customs, currency and debt, and, of course, paying equalization to Quebec. While Dumont claims not to be a separatist, he plans to support the PQ in its referendum on sovereignty to get the leverage to strike a new deal with the rest of Canada. Whether this is unbelievable ingenuousness or cleverly disguised separatism, it certainly infuriates Canadians and will be used to maximum advantage by the separatists.

Daniel Johnson, Bourassa's successor, was a refreshing departure as premier of Quebec for a brief interlude: a Québécois who is not ashamed to say he is proud to be a Canadian. But that proved too Canadian for many in his party who pushed him to be more nationalistic as the 1994 election campaign progressed.

Regardless of what we may think of Premier Jacques Parizeau, we at least know where he stands. Not only is he not a Robert Bourassa, he's not even a René Lévesque. Parizeau is a separatist "pur et dur" with one singleminded purpose in life, an independent Quebec. Even his new wife and official advisor, Lisette Lapointe, is a long-time PQ militant.

While federalists may take comfort from the slimness of Parizeau's margin of the popular vote (44.7 per cent to the

Liberal's 44.3 per cent), the fact remains that he won the 1994 Quebec election and took a healthy majority of 77 out of 125 seats in the National Assembly. Parizeau has chosen a like-minded cabinet and will use his majority to push his separatist agenda for all it's worth. This was clear from the referendum strategy announced in December, which asks Quebec voters to endorse a declaration of sovereignty that will already be passed by the National Assembly.

From the time Jacques Parizeau joined the PQ a quarter century ago, he has consistently taken hardline sovereigntist stands and has gained a reputation as a separatist ideologue. (Ideological positions come naturally to him. He confessed to his semi-official biographer Laurence Richard that, as a student, he was briefly a member of the Communist Party.) In 1974 he opposed the "étapiste" strategy of PQ éminence grise (and sometime RCMP informant) Claude Morin that committed the party to holding a referendum on sovereignty if elected, rather than taking the election as a mandate to achieve independence. René Lévesque's contorted and weak 1980 referendum question almost provoked Parizeau's resignation. Refusing to take the "beau risque" of federalism, Parizeau quit the PQ in 1984. When he came back four years later as leader, his objective was to return the party to its original separatist program.

Prime Minister Jean Chrétien plans to take an active role in

the Quebec referendum, but says it will be as "second fiddle" to Daniel Johnson. Having served as Trudeau's point man in the 1980 referendum, he comes to the task with much experience. In fact, too much experience some would say, citing his role in the 1982 patriation of the Canadian constitution and his opposition to the Meech Lake accord, both of which didn't win him many friends among Québécois. While Chrétien is very popular outside of Quebec, he has something of an image problem in the province. Lacking Pierre Trudeau's personal appeal to Québécois and the grudging respect he gets even from nationalists, Chrétien can't count on his aura alone to turn reluctant sovereigntists into federalists.

The victory in the 1993 federal election of Bloc Québécois MPs in 54 of 75 Quebec seats, sweeping francophone ridings, established a mutual aggravation society housed in Parliament at Canadian taxpayers' expense. The Liberal government has had to face continually an official opposition committed to Quebec separation. Every issue is twisted by the Bloc to show what a bad deal Quebec gets out of Confederation. The closure of the Collège Militaire Royal as part of a cross-Canada base reduction exercise was pounced on by the Bloc as an effort aimed solely at closing the door on opportunities for francophones in the military. Not a word of protest was spoken by Bloc leader Lucien Bouchard about the simultaneous closing of Royal Roads in British Columbia or the thousands of jobs lost through base closures across Canada.

Bouchard has gone out of his way to be antagonistic. In a tour of Western Canada in May of 1994 to sell his book **On the Record**, his smug defence of the separatist agenda in speeches and on radio phone-in shows was designed to upset Canadians. His statements were so outrageous that Premiers Harcourt, Klein and Romanow countered with statements likely to offend Quebeckers. No sooner had Bouchard returned to Ottawa than he added fuel to the fire by telling a closed-door meeting of the Canadian Chamber of Commerce that the West could be annexed to the United States if Quebec separates. Bouchard's trips to Paris and Washington provided occasions for further inflammatory remarks.

The way Bloc MPs draw federal salaries and expect generous federal pensions while working to undermine Canada offends most Canadians. Comments by Bloc members that they may stay around in Parliament even if the separatists lose the referendum smack of opportunism.

Prime Minister Chrétien's hesitation in meeting the new Quebec government's demand to be compensated for the cost of Quebec's separate referendum on the Charlottetown accord unleashed a torrent of abuse from the Bloc. Parizeau has his own plans for Quebec and has served notice that his government will only participate in the federal-provincial meetings and policy reforms that suit his purpose.

As frustration with Quebec separatists builds, there is bound to be a backlash in the rest of Canada. The exchanges between Bouchard and the Western premiers illustrate how easy it is for the decibels to rise. Anti-Quebec incidents could occur and the mutual antagonism could feed upon itself. How can we keep everyone cool in a charged environment and avoid an exchange of insults?

Bouchard himself has been transformed into a folk hero of mythic proportions in Quebec by his close brush with death. The outpouring of sympathy by Quebeckers showed how well-loved and respected he is in Quebec. He has assumed the place of René Lévesque in the hearts of Quebec nationalists. If he is able to participate in the referendum campaign, he will be a formidable opponent and a tremendous asset for the separatist cause.

READY OR NOT

In a recent CBC Newsworld interview, Prime Minister Chrétien acknowledged that the federalists had no strategy for the coming referendum, but he said that in 1980 the federalist side did not get organized until 45 days before the referendum. "We started 10 points behind and ended 20 points ahead."

This time it is the PQ that is starting from behind,

according to pollsters. They only won the election with under 45 per cent of the vote and many of those who voted PQ were voting only for a change of government, not the PQ's sovereigntist platform. When the last referendum was held in 1980, they didn't get any more support in the refererendum than the 41 per cent of the vote they got in the previous election. Why should it be any different this time? Post-election polls show support for sovereignty still in the same range. Even at the height of the post-Meech upsurge of sovereigntist sentiment, support for independence barely touched 50 per cent, and for the more slippery concept of sovereignty, 55 per cent.

Yet there is no reason for federalists to feel overconfident. The Parti Action Democratique will be a wild card in the referendum. If its leader Mario Dumont throws his support behind the PQ, how many of his supporters will go along? The 6.5 per cent of the vote his party won in the provincial election could be enough to take the PQ over the top.

The pollsters may be right in saying that the PQ will not win the promised referendum on sovereignty. But it is still much too early to make a definitive call. Public opinion is volatile and will be influenced by unexpected developments. We shouldn't sell short Premier Parizeau's resolve to make Quebec an independent country. Nor should we underestimate the potential

for relations between Quebec and the rest of Canada to go downhill.

Since the failure of the Meech Lake accord in June 1990, Quebec has carried out a systematic and thorough program of research on the political and economic consequences of separation. Initially organized by Liberals, the effort has been bipartisan, bringing Liberals and péquistes together in the service of the greater national cause of Quebec.

The Bélanger-Campeau commission set up in the fall of 1990 by the Quebec government in the aftermath of the Meech Lake debacle examined all the issues that must be resolved prior to separation. So did a Commission of the Quebec National Assembly, backed by many reports from almost every economic, political, and legal expert in Quebec and a few from outside thrown in for good measure. When Quebec representatives come to the bargaining table to take Quebec out of Canada, they will be fully briefed and ready to negotiate. For some, it will be the climax of their careers, having devoted their lifetimes to little else but dreaming and scheming about independence.

No equivalent preparation has been carried out in the rest of Canada. There is a low state of readiness to deal with a Quebec government armed with a referendum victory on sovereignty. Like the reluctant partner in a divorce, Canadians are still

stuck in the stages of denial or anger.

There are major obstacles to a rational examination of our choices. The federal government remains the government of all Canadians, including Quebecers, and cannot officially contemplate the break-up of the country lest it become a self-fulfilling prophecy. As for the provinces, they can't very well take the lead on national issues. As it stands now, we won't study the issue until the break-up of Canada becomes a fact. By then, it will be too late to defend our essential interests.

Canadians outside Quebec must put aside their denial and anger and recognize that we don't have to wait for Ottawa to define our interests and to develop our positions on key issues. We have to make our own preparations without government. In that way, if the time to act comes, a consensus can be built quickly in Canada and well-informed leaders will be ready to step quickly into the breach.

CHAPTER 2

WHAT DOES QUEBEC WANT?

Humourist Yvon Deschamps once wisecracked that what Québécois really want is an independent Quebec in a strong and united Canada. What does Quebec want? It's a political riddle that has long baffled English Canadians. But this is not the time or place to answer these kinds of unanswerable questions. What interests Canadians today is knowing exactly what the PQ government wants from the rest of Canada to enable Quebec to become an independent, yet still relatively prosperous country. The PQ has set out its plan in its official program, which it calls *Ideas for my Country* and in a more popularized version, *Quebec in a New World: the PQ's Plan for Sovereignty*.

Sovereignty is a slippery concept. In a federation like Canada, provinces share sovereignty with the federal government under the constitution. And Quebec already has a good-sized share. University of Montreal political scientist Stéphane Dion argues convincingly that "Quebec already has the most powerful second level of government of all OECD countries." (The Organization for Economic Cooperation and Development is the club of the 24 most important industrialized countries.) Delegates to

presidential conventions in the United States when getting the floor to speak or make nominations like to identify themselves bombastically as coming from "the great and sovereign state of ...," even though their powers are much more limited than those of the average Canadian province. U.S. states like Canadian provinces share sovereignty with the federal government. But a constitutional sharing of sovereign powers in a federation is not what Quebec is talking about.

The PQ definition of sovereignty was first set out in a white paper before the 1980 referendum. It was subsequently accepted by the Bélanger-Campeau commission and the National Assembly used it in the 1991 referendum legislation. According to this definition, Quebec sovereignty means:

- all taxes in Quebec are collected by the Quebec government;

- all laws in Quebec are drafted by the National Assembly;
and

- all international treaties and agreements involving Quebec are negotiated by the Quebec government and ratified by the National Assembly.

The flip side of the coin is that the Canadian government

would no longer collect taxes from a sovereign Quebec. Canadian laws wouldn't have legal force anymore in Quebec. And Canadian treaties and agreements would no longer bind Quebec. In a word, from a Canadian point of view, Quebec would be as separate a country as the United States or Mexico.

In the December communiqué releasing the draft bill on the sovereignty of Quebec, Jacques Parizeau announced the establishment in January of fifteen regional committees and a national committee to get input from the public and to generate support for sovereignty. The regional committees are comprised of ten to fifteen local people including MNAs and MPs and presided over by local non-elected representatives. (Other committees for the young, the elderly and ethnic communities may also be created). The national committee will be made up of the presidents of the regional committees and chaired by an individual handpicked by the premier. The committees, which are being boycotted by federalists who consider their mandates stacked, will begin their pro-sovereignty propaganda and consultations in February. The committees are charged to draft a "Declaration of Sovereignty" modelled on the the U.S.

"Declaration of Independence," which will incorporate the fundamental values and the main objectives of the Quebec nation and be designed to inspire Quebecers to put aside their reservations and embrace sovereignty. The end result will be a bill on sovereignty that the PQ plans to ram through the National Assembly, perhaps as soon as March. The stage would be set for a

referendum on sovereignty as early as May or June. If there is a yes vote in the referendum, the act declaring Quebec a sovereign country would take effect one year later.

THE REFERENDUM

Jacques Parizeau originally intended to hold a referendum on sovereignty 8 to 10 months after the September 12, 1994 provincial election. This would have placed it sometime between May 12, 1995 and July 12, 1995. Prime Minister Chrétien quipped that if it were held on the June 24, St. Jean Baptiste Day and Quebec's national holiday, we could celebrate its defeat on Canada Day. With the polls showing that there isn't enough support for sovereignty to carry a referendum, the date has been slipping. Parizeau is now merely promising to hold the referendum by the end of 1995. Signs of splits in the separatist camp are emerging. The Bloc's Bouchard is more cautious and shares Green Bay Packer Coach Vince Lombardi's philosophy that winning isn't everything, it is the only thing. Fearing that another humiliation of Quebec would undercut Quebec's bargaining power, Bouchard says a referendum should only be held when it can be won. This could presumably be in eight months, eight years or never. On the other hand, Jacques Parizeau makes light of the fear of losing clout by asking sceptically what negotiating power Quebec has now. Perhaps Parizeau is less concerned than Bouchard

about losing because he refuses to take no as the last word in a referendum.

The suggested referendum question in the draft bill on sovereignty is, "Are you in favour of the Act passed by the National Assembly declaring the sovereignty of Quebec? YES or NO." The question, which presumably could be changed as a result of the public consultations, appears to be relatively straightforward, but was chosen on the advice of experts on public opinion polling to maximize its chance of success. It puts the onus on the Quebec public to reject a declaration of sovereignty by their democratically elected representatives and uses the softer term of sovereignty rather than independence. The National Assembly declaration itself is also dressed up with reassurances that Quebeckers will continue to enjoy economic association with Canada, Canadian citizenship, the Canadian dollar, and their old age pensions. The referendum question shows that Parizeau, who nearly resigned in principle over the crafted ambiguity of the 1980 referendum question, has himself mastered the art.

THE QUEBEC CONSTITUTION

Canadians have had a difficult enough time of it tinkering with our own constitution. Imagine the enormity of the task facing Quebeckers as they have to draw up a new constitution for

a sovereign Quebec. But maybe Quebec is more governable than the whole of Canada.

The constitution will be the defining document of a sovereign Quebec. It will be prepared by a constitutional commission, made up of members of the national assembly and hand-picked outsiders, who will presumably assemble views from across the province. But if Bélanger-Campeau is any indicator, it will make sure that nationalist voices get a priority hearing. For an initial period at least, the PQ plans to convert its provincial institutions into national ones rather than creating new institutions. The existing British parliamentary system of government with a prime minister, cabinet and National Assembly will be retained. A minor change will be that the lieutenant-governor would be replaced by a ceremonial head of state elected by the National Assembly. (How about Lucien Bouchard? He'll need a new job to supplement his parliamentary pension which the National Citizens' Coalition estimates would only be \$26,199 per year if he had retired in June 1994.) The new expanded lawmaking, taxing and treaty making powers of the National Assembly will not fundamentally change the way it works today. A Supreme Court of Quebec will be established and federal courts in Quebec will be integrated into Quebec's judicial structure.

The Quebec Charter of Rights and Freedoms will be entrenched in the constitution, becoming a potential source of as many legal

headaches as the Canadian charter. The rights of the anglophone minority will also be recognized in the constitution as will be the ancestral and treaty rights of aboriginal peoples and their right of self-government. And don't be surprised if these rights are spelled out very clearly by the constitutional commission to demonstrate the PQ's "good faith" in the run-up to the referendum.

The PQ leaves the door open for the constitutional commission to propose more sweeping changes to Quebec's institutions. According to the PQ, it would be possible to make further changes to Quebec's transitional constitution after sovereignty was achieved. One intriguing possibility mentioned in the program is the adoption of a system of proportional representation. This is a throwback to the days when the PQ used to win a larger share of the popular vote than seats. Once they figure out that the current system serves the PQ well, there will be no more talk of proportional representation.

To assure the continuity of law, legislation would be passed maintaining Canadian federal legislation such as the Criminal Code and the Bankruptcy Act in effect until replaced with new Quebec legislation. Courts will then be able to continue to make decisions based on federal legislation, and an awkward intervening period of anarchy will be avoided.

THE PQ SHOPPING LIST

Even though the PQ never acknowledges it, the most important thing it wants from Canada is speedy recognition of Quebec as a sovereign state. Though, the PQ hates to acknowledge that Canada has any say whatsoever in the political future of Quebec, recognition is almost a precondition for the acceptance of Quebec in the international community and its entry into international organizations. In fact, PQ strategists are so worried that Canada might withhold recognition that they keep on speculating that the United States and France could be called upon to pressure Canada and "bring it to its senses" so that a sovereign Quebec could be recognized. The PQ also doesn't mention that it presumes Canada would never use force to keep Quebec in Canada.

The PQ wants to create a sovereign Quebec within the existing borders of the province of Quebec. It contends that the territorial integrity of Quebec is guaranteed by Canadian constitutional law while it is still a province and by international law once it becomes sovereign. The last thing the PQ wants is a messy territorial dispute with the rest of Canada and the aboriginal peoples. Not having the fire power of the Canadian armed forces at its command, it hopes to be able to fend off competing claims for Quebec territory with sharp legal arguments.

Based on international law, the PQ claims that ownership of all federal property within the Quebec borders would pass to the Quebec government without compensation. While noting that the Quebec government would not be formally bound to pay the federal debt once it leaves, the PQ magnanimously commits the Quebec government to share the debt since part of the debt was incurred for the benefit of Quebecers. The PQ mentions as a possibility the methodology worked out by the Bélanger-Campeau commission for sharing federal assets and debt.

According to *Quebec in a New World: the PQ's Plan for Sovereignty*, the PQ government intends to propose what it considers to be "mutually advantageous forms of economic association to the federal government." This proposal, which is part of a giant PQ wish list of unrealistic economic plans, will include "joint bodies, established through treaties to manage the economic relationship between Canada and Quebec."

Knowing that the Quebec public is worried about throwing out the "Canadian economic space" baby with the bathwater of Canadian federalism, the PQ says it will propose "an economic association treaty or sectoral agreements." So while Canada will be rejected as a political space, it will in PQ dreams flourish as an economic space with these attributes:

- "a monetary union, with the Canadian dollar as the common

currency";

- "a customs union that provides for free movement of goods between Quebec and Canada and common trade policy towards other countries, making it unnecessary to set up customs posts between the partners; and
- "free movement - in varying degrees - of services, capital and people round out the economic space and make it a form of common market."

In an effort to shore up its bargaining position and to reassure those phalanxes of conditional Quebec separatists, the PQ also claims erroneously, that Quebec could maintain some of the features of the Canadian economic space without the agreement of Canada. This is the part of the PQ's strategy of assuring Quebeckers they'll get sovereignty-association even if the rest of Canada isn't so inclined. Most notably, the PQ mistakenly asserts that "Quebec could continue to use the Canadian dollar without anyone being able to stop it." (See Chapter 9 on this subject.)

The PQ argues that it is in the interest of Canadians as well as Quebeckers to maintain the free movement of goods and services by keeping the existing customs union and free trade area. But it then retreats from this contention, maintaining that

even if Canada turned down a customs union, free trade would be sufficient to protect the free movement of goods and services. And pulling back still further, it argues that even if free trade were rebuffed, Quebec would still be able to join GATT and take advantage of the "most-favoured nation" clause to get the same treatment from Canada as any other country. (Our views on Canada's interest in preserving trade with a sovereign Quebec are offered in Chapter 10.)

The PQ counts on the ability of Quebecers to retain their Canadian citizenship to assure the free movement of Quebecers to and from Canada. Again this is designed to assuage concerns among reluctant Quebecers about losing a citizenship that is highly respected around the world. The PQ discounts the possibility that Canada would revise its citizenship legislation to forbid dual citizenship in the case of Quebec, when it is allowed with every other country in the world. (Our own decidedly different interpretation of the citizenship question is provided in Chapter 11.) To hedge its position, the PQ proposes a reciprocal agreement with Canada under which any Quebec citizen who settles in Canada will become a Canadian citizen with no waiting period. The PQ is especially concerned about the fate of Quebecers who live on the border and work in other provinces. (See Chapter 13 on the public service.)

The PQ also has some suggestions for managing the proposed

Canada-Quebec economic association. They range from simple rules, through formal dispute settlement mechanisms, to joint management institutions. In particular, the three main joint institutions would be:

- a council of ministers or delegates responsible to their own governments to make decisions required under the economic association treaty;
- a secretariat to act on the directives of the council;
and
- a tribunal to settle disputes.

Other joint commissions managing specific aspects of the association such as environmental or transportation issues could be established. Quebec participation in the Bank of Canada is also raised although no specific proposal is made.

One of the first international initiatives of a sovereign Quebec will be to apply for membership in the United Nations. Quebec will then proceed to join an alphabet soup of specialized agencies including: the United Nations Educational, Scientific and Cultural Organization (UNESCO); the World Health Organization (WHO); the International Labour Organization (ILO); the UN Food and Agriculture Organization (FAO); the International Civil

Aviation Organization (ICAO); the General Agreement on Tariffs and Trade (GATT); the World Bank; the International Monetary Fund (IMF); and the Organization for Economic Cooperation and Development. Quebec also wants to become a member of La Francophonie, the Organization of American States, the Commonwealth, and the Conference on Security and Cooperation in Europe. Becoming part of the North American Free Trade Agreement will also be a priority, as will be joining the North Atlantic Treaty Organization (NATO), and the North American Aerospace Defence Command (NORAD).

The *coup de grâce*. Jacques Parizeau wants Canada to still pick up the \$240-million tab for most of the costs if Quebec City hosts the 2002 Winter Olympics, even if it's going to be the Fleur-de-lis that will fly over the Games site in a separate Quebec.

CHAPTER 3

WHO SPEAKS FOR CANADA?

It's Day One of the negotiations between Quebec and the rest of Canada after a victory for the separatist forces in the referendum on Quebec sovereignty. On the Quebec side, Jacques Parizeau and Lucien Bouchard lead a small group of cabinet ministers and bureaucrats armed with a carefully crafted series of proposals, backed by mountains of studies on the details of dividing up the country,

On the Canadian side, the negotiators begin trooping in like the dancing cutlery in Walt Disney's *Beauty and the Beast*. Behind the full federal cabinet led by Jean Chretien and Sheila Copps troop Clyde Wells, Mike Harcourt, Ralph Klein and the remaining provincial premiers and territorial leaders. Next come scores of aboriginal leaders led by Ovide Mercredi, followed by a clutch of opposition politicians led by Preston Manning and Audrey McLaughlin's successor. Finally, it's the dance of the special-interest groups, led by Maude Barlow, Mel Hurtig, Tom d'Aquino, John Bullock, Bob White, Sunera Thobani and a cast of hundreds more. By that time, there's no more room in the meeting room and they're spilling out onto the street.

In the first order of business, the Canadian side suggests moving the negotiations to the new Palladium hockey arena in suburban Ottawa. They need the 18,500 seats to accommodate all their negotiators and assorted advisors. It doesn't matter that the arena won't be ready for another couple of years because the Canadians

will need at least that much time to come up with a common strategy. The Quebec side walks out in a huff, vowing to secede unilaterally within three months and to withhold its cheques for interest on the national debt until Canada gets its act together.

If everybody speaks for Canada, nobody speaks for Canada. The challenge for Canadians in dealing with a Quebec bent on secession will be to move quickly to establish a coherent negotiating strategy to defend the interests of the remaining nine provinces. It won't be easy. Even with Quebec gone, Canada will have to struggle against strong centrifugal forces. But, like it or not, we're going to have to trust a small group of men and women to negotiate on our behalf, backed by a consensus on the major issues. We'll be guaranteeing a dangerous and interminable period of indecision if each of the 22 million Canadians living outside Quebec insists on a place at the negotiating table. The Tower of Babel is not a model for an effective negotiating team.

Unable to countenance the consequences for the rest of Canada if Quebec ever voted yes on sovereignty, Canadians have chosen simply to dismiss the possibility that the ultimate goal of the separatists will ever be achieved. Quebeckers will never vote for sovereignty. They're too cautious. They're too scared. They're too ambivalent. They really are deeply attached to Canada. And even if Quebeckers do vote for sovereignty, the vote won't be decisive enough to give the PQ government a mandate to carry out the fateful act. And besides, the Pequistes couldn't separate with only a bare majority of Quebeckers supporting them. It's simply too important an issue to be decided by such a narrow margin. And even if there is a significant margin on a referendum question, it doesn't mean Quebec will become sovereign. After

all, it's against the Canadian constitution. It's against international law. It can't happen!

But political secession can and does happen. If Quebeckers decide democratically that they don't want to be part of Canada any more, they're going to leave. Court injunctions and brilliant arguments by erudite constitutional lawyers won't stop the political will of Quebeckers if they want their own state and have decided to take it. Even if some aren't sure they want to secede but foolishly leave their political fate in the hands of politicians like Jacques Parizeau for whom separation is their life's goal, it will happen.

If Canadians had wanted to stop the secession movement in Quebec, they should have done it thirty years ago by declaring the unity of the Canadian federation inviolable, by outlawing the Parti Quebecois and never allowing a referendum on the issue. These alternatives were too undemocratic for Canadians and their politicians, who believed that they could convince Quebeckers of the merits of staying in Canada. They were also concerned that tough action might provoke violence and civil unrest. Whether deliberately or not, our government has admitted that Quebec can go if it decides democratically to do so.

SEPARATISTS IN A HURRY

After decades of dreaming of their own state on the banks of the St. Lawrence River, Quebec separatists are becoming impatient. They know they must work quickly if Quebec is to become an independent state before their current electoral mandate runs out in 1999. The last thing Jacques Parizeau wants is to leave it to the Liberals to complete Quebec's march to sovereignty or, more

likely, to stop it cold in its tracks. And, because providing his promised good government ultimately means cutting spending as every other government in Canada has been forced to do, Parizeau has to act quickly and call a referendum before it dawns on Quebeckers that the PQ will be harsher than their Liberal predecessors. That's why moving quickly to a referendum vote and then on to secession itself is essential if the separatists are to have a chance of succeeding.

The wily Parizeau caught many by surprise when he made public his referendum strategy in December 1994 and included with it the text of the referendum question. By asking Quebeckers simply whether they approve the Act passed by the National Assembly declaring the sovereignty of Quebec, the PQ government aims at giving secession the Good Housekeeping Seal of Approval from the legislature. Opposing the Act would be in effect rejecting the law of the land.

The question is simple and relatively direct, perhaps deceptively so. That's because the referendum question can only be understood by including in it the complete bill with all its reassuring statements on everything from citizenship to old age pensions. Prime Minister Chretien says the only honest question would be to ask Quebeckers whether they want to separate from Canada-

The question may not be ideal from a federalist point of view, but only the most obtuse Quebecker will not understand its real implications. Besides, the question will be all but forgotten in the final emotional days of the referendum campaign, when the choice will be between symbols and personalities, fears and expectations, Canada and Quebec, the maple leaf and the fleur-

de-lis, Daniel Johnson and Jacques Parizeau, and Jean Chretien and Lucien Bouchard.

Is it enough for the referendum vote to pass by 50 per cent plus one vote? Can a bare majority of adult voters in the province of Quebec decide the fate of the province and ultimately the whole country? In other secessions, votes of 90 per cent plus aren't uncommon. Yet the PQ has always argued that all they need to go ahead with secession is a simple majority. William Gairdner, author of *Constitutional Crackup: Canada and the Coming Showdown with Quebec*, argues that this is neither legal nor sensible. "It means that if fully one half of the people says No, and one half says Yes, meaning both sides are legitimately opposed, balanced and equally right, a single citizen could walk into a ballot box and decide the destiny of Canada." Some would argue that a major decision on the fate of the country should require a two-thirds or 80 per cent vote. Yet these aren't the rules we're dealing with.

If it were determined that a two-thirds vote were needed to effect a secession and only 63 per cent of Quebecers voted for separation, would that be a victory for Canada? What sort of legitimacy would federalism retain in Quebec in that situation? Would Canadians want Quebec in Confederation if a majority of Quebecers had said no to Canada in a referendum? What would be the point? Governing Canada is hard enough already- Can one imagine the task with a recalcitrant majority in Quebec that wants to leave?

Unfortunately for those who argue for a two-thirds vote in a Quebec referendum, the precedents are not on their side. In the

1948 Newfoundland referendum, union with Canada won with only 52.3 per cent of the popular vote, and then only in a second ballot, after eliminating one of three initial options. (In the first ballot, union with Canada got only 41.3 per cent of the vote.) Nobody has since questioned the legitimacy of the ultimate decision, even though only a bare majority of Newfoundlanders actually wanted to join Canada.

In the national referendum on the Charlottetown accord, there was never any indication that anything but a simple majority of votes was sufficient to decide the result in every province. Nobody doubted that the 54.4 per cent vote against the constitutional agreement was a massive rejection of the pact. The defeat was considered so massive, in fact, that only a few brave (or dense) politicians have dared to utter the dreaded "C" word since.

The PQ receives support for the simple majority position from an unlikely source—Reform Party leader Preston Manning, who says that in Reform's experience with internal votes, it's hard to justify different majorities for different issues. "My inclination is to go with 50 per cent plus one," he says. Manning nonetheless speculates that a 51⁴⁹ decision could be incredibly divisive in Quebec. "It isn't Canada that is going to get hurt. If you [Quebec separatists] acted on that, you'd be going off on a new boat with a very delicate balance that would assure the sinking of the boat."

It would be wrong to try to discount the significance of victory for the separatists, as long as the win was not too slim. (According to an Angus Reid/Southam News poll taken in June 1994, 55 per cent of the population in English-speaking regions of the country believe that a yes vote for independence should be

accepted in the rest of the country.) But before making any definitive statements about whether 51 per cent, 53 per cent or 57 per cent is a sufficient majority, we will have to wait and see what happened in Quebec after a vote. If the separatists win by a whisker and the federalists in Quebec decide to fight on, the rest of the country would probably wait and see before conceding that the battle to keep Quebec was lost. But if a separatist victory is considered solid, don't be surprised if a consensus develops quickly in the political and business elites inside Quebec to put an end to the uncertainty and move forward to sovereignty. Quebeckers may simply decide that enough is enough and that they will pursue separation. And Canadians outside Quebec may decide it's time for Quebec to go even if less than an overwhelming majority of Quebeckers is in favour of the idea.

Assuming that there is a decisive yes in the referendum, what should we do? One approach would be to do nothing and to force the Quebec government to take the initiative. This would absolve the Canadian federal government of any responsibility for Quebec's secession, which would be a big political plus for the party in power. It would also make it more difficult for Quebec to separate and could conceivably lead the Quebec government to abandon its efforts. On the other hand, it would create much uncertainty and could seriously disrupt the Canadian economy. If Quebeckers decide democratically that they want to separate from Canada, we should respect the will of the majority and, in good faith, enter into negotiations to implement the split.

ONE GOVERNMENT OR TEN

Who should respond to Quebec and negotiate for Canada? The

PQ is clear on this point. It would be the federal government. No talks with ten governments, Parizeau has told his biographer Laurence Richard. This is convenient for the PQ because it simplifies things. If the separatists admit upfront that the nine provinces, two territories, the aboriginals and the special-interest groups would have to be brought in, they would be inviting a negotiating regime something like the constitutional talks that Quebec has been participating in for the past thirty years, and which the separatists believe have been unproductive.

In any negotiation, says veteran Canadian trade negotiator Gordon Ritchie, the first issue, to settle is whether the person or persons facing you have a mandate to talk. While it's clear who would talk for a Quebec bent on secession, it isn't clear who would talk for Canada and what mandate these negotiators would have.

Parizeau will have to learn soon enough that he won't be deciding the composition of Canada's negotiating team any more than he will be dictating the result of the talks. This will be the prerogative of Canadians in the nine remaining provinces and two territories of Canada.

Since Canada will continue to exist even if Quebec leaves, secessionist murmurings from British Columbia and Alberta are not to be taken seriously. We believe the federal government will still have the leading say in these discussions. This does not mean the provinces would be excluded. If Quebec is to secede legally, the constitution would have to be amended, so the provinces would have to be brought on side to approve any deal. And how could the provinces be excluded from discussions on such key issues as the division of the national debt, which could affect their own capacity

to borrow? Can Ontario be excluded from talks on the fate of its economic relations with its second-largest trading partner? Can the Atlantic provinces be absent from the table when there are discussions on maintaining trade corridors from the Atlantic provinces through Quebec to markets in the rest of Canada—the lifelines of their economic existence? Can Newfoundland be left out when the border with Labrador is on the table?

And what of native Canadians? Can they be excluded from talks when the future of natives in Quebec is being discussed?

NEED AN ELECTION?

Would a federal election be essential in the wake of a yes victory? Preston Manning believes so. "If Chretien campaigned in Quebec as the leader of the federal forces and lost the referendum, then the government would have to resign and there would have to be an election. And Canadians would have to decide who represents them in the rest of Canada. And I don't think they could accept a Quebecker no matter how sincere a federalist he was because they'd say you can't be on both sides of this thing." In fact, Manning thinks the split could be a fatal blow to the Liberal Party in Canada.

A federal election is a possibility, but its result might not be as clear-cut as Manning expects. First, a federal election, even after the referendum vote, would still have to take place in Quebec as well as the rest of the country. If there is an election in Quebec, then it's conceivable it will simply be a reprise of the just-completed Quebec referendum vote, with the Bloc Quebecois perhaps even picking up additional seats. In the rest of the country, it's far

from certain what would happen. Canadians may see Reform's Manning as their saviour and sweep him into power, but it's just as likely they will decide that the Liberals are best able to keep the rest of Canada united. In fact, there is the distinct possibility that an election could result in a minority government—plunging the country into a worse crisis than it was in to start with.

There will surely be calls for a snap election but there may well be no time for one. With a separatist referendum win, a series of events will play out quickly. If the Canadian dollar starts tumbling and international investors become worried about the safety of their Canadian bonds and other investments, we won't have the seven weeks to spare on a national election campaign, let alone the six or twelve months needed to organize a constituent assembly on Canada's future, as suggested by many. The well-being and stability of Canada will be at stake. Rapid decisions will be necessary and we may have to cut a few legal and political corners to make sure that Canada's interests are defended.

Like it or not, the federal government is the only national institution that has a constitutional mandate and that will be able to respond rapidly enough to the crisis at hand and reassure the public that the situation is under control. (The constitution has been interpreted by the courts as giving the federal government broad powers to act in an emergency under the provision for "peace, order and good government" in section 91 of the Constitution Act, 1867.) Also, the federal government controls the important levers needed to defend Canada's position in discussions with Quebec. Ottawa controls the Bank of Canada and the Canadian currency that the separatists want so dearly to hold

on to. The federal Parliament will decide on whether Quebecers can retain their Canadian citizenship after secession. The federal government negotiates trade agreements like NAFTA and GATT on behalf of all Canadians and will decide whether to give diplomatic recognition to Quebec as a separate state. And it's the federal government that's on the hook for our \$550-billion national debt.

By all means, the provinces must be brought into the talks but provincial premiers have even less of a mandate to negotiate Quebec separation than Ottawa has. Nobody elected Mike Harcourt to look after monetary policy or Clyde Wells to decide on defence issues. As Maureen Covell, a political scientist at Simon Fraser University who has looked into the issue, says, "There would have to be consultations with the provinces but the federal government was still elected as a national government by English Canadians." Remember, it was the federal government that conducted the free trade negotiations with the United States, although in consultation with the provinces and other interest groups.

A rapid response will be especially important if the federal government decides that it will resist secession and insist that Quebec remain within Confederation. Under international and Canadian law, Quebec has no right to secede, and Canada can make this clear to Quebecers and the outside world. But if such a position is taken, Canada will have to be ready to use force if necessary to keep Quebec from separating. This could be done by invoking the Emergencies Act (the successor to the War Measures Act), as was done during the October Crisis of 1970.

Before the government takes such drastic action, it will have to judge whether it has the full support of Canadians to do what is necessary to retain Quebec in Canada at all costs, even if a majority of Quebeckers want out.

If the federal government decides to negotiate the terms of Quebec secession, it will have to transform itself into the government of "the Rest of Canada." Although it will be constitutionally impossible to exclude Quebec MPs from deliberations of the House of Commons or from a federal election, it must be understood that they will have lost all legitimacy in deciding Canada's fate. That goes for Liberals as well as members of the Bloc Quebecois. For Quebec MPs to determine the outcome of negotiations with a secessionist Quebec government would be perverse and would reduce the legitimacy of the whole process.

Canadians from outside Quebec will insist that Quebeckers like Prime Minister Chretien and Finance Minister Paul Martin cannot negotiate the breakup of Canada "with themselves." Yet Chretien was elected with a strong mandate from across the country, and he has always been perceived as a strong defender of Canada. So don't be surprised to see Jean Chretien return to the New Brunswick riding of Beausejour to be re-elected in a byelection or to see Paul Martin quit his Montreal seat and return to his home town of Windsor, Ontario, to seek re-election to the Commons.

If Chretien decides that he doesn't want to be the prime minister who will preside over the separation of Quebec, a new Liberal leader will have to be chosen. But with time of the essence, there won't be months to waste on a leadership convention. Some

abbreviated selection process by caucus and the party may be the only way to go. And only non-Quebec MPs need apply.

One possible way to facilitate the development of a consensus and to give the federal government a greater degree of legitimacy as the representative of the rest of Canada would be to establish a national unity government that would bring the Reform Party and the NDP into a grand governing coalition. Such a multi-party approach has been the response of British parliamentary governments during times of national crisis, as well as Canada's Borden government in the First World War. Its nonpartisan composition would enable English Canada to present a united front in dealing with Quebec's demands and would preserve international confidence in the stability of Canada.

The possibility has also been raised of a national referendum, but here again there are pitfalls. What question would the referendum ask? Would Quebec participate? What if Canadians were asked if they approved of allowing Quebec to secede and a majority voted against the idea while a majority of Quebecers voted to secede? And what if a majority of Quebecers voted to stay in Canada and a majority in the rest of the country decided it would be best if they left? The use of a national referendum could, in fact, backfire. Only this time, unlike after the Charlottetown referendum, there may be no status quo to return to.

DO WE REALLY HAVE TO AMEND THE CONSTITUTION?

How would Quebec actually negotiate secession? Like most federations, Canada doesn't have a provision in its constitution allowing a province to secede. This isn't surprising. After seeing

the disastrous effects of the American Civil War only a few years previously, the Fathers of Confederation were hardly going to contemplate secession as they were attempting to knit together a group of disparate colonies into a single nation.

If a decision were made to secede on a strictly legal basis, changes in the Canadian constitution would be needed to eliminate all references to Quebec as a province. Otherwise, Quebec could argue that it had the legal right to continue to elect MPs to the House of Commons even after secession and to continue to participate as a full partner in the federation. Constitutional opinion is divided on whether provincial unanimity would be needed for these constitutional changes, as required for certain changes under section 41 of the Constitution Act, 1982, or whether it would be sufficient to secure agreement from seven provinces representing at least 50 per cent of the population, as under section 38, which applies to other changes. Patrick Monahan, a professor at Osgoode Hall Law School, argues that unanimity is required because the changes would affect the offices of the governor general and the lieutenant-governor of Quebec and the composition of the Supreme Court. He also argues that accepting the alternative means essentially that seven provinces could gang up and vote to expell Quebec or another province from Confederation.

Monahan also insists that because section 35 of the constitution protects aboriginals' relationship with the Crown, native Canadians would have to participate in any talks with Quebec, (It is clear that, at a minimum, section 35 guarantees that any amendment to the constitution affecting aboriginal peoples must be discussed at a specially convened constitutional conference

attended by representatives of the aboriginal peoples.)

With the experience of the failed Meech Lake and Charlottetown accords still fresh in everybody's minds, Monahan is convinced that Canadians outside Quebec could never possibly agree to allowing Quebec to go legally. "There is virtually no chance of a negotiated agreement under the existing Canadian constitution." He argues that what killed Meech Lake was the perception that Quebec was getting special status, and what separation entails is "special status writ large."

If, as Monahan claims, Canadians would never allow Quebec to leave the country constitutionally, what are the prospects for a unilateral declaration of independence (UDI)? The draft bill declaring Quebec a sovereign state states that it will become law "one year after its approval by referendum, unless the National Assembly decides on an earlier date." The implication is clear. If the referendum passes, Quebec will secede a year later, no matter what.

By inserting a date for sovereignty in the question, Parizeau has designed a "question with a fuse," according to Marcel Cote, a Montreal consultant and one-time strategist for the Mulroney government. At the end of the fuse is the bomb, of a UDI, which will explode whether or not Canada agrees. With a fuse lit by a yes vote, a nasty game of constitutional chicken will begin, especially if the rest of Canada decides to oppose the secession. Will Quebec risk allowing the UDI bomb to detonate or will it lose its nerve and douse the fuse? Will Canada call Quebec's bluff, refuse to negotiate and risk seeing Quebec take off without agreeing to take its share of the \$550 billion national debt?

A question with a fuse leaves open the possibility that separation will be a messy and potentially dangerous affair, with Quebec attempting to seize its independence against the will of the federal government and struggling for recognition from the international community. It also opens up the prospect of runs on Quebec banks, native blockades and Quebec's trying to oust the federal government from Quebec territory. With no orderly transfer of power from Ottawa to Quebec City, Marcel Cote can see the administration of government collapsing. "They'll get my mother mad because they'll skip one of her pension cheques." Monahan sees worse; "a disastrous contest for sovereignty" over Quebec territory that could lead to civil disorder or violence.

Cote is convinced that Quebeckers are simply too ambivalent about the whole issue of separation to contemplate a UDI and will never vote yes in a referendum that threatened that sort of outcome. If the final version of the question includes a date for UDI, middle-of-the-road Quebeckers will reject it because it would close off their options. "I don't think a hard question will ever make it," says Cote, who considers the question included in the draft bill "a hard question dressed up as a soft question." Nor does he believe a UDI will ever take place. "The Quebec government will never dare to separate unilaterally because it's way too costly."

Monahan says a UDI can work only if the separatists have overwhelming popular support—at least 85 per cent of the vote. "With 55 per cent, it's not realistic," he says, arguing that the PQ government will try to avoid any such commitment because "it will be almost certain to fail." And a Canadian government could not acquiesce to a UDI because it would never receive a mandate from the Canadian public to agree to one. Monahan also insists

that by allowing Quebec to go unilaterally, Canada would let Quebec walk away from paying its share of the national debt. "Once the UDI is effective, you have terminated the links and allowed Quebec to escape."

Monahan's conclusion is simple. The only possible result of a positive vote for secession in a Quebec referendum is a stalemate. That's because an agreement on a constitutional amendment, passed by all ten provincial legislatures and both Houses of Parliament, would be impossible. Also impossible is the alternative, a UDI, because it would exact too high a price on both sides. He concludes that separation will never actually take place. "In brief, either attempt to take Quebec out of Canada would lead to a deadend." Marcel CQte shares this view and believes that speculating about how separation would take place is "all mind games. It can't happen because it's too difficult."

Should we all sleep soundly because the constitution has no provisions to allow Quebec to leave Confederation? Hardly. What will determine the fate of Quebec is politics and not constitutions, says Edward McWhinney, a Liberal MP and constitutional expert who has advised several provincial premiers including Robert Bourassa. He reasons that it's ridiculous to argue that the constitution would have to be changed to allow Quebec to leave Canada.

"There is no way that if there's a clear Quebec vote [to secede] you can say it's illegal and they can't do it. Germany reunited and it just tumbled together. The Soviet Union collapsed without following the constitution written by Stalin. And the English got rid of James II. You can't contradict the facts of life." Adds trade negotiator Gordon Ritchie, "You can't say that Quebec has to stay

in Confederation because you can't get the paperwork done."

"If they decide to go, there's no way we can stop them," McWhinney insists. What he is saying is that we may have to go ahead with negotiations and acquiesce to Quebec's unilateral declaration of independence—what we call "UDI with a wink." It is probably the best way of cutting through all the constitutional red tape if a decision is ultimately made to let Quebec separate. In accepting the UDI, the federal government would be relying on its temporary powers to act in an emergency.

Ensuring changes to Canada's constitution that acknowledge the new facts of life would become a matter of a legal clean-up after the dirty deed is done. In the meantime, Monahan argues, the "courts would have to interpret the entire Canadian constitution in the light of this new political reality and read it as if it made no reference to the province of Quebec." By this he means that any provisions relating to Quebec would become "inoperative." Included would be those providing for representation in national institutions like the Senate, the House of Commons and the Supreme Court, and those guaranteeing bilingualism in the National Assembly.

Even without completing all the required constitutional amendments, there is nothing to stop Canada from recognizing the government of a separate Quebec state. That remains a prerogative of the federal government. Nor does McWhinney believe that negotiations over details of the secession need be a long, drawn-out affair. "It's amazing how common sense takes over," he says. Unless territorial disputes clutter the agenda, he believes that most of the basic negotiations could be over in thirty-six

hours. That is overly optimistic, but talks need not go on forever. In Czechoslovakia, the negotiations on the major issues involved in the 1993 split were completed to the satisfaction of both sides in only a few months.

It is also wishful thinking to believe that a PQ government would never attempt an actual UDI. Parizeau has already argued that Quebec has the right to declare independence unilaterally, saying in May 1994 that "the decision to have a country will be taken by Quebecers and by Quebecers only." Parizeau and Company are determined separatists. Their political purpose in life is to push towards their goal and if the Quebec electorate gives the Pequistes a mandate, they'll run as far as they can with it, even if they leave the public behind.

A realistic scenario may see the negotiations begin on a range of issues from the debt to defence on the understanding that any agreement would be submitted for approval to the provinces in order to get the constitution amended. But as the clock ticks towards the date set for eventual separation, it may be apparent that constitutional approval from all provinces will not be possible in time. If all other issues were settled and Canadians still believed Quebec had to go, Ottawa could give a wink to a UDI and recognize Quebec as a sovereign state. Approving changes to the Canadian constitution to legitimize the arrangement could come after the fact and perhaps be ratified through another national referendum.

Ottawa at the Helm

If the negotiations are to be handled effectively, the federal gov-

ernment will have to take the primary responsibility for speaking for the rest of Canada, It will have to exercise strong leadership, not hesitating to make the difficult and controversial decisions that will be necessary to protect our interests and prevent instability, Yet the federal government will need to broaden its legitimacy by bringing the provinces, native groups and even the federal opposition parties into the process through extensive consultation and perhaps direct membership in the negotiating team. But that team has to be kept small and there won't be time to bring in every interest group in the country.

Because of the high stakes for Canada, the prime minister should be personally responsible for the negotiating team, perhaps assisted by a senior minister. The team itself could be organized into a Canada Negotiator's Office, headed by a chief negotiator reporting directly to the prime minister- This would be a single-purpose organization outside of the day-to-day operations of government, structured like the Trade Negotiators' Office set up to negotiate the Canada-U.S. Free Trade Agreement. Trade negotiations, involving direct country-to-country bargaining under tight time deadlines and over a wide range of complex issues, provide the closest parallel to the type of activity that will be required to divide the county.

To ensure widespread input into the process, Ottawa could establish a Canada Negotiating Council, comprising the prime minister, the premiers of the nine provinces and the two territories, and native leaders, to oversee the negotiations. Committees of interested parties and federal and provincial officials could be formed to work with the Canadian Negotiators Office on specific issues such as the division of the debt and trade rela-

tions, These committees could be modelled on the Sectoral Advisory Groups on International Trade (SAGITs) that were used to such good avail during recent trade negotiations. Negotiating with Quebec will be an enormously difficult exercise and will require the participation and co-operation of Canadians if it is to succeed.

As we will point out later, this will not be the time to re-confederate Canada by redesigning political institutions like the Senate to accommodate the new demographic balance in Canada or entrench the native right to self-government. The priority will be to arrange for the departure of Quebec from the federation with the minimum possible damage to the rest of Canada. Rewriting the constitution can come later,

As we will describe later, any agreement by Canada permitting Quebec to secede must be a package deal that includes settlement of all the outstanding issues including division of the debt and assets, the currency and trade issues. Only when all those issues are settled can a legal secession or even "UDI with a wink" be contemplated.

All this may seem impossible to envisage now, but in the chaotic days after a yes vote, Canadians will demand clear leadership. We shouldn't underestimate the desire of Canadians outside Quebec to preserve Canada as their country and to try to save whatever they can from the process of breakup. Consensus could be a lot easier to achieve than we think, especially when our economic lives and the future of what's left of our country depend on it. As Dr. Johnson observed, "When a man knows he is to be hanged in a fortnight, it concentrates his mind wonderfully."

CHAPTER 4

What Should Our Position Be?

Self-deprecation has become a favourite English-Canadian pastime. We are a small country, the argument goes, lacking in the wherewithal to confront challenges from inside or outside our borders. In negotiations with the United States, we are bound to merge with the short end of the stick because we lack the strength of the U.S. economy and the determination to defend our interests that those self-confident Americans appear to be born with.

The same applies to the Quebec issue. Canadians outside Quebec often look with envy at Quebec's ability to speak with a single voice and push its viewpoint consistently and uncompromisingly. With this internal unity, Quebec usually seems to get its own way, at least in struggles with the federal government and in competition with the other provinces. Quebec's politicians, both provincial and federal, push for the CF-18 fighter maintenance contract and snag it for Canadaair, even though the Quebec company bids higher than Bristol Aerospace of Winnipeg. Quebec pushes for the Canadian Space Agency headquarters and gets it, even though most of the scientists and space-related businesses involved are based in Ottawa.

Within days of getting elected in the fall of 1994, the separatist government in Quebec demands that Ottawa reimburse the province the \$34.5-million cost of the referendum on the Charlottetown accord that it decided to conduct on its own. Within days, the cheque is in the mail. Meanwhile, Ontario,

Alberta and British Columbia argue for years to get the federal government to restore full funding of welfare costs in those provinces. Hundreds of millions of dollars are at stake, but Ottawa manages to slough off these demands with impunity.

In English Canada, we just can't seem to unite on issues. The prospect of negotiating with a Quebec armed with a yes vote in a referendum scares us. But a defeatist attitude will be disastrous in negotiating with a single-minded group of Quebec separatists. This time around, it's not a question of losing a federal contract or the headquarters of a federal agency; our economic and political future is at stake.

We have no reason to feel at a disadvantage in talks with Quebec. The truth is that Quebec's political and emotional solidarity masks its fundamental weaknesses in entering the negotiations on sovereignty. For all the talk by separatists of negotiating with Canada "equal to equal," Quebec is the smaller and weaker partner that comes to the table seeking radical changes to an arrangement the stronger partner has been quite satisfied with.

Just look at some numbers- Quebec's share of the Canadian population used to be a steady 28 to 29 per cent. Starting in the 1970s, as Quebec nationalism rose and growth began to concentrate in Ontario and the West, Quebec's population share began to fall steadily. By 1994, it had fallen to 24.9 per cent. That means the rest of Canada outguns Quebec on population by 22 million to 7.2 million, or more than 3 to 1.

More crucially, Quebec's economic importance within Canada

continues to shrink. In 1961, Quebec accounted for 26 per cent of Canada's gross domestic product—the value of all goods and services produced by the economy. By 1993, it had dropped to less than 23 per cent. Alberta and British Columbia together have now surpassed Quebec in their share of the national economy. Economically, the rest of Canada has more than a 3-to-1 advantage over Quebec. Even if Quebec were negotiating with Ontario alone, Quebec starts with a major disadvantage. Ontario's population is half as big again as Quebec's and its economy is more than 75 per cent larger—a difference of \$125 billion a year.

So we enter the negotiations with a lot of muscle and an economy that is wealthier and more diversified and growing faster than Quebec's. And the process of secession is going to weaken Quebec further, at least in the short term, as people and companies decide that they would rather leave than stay in a separate state. Quebec has a consistently higher unemployment rate than the national average and a heavy concentration of declining industry. Its only metropolis, Montreal, has been losing financial and industrial clout for more than a generation.

By the very nature of secession, it is Quebec that will suffer the bulk of the transition costs. It is Quebec that will be starting at square one as a sovereign state when it comes to its trade relations, its diplomatic relations and its defence relations. At the same time, Quebec will have to establish a new relationship with the rest of Canada, attempt to gain international diplomatic recognition and manage a fundamental psychological adaptation for its population. A sense of embarking on a great national venture may be of some help, but it won't stop Canadian corporations from abandoning Montreal. It will be Quebec that has to cope with a

flight of capital, business and some of its best brains.

As well, Quebec will have to cope with the huge transition costs of merging the federal civil service within its borders with the existing provincial civil service. It will also face the challenge of convincing large numbers of Quebecers who remain committed to Canada to trade in their beloved citizenship for a Quebec citizenship they never asked for.

On the Canadian side, the biggest transition costs, aside from the effects of financial market shocks, will be localized in Ottawa and in the Atlantic provinces. Yet even these costs can be managed if we handle the negotiations properly and take a measured, well-thought-out view of what Canada's interests are.

LIKE A GIANT TRADE DEAL

Negotiations with Quebec will probably be conducted like negotiations over a giant trade deal. According to Gordon Ritchie, the Ottawa trade consultant who was Canada's deputy chief negotiator of the Canada-U.S. Free Trade Agreement, "The biggest negotiation we ever had was the FTA and the FTA pales in comparison with this enterprise." There are dozens of issues, many of them complex, that will require considerable give and take on both sides. But solving one issue will mean nothing unless there is a solution to all the issues. As with the recent world trade deal, there will be one global agreement, reached at the last moment, which won't completely satisfy both sides.

As with trade negotiations, Ritchie expects that the talks on secession will be conducted through a series of sectoral negotiat-

ing tables, each covering a key issue, like trade or financial questions. Ritchie expects that each side will name a non-politician as chief negotiator but that the ultimate boss will be the prime minister. "You can be sure that on the Quebec side, the de facto chief negotiator will be Parizeau, and at each table, the de facto chief negotiators will be the key ministers."

On the Canadian side, the prime minister must be the de facto chief negotiator, backed by members of the federal cabinet and provincial premiers. As described in the previous chapter, this could be organized through a Canada Negotiator's Office and a broader Canada Negotiating Council. It will be essential to involve the premiers of Ontario, New Brunswick and Newfoundland when the issue of borders is discussed. Likewise, the other provinces, especially Ontario and the Atlantic provinces, will have to be involved when trade is on the table. This involvement of the provinces is essential, but it must be under the umbrella of a single Canadian position. We cannot allow these talks to degenerate into a series of one-on-one discussions between the provinces and Quebec. This would allow Quebec to adopt a divide-and-conquer technique of negotiation and would favour the stronger provinces. The Atlantic provinces would surely end up the losers, as would Canada as a whole.

When it comes to the very existence of Quebec as a sovereign state, each side comes to the table with strong arguments. The strength of Quebec's position will come with the fact that it has just received a mandate from its people to secede. Here, the strength of the mandate will grow with every vote the separatists manage to muster. If there were an 85 per cent vote for secession, Quebec would be gone within months and the rest of the country

would do nothing to stop the process. On the other hand, if the yes side collects only a few thousand more votes than the no side, the mandate for separation would be so weak that the process could eventually be aborted, or might never start in the first place.

On the Canadian side, it is unlikely that there will be any such clear, broad-based mandate. A national referendum reaffirming the desire of the rest of Canada to stay together as a united country is possible but unlikely before formal talks begin. A federal election could also result in a mandate for the negotiators, but, as we argued earlier, time may not permit this luxury- Whatever route is taken, we will have to depend on our politicians, both federal and provincial, to express our desire to remain together as a united country.

On the question of recognition, Canada starts out in any negotiation with a clear advantage. As pointed out in the previous chapter, there is no legal exit from Canada as it now stands. Although ultimately, this constitutional obstacle to separation can be overcome, it will place Quebec from the outset in a position of either asking Canada and the other nine provinces to approve a constitutional change or threatening to break the law and unilaterally declare independence.

Canada also has an advantage when it comes to international recognition for Quebec. Canada is a long-established country with extensive diplomatic and trading relations around the globe. It will not be the new kid on the block like Quebec, which will be vying for attention with the likes of Estonia and Slovenia. Canada is a respected member of the international community and its unity crisis will likely attract considerable sympathy from its

international partners, many of whom face their own internal secessionist movements. With its unblemished international record as an ally, trading partner and peacekeeper, Canada has a lot of IOUs in the world community.

Quebec, on the other hand, will be regarded as just another secessionist state. Aside from attracting sympathy and support in some quarters in France, Quebec will be on its own, trying to seek understanding from a world that will be more perplexed than anything else by the breakup of Canada.

What this means is that recognition by Canada of a sovereign Quebec will be essential to Quebec's effort to gain recognition in the world community. True, secessionist states can be recognized diplomatically without the approval of the state from which they have split, but this can be a messy, long-drawn-out affair. In the former Yugoslavia, recognition of Slovenia, Croatia and the other breakaway states came relatively quickly, but that is partly because they were breaking away from a federation that had collapsed and was on the brink of civil war.

If Canada resists Quebec secession, rare is the country that would want to risk its friendship with Canada to please the separatists. Diplomatic sources concede that even the French government would hesitate before double-crossing Canada, its longtime G7 ally and interlocutor on a range of issues, from peacekeeping to the Francophonie, simply for the sake of emotional attachment to the cause of Quebec separation. And France will be extremely sensitive to any collapse of the Canadian federation while it is working hard to develop a united Europe.

What the international community is looking for is a peaceful solution of the Canadian problem by Canadians themselves. The United States and other allies like Britain and Germany will have no objection to recognizing a separate Quebec provided that Canada has first done, so. This recognition remains a key bargaining card that Canada can use with Quebec. There would be no reason for Canada to extend it until all other issues are settled satisfactorily.

Canada has other strong bargaining positions as well. On territory, Quebec's claims to territorial integrity will be met with strong resistance from native groups. Using Canadian constitutional law and world sympathy for their plight, groups like the Quebec Cree will push to carve up Quebec- "If Canada is divisible, so is Quebec," is their cry. Although carving up Quebec territory won't serve anybody's interests in the long run (an argument we make in Chapter 6), Quebec goes into the negotiations with a less than watertight position both legally and morally.

On trade, Canada again comes to the bargaining table with a strong hand. Quebec is considerably more dependent on trade with the rest of Canada than the rest of Canada is dependent on its trade with Quebec. British Columbia, for example, hardly trades with Quebec at all. Even Ontario does more business with the United States than it does with Quebec. Because Quebec has so much to lose, it is Quebec that comes to trade talks as the supplicant. It is Quebec that wants to negotiate its way into NAFTA and GATT, Until there is a deal that suits Canadian interests, the status quo remains. If Quebec secedes, Canada will have all of its trading relationships intact, except for those with Quebec. Quebec, on the other

hand, will have to start from the ground up.

On currency, Quebec once again has less strength in its bargaining position than the separatists let on. Although keeping a common currency may be a good idea for both sides, it's definitely of more interest to Quebec than it is to the rest of Canada. And it is Canada that controls monetary policy through the Bank of Canada and has its hands on the payments system, which keeps the flow of cheques and other transactions coursing through the economy. As we will show, Canada could cut off access to Canadian currency if it wished.

On the public service issue, Canada will enter talks with an advantage that it must hold on to resolutely—the PQ's promise to provide jobs to every federal bureaucrat in Quebec. We must obtain concrete assurances that all Quebecers working for the federal government go onto Quebec's payroll as soon as possible, the full cost of the transition to be borne by Quebec. Otherwise, Canadian taxpayers will be burdened with a civil service that is bloated beyond our real requirements, or we will be faced with a huge severance bill for tens of thousands of surplus employees. Likewise, Quebec will have to be pressed to pick up the assets in the province that properly belong to it. No question of having the federal government continue to hold billions of dollars in mortgages on Quebec property through the Canada Mortgage and Housing Corporation, for example.

On the biggest money issue of them all, the national debt, Quebec will come to the table in a position of strength. By allowing our national debt to grow out of control in the past fifteen years, we have seriously undermined our position in sovereignty talks. Like it

or not, Quebec has no legal obligation to pick up its share of the \$550-billion national debt. Although the international legal convention is that seceding states pick up an equitable share of the debt—Parizeau has promised that Quebec will do this—defining that fair share will be subject to considerable haggling. On this issue above all, we will have to be unmovable.

To maximize our bargaining strength, we must not deal piecemeal with relatively simple questions like defence and settle them definitively while leaving the central issue of the debt to the end. Negotiations should go on simultaneously on several issues, but there can be no binding agreement on any single issue until everything is settled. Quebec must understand that it will receive no assurance on Canadian recognition, on the inviolability of its borders or on permission to use the Canadian dollar, until it makes a fair and equitable settlement on division of the debt.

Another central issue must not be subject to negotiation—the definition of Canadian citizenship. It will not be for Quebec to decide whether Quebecers keep Canadian citizenship. It will be up to the Parliament of Canada to decide whether it wants to allow a situation to develop where 7 million of its citizens are residents of a foreign country who pay no taxes to Canada but still benefit from Canadian citizenship.

Another central element of any Canadian negotiating position must be the safeguarding and strengthening of what remains of the Canadian federation and the Canadian political and economic entity. We disagree with Preston Manning and Gordon Gibson, author of *Plan B: The Future of the Rest of Canada*,

that Canada must choose to re-confederate at the same time as it negotiates the departure of Quebec. Manning contends that he would go "full bore" on reconstituting the rest of Canada while simultaneously negotiating Quebec's exit from Confederation, that the moment Quebec votes to separate, it "will no longer be at the centre of the Canadian stage. It is a sideshow." He believes that if Ottawa simply becomes the bargaining agent for the rest of the country in dealing with Quebec, it will marginalize itself. "If you don't do anything, you're opening yourself to centrifugal forces."

This two-track process is a recipe for disaster. The Quebec sovereignty timetable as laid out by the draft sovereignty bill is tight—a year at the most after the referendum—and the list of issues to be dealt with in any such negotiation will by necessity be extensive. Framing a common Canadian position on questions as fundamental as trade relations, citizenship, the currency, the public service and defence, not to mention the national debt, will take a tremendous amount of effort and preparation. To add to this negotiation a simultaneous redefinition of a Canada without Quebec—from redesigning the Senate to deciding on the fate of official bilingualism—would so burden the negotiating agenda for Canadian politicians that it would lead to gridlock.

Imagine the scene. At a crucial juncture in talks with Quebec on new trading arrangements, dissension breaks out on the Canadian side. British Columbia is holding out for a guaranteed number of seats in the reconstituted Supreme Court of Canada to which Ontario objects. This debate has nothing to do with the trade deal, but the B.C. government is so irritated over Ontario's

position on the Supreme Court that it refuses to accept the trade deal with Quebec, considered essential to Ontario but of marginal interest to B.C.

The negotiation with Quebec will be a complex affair. Botching it could affect Canadians' standard of living for a generation. Despite all the talk of the urgency to reform Canada in a post-Quebec era, we believe that Canadians may well want to proceed cautiously. The trauma that Canadians will suffer over the departure of Quebec will be profound- Rather than seeking radical change in post-secession Canada, Canadians will be looking for an indication that their country and its institutions will survive in a recognizable form.

PART 2

HOW TO DIVIDE THE HOUSE

CHAPTER 5

Breaking Up Is Hard to Do

There is probably no more embarrassing experience for a Canadian than to be asked by a foreigner to explain why Quebec is contemplating secession. "Can't you Canadians solve your internal squabbling?" you are asked. You start by explaining Canada's history of linguistic and cultural duality since the Battle of the Plains of Abraham. Then you skip to the fight over official bilingualism and the October 1970 crisis. By the time you mention the French Language Charter, Bill 178, and the Meech Lake and Charlottetown accords, your non-Canadian friend is completely confused and begs to change the subject. He still doesn't understand why such a wealthy, seemingly problem-free country stands on the edge of breakup.

Secession isn't supposed to happen in the polite company of the G7 group of industrialized nations. Yet in the past century there have been plenty of examples of breakups, both successful and unsuccessful, peaceful and violent. We tend to forget that even the most stable and prosperous federations have at one time or another been threatened by secessionist movements. The United States, whose sense of patriotism and national purpose is the envy of many Canadians, achieved this solidarity only after a bloody Civil War that resulted in more than 600,000 deaths and whose wounds took decades to heal,

We also forget that Switzerland, that prosperous land of supposed multilingual harmony, only adopted its present constitution after a federal army of 100,000 crushed a rebellion by seven

Catholic cantons in 1847. Even tranquil, linguistically homogeneous Australia faced the threat of breakup in the 1930s, when the state of Western Australia, protesting the centralizing policies of the federal government, actually voted for secession in a referendum. Interestingly, the British Parliament refused to accept the petition for secession because it didn't have the support of the federal government. As prosperity returned to Western Australia and the federal government provided more financial aid, the secessionist tendencies died away and Australia remained united.

There are other cases too: the division of Norway and Sweden in 1905; the Irish split from Britain in 1921; the breakaway of Pakistan from India in 1947 and Bangladesh from Pakistan in 1971; and the expulsion of Singapore from the Federation of Malaysia in 1965. In recent years, a spate of new states have emerged from the remains of the collapsed Communist world.

Yet there is no case of a successful secessionist movement in an advanced industrialized democracy like Canada. The Scots, the Catalans, the Basques and the Corsicans may grumble about their lot, elect secession-minded parliamentary representatives and occasionally even plant a terrorist bomb, but Britain, Spain and France remain united. Perhaps it's because these countries are sufficiently adaptable and prosperous to provide their minorities with enough in the way of power and money to satisfy their immediate demands. Or because, as democracies, they can allow their minorities to express their differences without going all the way to a split.

The Canadian case, however, is unique. Not only does the Quebec separatist movement control a powerful state apparatus—

the Quebec provincial government—but it gets to pursue its option with the active support of the federal state, through tax-deductible political contributions and a system that bends over backwards to be fair. There was no better example of this than Lucien Bouchard's trip to Washington in the spring of 1994, where the Canadian embassy did its best to set up all the right appointments in Congress and the State Department—in effect helping a dissident political leader go about his business of destroying their country.

For years, Quebec separatists have used the breakup of the union between Norway and Sweden in 1905 as an example of a peaceful split that had gone well for both sides. It clearly appeals to the social democratic leanings of the Parti Quebecois to cite the case of Sweden, although with Sweden's recent experience as one of the few Western countries with a debt crunch worse than Canada's, it's probably wiser for Jacques Parizeau not to pursue the comparison. The separatists should also be reminded that the division of Norway and Sweden wasn't quite as smooth as they would like us to believe.

Norway and Sweden were united in 1814, but the only thing the two countries shared was a king who controlled joint war and foreign policies. Otherwise, they remained separate, each nation retaining its own citizenship, government and courts. Norway resisted all Swedish moves to increase political integration. Conflicts in this sort of loose union were inevitable, but the buildup to actual secession took twenty years. What precipitated the final break was the decision by the Norwegian Parliament to push through legislation giving Norway its own diplomatic representation abroad, knowing that the king would veto the legislation and bring on a crisis.

Although the break looks benign ninety years on, at the time there were threats of military force and considerable hard feelings. The political conflict preceding the split also exacted an economic toll on Norway for many years. And here's one aspect of the Norwegian split from Sweden that you won't hear from Parizeau. When Norway held a referendum to gauge public opinion on secession, it passed by 367,149 votes for and 184 votes against, or a margin of 2,000 to 1. No question here of 50 per cent plus one. One final fact: the currency union between Norway and Sweden that had existed since 1863 fell apart in 1914, nine years after the split.

The Irish break from Britain was decidedly more violent than the Norway-Sweden division, but it, too, is interesting for what it tells us about the process. Ireland's relationship with Britain had been bitter for centuries, and despite the legislative union of the 1800s, the Irish still considered themselves an occupied people. Nationalism, fed by poverty and emigration, continued to grow, and early in this century, violence mounted, leading to the Easter Rebellion of 1916, the declaration of an Irish Republic and its military defeat within a week. Violence raged again in the War of Independence from 1919 to 1921, which culminated in the establishment of the Irish Free State, in which Britain agreed to give Ireland dominion status similar to that of Canada but left the six counties of Northern Ireland as part of the United Kingdom. There followed three years of civil war between the new government and the republicans who opposed partition of Ireland and other terms of the secession agreement. The final constitutional link with Britain was broken only in 1949 when Ireland became a republic.

The Republic of Ireland paid a high price for independence. The economy languished until the late 1950s, crippled by the Depression and shortages during the Second World War and weakened by isolationist policies. And the political aftermath of the split continues to preoccupy both countries more than seventy years later, the governments of Ireland and Great Britain only recently showing signs of being able to work together to address the continuing problem of Northern Ireland.

One postscript to the Irish-British split: the agreement signed on December 6, 1921, that cemented the formal split was only about five pages long, with eighteen brief sections. If only it could be so simple for Canada and Quebec, but a modern, heavily indebted welfare state such as Canada is much more difficult to divide.

Not all splits end up hurting the divorcees economically. The collapse of the brief federation between Singapore and Malaysia is a case in point. Singapore joined the Federation of Malaysia in 1963, but less than two years later the experiment was over, when Singapore was expelled by the rest of the federation. The failure of the merger has been blamed on racial conflicts between indigenous Malays, the largest ethnic group in Malaysia, and the Chinese who dominated Singapore. Whatever the reasons, the two went their separate ways. But the breach hasn't stopped Singapore from becoming one of the most productive states on earth, or Malaysia from becoming one of the fastest-growing countries in Asia.

THE VELVET DIVORCE

It's the collapse of Czechoslovakia that gives Canadians the most food for thought- Dubbed the "velvet divorce" by many observers, the division of this federation of 15 million people came quickly and with no violence, in contrast with the ferment in the former Soviet Union and the carnage in Yugoslavia.

The quick breakup of Czechoslovakia was made possible because the Czechs, who initially supported the federation, decided that they had had enough of Slovak demands. It took place because the politicians wanted it. Most people on both sides didn't back the split and never had an opportunity to vote on it in a referendum. The story of what happened in Czechoslovakia is told, succinctly and from a Canadian point of view, in a recently published study, *The Breakup of Czechoslovakia*, written by Robert A. Young, a political scientist at the University of Western Ontario.

Czechoslovakia was formed after the First World War out of the ashes of the Austro-Hungarian empire and was a prosperous democracy until the Second World War, after which the country was absorbed into the Soviet bloc. What started Czechoslovakia down the road to dissolution was the collapse of Communism in eastern Europe that began in 1989 and the rapid political and economic changes that followed. The rise in inflation and the drop in gross domestic product that came on the heels of economic liberalization was particularly hard on Slovakia, which was smaller and poorer and depended to a great extent on the armaments industry, which now found itself in crisis. But neither the Czechs nor the Slovaks wanted separation. In a public opinion survey conducted in 1990, 72 per cent of Czechs and 57 per cent of

Slovaks favoured a federation. Only 6 per cent of the whole population favoured a split. Yet by the end of 1992, the federation was history.

The Slovaks had become increasingly fed up with the status quo. Only 20 per cent believed that the federal government treated them fairly. Slovak nationalism was rampant and, under pressure from nationalists, the Slovak National Council, the legislature of the Slovak Republic, pushed through a language law making Slovak the only official language, limiting official communications in languages other than Slovak and outlawing official bilingual signs, a move reminiscent of Quebec's language law. In March 1991, intellectuals and the Slovak National Party published a Declaration of Sovereignty for Slovakia, which envisaged independence for Slovakia, including its own army, money and foreign policy but an agreement with the Czechs on continuation of a common state. It was to be a kind of sovereignty-association.

While the Slovak leadership moved towards separatism, the Czechs continued to believe in the federation and even favoured increased centralization. Talks continued on a treaty that would have provided a new definition of the powers of the federal government but by 1992, things were starting to come undone. In an election for the federal assembly, national parties more or less collapsed and the assembly came to be dominated by parties representing Czechs on the one hand and Slovaks on the other.

What's fascinating about the process that led to separation is that when the Slovaks initially pushed for greater autonomy, the Czechs resisted. Yet, like the rebellious teenager who always

threatens to leave home until he is eventually kicked out, the Slovaks themselves never seemed convinced that they wanted to go all the way. The Slovak leadership declined to hold a referendum, unsure they would win, and began proposing a confederal option in which the Czechs and Slovaks would each have sovereignty within a loose union.

Although they shied away from a referendum, Slovak politicians kept on pushing separatism. In July 1992, the Slovak National Council, the equivalent of Quebec's National Assembly, passed its declaration of sovereignty, a symbolic act which didn't formally end Czechoslovakia but provoked the resignation of Vaclav Havel as federal president. Havel said immediately that if a split did occur, he might run for president of the Czech Republic. With Havel gone, the Czechs realized the federation was finished and talks began on the final split. In September, the Slovak National Council adopted its own constitution. Yet the Slovak leadership still wanted something less than complete separation.

Anton Hykisch, the Slovakian ambassador to Canada and a Slovak member of Parliament from 1990 to 1992, said that a referendum was never held because no more than 30 per cent of Slovaks ever wanted separation. What they wanted was "a weak association between the Czech and Slovak states." Ambassador Hykisch recalls vividly encountering the Slovak leader Vladimir Meciar in the fall of 1992 after his initial talks with the Czechs. "He was very, very upset and confused- He told us that it was a terrible situation. The Czechs wanted to separate completely."

After a few months of talks on the terms of the split,

Czechoslovakia died on December 31, 1992, and was replaced by an independent Czech Republic and an independent Slovak Republic.

Even though the Slovak declaration of sovereignty and the adoption of a constitution did not in themselves constitute separation, these moves were effective in convincing the Czechs that the federation was finished. It may be no coincidence that the PQ government plans to have the National Assembly pass a declaration of sovereignty prior to the referendum. This move seems designed as much as anything to undermine Canada's resolve to stay together by presenting separation as inevitable even before the vote has been held.

Like Canadians outside Quebec, the Czechs for a long time ignored the rise of Slovak nationalism and continued to believe in the federal state, but they grew increasingly irritated by manifestations of Slovak nationalism such as the Slovak language law. They also began to feel that the Slovaks were holding up needed economic reforms that the Czechs were ready to proceed with, and were taking more out of the federation in terms of subsidies than they were contributing, (in fact, as early as 1991 each side had prepared independent assessments of economic issues and the division of assets in case of a split.)

One Czech witness of the breakup of Czechoslovakia sees parallels in the Canadian situation. He predicts that the PQ government will do all it can to damage the federation and irritate Canadians outside Quebec who will eventually tell Quebec to "go away" out of exasperation.

While the parallels with Canada are interesting, there are some fundamental differences. The Czechoslovak federation had only two members, not ten as in Canada. "As the republics assumed power and moved toward separation, the central government could simply wither away," Robert Young notes. "This is not true of most other federations, where the central government. . . must be the interlocutor of the secessionist unit." In other words, once the Czechs decided that the federation was over, they could talk directly with Slovaks about dividing the house because their loyalty and effort was immediately transferred to the new Czech Republic. In our case, Canada would be diminished by the departure of Quebec but it would still exist as a federation, making any eventual negotiations all the more complex.

Also instructive to Canadians is the fact that the Czechs ended up in a position of strength in the negotiations because once the decision was made to split the country they didn't want any half measures. Slovak efforts to gain approval for a new confederation of Czechs and Slovaks with shared citizenship and shared defence policy were rejected by the Czechs. As the Czech premier, Vaclav Klaus, said at the time, "What we definitely want to avoid is to create some unknown, never-tried artificial combination of two countries in some crazy form."

Once the decision to split was made, the negotiations were swift, taking less than four months, with the signing of thirty-one agreements including one establishing a currency union. Despite a customs union, trade relations ran into initial difficulties. Border points were established to control the movement of people and goods. Defence assets were split on a two-to-one basis, according to relative population size, as were movable

assets, with fixed property going to the republic in which it was located.

But the currency union collapsed within six weeks, prompted by a run on Slovak banks. The Czechs didn't seem too upset by the failure. Ambassador Hykisch cries foul on this move, accusing the Czechs of secretly preparing special stamps to distinguish their currency from that held by the unprepared Slovaks. "We had no central bank. We had to create a new bank and a new currency in a few weeks." .

What's interesting about the effects of the split is that the Czechs seem more satisfied with the result than the Slovaks. The Czechs have managed to attract many times more foreign investment than the Slovaks, who are still involved in a stop-and-go approach to economic reforms and privatization. A public opinion survey in mid-1994, eighteen months after the division of the country, showed that 57 per cent of Slovaks would have voted against secession if they had had a choice in a referendum.

Comparisons with Canada can only be taken so far, however. Unlike Slovakia, Quebec will never leave Canada without a referendum. Democracy is too well entrenched in Canada to allow politicians to ride roughshod over the popular will. Yet the Czechoslovak example does show how dangerous it is for voters who aren't interested in secession to give determined separatists a mandate to govern. Like the Slovak leadership, Parizeau will do all in his power, including passing a sovereignty declaration in the National Assembly, to set Quebec on what will be portrayed as an unstoppable march to secession. Quebeckers, including

many who don't really want secession, may find turning back the tide harder than they anticipated,

The most significant conclusion for Canadians to draw from the Czechoslovak experience is that the side that has the least to lose can do the best in the negotiations. "The advantage in negotiations lies with the side that is least prepared to compromise," Young says. "Simply enough, leaders who are willing to accept the consequences of negotiations breaking down are able to extract concessions from their partner-opponents." While the Slovaks had that advantage at the outset, they lost it when the Czechs decided that the federation was finished and that they weren't willing to accept any kind of sovereignty-association.

One final lesson from the experience of secessions in other countries: Once the break is made, it is irreversible. Only when force has intervened, as in the American Civil War or in the aftermath of Biafra's attempted secession, has unity been restored. Once Quebec leaves, it is gone forever.

CHAPTER 6

FROM SEA TO SHINING SEA - EXCEPT FOR QUEBEC

What territory, if any, should we give up if Quebec secedes? Should Quebec be allowed to leave Confederation with all its present territory, including all the lands in Northern Quebec, or only with the narrow strip of land along the St. Lawrence River it had in 1867? Or should Quebec be permitted to exit not only with its current territory but be allowed to take Labrador as part of the bargain, fulfilling a longstanding desire expressed by some Quebeckers to "liberate" Labrador from Newfoundland and include it in a separate Quebec?

Opinions differ sharply between Quebeckers and other Canadians on the territorial boundaries of an independent Quebec. An Angus Reid/Southam News poll released in June 1994 revealed that slightly more than half of Canadians living outside Quebec thought that the territory of a sovereign Quebec should be "considerably smaller" than at present and only four in ten believed that current boundaries should be maintained. In contrast, almost three quarters of Quebeckers believed Quebec's territorial integrity should be respected, and only slightly more than one in five felt Quebec should occupy a smaller territory.

The concept of territory is rooted in international law but, above all, in human instincts. Human beings are at their core territorial animals with an innate, instinctual attachment to their own lands that goes far back into prehistory. This primitive instinct translates into a need for a specific territory and ultimately, in terms of international law, into a desire for a definable country. In our time, the concept has been increasingly sublimated to community, city and region or, in the case of Canada, province. Yet even today nothing is more likely to lead to conflict and violence than disputes over territory. The civil war that has raged in the former Yugoslavia will quickly testify to the dangers of territorial disputes when they're linked to explosive ethnic issues.

The science writer Robert Ardrey explores the concept of territory in his book *The Territorial Imperative*, noting that "in all territorial species, without exception, possession of a territory lends enhanced energy to the proprietor. Students of animal behavior cannot agree as to why this should be, but the challenger is almost always defeated, the intruder expelled. In part, there seems some mysterious flow of energy and resolve which invests a proprietor on his home grounds. But likewise, so marked is the inhibition lying on the intruder, so evident his sense of trespass, we may be permitted to wonder if in all territorial species there does not exist, more profound than simple learning, some universal recognition of territorial

rights." The majority of Canadians may not support Ardrey's notion that they recognize the territorial rights of Quebeckers on some gut level. Quebec separatists may take comfort from the view that they have an instinctual advantage in defending their territory.

Legal arguments can always be advanced by both sides in any territorial dispute. But when all is said and done, it usually comes down to which side wants the land most and is most willing to fight for it. This is why territorial disputes are always among the fiercest and the most likely to blow up as we have seen all too often in Eastern Europe and the Middle East.

Although Quebec separatists love to talk of Quebec's right to self-determination, this right only exists legally for colonialized people in Africa or Asia or previously sovereign states which have lost their sovereignty (i.e., the Baltic states which were forcibly incorporated in the Soviet Union). Under international law, it is appropriate to recognize such "self-determination units" even if the former power over the territory disputes their independence. Self-determination is reserved for peoples living under foreign domination where they are subject to racial and other forms of discrimination and have little or no say in how they are governed. Not even the most rabid separatist would argue that this is the case for Quebec.

What Quebec separatists are proposing is something quite different called secession, which is frowned on by the international community of states and is not recognized in international law. Threatened by their own disgruntled minorities dreaming of nationhood, many countries have strongly resisted any extension of the right to self-determination in international law to include secessionist movements. U Thant, the former Secretary General of the United Nations, confirmed that "the United Nations has never accepted . . . the principle of a secession of a part of a member state." In Katanga and Biafra, the United Nations opposed separatist movements that were waging bloody civil wars.

Yet to say that international law doesn't recognize secession doesn't mean that it never happens. It does. For a separation to succeed, the secessionist government must be able to gain effective political control over its territory and population. Once done, international recognition will eventually come.

Law professor José Woehrling of the University of Montreal told the Bélanger-Campeau Commission that Quebec's secession from Canada "would be considered a success if, for a sufficiently long period, the Quebec authorities were able to exclude the application of Canadian law from their territory, and were successful in making the judicial order flowing from their own laws and decisions prevail . . . The secession would fail if the

federal authorities were able by either peaceful means or force, to maintain respect for Canadian law in the territory of Quebec and to prevent the application of the laws and decisions of the secessionist authorities." Will Quebeckers continue to voluntarily pay taxes to Revenue Canada? Will they continue to respect the RCMP's enforcement of federal law? On those kinds of behavior may rest the ultimate success of Quebec secession.

If Quebec votes to separate, Canada must first decide whether or not to accept the democratically expressed will of the Quebec electorate. If Canada is willing to let Quebec go, only the terms, including territory, will remain to be negotiated. If Canada decides not to recognize this decision, it will have to take action to stop Quebec from breaking away, up to and including the use of force. Other countries will not want to get involved in a messy internal conflict. If Canada is able to continue to enforce its laws in Quebec, then the secession will fail and Canada will keep all its territory. If not, Quebec will become an independent country, taking with it some or all of its territory.

When the question of territorial jurisdiction arises in legal proceedings, Canadian courts will decide the issue on the basis of a certificate provided by the Secretary of State. Canadian law will only still apply to the territory that remains in Canada.

WHO GETS NORTHERN QUEBEC?

All but the most extreme Canadian nationalists would admit that if Quebecers decide democratically by a reasonable majority that they want to leave Canada, there is no point trying to force them to stay. As Joe Clark, who for better or worse epitomizes Canadian values, told a Mohawk from Oka in 1991 at a public meeting, force is not the Canadian way. But there's no consensus among Canadians on the territorial question. The flashpoints are most likely to be the lands formerly belonging to the Hudson's Bay Company that were granted to Quebec in two separate parcels in 1898 and 1912. (There is some question about whether the 1898 parcel was really an addition to Quebec as it had been the subject of a dispute between France and the Hudson's Bay Company that was never settled.) The balance of this territory, called Rupert's Land, which consisted of the lands drained by rivers flowing into Hudson Bay, was granted to Canada in 1869 and eventually divided among Ontario, Manitoba, Saskatchewan and Alberta. Quebec was not the only province to benefit from the transfer of northern lands.

David Bercuson and Barry Cooper, a political scientist and a historian from the University of Calgary, maintain in their controversial book *Deconfederation* that these lands are Canada's and if Quebec leaves, the lands stay with Canada.

"Quebec gained legal title to the territory formally comprising a portion of Rupert's Land only and solely because it was a Canadian province," they write. "Its administrative jurisdiction, therefore, is contingent upon its remaining a province of Canada. In other words, Quebec gained jurisdiction over these lands by virtue of being part of Canada and on the assumption that the lands would remain Canadian territory... When Quebec leaves Canada it surrenders all territory it gained while it was a part of Canada." In their view, Quebec should only take out of Confederation what it brought in.

In his own study of the issue, Vancouver lawyer David Varty adds some interesting legal wrinkles to the argument. With the contract transferring the lands, the government of Quebec became an agent of the Crown in right of Canada to deal with Ungava (as Varty calls Northern Quebec), not the owner of the property. The underlying title remained with the Crown, he argues. The contractual relationship between Quebec and the Crown would be broken if Quebec were to declare that the laws and constitution granting Quebec jurisdiction in the first place were no longer applicable. Then the property would have to be returned to the Crown, meaning to the federal government.

To build up a legal defence against those hungering after Quebec territory, the National Assembly committee on sovereignty sought the legal opinion of five legal experts from the United

States, Britain, France and Germany in 1991. Their learned, but far from infallible, opinion was that the boundaries of a sovereign Quebec would be the actual boundaries today, including the territory granted to Quebec in 1898 and 1912 by the federal government, unless changed by an agreement reached before or after independence. They argued that as long as Quebec remains a province of Canada, the Constitution prohibits any changes in its provincial boundaries without its consent. If Quebec were to become an independent state, Canadian law would cease to apply, but Quebec's borders would be protected by international law.

The five experts argued that under the Canadian Constitution and international law, Quebec's territorial integrity would prevail over demands to dismember Quebec territory, regardless of whether the demands came from natives, Anglophones or residents of border areas. They said that natives have rights as minorities but no right to secession. Likewise, anglophones are protected under international law as a minority but with no special rights to territory. As for those living in border regions, they don't benefit from any special protection at all.

The five experts were sceptical about the argument that Quebec would not be allowed to keep the territories gained in 1912 because it would not be respecting the terms of the 1912 Boundary Extension Act implementing the transfer, that is, that the province is obliged to "recognize the rights of the Indian

inhabitants of the territory" and to "obtain surrenders" of such rights just as the the federal government had been prior to the transfer. In their view, this clause is no longer valid as it has been superceded by the Federal and provincial laws settling the native land claims in James Bay and Northern Quebec, which implemented the 1975 James Bay Agreement. Under the terms of this agreement, the Cree of James Bay and the Inuit of Northern Quebec accepted financial compensation and certain property rights in exchange for renouncing their traditional rights and claims.

These arguments are controversial and, needless to say, not accepted by all legal scholars. Patrick J. Monahan, a professor at Toronto's Osgoode Hall Law School, dismisses the opinion of the five experts. In a legal analysis prepared for the C.D. Howe Institute entitled *Cooler Heads Shall Prevail*, he argues that the experts relied too heavily in formulating their opinion on an international legal principle called *uti possidetis* (Latin for "that which you possess, you shall continue to possess) that was developed to settle borders among former Spanish colonies in Latin America and was recently recognized in the breakups of Yugoslavia and the Soviet Union. In his view, this principle, which would accord an independent Quebec the entire territory of the province of Quebec, is only relevant for border disputes between successor states and not those between the successor state and the predecessor state like Quebec and Canada. In Monahan's view, this critical distinction undermines the five

experts main point that the territorial integrity of Quebec is protected by the constitution while a province and by international law once an independent state.

Concerning the right of aboriginal people to secede from Quebec, Monahan writes in a *Globe and Mail* article that the five experts assume in their opinion that Quebec has already attained sovereignty and, in that case, that aboriginals don't have the right to secede. But if Quebec's aboriginals don't have this inherent right neither do the Québécois themselves. According to Monahan, if natives in Northern Quebec "refuse to recognize the authority of the new Quebec state, Quebec will be unable to lay claim to that territory, unless it can, through the exercise of force if required, demonstrate that it has effective control over it."

Mary Ellen Turpel, a constitutional advisor to the Assembly of First Nations, contends that a declaration of sovereignty by Quebec would constitute a unilateral breach of the James Bay and Northern Quebec Agreement. The agreement "was not only explicitly negotiated and ratified in a federal context, but also contained perpetual federal and provincial parties' consent." More surprisingly, Daniel Turp, the law professor who is president of the Bloc Québécois policy commission, published an article in 1992 supporting the right of aboriginal people to secede from Quebec.

It's fine to present these legal opinions, but in reality it comes down to this. Although Quebec has no legal right to secede, successive Canadian governments have in effect accepted that Quebec has that right. For a secession to succeed, Quebec will have to demonstrate it has control over all its territory. But the same argument holds true for Canada. If Canada wants to hold on to northern Quebec, it will have to prove it still has control over that territory. In effect, we will have to be ready to use force if necessary to hold on to northern Quebec.

Quebeckers have a deep, almost mythological attachment to Northern Quebec as their frontier. They are proud of the massive hydro-electric developments like Manicouagan and James Bay that was built there by Hydro-Quebec and homegrown engineering firms like SNC-Lavalin. They point to these projects as proof that Quebeckers are masters of an advanced technological society. Chansonniers sing odes to the giant dams and Quebec tourists travel hundreds of kilometres to marvel at these feats of engineering, even though many other Canadians would see them more as ecological disasters.

This northern territory, which makes up two-thirds of Quebec's land mass, has been the focus of the Quebec government's economic development strategy over the last quarter century. It contains generating stations that cost roughly \$25 billion dollars to build and that produce roughly half of Quebec's

electricity valued in excess of \$2 billion per year. If Canada kept the territory, the James Bay generating stations would become Canadian government property under international law. Even the most nationalistic of English Canadians might consider this to be a trifle unfair. And, naturally enough, such a valuable economic asset will not be given up easily. Quebeckers feel they have every bit as much right to the land as do the Cree even if this attachment is that of the colonizer rather than that of the original inhabitant.

What many Canadians don't realize is that Northern Quebec as defined by the boundaries of 1898 and 1912 actually contains more French Canadians than natives. The band of land handed to Quebec in 1898 includes such mining centres as Val d'Or, and Chibougamau, which are overwhelmingly francophone. Over 80 per cent of the inhabitants of this region speak French. About 110,000 non-natives live in the Quebec North but only 10,000 Cree and 7,000 Inuit, who are concentrated in the northernmost reaches of the territory, north of the Eastmain River.

Canadians may be surprised to learn that a majority of the inhabitants of Northern Quebec may not wish to stay in Canada if Quebec separates. After all, the residents of this area have displayed a tendency to vote overwhelmingly for the PQ. In the last provincial election, for example, the PQ won the three ridings of Abitibi-Est, Abitibi-Ouest, and Ungava by a margin of

almost two to one.

Even the Crees realize that the large numbers of non-natives in the southern part of Northern Quebec is a problem. "What the Crees would have to do is to draw a new line north of Chibougamau and north of Matagami along the 50th parallel," says Brian Craik, Director of Federal Relations for the Grand Council of the Cree. This new proposed Canada-Quebec border would include all but one of the Cree communities. The Crees don't consider the non-natives living in this area to be permanent residents.

And what would Canada do with northern Quebec? Its economic and trade links are with the rest of Quebec, in particular due to the construction of the James Bay hydro-electric project. Would Canada seize the dams along the La Grande River and pull the plug on the rest of Quebec? Hardly.

LABRADOR

If we do decide to open up the whole issue of who owns the former Rupert's Land, how can Canada then refuse to open up the issue of who owns Labrador? Quebec has long had a historic claim to part of Labrador. The Atlantic coast of Labrador was granted to the colony of Newfoundland by the British Crown in 1763, while the north shore of the Gulf of St. Lawrence was subsequently bestowed on Quebec. Who owned the Labrador interior was never

clearly settled. The competing land claims between Quebec and Newfoundland were only resolved by the Judicial Committee of the Privy Council in a 1927 decision that established the existing border between Labrador and Quebec.

The 1927 decision dismayed the federal government as well as Quebec at the time since Newfoundland, the winner in the dispute, was not then a part of Canada. Nevertheless, as a binding legal decision it still stands. As Quebec legal expert Henri Dorion told the National Assembly committee on sovereignty, "Quebec does not have, and this is confirmed by numerous studies, any valid legal basis to contest by judicial means the border of Labrador as established by the Privy Council in 1927."

Regaining Labrador has become a periodic rallying cry for the most territorial minded of Quebec separatists. But those who fear that Quebec is still laying in wait for the opportunity to overturn this decision should relax. While Quebec government maps may still include as Quebec territory some parts of Labrador draining into the St. Lawrence but north of the 1927 line, neither the Bélanger-Campeau commission nor the National Assembly committee on sovereignty advanced any lingering claims on Labrador in their reports. In fact, the five legal experts were not even asked to pass judgement on Quebec's claim to part of Labrador. The PQ used to talk of taking the Labrador border to the International Court of Justice, but it has been conspicuously

silent on the question in recent platforms. And the PQ government's draft bill on sovereignty only claims that Quebec shall retain its current boundaries.

The Labrador border is a non-issue and should be kept that way. The best way to ensure Labrador doesn't return to the bargaining table is to accept all Quebec's borders as they are.

ANGLOPHONE ENCLAVES

There is much sympathy in Canada for the plight of Anglophone Canadians living in Quebec. After all, they are just like the majority of Canadians except that they happen to live in Quebec. Move an Anglo-Quebecker from Beaconsfield to Mississauga and he or she will fit right in. To protect this population of over 600,000, Bercuson and Cooper advocate "territorial adjustments" to keep in Canada anglophones living on the Quebec side of the Ottawa Valley, the Lower North Shore of the St. Lawrence, and parts of the Western half of the Island of Montreal. This is in addition to the land they think should be retained in Northern Quebec and the South Shore of the St. Lawrence. The political principle they invoke is that "if the French claim, on ethnic and cultural grounds, a right to secede from Canada, then the non-French have a right to secede from Quebec. What is sauce for the goose is sauce for the gander."

Secessionist sentiment has been prevalent among English Quebecers since before Confederation. In 1849, 2,500 Scottish and American farmers in the Stanstead and Sherbrooke counties in the Eastern townships sought to join the United States to avoid being assimilated by French Canadian farmers who were moving into the area. Apparently, their fears had some foundation as francophones, including many with English sounding names, now dominate the Townships.

More recently, provoked by language legislation and concerns over the possibility of Quebec separation, residents of Pontiac County, up the Ottawa Valley on the Quebec side, have mounted their own counter-separatist movements. Right on the Ontario border and with a clear Anglophone majority, Pontiac County could be easily retained in Canada. Their predicament is reminiscent of that of hardy mountain people of West Virginia who seceded from the Confederate state of Virginia in 1861.

But before we try to carve some anglophone enclaves out of Quebec, we should pause to consider the implications. With a few exceptions such as Pontiac County, most enclaves are not on the border and are not primarily peopled by anglophones. Scott Reid, the author of *Canada Remapped*, which presents an elaborate plan for partitioning Quebec poll by poll into the parts that separate and those that stay with Canada, estimates that the Bercuson-Cooper scheme would capture over two million francophone

Quebeckers as well as the intended one million Anglophone Quebecers and other non-francophones. The fact is that anglophones do not live in large contiguous homogeneous blobs, but live side by side in harmony with francophones. The last thing Quebec and Canada needs are Bosnian-style ethnic enclaves. Grabbing territory where the population is not interested in remaining in Canada will just lead to irredentist movements and all the troubles that follow, from political agitation to terrorism.

Perhaps the most absurd proposals of all call for the splitting of Montreal down the middle, taking as a convenient dividing line St. Laurent Blvd., or for those who are not satisfied with the English-style pubs of Crescent Street and prefer the joie de vivre of French restaurants and bars, rue St. Denis. Everything to the West would stay with Canada and everything to the East would go to a separate Quebec. According to these revanchist Canadians, not only does McGill University stay in Canada, so does Université de Montréal. Not only does Westmount remain under the Maple Leaf, so does Outremont, where Jacques Parizeau, and a good chunk of the Quebec elite grew up and still lives. Berlin and Beirut tell us how well divided cities perform economically and politically.

The best way to start a new relationship with a neighbouring state is not to lay claim to hundreds of thousands of its people

as well as large chunks of its land. Who knows? Quebec might reciprocate by trying to get Franco-Ontarians and Acadians to join Quebec and to bring along with them much of Eastern Ontario and Northern New Brunswick. Don't forget that even without Quebec there will still be more people in Canada with French as their mother tongue than Anglophones residing in Quebec.

The important point is to make sure that linguistic minorities are treated fairly on both sides of the new border. Surely, Canada and Quebec could agree on that. Linguistic minorities will have an important role to play in maintaining business and cultural links between the two countries whatever shape they might take.

A TRANSPORTATION CORRIDOR

Even the most rabid of separatists have yet to hint at the possibility of restrictions on Canadian transportation across Quebec. Yet there have been calls from the rest of Canada for the establishment of a transportation corridor across Quebec between Ontario and New Brunswick if Quebec secedes. One particularly ambitious proposal by Ian Ross Robertson of the University of Toronto would have Canada taking control of a 30 to 50 kilometre wide swath of territory across Quebec's south shore. Any Québécois unfortunate enough to live there and not willing to take a loyalty oath would be deported, according to Robertson.

Not since 1755 when the Acadians were sent packing by the British for the same heinous offence of refusing to swear a loyalty oath to the British Crown would so many francophones be hitting the road. Such a deportation would be as unnecessary as it would be unacceptable to Canadians who above all cherish individual rights and liberties.

Quebec has no reason to impede the shipment of McCain's frozen French fries on the Trans-Canada Highway from New Brunswick to Ontario any more than Ontario wants to prevent the shipment of aluminum ingot along Highway 401 from Alcan's Quebec smelters to its customers in Detroit. Quebec depends as much as we do on uninterrupted trade.

A transportation corridor would not be required for the passage of ordinary cargoes. GATT trade rules guarantee freedom of transit. The main purpose of a transportation corridor or similar transit rights would be national security since Canada would have to continue supplying Canadian Forces bases in the Atlantic provinces. In an ideal world, this should not pose a problem but in the initial days after a split, the sight of Canadian military vehicles streaming down Quebec highways could alarm some fragile souls. Such movements could be done by air, but perhaps permission could be obtained for these vehicles to drive across northern New England, at least until a new balance in relations is achieved between a separate Quebec and Canada.

Nervous Nellies in English Canada, with active imaginations and visions of sunken ships and blockaded locks dancing in the heads, often ask, "Will we still be able to ship our grain and iron ore through the St. Lawrence Seaway?" Even a renegade state like Libya would not be so foolish as to block a seaway into the heart of the world's only remaining super-power.

The St. Lawrence Seaway is an international waterway, even though customary international law accords no right of navigation of foreign ships in inland waters. The Treaty of Washington, signed in 1871, guarantees that the waterway "shall forever remain free and open for the purpose of commerce to citizens of the United States, subject to any laws and regulations of Great Britain or the Dominion of Canada, not inconsistent with such privilege of free navigation." U.S. transit rights have been extended to other countries that have been granted "most favoured nation" status in trade agreements. An independent Quebec would be the successor to Canada's treaty rights and obligations regarding the seaway under the St. Lawrence Seaway Agreement of 1951. As an owner of part of the seaway it would participate in the regulation of the seaway and tolls. Canada, Quebec and the United States would all have full access to the seaway and the Great Lakes. If Quebec were to try and block access to Canadian ships entering the seaway, it would be picking a fight with the United States as well. And there would be no interest on the part of Quebec to do so. The port of Montreal depends heavily on

container traffic to and from the U.S. Midwest.

To reassure Canadian worry-warts, however, Canada could demand that Quebec grant the right of road and rail passage along the Trans-Canada Highway and the main CN and CP lines as well as free navigation through the St. Lawrence Seaway. In return, we could offer to extend comparable rights to Quebec.

The Crees have another idea. If they succeed in keeping their chunk of northern Quebec in Canada, they see a new scenic road link to the Maritimes passing through Cree territory and bypassing Quebec. This new Trans Canada Highway would transform a leisurely road trip to Halifax into the roundabout taiga equivalent of the Paris-Dakar road rally. After reaching Kirkland Lake in Northern Ontario, drivers would head into Cree land, proceed north to Mattagami, then to Radisson, turn right up the La Grande River to the headwaters of the Caniapiscau and south of there on a yet to be built road to Labrador City and Wabush. How you would get from there to Nova Scotia is anybody's guess. And don't even think about how long it would take.

MARITIME BOUNDARIES

The determination of the maritime boundaries between Canada and an independent Quebec involves very complex legal issues but that doesn't mean we have to end up determining the outcome with

gunboat diplomacy.

International law recognizes that coastal states have a right to a 12-mile territorial sea, a 12-mile contiguous zone, the adjacent continental shelf and an exclusive 200-mile economic zone. This would apply in the Gulf of St. Lawrence, with one exception. Since the Gulf is less than 400 nautical miles wide, it would have to be divided. The usual principle applied is one of equidistance from the shoreline. The Gulf was split among the provinces in 1964 on this principle for purposes of petroleum concessions. Even though this agreement was never ratified by the federal government, it provided the basis for an agreement in 1977 between Ottawa and Nova Scotia on under-sea resources. Using this agreement, Quebec's territory extends to a line equidistant between the shorelines of the Gulf.

The Magdalen Islands pose a particular problem in delineating the maritime boundaries of Quebec as they sit in the middle of the Gulf of St. Lawrence closer to Prince Edward Island and Cape Breton than to Quebec. The method of strict equidistance, adopted by the provinces in 1964, is to Canada's disadvantage and would give most of the Gulf to Quebec. Canada should argue that it doesn't make sense to treat a small archipelago like the Magdalen Islands the same as the two main Gulf islands, Quebec's Anticosti Island and Prince Edward Island, in drawing the equidistance line. To use the theory of

equidistance would violate the principle of proportionality by giving Quebec two-thirds of the Gulf when it only has 40 per cent of the shoreline. The most equitable solution would be to draw the equidistance line ignoring the Magdalen Islands and then to draw arcs for the 12-mile territorial sea and 24-mile contiguous zones. Everything south of the equidistance line and outside of the arc would belong to Canada.

There is no single internationally sanctioned correct Maritime boundary in the Gulf. Indeed Canada has, over American protests, claimed the Gulf as internal Canadian waters which means that a case could be made for denying Quebec any maritime zone in the Gulf. But this would hardly be fair. Canada and Quebec would have to sit down and hammer out an agreement on the delimitation of maritime boundaries in the Gulf.

Once the maritime boundaries were determined Quebec and Canadian fishermen would only be allowed to fish in their respective zones, unless there were agreements to the contrary. This would be to the advantage of Canadian fishermen as much of the better fishing is in the Canadian zone. To borrow a phrase Parizeau erroneously used in describing the existing situation, Quebec fishermen would become "prisoners of the Gulf" and could be barred from fishing for tuna off the coast of Nova Scotia or crabs off Newfoundland as they do now.

The Maritime boundaries in the north are also messy. The transfer to Quebec in 1898 and 1912 of the northern lands up to Hudson Bay and its strait and Ungava Bay only extended to the shoreline. The Canadian government has claimed these bays and Hudson Strait as internal Canadian waters. It has a strong claim to Hudson Bay, but a weaker claim to Hudson Strait and Ungava Bay because of the frequent passage of American icebreakers, without prior permission. As an independent coastal state, Quebec may also have some claim to the waters adjacent to its coast and a right to passage through Canadian territorial waters. Again, the maritime boundaries would have to be settled through negotiation.

FORGET ABOUT TAKING BACK QUEBEC TERRITORY

We must suppress any primitive urges we might have to transform our differences with Quebec into a claim on Quebec territory. It is better to approach the territorial question from a rational and not an emotional perspective.

Quebec's desire to leave with its existing territory may anger Canadians but is not unreasonable. Trying to turn back the clock by advancing historic claims based on 1898 and 1912 land transfers would be foolish. Why stop at 1867? Quebec nationalists might ask to show the arbitrariness of historic claims. Under the Quebec Act of 1774, Quebec ran from Labrador to the region south of the Great Lakes bounded by the Mississippi and Ohio Rivers,

taking in most of southern Ontario and the five U.S. Great Lake states. Before the Conquest, French jurisdiction extended from Labrador to Louisiana covering the vast territories over which roamed French explorers like Marquette, Jolliet and La Salle.

Quebec would not be taking away a disproportionate share of Canadian territory if it were to become an independent country within its existing provincial boundaries. The province of Quebec extends over 1.54 million square kilometres or 15.4 per cent of Canada's land mass. Quebec's share of the land would be significantly less than Quebec's quarter share of the Canadian population. On the basis of the pure numbers, it would be hard to argue that Quebec was hogging too much territory.

The key decision for Canada has to be whether or not to allow Quebec to separate from Canada if that is the democratically expressed will of Quebecers. The actions of the Canadian government suggest that this decision was made long ago. The federal government has not prevented the PQ from running in seven provincial elections on a platform calling for separation - a platform that in many other countries would be considered treasonous and seditious. It did not stop the PQ from forming the provincial government in 1976 after winning the election. It allowed the PQ to hold a referendum on sovereignty in 1980. Prime Minister Trudeau and federal cabinet ministers including the current Prime Minister conferred legitimacy on the PQ's

referendum by participating in the campaign. And everyone is gearing up for the upcoming referendum. Rightly or wrongly, the decision seems to have been made. Quebec has the right to go if it wishes. The federal government's tolerance of separatist activity reflects the state of our national psyche. The very thought of using force to keep Quebec in Canada would cause most Canadians to recoil in horror. How un-Canadian!

If, in fact, we have misread the federal government and the Canadian mood, and the federal government doesn't accept Quebec's right to secede and is willing to use force to keep it in Canada, a colossal mistake has been made in sending all the wrong signals to the province. It is a mistake that could be costly in terms of lost lives and the destruction of property.

If the basic decision *has* been made to let Quebec go if it wishes and not to use force to stop it, subsequent decisions should be easier. If we are not willing to use force to keep the country together, surely we are not going to use force to keep in Canada the barrens of Northern Quebec or to create unviable Anglophone and aboriginal enclaves scattered throughout Quebec.

It would be in our best interest to indicate from the beginning that we are willing to accept the existing provincial boundaries of Quebec as the boundaries of the new state of Quebec provided that Quebec surrenders forever all claims to Labrador

and agrees to reasonable maritime boundaries and the right of passage through its territory. Though it might make us feel better to lash out by stirring up internal dissent within Quebec, it would be unconscionable to mislead Anglophone and particularly aboriginal groups to believe that if they make enough of a fuss, we will come to their aid and help them to secede from Quebec. Promising this kind of support could only be backed by threatening to use force. Any resulting violence could poison relations between Quebec and Canada for many a year. Even worse, it could serve as a trigger for a more serious direct confrontation between Canada and Quebec.

CHAPTER 7

WHAT ABOUT THE ABORIGINAL PEOPLES?

The days are long gone when aboriginal peoples could be ignored in any discussion of Canada's future. In the 1980 Quebec referendum on sovereignty, native voices were barely a whisper. As the decade progressed, they rose to a crescendo. Standing defiantly in the Manitoba legislature with an eagle feather in his hand, Elijah Harper administered the coup de grâce to the Meech Lake constitutional accord. Defying their own leaders in 1992, aboriginal peoples turned thumbs down on the Charlottetown accord, even though it included the entrenchment of the inherent right of self-government within Canada. Native leaders have entered the fray over Quebec sovereignty, brandishing threats before the Bélanger-Campeau Commission and the National Assembly committee on sovereignty.

No issue has the potential to poison relations more between Canada and a Quebec that's determined to seek its sovereignty than a conflict over the rights of native peoples. Quebec's aboriginal leaders have already stated that they have no interest in separatist demands for an independent Quebec and will do all in their power to remain in Canada. Canadians sympathetic to aboriginal claims will surely urge the federal government to step

in to protect Quebec natives. Quebec, on the other hand, will be insulted by any suggestion that it discriminates against natives and will see any effort to wrest territory from a sovereign Quebec as an affront. Keeping the situation under control will require cool heads and a sober analysis of Canada's self-interest.

Many Canadians have savoured the sight of English-speaking Crees and Mohawks thumbing their noses at the Quebec government. It was about time somebody took on those nasty separatists who are always tiresomely talking about leaving Canada. We would have liked to do it ourselves, but we're peaceable Canadians. Better to have the Mohawks man the barricades and the Crees to deliver the inflammatory speeches.

Don't be misled. Aboriginal leaders are not unqualified flag-waving Canadian patriots. Their own people and ancestral lands come first. They have their own agenda of self-government and land claims. As Mary Ellen Turpel put it, "There is a natural alliance which could be struck between aboriginal peoples and the secessionists whereby aboriginal self-determination could be respected as a priority." Algonquin Chief Richard Kistabish from Quebec was even more blunt, declaring that he would support Quebec sovereignty if native peoples could be partners in the sovereignty process.

If Quebec offers the best deal, Quebec aboriginal people may take it, however reluctantly. And why shouldn't they? They haven't gotten such a great deal from Canada. We can't fight our battles with Quebec through aboriginal proxies in the same way that English colonials used their Iroquois allies to strike terror into French hearts.

Aboriginal people inside Quebec and outside the province are strongly opposed to Quebec separating and taking along aboriginal people and their lands without consent. According to a June 1994 Angus Reid/Southam News poll, they are supported by 8 in 10 respondents in English-speaking regions of Canada who believe that aboriginal people in Northern Quebec have the right to chose to remain in Canada. Even a bare majority in Quebec support this view.

In the words of Cree Grand Chief Matthew Coon Come, speaking in Washington days after the PQ victory in September 1994, "The secessionists are simply saying that we Crees may not choose to stay in Canada. They are saying whether we like it or not, and with or without our consent, we are aboard the canoe of independence, and may not stay where we are on the dry land of Canada. We are being told we must join with secessionists in their adventure to redress their historic wrongs."

Some oppose separation so strongly that they may be willing

to take action that could lead to violence to prevent separation. Cree Chief Billy Diamond has gone so far as to guarantee violent confrontation with Quebec.

Ovide Mercredi, the National Chief of the Assembly of First Nations, has warned the National Assembly committee on sovereignty that "There can be no legitimate secession by any people in Quebec if the rights to self-determination of First Nations are denied, suppressed or ignored in order to achieve independence. Our rights do not take back seat to yours...Only through openness, of the mind and of the heart can questions of such vital importance to your people and ours be reconciled. The alternative, which we do not favour, is confrontation..."

In his Washington speech, Coon Come was categorical in his rejection of violence. "We are not contemplating secession or insurrection. We have never and will never use violence." But after the speech, he told journalists that the risk of violence is real and frightening.

The blowup at the Kanestake Reserve at Oka, in the summer of 1990 warned Canadians that native grievances have a very short fuse. All it took to set off the violence was a dispute over the expansion of a golf course into an old Mohawk burial ground. Images of masked Mohawk Warriors, with improbable names like Lasagna, staring down Canadian soldiers in full combat gear have

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The ugly events at the Mercier Bridge outside of the Kahnawake Reserve near Montreal that same summer shocked many of us out of our liberal complacency. A howling mob of hundreds of Quebeckers, infuriated by the native blockade of the bridge, retaliated by casting insults and stones at native women, children and elderly being evacuated from the reserve, while constables of the Sûreté du Québec stood by. Racial prejudice and antagonism still persist in Quebec as elsewhere in Canada. Imagine the added tension if the Oka confrontation had occurred in a newly-independent Quebec.

Relations with the James Bay Cree have also been tense, but have not yet reached the level of violence. The Cree have mounted a fierce and sophisticated campaign against Hydro-Québec's Great Whale hydro-electric development, which would flood vast northern acreage, polluting the water with mercury and upsetting delicate eco-systems. Teaming up with the Green movement in the United States and eco-celebrities like Robert Kennedy Jr., the James Bay Cree have struck Hydro-Québec where it hurts most. Some politically correct investors have been persuaded to sell their Hydro-Québec bonds. In early 1994, the New York State Power Authority backed out of a contract to purchase additional electricity, arguing that it didn't need the power and that it was worried about the ecological impact of the Great Whale

project. Hydro-Québec, despite its billions of dollars in assets and a big public relations budget, was blindsided by the Crees.

The Crees' success in battling Hydro-Quebec may have pleased a lot of Canadians but the potential for more serious confrontations will rise in an independent Quebec. Disaffected Crees could, as economist William Watson speculated, take advantage of the isolation and vast spaces of the north to blow up hydro-electric transmission towers as a way to escalate their resistance to the Quebec government. The Quebec government would have no choice but to take action to defend its property and enforce the law. The spectacle of the Quebec government putting down a Cree uprising could bring calls for Canadian government involvement.

ABORIGINAL RIGHTS

The federal government has always had a fiduciary responsibility for aboriginal peoples. It has exclusive responsibility for "Indians and Lands reserved for Indians" under section 91(24) of the Constitution Act, 1867. This authority has been exercised through a series of Indian Acts in an admittedly paternalistic manner. Aboriginal people have long become accustomed to looking to the federal government, and mostly in English, for their needs. In Northern Quebec, it was only with the James Bay hydro-electric project in the 1970s that the Cree

and Inuit began to have significant dealings with the Quebec government.

When the constitution was repatriated in 1982, the existing treaty rights of the aboriginal people of Canada were recognized and affirmed in two sections of the updated constitution (Sections 25 and 35 of the Constitution Act, 1982). The days of Indian Act paternalism are numbered. Since 1987, aboriginal people have claimed an inherent right to self-government. This was recognized in the ill-fated Charlottetown constitutional accord. Aboriginal leaders consider the enshrinement of the inherent right to self-government unfinished business. Aboriginal people in Quebec don't want to give up their hard earned rights for a bowl of porridge if Quebec separates. They want to keep these rights and perhaps get more.

It's not only rights at stake. It's money. In 1993-94, the Department of Indian and Northern Affairs spent \$340 million on Quebec aboriginal nations. The aboriginal people of Quebec will want to make sure they don't lose any money.

All the media attention notwithstanding, the aboriginal community in Quebec is relatively small, numbering only 62,000, 55,000 of whom are Indians and 7,000 Inuit (this excludes non-status Indians who are about as numerous). There are eleven main aboriginal nations in Quebec. Of these, only the Mohawks,

Montagnais and Cree each number over 10,000 people. Together, aboriginal people account for less than 1 per cent of the total Quebec population. This is significantly lower than the natives' 2-per-cent population share in the rest of Canada and much lower than the almost 7-per-cent population share in Manitoba and Saskatchewan, the two provinces with the highest concentration of aboriginal people. The costs of meeting aboriginal demands are directly proportional to the number of aboriginal people. The relatively low number in Quebec means that a separate Quebec can afford to be generous in dealing with their claims.

There is another important implication in the relatively low number of aboriginal people. The native population is only about one-tenth of the size of the anglophone and one-hundredth of the francophone community in Quebec. In a democracy, where numbers count, such a small minority cannot expect to impose its will on the majority, but only to have its rights respected.

Last May, Indian Affairs Minister Ron Irwin found himself casting about in sovereigntist waters when he told reporters that Quebec natives have the right to stay in Canada if Quebec separates. Lucien Bouchard, the Bloc Québécois leader, was quick to rise to the bait, exclaiming that "Native people do not have the right to self-determination."

The James Bay Cree see it differently, denouncing the double standard that would give Quebec the right to self-determination while denying it to them. In August, they announced their own plans to hold a referendum parallel to that of the PQ. They plan to ask the Cree whether they wish to remain part of Canada, to separate along with Quebec or to become independent. The Cree aren't alone in defending this right to self-determination. Several prominent Canadians, including Gordon Robertson, the constitutional expert and former Clerk of the Privy Council, and, more surprisingly, Bloc Québécois advisor Daniel Turp, have argued that aboriginal people have as much of a right to self-determination as Quebec does.

The aboriginal right to self-determination is based on the principle of self-determination of peoples included in the United Nations Charter and a myriad of other UN declarations. The purpose of the right of self-determination is to protect "peoples" from being ruled by foreign colonial or imperialist masters. Using this definition, aboriginal people possess more of the essential characteristics of a "people" than Quebecers. They are governed by others who are different ethnically or otherwise. The Crees and the Inuit live far away and isolated from the Quebec government. No one can deny the fact that the Quebec government of Premier Parizeau is more foreign to the natives of James Bay than the government of Prime Minister Chrétien is to the citizens of Montreal.

But as we pointed out in the chapter on territory, the international community does not really recognize a right to secession except for colonialized peoples or previously sovereign states. Self-determination is usually interpreted in the more limited sense as the right of a people to participate in the political, economic, social and cultural choices that concern it. This is what the negotiations with the aboriginal nations are all about.

The only reason Quebec has a right to self-determination is that Canada appears to be willing to grant it that right. Quebec, on the other hand, does not appear to be willing to grant a similar right to aboriginal nations living in Quebec. So if aboriginals in Quebec are to obtain the right to self-determination, Canada would have to grant it to them before Quebec becomes sovereign.

The key question that must be answered is whether the seceding government has effective political control over its territory and population. Because of their small numbers and lack of military capability, aboriginal nations would not be able to secede from Quebec or remain part of Canada unless they were backed up by the force of the Canadian government. That's because Quebec separatists have made it clear they intend to assert control over the North. Jacques Brassard, a PQ Member of the National Assembly, has suggested that the Sûreté du Québec could

be used to keep recalcitrant natives in Quebec.

All of this is largely academic. The fact is that the aboriginal people of Northern Quebec - the Inuit of Nunavik and the James Bay Cree - couldn't by themselves form a viable state even if Quebec weren't successful in exerting control over the territory. They are too few in number (and outnumbered by non-native Quebecers except in Nunavik), too dispersed over a vast territory, too different ethnically, and too lacking in the economic necessities of life. Their only option is to remain in Canada or to go with Quebec. Other aboriginal groups in the rest of Quebec have even less choice. They are spread across Quebec in little pockets separated by land inhabited by non-native Quebecers. So it wouldn't be feasible for them to stay with Canada in case of Quebec secession, let alone form their own states.

QUEBEC'S RECORD

Canadians get a distorted impression of the Quebec government's relations with the aboriginal community because of all the bad press over Oka and Kahnawake. In fact, Quebec has been something of a pioneer in settling land claims and establishing self-government.

It all got off to a rocky start when Hydro-Québec enraged

natives by beginning construction on the James Bay hydro-electric project in 1971 on traditional aboriginal lands without so much as notification. The Cree and Inuit took the Quebec government to court and in 1973 succeeded in winning the landmark Kanatewat case recognizing their rights on the northern territories transferred to Quebec in 1898 and 1912. The decision led Quebec to begin negotiating a land claims settlement with the Cree even though the original court decision was overturned later by the Quebec Court of Appeal.

In 1975, the Quebec government resolved the issue by signing the James Bay and Northern Quebec Agreement, settling land claims over two-thirds of its territory and marking a major breakthrough for aboriginal peoples. The Cree and Inuit of northern Quebec were given land rights over an area of 14,025 square kilometres for communal lands, exclusive hunting and trapping rights over another 162,324 square kilometres, and priority hunting and trapping rights over the rest of the territory amounting to 889,650 square kilometres. They also received \$225 million in compensation. Later in 1978, Quebec also signed a separate lands claims settlement with the Naskapi of northeastern Quebec. These agreements are implemented through the Cree-Naskapi (of Québec) Act, which replaces the Indian Act as the regulator of the Northern Quebec Cree, and through provincial legislation.

For the record, the Cree are no longer satisfied with the

James Bay Agreement, which they say was entered into under conditions of duress and real oppression. They argue that Quebec has violated its terms and they have aggressively taken on Hydro-Québec over the Great Whale project. Paradoxically, language is not an issue since the English speaking Cree have obtained an exemption from the controversial French language charter.

The Inuit, in contrast are still largely satisfied with the agreement. In the summer of 1994, the Makivik Corp. representing the Inuit signed a further agreement establishing self-government in a territory north of the 55th parallel called Nunavik and providing more than \$500 million in additional financial compensation provided the Great Whale development goes ahead. And in July 1994 following a referendum, the Montagnais Indians on the Uashat-Maliotenam reserve signed a compensation agreement with Hydro-Québec worth \$66 million over 50 years, giving the go-ahead on the Ste. Marguerite River development.

In 1985, when the PQ was last in power, the National Assembly passed a resolution officially recognizing the existence of aboriginal nations within Quebec. The resolution included a commitment to conclude agreements with aboriginal nations providing the right to self-government within Quebec; the right to their culture, language and traditions; the right to own and control lands; the right to hunt, fish, trap, harvest, and to manage animal resources; and the right to participate in

economic development.

In a review of the treatment of aboriginal people in different jurisdictions prepared for the National Assembly committee on sovereignty, University of Ottawa law professor Bradford Morse concludes that Quebec has been more favourable to aboriginal peoples than other provinces. More land has been transferred to aboriginal people than in other provinces. The gap between aboriginal and non-aboriginal people, when it comes to income, education and other social indicators is actually smaller in Quebec than it is elsewhere in Canada. No other province makes as great an effort to ensure the survival of aboriginal languages and in supporting aboriginal educational initiatives than Quebec. Not everyone would agree with Morse, but his conclusions still make it difficult to contrast Quebec's backwardness with our own enlightenment on such issues.

Even Mary Ellen Turpel, the aboriginal constitutional advisor, is willing to admit that "the Province of Quebec is no worse than any other province in terms of its history of a strained relationship with aboriginal peoples."

PQ PLATFORM PROMISES

The PQ platform pledges that Quebec will move rapidly to ensure better relations with aboriginal peoples by promising

natives comparable government services to those provided to other Quebecers, and promising funds for self-government and increased financial autonomy. They also promise to make French language training available, which is not very high on the priority list of the English-speaking Cree and Mohawks, to say the least.

The PQ also commits itself to replace the colonial and paternalist relationships under the Indian Act with a new social contract negotiated between the Quebec and aboriginal nations which it claims will make aboriginal peoples full partners in an independent Quebec. First Nations are assured that they will participate fully in the preparation and ratification of the new Quebec constitution. It also promises a say to aboriginal people who live off reserve.

According to the PQ platform, the new Quebec constitution will define the rights of aboriginal nations and will provide for responsible aboriginal governments, which will exercise their powers over native lands. The PQ promises that Quebec will sign agreements that will determine the recognized powers of aboriginal governments, including citizenship codes, tax regimes, education, language and culture, health, the management of resources and the environment, economic development, and public works. Aboriginal governments will be able to raise taxes and resource revenues and will benefit from a government financing formula that will take into account the ability to pay of

aboriginal peoples. The PQ also promises to name an ombudsman for native claims and issues and to recognize existing treaties until they are replaced with new agreements which they say won't extinguish aboriginal rights.

The PQ platform plays all the right tunes that aboriginal people should want to hear. Yet many wonder if it is not too good to be true. Is it like many other campaign promises made to be broken once in power? And will these promises conflict with traditional Quebec demands to be masters over all of Quebec territory?

Premier Parizeau moved quickly after his election victory to reassure Quebec aboriginal peoples, knowing full well that they could play the spoiler in his plans for an independent Quebec. In his first declaration after the election, he said, "In the 1990s, we want to be in the forefront of self-government for the native populations and we pledge to offer these communities the same or a greater amount of autonomy than anything that exists in North America." As a token of his seriousness, he personally took on responsibility for the Aboriginal Affairs portfolio. One of his first acts was to offer the eleven first nations natural resource royalties to give them more control over their economic development.

If the PQ keeps its word, it looks as if aboriginal people

will get a pretty good deal in an independent Quebec. But some aboriginal leaders still distrust Premier Parizeau and his government and vow never to embark on the independence canoe. They worry that his hard line during the Oka stand-off, when he wanted the Sûreté to storm the Mohawk blockade and open the Mercier bridge, might reveal something about his attitude to native issues and not just his sympathy for stressed-out commuters. Quebec aboriginal leaders, meeting at Lac Delage after the PQ victory to plan their strategy, rejected the Quebec government's offer to begin negotiations before the referendum.

The PQ governments draft bill on sovereignty guarantees that the New Constitution of Quebec will "recognize the right of Aboriginal nations to self-government on lands over which they have full ownership" provided "such guarantee and such recognition are exercised consistent with the territorial integrity of Quebec." Yet aboriginal leaders are still opposed. Cree Leader Matthew Coon Come denounced the bill as "a unilateral denial of all aboriginal and Cree rights." Zebedee Nungak spokesman for the Inuit also rejected the PQ government's plans for sovereignty and asked the federal government to intervene. The Inuit are worried that Quebec independence would cut their ties with other Inuit in Canada and end their special relationship with the federal government.

The record of injustices against aboriginal people in the

rest of Canada is depressingly long. Indians have been moved and lands confiscated. The federal Indian Act has created a culture of dependence and paternalism. Residential schools sought to uproot native culture and languages and in the process destroyed individual self-esteem and self-confidence. Aboriginal people weren't allowed to exercise the basic democratic right to vote til Canada was almost 100 years old. The conspiracy of silence that followed the tragic rape and murder of a young Cree women named Betty Osborne in The Pas, Manitoba was a national disgrace. Donald Marshall's murder trial and wrongful conviction was a travesty of justice. Canadians have little to be proud of.

And we have to be fully aware that if we encourage Quebec natives to secede from Quebec, other aboriginal nations in Canada may seek the same rights. If Northern Quebec can be lopped off because it is supposed to be native land, then why not northern Ontario and northern Manitoba, which were also part of Rupert's Land before being handed to the provinces.

SUPPORT FOR NATIVES YES, INCITEMENT NO

It is the responsibility of Canadians to support natives residing in Quebec in their legitimate aspirations. In any pre-sovereignty negotiations, Quebec must prove that it will fulfill all of the responsibilities of the federal government for natives under the Constitution and the Indian Act and will be subject to

all of the UN requirements for treatment of aboriginals.

While backing native rights in these talks, we should not go so far as to encourage civil disobedience and false hopes. When all is said and done, and if Quebec separates, it will be best if Quebec natives resign themselves to living peacefully under Quebec law. There is no reason to fear that they will be treated any worse in Quebec than in the rest of Canada.

In fact, the Quebec government shows every sign of being willing to go out of its way to offer aboriginal people a good deal just as it has promised. First, the Quebec government can well afford it because there are so few natives in Quebec relative to the number in the rest of Canada. Second, the Quebec government realizes that it has to try keep aboriginal peoples sufficiently happy that they won't become a bone of contention in negotiations with Canada, distracting attention from other issues higher on the Quebec government's agenda. Third, the PQ government needs international recognition and knows that the world community will be closely watching Quebec to make sure it treats its aboriginal people fairly. The U.S. Congress will probably be more sensitive to the fate of Quebec natives in a sovereign Quebec than it will be to the fate of the hundreds of thousands of anglophone and francophone Quebecers who will want to stay in Canada.

Any serious transgression by Quebec could delay diplomatic recognition and make the transition to sovereignty more arduous. It could also add serious obstacles to the road to Quebec's acceptance in NAFTA by the Congress.

Canadians will have to be careful about what we pressure Quebec to do. Aboriginal people living in Canada will expect no less from us than what we champion for Quebec natives. Aboriginal self-government and land claims are far too complex to be settled quickly at the same time as the country is trying to come to grips with the separation of Quebec. A hasty and ill-conceived attempt at resolution would only add to the centrifugal forces that will have to be resisted to keep the rest of Canada strong and united.

There are many higher-stake issues, such as the division of the debt, and trade and monetary relations, that need to be resolved. An early acceptance by Canada of the territorial boundaries of an independent Quebec would enable us to get down more quickly to the hard business of settling these bread-and-butter issues as part of a package deal that would include territorial recognition.



Note: The Newfoundland–Quebec border was decided by the Judicial Committee of the Privy Council in 1927. Newfoundland maintained this border in 1949, when it became part of Canada.

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It's not only rights at stake. It's money. In 1993-94, the Department of Indian and Northern Affairs spent \$340 million on Quebec aboriginal nations. The aboriginal people of Quebec will want to make sure they don't lose any money.

All the media attention notwithstanding, the aboriginal community in Quebec is relatively small, numbering only 62,000, 55,000 of whom are Indians and 7,000 Inuit (this excludes non-status Indians who are about as numerous). There are eleven main aboriginal nations in Quebec. Of these, only the Mohawks,

Montagnais and Cree each number over 10,000 people. Together, aboriginal people account for less than 1 per cent of the total Quebec population. This is significantly lower than the natives' 2-per-cent population share in the rest of Canada and much lower than the almost 7-per-cent population share in Manitoba and Saskatchewan, the two provinces with the highest concentration of aboriginal people. The costs of meeting aboriginal demands are directly proportional to the number of aboriginal people. The relatively low number in Quebec means that a separate Quebec can afford to be generous in dealing with their claims.

There is another important implication in the relatively low number of aboriginal people. The native population is only about one-tenth of the size of the anglophone and one-hundredth of the francophone community in Quebec. In a democracy, where numbers count, such a small minority cannot expect to impose its will on the majority, but only to have its rights respected.

Last May, Indian Affairs Minister Ron Irwin found himself casting about in sovereigntist waters when he told reporters that Quebec natives have the right to stay in Canada if Quebec separates. Lucien Bouchard, the Bloc Québécois leader, was quick to rise to the bait, exclaiming that "Native people do not have the right to self-determination."

The James Bay Cree see it differently, denouncing the double standard that would give Quebec the right to self-determination while denying it to them. In August, they announced their own plans to hold a referendum parallel to that of the PQ. They plan to ask the Cree whether they wish to remain part of Canada, to separate along with Quebec or to become independent. The Cree aren't alone in defending this right to self-determination. Several prominent Canadians, including Gordon Robertson, the constitutional expert and former Clerk of the Privy Council, and, more surprisingly, Bloc Québécois advisor Daniel Turp, have argued that aboriginal people have as much of a right to self-determination as Quebec does.

The aboriginal right to self-determination is based on the principle of self-determination of peoples included in the United Nations Charter and a myriad of other UN declarations. The purpose of the right of self-determination is to protect "peoples" from being ruled by foreign colonial or imperialist masters. Using this definition, aboriginal people possess more of the essential characteristics of a "people" than Quebecers. They are governed by others who are different ethnically or otherwise. The Crees and the Inuit live far away and isolated from the Quebec government. No one can deny the fact that the Quebec government of Premier Parizeau is more foreign to the natives of James Bay than the government of Prime Minister Chrétien is to the citizens of Montreal.

But as we pointed out in the chapter on territory, the international community does not really recognize a right to secession except for colonialized peoples or previously sovereign states. Self-determination is usually interpreted in the more limited sense as the right of a people to participate in the political, economic, social and cultural choices that concern it. This is what the negotiations with the aboriginal nations are all about.

The only reason Quebec has a right to self-determination is that Canada appears to be willing to grant it that right. Quebec, on the other hand, does not appear to be willing to grant a similar right to aboriginal nations living in Quebec. So if aboriginals in Quebec are to obtain the right to self-determination, Canada would have to grant it to them before Quebec becomes sovereign.

The key question that must be answered is whether the seceding government has effective political control over its territory and population. Because of their small numbers and lack of military capability, aboriginal nations would not be able to secede from Quebec or remain part of Canada unless they were backed up by the force of the Canadian government. That's because Quebec separatists have made it clear they intend to assert control over the North. Jacques Brassard, a PQ Member of the National Assembly, has suggested that the Sûreté du Québec could

be used to keep recalcitrant natives in Quebec.

All of this is largely academic. The fact is that the aboriginal people of Northern Quebec - the Inuit of Nunavik and the James Bay Cree - couldn't by themselves form a viable state even if Quebec weren't successful in exerting control over the territory. They are too few in number (and outnumbered by non-native Quebecers except in Nunavik), too dispersed over a vast territory, too different ethnically, and too lacking in the economic necessities of life. Their only option is to remain in Canada or to go with Quebec. Other aboriginal groups in the rest of Quebec have even less choice. They are spread across Quebec in little pockets separated by land inhabited by non-native Quebecers. So it wouldn't be feasible for them to stay with Canada in case of Quebec secession, let alone form their own states.

QUEBEC'S RECORD

Canadians get a distorted impression of the Quebec government's relations with the aboriginal community because of all the bad press over Oka and Kahnawake. In fact, Quebec has been something of a pioneer in settling land claims and establishing self-government.

It all got off to a rocky start when Hydro-Québec enraged

natives by beginning construction on the James Bay hydro-electric project in 1971 on traditional aboriginal lands without so much as notification. The Cree and Inuit took the Quebec government to court and in 1973 succeeded in winning the landmark Kanatewat case recognizing their rights on the northern territories transferred to Quebec in 1898 and 1912. The decision led Quebec to begin negotiating a land claims settlement with the Cree even though the original court decision was overturned later by the Quebec Court of Appeal.

In 1975, the Quebec government resolved the issue by signing the James Bay and Northern Quebec Agreement, settling land claims over two-thirds of its territory and marking a major breakthrough for aboriginal peoples. The Cree and Inuit of northern Quebec were given land rights over an area of 14,025 square kilometres for communal lands, exclusive hunting and trapping rights over another 162,324 square kilometres, and priority hunting and trapping rights over the rest of the territory amounting to 889,650 square kilometres. They also received \$225 million in compensation. Later in 1978, Quebec also signed a separate lands claims settlement with the Naskapi of northeastern Quebec. These agreements are implemented through the Cree-Naskapi (of Québec) Act, which replaces the Indian Act as the regulator of the Northern Quebec Cree, and through provincial legislation.

For the record, the Cree are no longer satisfied with the

James Bay Agreement, which they say was entered into under conditions of duress and real oppression. They argue that Quebec has violated its terms and they have aggressively taken on Hydro-Québec over the Great Whale project. Paradoxically, language is not an issue since the English speaking Cree have obtained an exemption from the controversial French language charter.

The Inuit, in contrast are still largely satisfied with the agreement. In the summer of 1994, the Makivik Corp. representing the Inuit signed a further agreement establishing self-government in a territory north of the 55th parallel called Nunavik and providing more than \$500 million in additional financial compensation provided the Great Whale development goes ahead. And in July 1994 following a referendum, the Montagnais Indians on the Uashat-Maliotenam reserve signed a compensation agreement with Hydro-Québec worth \$66 million over 50 years, giving the go-ahead on the Ste. Marguerite River development.

In 1985, when the PQ was last in power, the National Assembly passed a resolution officially recognizing the existence of aboriginal nations within Quebec. The resolution included a commitment to conclude agreements with aboriginal nations providing the right to self-government within Quebec; the right to their culture, language and traditions; the right to own and control lands; the right to hunt, fish, trap, harvest, and to manage animal resources; and the right to participate in

economic development.

In a review of the treatment of aboriginal people in different jurisdictions prepared for the National Assembly committee on sovereignty, University of Ottawa law professor Bradford Morse concludes that Quebec has been more favourable to aboriginal peoples than other provinces. More land has been transferred to aboriginal people than in other provinces. The gap between aboriginal and non-aboriginal people, when it comes to income, education and other social indicators is actually smaller in Quebec than it is elsewhere in Canada. No other province makes as great an effort to ensure the survival of aboriginal languages and in supporting aboriginal educational initiatives than Quebec. Not everyone would agree with Morse, but his conclusions still make it difficult to contrast Quebec's backwardness with our own enlightenment on such issues.

Even Mary Ellen Turpel, the aboriginal constitutional advisor, is willing to admit that "the Province of Quebec is no worse than any other province in terms of its history of a strained relationship with aboriginal peoples."

PQ PLATFORM PROMISES

The PQ platform pledges that Quebec will move rapidly to ensure better relations with aboriginal peoples by promising

natives comparable government services to those provided to other Quebecers, and promising funds for self-government and increased financial autonomy. They also promise to make French language training available, which is not very high on the priority list of the English-speaking Cree and Mohawks, to say the least.

The PQ also commits itself to replace the colonial and paternalist relationships under the Indian Act with a new social contract negotiated between the Quebec and aboriginal nations which it claims will make aboriginal peoples full partners in an independent Quebec. First Nations are assured that they will participate fully in the preparation and ratification of the new Quebec constitution. It also promises a say to aboriginal people who live off reserve.

According to the PQ platform, the new Quebec constitution will define the rights of aboriginal nations and will provide for responsible aboriginal governments, which will exercise their powers over native lands. The PQ promises that Quebec will sign agreements that will determine the recognized powers of aboriginal governments, including citizenship codes, tax regimes, education, language and culture, health, the management of resources and the environment, economic development, and public works. Aboriginal governments will be able to raise taxes and resource revenues and will benefit from a government financing formula that will take into account the ability to pay of

aboriginal peoples. The PQ also promises to name an ombudsman for native claims and issues and to recognize existing treaties until they are replaced with new agreements which they say won't extinguish aboriginal rights.

The PQ platform plays all the right tunes that aboriginal people should want to hear. Yet many wonder if it is not too good to be true. Is it like many other campaign promises made to be broken once in power? And will these promises conflict with traditional Quebec demands to be masters over all of Quebec territory?

Premier Parizeau moved quickly after his election victory to reassure Quebec aboriginal peoples, knowing full well that they could play the spoiler in his plans for an independent Quebec. In his first declaration after the election, he said, "In the 1990s, we want to be in the forefront of self-government for the native populations and we pledge to offer these communities the same or a greater amount of autonomy than anything that exists in North America." As a token of his seriousness, he personally took on responsibility for the Aboriginal Affairs portfolio. One of his first acts was to offer the eleven first nations natural resource royalties to give them more control over their economic development.

If the PQ keeps its word, it looks as if aboriginal people

will get a pretty good deal in an independent Quebec. But some aboriginal leaders still distrust Premier Parizeau and his government and vow never to embark on the independence canoe. They worry that his hard line during the Oka stand-off, when he wanted the Sûreté to storm the Mohawk blockade and open the Mercier bridge, might reveal something about his attitude to native issues and not just his sympathy for stressed-out commuters. Quebec aboriginal leaders, meeting at Lac Delage after the PQ victory to plan their strategy, rejected the Quebec government's offer to begin negotiations before the referendum.

The record of injustices against aboriginal people in the rest of Canada is depressingly long. Indians have been moved and lands confiscated. The federal Indian Act has created a culture of dependence and paternalism. Residential schools sought to uproot native culture and languages and in the process destroyed individual self-esteem and self-confidence. Aboriginal people weren't allowed to exercise the basic democratic right to vote til Canada was almost 100 years old. The conspiracy of silence that followed the tragic rape and murder of a young Cree women named Betty Osborne in The Pas, Manitoba was a national disgrace. Donald Marshall's murder trial and wrongful conviction was a travesty of justice. Canadians have little to be proud of.

And we have to be fully aware that if we encourage Quebec natives to secede from Quebec, other aboriginal nations in Canada

may seek the same rights. If Northern Quebec can be lopped off because it is supposed to be native land, then why not northern Ontario and northern Manitoba, which were also part of Rupert's Land before being handed to the provinces.

SUPPORT FOR NATIVES YES, INCITEMENT NO

It is the responsibility of Canadians to support natives residing in Quebec in their legitimate aspirations. In any pre-sovereignty negotiations, Quebec must prove that it will fulfill all of the responsibilities of the federal government for natives under the Constitution and the Indian Act and will be subject to all of the UN requirements for treatment of aboriginals.

While backing native rights in these talks, we should not go so far as to encourage civil disobedience and false hopes. When all is said and done, and if Quebec separates, it will be best if Quebec natives resign themselves to living peacefully under Quebec law. There is no reason to fear that they will be treated any worse in Quebec than in the rest of Canada.

In fact, the Quebec government shows every sign of being willing to go out of its way to offer aboriginal people a good deal just as it has promised. First, the Quebec government can well afford it because there are so few natives in Quebec relative to the number in the rest of Canada. Second, the Quebec

government realizes that it has to try keep aboriginal peoples sufficiently happy that they won't become a bone of contention in negotiations with Canada, distracting attention from other issues higher on the Quebec government's agenda. Third, the PQ government needs international recognition and knows that the world community will be closely watching Quebec to make sure it treats its aboriginal people fairly. The U.S. Congress will probably be more sensitive to the fate of Quebec natives in a sovereign Quebec than it will be to the fate of the hundreds of thousands of anglophone and francophone Quebecers who will want to stay in Canada.

Any serious transgression by Quebec could delay diplomatic recognition and make the transition to sovereignty more arduous. It could also add serious obstacles to the road to Quebec's acceptance in NAFTA by the Congress.

Canadians will have to be careful about what we pressure Quebec to do. Aboriginal people living in Canada will expect no less from us than what we champion for Quebec natives. Aboriginal self-government and land claims are far too complex to be settled quickly at the same time as the country is trying to come to grips with the separation of Quebec. A hasty and ill-conceived attempt at resolution would only add to the centrifugal forces that will have to be resisted to keep the rest of Canada strong and united.

CHAPTER 8

WHO GETS WHAT AND OWES HOW MUCH?

Who gets what is always the biggest bone of contention in a divorce. Nothing can enrage a spouse more than the other partner laying claim to a cherished belonging like Grannie's priceless silverware or the family dog. In Canada's case, the prospects for conflict are even greater. The country's assets are far exceeded by the national debt. Negotiations will be a bit like trying to reach agreement on which partner will get to pay the \$100,000 mortgage on the charred remains of the family's uninsured home. Going out of a union with less property is bad enough; going out of it deeper in debt is even worse.

Disputes over the division of assets and liabilities have been the powder kegs that have touched off civil wars. The War between the American States started when Confederate militia seized federal property with force of arms, not when the state legislatures voted to secede from the Union. In Canada's case with a federal government so far in the hole it can't see any light at the top, it is the division of the debt, not the assets, that is the high-stakes issue.

And the stakes have been quickly mounting. Back in 1980, when Quebec last held a referendum on sovereignty, the net public debt of the federal government was only \$76 billion or 27.4 per cent of Canada's annual gross domestic product. (GDP provides a good benchmark for comparing a country's total debt load.) The division of the debt after Quebec separation was not a preoccupation in that referendum debate.

Since then, Canada's debt has grown more than sevenfold. By the end of the current fiscal year, the federal government's net public debt will total almost \$550 billion or almost three-quarters of GDP. This is more than \$18,700 for every man, woman and child in Canada. Interest charges alone on the public debt now total a crushing \$44 billion a year. The public debt has become such a heavy burden for Canadian taxpayers that making sure we don't get stuck with a disproportionate share must be the main objective in any negotiations with Quebec.

The federal debt has been called the "bonds that tie" because of the common financial obligation that they impose. They could equally be called the "bonds that break" because of the incentive they provide Quebec to try to get out from under it.

Old debts may not seem worth getting too worked up about but when a single percentage point is worth \$5.5-billion and the collection agencies are breathing down your neck, they are at

least worth a few good arguments. For negotiators haggling over the breakup of Canada, the stakes will be enormous. Depending on what principle is used for figuring out what portion of the debt Quebec should pick up, Canada could end up as much as \$25-billion deeper in the hole than it would be otherwise. This is almost \$1,150 per person or \$4,600 for a family of four. So getting the right formula will have an effect not only taxes but the taxes of our grandchildren and great grandchildren.

One of the main reasons that sovereignty has gained support in Quebec among more conservative, business-oriented voters is the perception that the federal government has been fiscally irresponsible and that it is hamstrung by its enormous debt. The wellspring of fiscal benefits that has flowed to Quebec from Ottawa in the past is running dry. Even though generations of federal politicians from Quebec helped to create the problem, the separatists feel no shared responsibility to deal with it. For them, the federal debt is, above all, English Canada's burden. Jacques Parizeau sums up the sentiments of sovereigntist business people with the slogan "*en sortir pour s'en sortir*" which he translates as "to get out (of Canada) to get out of this mess."

The starting point in any negotiations is the fact that federal government debt bears the promise that the Government of Canada, will pay the interest owing and will pay back the principal at maturity. Canadian and foreign investors purchased

Government of Canada debt on the basis of the federal government's promise. No investors purchased it expecting to collect a nickel from the Government of Quebec.

Quebec separatists know that Canada is on the legal hook for the federal debt so they like to say that they will pay their "fair share" on moral grounds, not because they have to. This means that Canada will have to use its weight in other areas of negotiations like trade arrangements and the use of the Canadian dollar, where it has more bargaining clout. Only by linking these issues together and doing a little arm twisting will Canada be able to make sure that Quebec assumes its fair share of the debt voluntarily. The negotiations will not be easy. But it is encouraging that Quebec leaders, including Jacques Parizeau himself, have stated their intention to share the debt. Quebecers realize that the credit rating of an independent Quebec and its credibility in international financial markets depend on its willingness to assume its share of the federal government's debt.

For Canadians, the goal must be to walk away from the table with an equitable part of the national debt burden. We should not allow Quebec to take advantage of our greater financial capacity to escape with less than its fair share of the debt. Nor should we make the burden on Quebec too onerous. Like a vindictive spouse, we should not try to soak the departing partner dry

through alimony payments that can't be met. Canadians won't be the winners if a separate Quebec proves incapable of paying its share of debt payments because it has been stuck with too high a bill.

Before Jacques Parizeau donned the grave mantle of Premier, the PQ leader flippantly observed that "There are really two criteria to use [to divide the debt]: population and Gross Domestic Product." He added, "We will, I suppose, haggle for a few weeks before we come to something like a quarter (25 per cent)." Not surprisingly, a commission and committee later, he has changed his tune. Quebec's position is now much more complicated and calls for a share much less than 25 per cent. Before turning to Quebec's likely opening offer, let's look at the issue in a broader context.

WHAT DOES INTERNATIONAL LAW SAY?

International law doesn't lay down any hard and fast rules about sharing assets and liabilities after countries break up. If we decide what we want, there will be no difficulty hiring a sharp international lawyer to argue our case. But we cannot afford to leave international law to the lawyers, as it will provide the language of the negotiations and will have an important influence on their outcome.

Despite all of the geo-political changes that have taken in the past 50 years, there is no comparable example of a member state seceding from a federation that could be applied to the separation of Quebec from Canada. Most cases of secession, whether it's Bangladesh splitting from Pakistan or the Baltic states from the former Soviet Union, involve relatively unsophisticated economies with none of the huge buildup of debt that Canada has experienced. International case law provides no firm guidance on the distribution of assets and liabilities in the event of the break-up of a country such as Canada.

THE ASSETS

Using the principles of international law on the division of government assets, a separate Quebec will take on ownership of all federal property in Quebec without being required to pay for it in cash. This includes roads, bridges, railways, airports, seaports, post offices, public buildings, military establishments, penitentiaries and customs posts at the border. Federal buildings such as Place du Portage and the Museum of Civilization in Hull and the Complexe Guy Favreau and Maison Radio-Canada in Montreal would be transferred to the Quebec government. Federal government office leases would also be switched to Quebec. Gatineau, Forillon and La Mauricie federal parks would become Quebec parks. The Canadian Forces Base at Bagotville would become a Quebec Forces Base. Quebec would even

be lucky enough to assume title to the statue of General Wolfe that stands proudly on the Plains of Abraham in Quebec City, now a federal park.

The principle of location also applies to other kinds of property. Federal office furniture and equipment, computers, military hardware, and vehicles in Quebec would all become the property of the Quebec government. The CF-18s based in Bagotville would all become QF-18s unless they happened to be in Cold Lake, Alberta for the day. If separation happens by the time the new National Archives storage complex in Gatineau is supposed to open in 1996, key Canadian historical records would also become Quebec property. The flip side of this argument is that all real estate and other property on the Canadian side of the border stays with Canada. That means Canada keeps the Parliament Buildings, the art treasures of the National Gallery, Banff National Park and all of the new navy frigates, none of which are based in Quebec.

But none of this is carved in stone. If there is property in Quebec such as official records, works of art or military hardware that we can't live without, we can try to make a deal with Quebec. We might offer to trade Quebec historical manuscripts in the National Archives or masterpieces of Quebec art in the National Gallery.

While no money will change hands between Quebec and Canada,

the value of what Quebec takes over is important because it will be used in the final division of the debt. The lower the value of the assets that Quebec receives, the lower its share of the debt. So it will be in Canada's interests to ensure the highest possible value is placed on the federal assets assumed by Quebec.

Beyond the division of real estate assets, Canada should make sure that Quebec takes responsibility for loans and investments made to Quebecers by Canada Mortgage and Housing Corporation, the Federal Business Development Bank, and other federal agencies. Otherwise, Canada will end up being a banker and mortgage lender to the citizens of a foreign country.

Crown corporations doing business entirely in Quebec such as the ports of Montreal and Quebec City and the agency running Montreal's Jacques Cartier and Champlain bridges would be handed over to Quebec. Crown corporations that had assets both in Quebec and elsewhere in Canada like the National Capital Commission and Canadian National Railways would have only their Quebec assets transferred to Quebec.

When it comes to overseas assets like embassies and consulates, international law says only that these assets are supposed to be divided in an equitable manner. When Czechoslovakia split up in 1993, their overseas missions and all other assets were divided on a 2-for-1 basis, with the Czech

Republic getting the bigger share. That gave the Czechs the former Czechoslovak embassy in Washington, while the Slovaks ended up with the old Czechoslovak embassy in Ottawa. The result is that the tiny Slovak mission to Canada is comfortably housed in a spacious four-storey building while the Czech embassy is squeezed into rented accommodations in a second floor walkup. In splitting up foreign assets, Canada will no doubt want to hold on to the spectacular new Arthur Erickson-designed embassy on Pennsylvania Avenue in Washington and the exquisite embassy facility in Tokyo near the Imperial Palace. Secondary properties could go to Quebec.

THE DEBT

There is no consensus in international law on how to divide government debt when a secession takes place but it's generally accepted that the new state should pick up a fair share of the debt of the old country. Defining what's equitable is left to the parties to negotiate. Until this is done and the new state voluntarily assumes the debt, the creditors of the old state have no claim against the new one.

While the obligations of a breakaway state like Quebec to assume its share of the debt are regrettably weak, there are precedents that should give Canadians hope. When Ireland left the United Kingdom in 1921, when Singapore was expelled from Malaysia

in 1965 and when Pakistan and Bangladesh split up in 1971, the new states all agreed to accept a part of the general debt. More recently, the Czech Republic and Slovakia, keeping it nice and simple, divvied up the debt of Czechoslovakia on a two-to-one basis, with population as the benchmark.

As to the money that must be put aside to pay future pensions to retired civil servants, international law calls for the new state to assume responsibility for the civil service pensions of the old state. That presumes that the old state disappears, as in the case of Czechoslovakia. It is less clear what would happen if Quebec separated from Canada because Canada will presumably continue to exist. In this case, Canada remains responsible for the pensions of all retired federal public servants, even those living in Quebec, until Quebec voluntarily assumes those liabilities.

Table 1	
PRICE TAGS	
Some Assets	
	(\$ millions)
Canadian National Railways	2,414
Canada Post Corporation	1,067
Export Development Corporation	926.4
CBC	756.8
1 Patrol Frigate	750
Via Rail	640.2
St. Lawrence Seaway Authority	554.1
Canadian Museum of Civilization	250
Montreal Ports Corporation	206.1
Place du Portage	190
Port Cartier Prison	65
1 CF-18	37
Some Liabilities	
	(\$billions)
Future pensions of government employees	94.1
Marketable bonds	203.4
Canada Savings Bonds	31.3
Treasury Bills	166

The most rational approach would be for both sides to agree on the overall shares of total debt and then distribute the specific assets and liabilities. Once Canada and Quebec figure out who is on the hook for how much debt, credits could be given for the extent to which the federal assets located in Quebec fell short of the agreed upon share, resulting in a reduction in the debt assumed by Quebec.

This approach requires that all assets and liabilities be appraised to find their current market value. The valuation of federal assets and liabilities would be one of the largest valuation exercises ever undertaken. Determining fair market value for Lake Louise, Kingston Penitentiary and the Citadel at Quebec City won't be easy. This effort would be costly but unavoidable if we are to arrive at a fair sharing of assets and liabilities.

The very act of breaking up the country could have significant effects on property values and raises the issue of whether prices should reflect the value before or after the breakup. Canada's position on this issue should be clear. It would be in our interest to use pre-separation prices because real estate values in Quebec would likely decline after separation. It's easy to imagine that a renewed flight of head offices from Quebec would depress the value of the federal government's office towers in Montreal as well as the rest of

Ottawa's Quebec holdings. If Quebec wants to be independent, it should bear the cost of the anticipated reduction in Quebec property values.

THE BÉLANGER-CAMPEAU PROPOSAL

Not surprisingly, the Bélanger-Campeau commission cooked up a scheme for the sharing of assets and liabilities that is advantageous for Quebec. This proposal has been the source of much confusion in Canada because of its complexity. Since it could become Quebec's opening offer in any negotiations, we need to understand it fully. The proposal, which is based on assets and liabilities in 1990, claims to set Quebec's share of federal non-pension financial liabilities equal to its share of total federal assets. This approach results in an unacceptably low 16.5-per-cent share of debt, which is much lower than Quebec's 24.9 per cent population share.

Bélanger-Campeau's rationale for calculating the share of public debt based on the share of assets is weak because Ottawa didn't incur the public debt simply to purchase assets like buildings and bridges. Rather, the debt grew because of successive years of deficit spending on cash payments to people and provinces.

Arriving at that 16.5 per cent share follows some adroit

calculations that blend widely different proportions of different assets. For one thing, Quebec ends up with a minuscule 3.8-per-cent share of financial assets, through a very selective process where it proposes taking over some small Crown corporations operating only in Quebec, like the port of Montreal and a share of certain Canada-wide Crown corporations that Quebec would like to retain. Quebec also takes a partial share of the St. Lawrence Seaway Authority, the CBC, the National Capital Commission, Canadian National Railways, Via Rail, Canada Post and several other corporations because of their role in transportation and communication between Quebec and the rest of Canada and because of their economic importance to Quebec.

However, if Bélanger-Campeau gets its way, Canada would be left holding the bag for billions of dollars in loans to Quebec individuals and corporations extended by federal government financial institutions like the Canada Mortgage and Housing Corporation, the Farm Credit Corporation, and the Canada Deposit Insurance Corporation. None of these agencies turns up on the list of assets Quebec would share. Nor does Petro-Canada or the Canadian Wheat Board. Why should we continue to be responsible for mortgages on Quebecers' homes and commercial loans to Quebec businesses and support for Quebec depositors in failed financial institutions? And why should we bear sole responsibility for loans to foreign governments made by the Export Development Corporation and often supported sales to these countries by

Quebec companies like SNC-Lavalin and Bombardier?

Under the Bélanger-Campeau proposal, Quebec would also get away with a mere 13.3 per cent of the federal government's pension liabilities for its employees under the Bélanger-Campeau proposal. It calls for Quebec to be responsible for paying pensions only of federal employees working in Quebec who would be transferred to the Quebec government. It assumes that the rest of the country would take on all the responsibility for the thousands of former federal employees who are already pensioned off, including those in Quebec. This is unacceptable to the rest of Canada because existing pensions have been earned by public servants providing services to all Canadians, including Quebecers, and should be shared on the same basis as any other federal government debt.

When it comes to the biggest portion of assets of all, the accumulated deficit, which accounts for more than half of the total, the Bélanger-Campeau Commission proposed that it be shared based on Quebec's average share of federal revenues between 1972 and 1988. That yields a share of 22.8 per cent, which is approximately equal to Quebec's 1992 share of the Canadian economy but well short of its proportion of the population.

In total, the proposal calls for Quebec to assume 16.5 per cent of the federal government debt. While this figure is not as

low as it looks because it does not credit Quebec for its reduced share of federal assets, it still comes out to only 20.3 per cent of the debt after accounting for those assets. This is significantly less than Quebec's share of population, which is 24.9 per cent.

Not surprisingly, according to the Bélanger-Campeau's calculations, Canada's debt burden would rise substantially while Quebec's would fall if its formula for division of the debt is followed. If every province could play its own similar debt and deficit game, there would be a rush to separate. Every province would discover that it would be better off not being part of Canada. The last province remaining would be the one stuck with the billions of dollars in debt that nobody else was willing to claim.

Table 2			
DEBT-SHARING FORMULAE			
Criteria	Quebec Share (%)	Quebec Share (\$ billions)	Canada Share (\$ billions)
GDP	22.6	124.0	423.9
Population	24.9	136.4	411.5
Historical Benefits	35.9	196.7	351.2

Note: GDP comes from Statistic Canada's provincial economic accounts for 1993; population is for July 1, 1994; and the estimate for historical benefits was provided by Robert Mansell based on the provincial economic accounts from 1961 to 1992 adjusted to account for the effect of regulated prices for energy and other factors. The total net public debt estimated for 1994-95 to be distributed between Quebec and the rest of Canada is \$547.9 billion and is taken from Department of Finance, *Creating a Healthy Fiscal Climate: the Economic and Fiscal Update*, October 1994.

PRINCIPLES OF SHARING

After the complex system of dividing the debt thought up by the Bélanger-Campeau Commission, here's the simple yet logical formula proposed by Samuel Oak of Chilliwack, B.C. in a letter to

the editor of *The Globe and Mail*. "When Quebec separates, how do we divide the national debt? Take the national debt on the day Quebec officially ceases to be part of Canada, divide it by the total population of Canada as recorded in the most recent census. Multiply this number by the population of Quebec as recorded by the same census and you should arrive at a figure that will be around 25 per cent of the total. What could be more equitable or simpler?"

Using Oak's formula, Quebec has 24.9 per cent of Canada's population (using 1994 figures) so it would take on the same percentage of the debt. The advantage of this method is its simplicity. It's understandable to everyone, not just accountants and economists, and it is based on the most fundamental concepts of equity. Preston Manning favours using population as the basis for the division, emphasizing that the formula "has to make sense to people on the street." Even Jacques Parizeau's musings about a one-quarter share support this indicator.

Dividing the debt by population would leave Quebec responsible for \$136.4 billion and the rest of the country with \$411.5 billion.

Yet sharing debt according to population takes no account of the debtor's ability to pay, which suggests that the amount of debt assumed should be directly related to the debtor's income.

Having lower incomes than the rest of the country, Quebec would clearly prefer to use the ability to pay principle. Using Quebec's share of Canada's gross domestic product, the province would end up with 22.6 per cent of the debt or \$124 billion, or \$12-billion less than under the population principle. Another way of dividing the debt would be to use Quebec's contribution to federal revenues, it involves more complicated calculations, but yeilds results very close to those for gross domestic product.

Quebec has every interest in using ability to pay rather than population as the basis for dividing the debt. But for the rest of Canada, it means allowing Quebec to leave on the same basis as it participated in Confederation, paying less for the federal government than its population would justify. Most Canadians probably feel that if Quebec decides to withdraw, it is making a voluntary choice to forego the benefits of revenue sharing among the provinces and should be prepared to live with the consequences. It would be unrealistic for Quebec to expect to continue to enjoy a fiscal benefit of Confederation after independence.

For those who think that Quebec has been the spoiled child of Confederation, there's yet another way of dividing the debt. That's using the principle of historic benefits. Using statistics dating back to 1961 (when Statistics Canada began compiling those figures and the national debt was only \$20.1 billion) which have

been adjusted by Robert Mansell of the University of Calgary to account for the effect of regulated prices for energy and other factors, the proportion of the debt can be attributed to each province according to where the money was spent. Since Quebec was a less well-off province, its people benefitted from federal spending to a greater extent than its population share.

Using the historic benefits principle, Quebec would be saddled with as much as 35.9 per cent of the debt, for a total of \$196.7 billion, even though it makes up only 24.9 per cent of the population. Under this principle, the division of the debt could be regarded as a final settling of accounts. Quebec would have to pay up for all those years in which it received more out of the federal treasury than it paid in taxes. Among the most outspoken supporters of the historical benefits formula for dividing up the debt is Paul Boothe, an Alberta economist. Not surprisingly, the formula shows that Alberta is the province that has paid the most into Confederation for the least returns and therefore has the smallest per capita share of the national debt.

Although many Canadians would love to see Quebec forced to take as big a share of the national debt as possible, the 35.9 per cent share proposed under the historic benefits system would be punitively high. And Quebec, with its already high provincial debt, would simply not be able to afford to pay it and would likely default. It would be much preferable to set the population

share of 24.9 percent as Canada's bottom-line target. It's fair and it's easily understood by everyone.

One final point. Because Quebec actually has a share of total federal assets that is less than its share of population (and because Quebec does not want its full share of financial assets according to Bélanger-Campeau), Quebec's fair share of debt could be as much as \$17 billion lower than the share calculated solely on the basis of its share of the population.

GETTING QUEBEC'S DEBT OFF OUR BOOKS

The transfer of debt and assets to Quebec must be done in a way that minimizes uncertainty and transition costs. Foolish borrowers who take actions that increase uncertainty pay the price in higher interest rates. The existing public debt is an obligation of the federal government of Canada and until it matures it must remain so. There must never be any question about the federal government's readiness to meet its obligations. From the outset, the federal government must reassure everybody that it stands firmly behind its obligations, regardless of the outcome of its negotiations with Quebec. Preston Manning recommends that "the day after referendum approving secession, the Governor of the Bank of Canada and finance ministers should quickly hammer out an agreement that they are committed to honouring their collective indebtedness."

The negotiations over the sharing of the debt must take place within a calm and rational atmosphere. Recriminations and threats at the bargaining table would be counterproductive and would undermine the credibility of both the Canadian and Quebec governments. Resulting increases in interest-rates risk premiums on government debt would punish Canada as well as Quebec. Our ability to secure financing would also be impaired.

Canada's position on the sharing of the debt must be clear. Quebec must eventually assume full responsibility for the share of the federal debt it is inheriting. As Ottawa's debt comes due, Quebec must refinance its portion in its own name through bonds or other obligations issued by the Government of Quebec. So far, Jacques Parizeau has displayed a reluctance to assume that debt, musing instead about paying the federal government the interest, but not taking on the principal itself. That's the equivalent of selling your house but being forced to keep the mortgage in your name with the new owner only paying the interest.

Of course, Parizeau would prefer to leave the Canadian federal government stuck with financing the public debt and with carrying the debt on its books. This would mean that creditors would only be able to come after us for payment and not Quebec. Such an arrangement would be beneficial for Quebec, but not for Canada. The interest paid to the federal government by Quebec for

its share of public debt charges would be regarded as much less secure than the federal government's previous full access to the Quebec taxes. This could jeopardize the Canadian government's credit rating and would make it both more difficult and more costly to raise money.

Another disadvantage of keeping all federal debt in Canada's name indefinitely is that it would give Quebec a lever over Canada that could be used in subsequent negotiations over unrelated issues. Quebec could always threaten to withhold the interest payments until it got its way on any issue. Indeed, Jacques Parizeau has speculated that in certain circumstances Quebec's "cheques might leave a little later." Economist William Robson of the C.D. Howe Institute has called this "a gun to Ottawa's head."

States have a deplorable tendency to renege on their debt to other governments, particularly where huge sums are involved. The Paris Club of wealthy lending nations meets regularly to reschedule the debts of countries that get in over their heads. How much of the war reparations that the Germans owed us after the First World War did we end up collecting? Better to get the money from Quebec now.

With Quebec already a big borrower both at home and abroad, transition problems could be expected if Quebec were forced to

take on its share of the debt more rapidly than markets could be developed to absorb it. But there's no reason Quebec can't absorb this extra debt eventually. A reasonable timetable might be to transfer half of the debt over a five-year period with the remainder over the balance of the decade. This should allow sufficient time for the expansion of the market for Quebec government debt both in Quebec and outside.

In the meantime, it would be nice to have some collateral, even if only paper, for Quebec's share of the debt. Economists Paul Boothe and Richard Harris have suggested that Quebec should issue bonds to the federal government until it was able to assume its own debt.

Transitional costs would be much lower if a common currency could be preserved. Lenders would be reassured about the security of their principal. Quebec would also be able to assume its share of the Canadian dollar public debt more easily if it were to belong to a monetary union with Canada.

The good credit ratings of Canada and Quebec have been earned over the years through their responsible behaviour as borrowers. These ratings make it easier for private as well as public borrowers to obtain financing and support needed foreign investment. Let's not destroy our credibility in heated divorce proceedings. But Quebec must take its 25 per cent share of our

common debt if it goes.

CHAPTER 9

THE LOONIE ON THE BLOCK

One thing that riles Canadians is Jacques Parizeau's baldfaced claim that a sovereign Quebec will continue to use the Canadian dollar whether we like it or not. The source of Parizeau's exasperating proclamation is the Bélanger-Campeau commission, which stated that it saw nothing to prevent businesses and individuals in a sovereign Quebec from carrying out their transactions in Canadian dollars if they so wished. In the commission's view, legislation could simply be adopted making the Canadian dollar legal tender in Quebec and sufficient Canadian currency would be available from existing holdings and from Canadian financial institutions to keep the system going. It was a short step from Bélanger-Campeau to Parizeau's challenge.

PQ strategists were ecstatic at having the Bélanger-Campeau commission seemingly remove one of the biggest stumbling blocks on the road to sovereignty. As with Canadian citizenship and the Canadian economic union, the separatists want to reassure nervous Quebec voters that they can keep the parts of Canada they like while shedding only the parts they don't want, like the Queen and the constitution. And they have tried to make as much of it as possible by reassuring voters that their savings are safe in

Canadian dollars. By saying that there was nothing the rest of the country could do to stop use of the Canadian dollar, the separatists were elated at the thought that one of Canada's most important bargaining chips was already in their pocket.

Quebec should think again. If it wants to use our money after separating, it is going to have to get our approval first. And Quebec will first have to give us a few things we want, like assuming a fair share of our collective debt albatross. While it's also in our interest that Quebec continue to use the Canadian dollar, we stand to gain far less than Quebec would lose if we said no. In any game of chicken on the dollar, Quebec will end up going over the cliff. Once this reality sinks in, we should hear no more irritating claims and the negotiations should go much more smoothly.

While most Quebeckers have become increasingly estranged from Canadian symbols, they still have a deep attachment and high level of confidence in the Canadian dollar. They are paid in Canadian dollars. Their savings are in Canadian dollars. They plan their retirement in Canadian dollars. Their assets are valued in Canadian dollars. Their debts are payable in Canadian dollars. The last thing Quebeckers want is to wake up one morning and discover that everything is denominated in new Quebec dollars of uncertain value and that all their careful financial planning is out the window.

Separatists, not being stupid, do their utmost to calm worries that sovereignty might mean the establishment of a new, and likely shaky, Quebec currency. Jacques Parizeau has acknowledged that to create a Quebec currency would be to take a big risk and put in peril the "economic levers" of a sovereign Quebec. He told a group of institutional investors in Montréal in early 1992 that "Quebec as a sovereign nation would choose the Canadian dollar. That's absolutely certain."

This assurance has been formalized in the PQ government's draft bill on sovereignty which specifically states that "the legal currency of Quebec shall continue to be the Canadian dollar."

Separatists have not always voiced such strong support for the Canadian dollar. In a pamphlet released in 1990, the PQ advocates a monetary union with Canada, but says that if Canada refuses, Quebec would adopt its own currency as has been done by almost all independent states. And Parizeau himself long supported a separate Quebec currency because he viewed monetary policy as an important instrument of government intervention for a sovereign Quebec. It was only in 1978, when the PQ drew up its new policy platform endorsing a common currency that Parizeau changed positions and became a public defender of the continued use of the Canadian dollar.

The most recent PQ program is relatively quiet on the PQ's plans for Quebec's monetary future. All it says is that the "status quo will be maintained, *for the moment*, with respect to the Bank of Canada, the currency, and all other organizations having an important role in the monetary stability..." and that Quebec could accept *under certain conditions* to use the same money as Canada." Evidently, everyone in the PQ does not share Parizeau's total and unqualified enthusiasm for the Canadian dollar.

The more hard core separatists have always been concerned that their commitment to use the Canadian dollar could be turned against them to undermine their bargaining position with the rest of Canada. Parizeau's unseemly haste to adopt the Bélanger-Campeau Commission's position must be seen for what it is--a bargaining ploy intended to strengthen Quebec's hand in negotiations. It completely ignores the overriding importance of confidence in supporting something as fragile as a paper currency and the payments system. Parizeau, the professional economist, knows full well the critical role of confidence in the monetary system; Parizeau, the politician, conveniently chooses to overlook it.

The Canadian dollar is one of our most important bargaining chips. We should not be bluffed into giving it away. Quebec's perilous monetary position must be seen for what it is.

Separatists often hold up the Bahamas and Panama, where U.S. dollars circulate freely, as examples of countries unilaterally using the currency of another. If the Bahamas and Panama can do it, why not Quebec? sovereigntists ask. The Bahamas and Panama do use the U.S. dollar without a formal agreement, but both these countries are very small relative to the United States and have its acquiescence. They also have access to enough U.S. currency brought in by the tourist trade and Canal Zone to satisfy their needs for a medium of exchange. Quebec would need more than Canada's acquiescence to use the Canadian dollar.

Only the Canadian government can run a Canadian dollar monetary system. Without an explicit agreement with the Canadian Government, the confidence so critical to the functioning of a financial system would be lacking. The Canadian Government through the Bank of Canada alone can print the currency that people want to hold and make the rules under which the payments system operates.

While almost a quarter of the Canadian money supply is now in Quebec hands, it is important to remember that these bills wear out and must be replaced on a regular basis. The average life of \$2, \$5 and \$10 bills is currently about a year and the average life of a \$20 bill around two years. Only the Bank of Canada can supply replacement currency. In Quebec, this is done through a state-of-the-art currency handling facility in Montreal

which sorts bills returned from the chartered banks and replaces worn ones with crisp new currency. If the bank were to suspend operation of this centre, Quebec financial institutions would have to scramble to keep an adequate supply of bills.

The Quebec government couldn't expect much help from normal balance of payments transactions, which are usually settled by bank drafts. While membership for Quebec financial institutions in the Canadian Payments Association would not be absolutely essential to clear cheques and other transactions on Canadian dollar accounts, it would facilitate the clearings and would be critical in establishing the confidence so necessary for the functioning of the financial system.

There are also more technical constraints imposed by international organizations on countries seeking to use the currency of another. What happened in Botswana after its independence from South Africa in 1968 illustrates the need for an agreement between Canada and Quebec. Botswana adopted the South African rand as its currency. When it applied for membership in the International Monetary Fund, the IMF sought assurances from South Africa that Botswana would have the right, without restrictions or limitations, to use its holdings of rands to fulfil its obligations to the IMF, and that the IMF would not be subject to any constraints on its use of the rands received from Botswana. Canada would have to provide a similar undertaking

to the IMF on Quebec's behalf if it continues to use the Canadian dollar.

Even an agreement would not be very strong glue for a monetary union. If Quebec were to get Canada's support for such a union, there are grounds for pessimism about how long Quebec's use of the Canadian dollar would last that would undermine confidence. In the past, monetary unions between two countries without political unions have almost always collapsed. The longest lasting was the use of the pound sterling by Ireland from its independence in 1921 until 1928. More recently, it took less than six weeks for the common-currency agreement between the Czechs and Slovaks to collapse under speculative pressure. Following the break-up of the Soviet Union, a severe liquidity crisis also forced the Ukrainians off the ruble.

EXTREME MEASURES TO BLOCK QUEBEC

If Quebec were to separate on acrimonious terms and not to take its fair share of the public debt, the reaction of the rest of Canada would be understandably hostile. There are some, admittedly extreme, steps that the Canadian government could take to prevent Quebec from using the Canadian dollar. Restrictions could be put on the export of Canadian currency. Some countries already exercise border controls on the transportation of currency. Existing Canadian currency could be recalled and new

notes issued. Regulations could be established to deny Quebec financial institutions direct access to the Canadian Payments Association. The mere threat of these measures would probably be enough to spark a crisis of confidence that would knock Quebec right off the Canadian dollar. Confidence is very fragile, and is easy to lose.

How would a crisis of confidence lead to the forced establishment of a separate Quebec currency? If the holders of deposits denominated in Canadian dollars in Quebec financial institutions were to become worried that the Quebec Government might pass a law changing the currency of the deposits into Quebec dollars of likely lesser value, they would withdraw their money from the institutions for redeposit in Canadian or most likely American institutions where it would be safe from devaluation.

The PQ would be quick to characterize any such run on Quebec banks and other financial institutions as a plot by large corporations and the English Canadian financial elite to destabilize the new state. "Another Brink's affair," they would say, referring to the well-publicized movement of securities out of Quebec on Brink's armoured cars on the eve of the 1970 provincial election. But the truth of the matter is that francophone Quebecers would probably be the first to line up at banks in Hawkesbury, Ontario and Plattsburgh, N.Y., to stash

their money away. Nationalist feelings can be easily suppressed when your life savings are at stake.

If the withdrawal of funds were sufficiently large, Quebec financial institutions would quickly exhaust their liquidity reserves and would have to call their loans to honour these obligations. The resulting credit crunch would have a devastating impact on the non-financial sector of the Quebec economy, precipitating a collapse in asset values and investment. The solvency of Quebec financial institutions could even be jeopardized. The only way the Quebec Government could relieve the building recessionary pressures and preserve the financial system would be to announce a separate Quebec currency and to devalue it enough to establish confidence that no further devaluations were likely.

Extreme measures by the Canadian Government to block the use of the Canadian dollar by a sovereign Quebec would not be desirable and should only be taken if relations between Quebec and the rest of Canada break down completely. Even the announcement of such action would be symbolic, signalling to the international financial community and the world generally Canada's refusal. There would probably never be a need to actually take any action as markets would exert tremendous pressure. But Quebecers must be made to know that they would not hold all the trump cards in negotiations with Canada if

bargaining were to get really tough.

A study by economists David Laidler and William Robson has been cited by separatists as evidence that the Canadian government could do nothing to prevent Quebec from using the Canadian dollar. A closer reading of this study reveals what it actually says is: "The actions that the government of ROC (Rest of Canada) would need to take to *prevent* SQ (Sovereign Quebec) from doing so--namely, the introduction of comprehensive foreign exchange controls--seem beyond the bounds of political possibility."

Laidler and Robson never question that the government of Canada could in fact stop Quebec from using the Canadian dollar if it were willing to take the necessary action, only that it may not have the political will to do so. This should not provide much comfort to Quebecers desirous of retaining the Canadian dollar, but unwilling to give up anything. If the backlash in English Canada unleashed by the breakup were strong enough, the political will would be there to do everything necessary short of using military force to ensure that Canada was not shortchanged. Laidler and Robson are profoundly pessimistic about the long-term prospects for the continuing use of the Canadian dollar in Quebec for many of the same reasons discussed here.

ADVANTAGES OF A COMMON CURRENCY

The advantages of using the Canadian dollar from coast to coast are great. Transaction costs are lower and the free flow of goods, services and capital are facilitated, enhancing economic efficiency. The larger the size of the area covered by a currency the more stable its value and the better it can serve as a store of value. A larger monetary zone and a more stable currency also lead to smaller risk premiums and lower interest rates, promoting investment, longer-term growth and higher standards of living.

On the other hand, sharing a common currency with a country with a high degree of political and economic uncertainty such as an independent Quebec could lead to a higher risk premium. Before agreeing to let Quebec use the Canadian dollar, we should seek assurances that appropriate fiscal policies would be pursued. Quebec can't expect to share a currency with Canada if it is going to have unsustainably large fiscal deficits and high inflation.

Quebec sovereigntists are currently living in Fantasyland with their belief that the deficit could be cut painlessly by eliminating overlap and duplication. Quebec economists Marcel Côté and John McCallum estimate that a sovereign Quebec would have a deficit of \$20 billion or 10 per cent of GDP and would have to make \$10 billion a year in expenditure cuts. By any reckoning, the Quebec deficit will be too high for it to continue to use the Canadian dollar. It would far surpass the 3-per-cent

of GDP target established by the European Community to ensure the stability of the European Monetary Union, the same mark set by Finance Minister Paul Martin for the federal deficit.

We would have to extract commitments to sustainable deficit targets through clearly-stated agreements with the federal government and the Bank of Canada. Otherwise, it would be impossible to gain the confidence of markets in the permanence of the arrangement. Deficit and debt commitments were an essential part of the European Community's plan to move to a monetary union. Curiously, Quebec may find its fiscal margin of manoeuvre more constrained once it becomes sovereign than it is right now, when Ottawa can exercise only moral suasion over its budget decisions.

If no agreement were reached on the use of the Canadian dollar, the lack of a common currency between Canada and Quebec would be more troublesome for Quebec than for Canada. Because Quebec has a smaller and less diversified economy with a more variable level of economic activity, it would reap fewer benefits from a separate currency. It also faces higher risks due to increased transaction costs and volatility. Economist Bernard Fortin, who wrote the study for Bélanger-Campeau on using the Canadian dollar, estimated that a separate Quebec currency could cost Quebec \$1 billion per year or 0.6 per cent of Quebec GDP, because of the cost of exchanging one currency for another and

the volume of transactions. The costs to Canada would be comparable in absolute dollars because it would be the other party to the currency exchanges, but taking into account Canada's higher GDP, only 0.2 per cent of GDP. This is a cost Canada could afford if Quebecers prove intransigent, but one that would be best avoided.

Two separate currencies would lead to disputes over the appropriate exchange rate. Quebec's weak current account position would probably cause the new Quebec dollar to trade at a significant discount to the Canadian dollar (economists Marcel Côté and John McCallum speculate that a devaluation of a Quebec dollar of the order of 15 per cent would be inevitable). But if the Quebec dollar sank too deep or the Quebec government was perceived to be trying to use an undervalued dollar to engineer a competitive advantage, serious conflicts could threaten trade relations. Neither Quebec nor Canada should expect to determine unilaterally the appropriate exchange rate between the Quebec and the Canadian dollar if it were fixed or expect to conduct a market intervention strategy without consulting the other if it were allowed to float. Better to avoid these problems by both using the Canadian dollar.

An additional advantage of keeping the Canadian dollar is that it would make it easier for Quebec to assume its fair share of the government debt. Since this debt is denominated in

Canadian dollars, Quebec could be expected to bargain harder for a lower share if it were to have its own currency. Obviously, Quebec would experience more difficulties in carrying its share of the debt load if it were denominated in a foreign currency.

Canadian political leaders are unlikely to have a problem with Quebec using the dollar if the breakup goes smoothly. Preston Manning acknowledged that there was a public reaction to the PQ's assertion that Quebec could unilaterally use the Canadian dollar, but said that it would be to our advantage if Quebec were to use the Canadian dollar. In his view, this would expand our economic area just like it does when some countries use the U.S. dollar. But he wouldn't give Quebec any say in monetary policy.

Another option for Quebec would be to use the U.S. dollar, provided that the United States was willing to cooperate. This would involve the same potential for an initial loss of purchasing power in Quebec. In fixing the conversion rate, there would be much pressure on the Quebec government coming from financial markets to devalue. Canadians would have a stake in this because too low a conversion rate would undercut our ability to compete with Quebec industry. An advantage of the U.S. dollar from a Canadian point of view would be that a new currency market for Quebec dollars would not have to be created and the transaction costs of currency exchanges would be lower with only

two main currencies to deal with rather than three. Disadvantages for Quebec would be that it would not have a say in U.S. monetary policy and would lose the seignorage on its money. (Seignorage originally was the Crown's right to a percentage of the bullion brought to the mint for coinage. It now represents the government's ability to gain command over resources interest free by issuing paper currency.)

FINANCIAL RISKS AND REGULATIONS

Separatists always argue that it would be in Canada's interest to have Quebec continue to use the Canadian dollar. And it is true that a wider common currency area would have certain advantages in facilitating trade and contributing to a more stable dollar. But there would also be some problems that must be overcome if Canada were to allow Quebec to use the Canadian dollar. It would be much more difficult to guarantee the solvency of the Canadian financial system if Quebec financial institutions could clear their cheques and other transactions through the Canadian Payments Association without the federal Office of the Supervisor of Financial Institutions having supervisory authority over them.

The bankruptcy of a major Quebec financial institution could occur without warning and could bring down the Canadian financial institution with which it had clearing arrangements. This risk

would be greatest during the transition period to Quebec independence when the Quebec financial system would be subject to extraordinary strains. We would have to be on guard to protect our financial system as much as possible from the disruptions of the Quebec financial system likely to follow independence.

The breakup of the country could fragment the current Canadian financial system on Canada-Quebec lines if steps were not taken to maintain a high degree of integration. A single regulatory authority and legislative framework to govern the financial system would no longer exist. After Quebec independence, the federal Office of the Supervisor of Financial Institutions would continue to have responsibility for overseeing the global operations of financial institutions licensed in Canada. In Quebec, the mandate of the Inspecteur général des institutions financières would have to expand to include the regulation of the formerly federally regulated institutions operating in Quebec and federal deposit insurance would have to be replaced by Quebec.

As a result of the likely efforts of both Canada and Quebec to regulate the same financial institutions, Canadian institutions operating nationally would have to be reorganized along Canada-Quebec national lines to comply with the demands of the two sets of regulators. It would be very difficult for the Canadian and Quebec regulatory agencies to coordinate their

activities in the wake of the breakup, but the necessary arrangements would have to be made. If Quebec wants to use the Canadian dollar, it will have to be willing to subject its financial institutions to some form of mutually agreed regulatory oversight and to provide our regulatory authorities with the required information.

If Quebec separates, restrictions on foreign ownership of financial institutions would have to be rethought. Under existing Canadian financial institution legislation, the so-called "10/25" rule that prevents any single non-resident from acquiring more than 10 per cent and all non-residents from acquiring more than 25 per cent of the shares of a federally-regulated Canadian controlled financial institution such as the Big 5 banks.

The United States and Mexico have been exempted from this requirement under NAFTA. Why shouldn't the same be done for Quebec as long as reciprocal treatment can be obtained? In addition, foreign bank subsidiaries from non-NAFTA countries are subject to an asset ceiling that limits them to 12 per cent of the banking sector. If the legislation were not changed, the National Bank of Canada would be subject to these same restrictions. Because non-residents (Quebeckers) hold more than 25 per cent of its shares, it would be considered a foreign-owned bank. Restrictions on foreign assets to 20 per cent of pension funds and RRSPs would also necessitate liquidations of Quebec

investments if regulations were not changed. Shares in Quebec-based companies like Alcan, Domtar and Imasco would presumably have to be sold or counted as foreign stocks if the rules were not changed.

The PQ platform schizophrenically talks of welcoming foreign corporations in the financial sector, but at the same time reinforcing control over the sector. In particular, the PQ proposes to require a certain proportion of assets to be reinvested in Quebec, to favour the provision of risk capital to small and medium-sized businesses in the less developed regions of Quebec, and to encourage foreign financial institutions to establish a head office in Quebec. We need to make sure that Canadian financial institutions operating in Quebec, including such venerable features of the Quebec financial landscape as the Bank of Montreal and the Royal Bank of Canada, are not discriminated against in any new regulations established by the Quebec government. If Quebec joins NAFTA, it will have to treat financial institutions from member countries in a non-discriminatory manner.

MONETARY POLICY

The Bank of Canada's conduct of monetary policy would be more difficult if a large proportion of Canadian currency and Canadian dollar bank accounts were outside its control. Quebec

financial institutions could not be compelled to report regularly to the Bank of Canada as are Canadian financial institutions. This would make it more difficult for the Bank of Canada to rely on current monetary indicators to determine monetary policy and decide whether interest rates should move up or down. More importantly, changes in the Canadian domestic money supply caused by inflows and outflows of Canadian dollars from Quebec resulting from factors like differing economic policies on the two sides of the border would have to be neutralized to promote Bank objectives like price stability.

Quebec would likely seek a say in running the Bank of Canada as part of an agreement on the Canadian dollar. In his study for the Bélanger-Campeau commission, economist Bernard Fortin put forward an elaborate proposal for a supranational Quebec-Canada Council to replace the Board of Directors and Executive Committee of the Bank of Canada and for monetary policy to be conducted through Canadian and Quebec central banks. Parizeau himself has favoured something along these lines in the past. From a Canadian point of view, it is the type of proposal that can be easily dismissed as a sovereigntist pipedream. Canadians are not about to reward a separate Quebec with a major say over Canadian monetary policy.

The PQ has been more modest, only calling for Quebec participation in the Bank of Canada. We can speculate that this

might include Quebec representation on the Board of Directors or Executive Committee and Quebec staff, including perhaps a Deputy Governor. While this would not require large changes in the way the Bank operates, it would be difficult for other provinces to swallow given that their own efforts to get a say in Bank policy have always been rebuffed.

It would also be difficult for the Canadian government and the Bank of Canada. The PQ has voiced its profound dissatisfaction with recent monetary policy and has expressed a touchingly naive faith in the ability of easy money promote full employment. The PQ has argued that measures taken to reduce overheating of the Ontario economy have often aggravated the already too high unemployment in Quebec. The PQ claims that it would put an absolute priority on full employment and is silent on the Bank of Canada's main objective of price stability.

Given these problems likely to be caused by direct Quebec government participation in the governance of the Bank of Canada, we believe that it would be better to rely on more informal coordinating arrangements.

The sharing of Bank of Canada \$1.6 billion in profits -- the seigniorage -- is an important financial issue that is integrally related to the division of the debt. Quebec's share of these profits based on GDP would be around \$360 million. Quebec's share

of the \$23 billion in government debt held by the Bank of Canada would have to be taken into account in the negotiations over the division of the debt.

The Bank of Canada is important in any sharing of federal government assets and liabilities since it holds so much government debt and since its liabilities, which are chiefly Canadian currency, bear no interest. If Canada agrees to let Quebec use the Canadian dollar after separation, Quebec should be given credit for the share of the federal debt it holds indirectly in the form of Bank of Canada notes and deposits. But if Quebec subsequently is forced to abandon the Canadian dollar, it should be required to pick up its share of the federal government's debt held by the Bank of Canada.

To protect the integrity of the financial system, Canada would have to insist that a common regulatory framework for financial institutions be established. For additional assurance, Canada could also demand that Quebec guarantee any clearings through the Canadian Payments Association by Quebec financial institutions. This would put the Quebec government on the hook for any defaults by its financial institutions. Information on the assets and liabilities of Quebec financial institutions would have to be provided to the Bank of Canada on a regular basis to assist it in monitoring the growth of the money supply. All of these matters would have to be resolved to Canada's satisfaction

before it would make sense to enter into an agreement to support Quebec's use of the Canadian dollar.

If Quebec wants a fighting chance of keeping the Canadian dollar, it is going to have to come to terms with us. That means assuming a fair share of the \$550-billion national debt. No discussion over continued use of the Canadian dollar can be held in isolation from this, the biggest financial issue of all. Rough financial waters are ahead. It is in our mutual interest to cooperate to weather the storm.

CHAPTER 10

FIXING BROKEN TRADE LINKS

Quebec separatists are schizophrenic about Canadian trade. They rail against the federal system and the economic damage they say it has done to Quebec. To them, federalism is an "iron collar" that makes it more difficult for Quebec to compete globally and that must be broken. Yet the Canadian economic union is sacred in their eyes. Quebec's existing trade privileges within the Canadian federation must be preserved. Any suggestion that Quebec separation will alter Quebec's preferential access to the Canadian market is heresy. But while espousing the economic union, they worry that the internal trade agreement signed by the provincial premiers and the prime minister in July 1994 will impose constraints on Quebec government policies that now favour Quebec companies.

This desire by separatists to retain the parts of the Canadian union they like is backed by provocative talk. Will Canada continue to buy milk from Quebec? *Certainly*, you are required to by the General Agreement on Tariffs and Trade (GATT), says Jacques Proulx, the sovereigntist leader of the Union des producteurs agricoles du Québec, which supplies almost half of

Canada's industrial milk. Never mind that American milk is half the cost or that Canadian dairy producers are chafing under production quotas and would be glad to step up production.

Taking another tack, sovereigntists often threaten that if Canada won't buy milk from Quebec, Quebec won't buy grain and beef from Western Canada. The rub is that Western grain and beef are sold at world market prices and not under government-imposed supply management at inflated prices. If Quebecers didn't buy Western grain and beef, they could be sold elsewhere and Quebec would still have to pay the same price for these commodities from other suppliers. If the rest of the country decided to stop buying Quebec-produced cheddar and yogurt and instead purchased import low-cost dairy products from the United States and New Zealand, Canadian consumers would save lots of money and Quebecers would be stuck with a huge surplus of dairy products priced well above world prices. Their farmers would be forced to slash production or Quebecers would have to get used to eating a lot more cottage cheese and ice cream.

Will Canadians still provide the same high degree of protection for the Quebec textile and clothing and footwear industries from third world competition? Yes, reply Quebec sovereigntists. With a customs union, you will have to get us to agree to any changes in Canadian commercial policy. Forget that Canadians may prefer cheaper shoes, jeans and dresses to more

wrangling with Quebec over protection for their industries.

Will the Canadian government still buy much of its military hardware from Montreal companies and let these same companies benefit from purchases by the Pentagon under the Defence Production Sharing Agreements? Naturally, answer sovereigntists, who don't want Quebec to spend much on defence and don't expect to have much to offer in any agreement; Quebec suppliers have long-established business relationships with the Department of National Defence. They overlook that much of defence spending is politically motivated, focusing as much on the high technology industrial benefits covetously eyed by all the provinces as on actual defence needs. The CF-18 maintenance contract awarded to Canadair in 1986 still makes Western Canadians see red almost a decade later.

Separatists respond sanctimoniously to any suggestion that trade relations will not be the same after separation. Canada as we know it may die as a political entity but it will continue to thrive as an economic unit, according to their rose-coloured crystal ball. There is so much trade between Canada and Quebec and the economies are so closely interconnected that it is in no one's interest to cut off trade, they say. True enough, but that doesn't mean it's not in Canada's interest to further free up trade with the rest of the world by scrapping trade barriers that benefit Quebec above all. The choice is not black and white,

between trade and no trade. It is how best to restructure trade once Quebec is no longer a partner in the hard-fought political compromises that have shaped the existing trade regime.

Divide and conquer is another favourite separatist strategy. The Western provinces may not have much to lose from ruptured trade links, the separatists concede, but Ontario is so closely tied to Quebec that it would never allow any weakening of trade bonds. So a deal with Ontario on trade comes first. This is a ploy that may work in federal-provincial negotiations where coalitions among provinces determine the outcome. It is not as likely to wash between sovereign states. The Canadian government will have already brokered the interests of the provinces before sitting down to the bargaining table with Quebec. It's one thing to be on the inside trying to make deals, quite another to be on the outside looking in. We must not allow an independent Quebec to play one province's interests off against another's.

North-south trade with the United States has been increasing more rapidly than east-west trade within Canada, even before the Free Trade Agreement. Globalization has made international trade flows more important than interprovincial trade flows. With the North American Free Trade Agreement (NAFTA) and the new GATT, there is less reason for Quebec to worry about losing markets in Canada, the separatists argue. They are especially pleased with having helped get the FTA passed in the late 1980s over the

objections of Ontario nationalists, taking special satisfaction at having been able to get one-up on their rival province.

INTERDEPENDENCE

Quebec and the rest of Canada are, in fact, two of the world's most interdependent trading partners. In 1989, two-way trade valued at \$68-billion crossed the Quebec border. The rest of Canada had a small \$1.7 billion deficit in trade with Quebec. An independent Quebec would be Canada's second largest trading partner after the United States and Canada would be Quebec's largest trading partner. Trade between Ontario and Quebec is particularly heavy, amounting to over \$40 billion a year, with Ontario enjoying a surplus of \$3.4 billion. Yet Quebec is much more dependent on trade with the rest of Canada than the rest of Canada is on trade with it. In 1989, Quebec exported 23.3 per cent of its gross domestic product to the rest of Canada, whereas the rest of Canada only exported 6.6 per cent of its production to Quebec.

The giant rigs that rumble down Highway 401 from Quebec factories are loaded with clothing and textiles, paper and lumber products, dairy products, primary and fabricated metals, transportation equipment, electrical and electronic products, and chemical products. In return, Quebec imports crude petroleum and natural gas, and food products from the West; food, paper and

lumber products, iron ore and electricity from the Atlantic provinces; and electrical equipment, cars and trucks and just about everything else from Ontario.

Interprovincial trade has been a powerful generator of wealth in Canada. By creating a large national market, it has enabled Canadian businesses to be more productive and efficient, to specialize and take advantage of economies of scale. This has permitted Canadian businesses to compete with the best in the world in both foreign and domestic markets. Consumers have also benefitted from the greater variety of goods and services available and better prices.

Any new barriers to interprovincial trade would make both Canadians and Quebeckers worse off. But the gradual elimination of existing international barriers that protect the Quebec producers from foreign competition would be to the advantage of Canadian consumers and to the disadvantage of Quebec producers. This is the economic reality of secession. The political implications less clear. If the removal of international barriers against products such as clothing or milk leads the injured partner to impose retaliatory barriers, we could get caught up in tit-for-tat trade actions. However, as the smaller player, Quebec would surely be the loser in any trade war. With an economy more than three times that of Quebec's and a more varied list of customers, Canada would have much more economic muscle if it came

to a confrontation. As Canada knows too well through its trade relations with the U.S., the smaller player is the one that is most vulnerable if trade disputes become nasty.

WHAT DOES QUEBEC WANT?

A June 1994 Angus Reid/Southam News poll revealed that eight in ten Quebecers supports an economic union between an independent Quebec and Canada. It should not be surprising that Quebec speaks with one voice on what it wants in a new trade regime. Whether it is the Bélanger-Campeau commission, the National Assembly committee on sovereignty, or the PQ platform, the answer is the same. If Quebec gets its druthers, the new trade regime will be nothing other than the old trade regime dressed up with a new name. Quebec would continue to have unfettered access to the Canadian market under the same terms as if it were a province. Canada and Quebec would still maintain an economic union that would allow for the free flow of goods and services, people and capital. No border control posts would be needed for customs and immigration because Canada and Quebec would form a customs union and Canadians and Quebecers would be as free to move to work on both sides of the border as they are in a united Canada.

A customs union is an agreement to maintain a common external tariff structure and commercial policy. In other words,

Canada and Quebec would not only have free trade with each other, they would jointly set tariffs and restrictions on imports from other countries.

There are even higher levels of economic association than a customs union. A common market also includes the free movement of labour and capital. An economic union goes even further and closely harmonizes economic and social policy. An economic and monetary union, as we have now in Canada, adds a common currency. It will be desirable to maintain some aspects of these higher levels of integration, as we discuss in other chapters, but a customs union is definitely something to be avoided.

A Canada-Quebec customs union would mean that Quebec would get automatic entry into GATT and NAFTA. Canada and Quebec would function as one unit in the international trade arena. In the old days of René Lévesque, this used to be called Sovereignty-Association. Now it is just sovereignty with the association taken as given. The assumption is that the association doesn't need to be negotiated because Canada will be forced to accede to Quebec's demands. Regardless of what it's called, it is just as unacceptable now as it always was. A small majority of Canadians living outside Quebec rejected an economic union between Canada and an independent Quebec in an Angus Reid/Southam News poll reported in June 1994.

In the real world, Quebec's fallback position would be a free trade agreement with Canada and membership in GATT and NAFTA. This is a more reasonable starting point for negotiations. But let's not give away access to our market and assistance in getting into NAFTA and GATT without getting something in return.

CANADA-QUEBEC FREE TRADE AGREEMENT

While Quebec will be asking for a customs union, it is not in our interest to accept anything more extensive than a free-trade zone between Canada and Quebec, comparable to the free trade arrangement that we have with the U.S. A customs union would require the Canadian government to sit down with Quebec to decide on tariffs and commercial policy, so that there would be a joint approach to trade relations with the rest of the world. Everytime we sat down with any foreign country, however small, to negotiate any tariff change, however trivial, we would have Quebec looking over our shoulder telling us what to do. While the Canadian government would not have go along with all the proposed changes suggested by Quebec, the Quebec government would be much more involved in the making of Canadian commercial policy than the provincial governments. Why should Canada give Quebec as an independent state more say over our commercial policy than it has as a province? The provinces certainly wouldn't accept this and neither would most Canadians.

It would also be very difficult to come to agreement on all aspects of commercial policy. Under a customs union, Canada and Quebec would be forced to act as one in GATT and NAFTA. After the pain of a costly and unnecessary breakup, this would be very hard to take.

A more positive reason for not establishing a customs union is that the separation of Quebec would provide a unique opportunity to reform our existing tariff structure and commercial policy by reducing or removing trade barriers. These changes could be made in return for concessions from our other trading partners or could be introduced unilaterally. Quebec, the main beneficiary of some of these barriers, would naturally enough resist the needed reforms.

The political forces that led to the creation of these barriers in the first place would be greatly weakened by Quebec's departure because, free-trade rhetoric aside, some of the strongest protectionist lobby groups in the country represent Quebec interests such as the textile and clothing industry and dairy farmers. Western Canadians, including farmers, ranchers and oil men, enjoy little trade protection on the goods they produce and have long opposed the high tariffs that mainly benefit central Canadian producers. Consumers across the country, who pay higher prices because of tariffs and trade barriers, also support freer trade. Groups calling for trade liberalization would have

a larger voice in the determination of Canadian commercial policy if Quebec interests were no longer involved.

The two trade barriers that are most costly to Canadian consumers are: the high tariff rates and voluntary quotas for textiles and clothing agreed to with other nations; and supply management in the dairy, poultry and egg industries. Supply management limits agricultural production through quotas and prices that are set at high enough levels to ensure that producers make a guaranteed return on their investment.

While a formal customs union with a sovereign Quebec does not make any sense, Canada might want to offer to maintain the existing trading arrangements for a period of up to three years to minimize the economic disruptions in the short run. Quebec would favour this move but it would also benefit Canada by giving us time to decide what changes are needed in such areas as our commercial policy on dairy, textiles and clothing, and footwear, and to negotiate changes with our NAFTA partners.

But this would only be a temporary arrangement and would depend on how responsive Quebec is to Canadian demands on other issues, most notably division of the federal debt.

But rather than sign a two-way trade deal with a sovereign Quebec, it might be better to organize our trade with Quebec

through NAFTA. The separatists want to join NAFTA in any event for the access it will give them to the U.S. market. Although we may be tempted to try and punish Quebec by keeping it out of NAFTA, there would be advantages to organizing our trade relations with Quebec through NAFTA. For one thing, a free trade agreement such as NAFTA which has two other partners, has the advantage of putting some needed distance between Canada and Quebec and putting Canada-Quebec trade relations on a legal international footing that would avoid frictions with our other trading partners.

While including Quebec in NAFTA might ease the transition to separation for Canada, it would be absolutely essential for Quebec. It is a necessary condition for free trade with Canada. Furthermore, 75 per cent of Quebec's exports outside of Canada go to the United States. Despite claims by the separatists, Quebec would not automatically become a member of NAFTA, but would need the unanimous agreement of the three existing members. Parizeau's claim during the election campaign that he was given "private assurances" by the Americans that an independent Quebec could join NAFTA was quickly shot down by the State Department. The Americans have obviously promised nothing to Parizeau or the separatists.

Canada's ability to keep an independent Quebec out of NAFTA, in effect blackballing its membership, is an important advantage

that Canada would have in trade negotiations with Quebec. The United States and Mexico would be unlikely to oppose the entry of a sovereign Quebec into NAFTA, but for the short term at least would probably follow Canada's cue. "If Quebec opts for sovereignty, the U.S. will want to continue to pursue close relations with both Canada and Quebec, including extension of the current Canada-U.S. FTA [now NAFTA]," writes American Canada watcher Joseph Jockel in his book *If Canada Breaks Up: Implications for U.S. Policy*. However, Quebec's admission to NAFTA as an independent signatory would be a lengthy process extending over several years and involving some hard bargaining.

Quebec would have to make some concessions to join NAFTA. As a national government, it could no longer hide behind its status as a province to avoid some requirements of the agreement. It would no longer be able to discriminate against non-Quebec firms bidding for contracts with Hydro-Québec, for example. The United States might also seek concessions from Quebec when it comes to the dairy and other farm sectors, cultural industries, subsidies, and restrictions on foreign investment. Quebec might find itself face to face with U.S. negotiators seeking changes in the restrictive rules governing the distribution in Quebec of English-language versions of Hollywood movies. An upside would be that Canada could benefit from any additional concessions that the United States would be able to extract from Quebec.

A downside for Canada would be that the United States might be encouraged to seek further concessions from Canada or even that the entire deal could be opened up as when Mexico joined NAFTA.

Even though Quebec leaders talk incessantly about their desire to be part of North American free trade, the Parti Québécois is apparently oblivious to how its policies could prove an obstacle to that NAFTA membership. In discussing its plans for free trade, the PQ platform seeks further protection for Quebec's cultural industries and its financial institutions against foreign investment as well as maintenance of a preferential purchasing policy for the Quebec government and public institutions. The PQ also wants to continue using Quebec's pension-fund manager, the Caisse de dépôt et placement du Québec, and its industrial development agency to provide more aid to Quebec industries.

Canada will have to keep a close eye on an independent Quebec to make sure that its interventionist plans do not introduce additional trade barriers or discriminate against Canadian firms. That may not be so difficult. We'll have the Americans on our side. If Quebec wants to become a member of NAFTA, it will have to play by the rules. It won't be able to run a Quebec-first policy inside a North American Free Trade Agreement.

TEXTILES AND CLOTHING

A wall of high tariffs and import restrictions has long protected the Canadian textile and clothing industry from the full force of competition from low-wage developing countries. Customs duties can be a whopping 21.5 per cent on textiles and 24.7 per cent on clothing, which add substantially to the costs borne by consumers. Canada has also negotiated agreements under the Multi-Fibre Arrangement with 28 developing countries that limit their exports of cheap clothing and textiles to Canada.

Quebec is the heart of the Canadian textile and clothing industries. In 1989, 48 per cent of Canadian textile production came from Quebec and 61 per cent of clothing. About 40 per cent of Quebec's production of textiles and clothing was sold in the rest of Canada. The textile and clothing industries are labour intensive - 27,000 Quebecers were employed in the textile industry in 1990 and 59,000 in clothing.

Yet even if we want to punish a newly-sovereign Quebec and stop protecting these industries overnight, world trading practices and a rational pursuit of our self-interest won't allow it. If Quebec becomes party to a free-trade agreement with Canada, something that would be of benefit to both sides, Canada won't be able to introduce new tariffs on Quebec.

Because of these international trade deals, Quebec-made clothing and textile producers will continue to benefit from preferential access to the Canadian market. But Mexican and American producers, who are still subject to Canadian tariffs on their textiles and clothing, will probably demand equal treatment with Quebec. And why not give it to them? With a smaller domestic industry to protect, the federal government would find it easier politically to lower tariffs on textiles and clothing from the United States and Mexico, and Canadian consumers would benefit from cheaper clothes. Likewise, on an international level, Canada would be more inclined to phase out voluntary export restraints more quickly, which would also lower the price of clothing. So while Quebec may keep its protected access to the Canadian market for its clothing and textiles in the very short run, it will soon be faced with a lot more low-priced competition in Canada from North American and overseas producers.

DAIRY PRODUCTS

Of all the agricultural sectors protected by the federal government, it's the dairy industry where by far the most is at stake. Quebec has 14,500 dairy farmers operating under the shield of what's known as supply management through provincial marketing boards and the Canadian Dairy Commission. Quebec farmers produce \$1.2 billion of milk every year and they hold milk production quotas -- essentially permits to produce milk -- valued at \$2.2

billion. This includes 47.5 per cent of the Canadian quotas for industrial milk (the kind of milk used in processing rather than for the fluid milk on your kitchen table) which is twice Quebec's market share. Almost half of Quebec industrial milk production is sold to other provinces at double the international price. The federal government also pays dairy producers a direct subsidy through the dairy commission equal to about 12 per cent of their production costs, a total of \$226 million in 1993-94. Half of this subsidy was paid to Quebec's farmers.

Although there are dairy farmers in all provinces who benefit from the same system, it's Quebec farmers who have most fiercely resisted any changes that would open up the system to lower prices and erode the strict production controls. Despite fears by the farmers that the supply management system would be destroyed by the recently-completed GATT round of trade talks, dairy, egg and poultry farmers did remarkably well from the deal. Although the door to imports was opened a crack, with subsidies due to decline and consumers expected to get a bit of a price break, the dairy industry will still be able to operate its domestic quota system behind a high protective wall of tariffs for the foreseeable future. In the case of dairy products, those tariffs on imports will be as high as 351.4 per cent on butter, 289 per cent on cheese and 283.8 per cent on milk.

If Quebec separates, there would no longer be any reason for

Canada to treat Quebec dairy products any differently than those imported from Vermont, New Zealand or France. As agricultural imports subject to restrictions still permitted under GATT and NAFTA, they should attract the same tariffs as dairy products from elsewhere. In addition, any direct federal subsidy through the Canadian Dairy Commission would be eliminated.

Dairy farmers in the rest of the country would see Quebec's departure as an ideal opportunity to increase their own quotas and production to take up the slack left by Quebec producers. Cut off from a protected market for its high-priced product, the Quebec dairy industry would be devastated. Angered at these moves, Quebec would file a trade complaint against Canada with GATT, which could take years to resolve. More likely, Quebec would retaliate against a Canadian industry, leading us into the downward spiral of trade confrontation and retaliation.

A more rational approach would be to treat the issue of industrial milk quotas as part of a larger trade agreement. At the outset, Quebec will have to be told that the status quo as far as milk is concerned is unacceptable and that if Quebec farmers want any continued protected access to the Canadian market, they will have to be at significantly reduce their total share of the market and lower prices. Since Quebec farmers are dependent on markets in Canada, Canada would obviously have the upper hand in any negotiation.

As a condition to keeping at least some access to the Canadian market, Quebec might be told that its milk quota would be scaled back so that Canadian producers could expand production. Allowing Quebec to keep a large proportion of the Canadian dairy market risks touching off an angry response from the United States, which may insist that their dairy products be treated the same as imports from Quebec. That might force Quebec to give up an even larger share of its quotas to satisfy the Americans.

In the longer run, the system of supply management is probably doomed in any case. But we have buried supply management many times in the past and it keeps coming back from the grave to haunt us. Canadian dairy farmers are by no means a spent political force without their Quebec comrades at their side. Nevertheless, with Quebec dairy producers no longer part of the Canadian political equation, it should at least be possible to lower tariffs on supply managed agricultural products much more quickly, benefitting Canadian consumers.

PHARMACEUTICALS

The Canadian brand-name pharmaceutical industry is centred in Montreal, where almost half of its research and development is done. This was not solely the result of a private business decisions, but of deliberate Canadian government actions. Under

pressure from the United States, the Conservative government under Brian Mulroney agreed to increase protection to the manufacturers of patent drugs by eliminating compulsory licensing for pharmaceuticals. In return, the international drug companies vowed to increase research and development spending in Canada. Backed by the Quebec government and the Tory Quebec caucus in Ottawa and lured by the most generous R&D incentives in Canada, the companies were encouraged to undertake this activity in Montreal.

The increase in patent protection was vehemently opposed by the generic drug industry, which happened to be concentrated in Toronto, as well as by consumer groups. The generic drug industry had benefitted from the shorter term of patent protection under the old act and from compulsory licensing provisions which allowed them to make low-cost knockoffs of popular prescription medications. But under NAFTA we're likely stuck with greater patent protection for the brand-name companies, and can't threaten to provide relief to the generic drug industry.

Nevertheless, if Quebec separates from Canada, the whole rationale for the international drug companies expanding their activities in Montreal would no longer be valid. The drug companies expanded these activities for patent protection in a market of 29 million people, not one of 7 million. It would only be natural for the Canadian government to try to hold the drug

companies to their commitment to spend 10 per cent of their Canadian sales on R&D in Canada. Since close to half of this spending of over \$500 million in 1993 was in Quebec, we could seek to repatriate over \$200 million in R&D.

WHO'S MOST VULNERABLE UNDER THE AUTO PACT?

The concentration of the Canadian automobile industry in Ontario, where 90 per cent of production is located, has long been a sore point with Quebec governments of all stripes. The auto pact, which was signed with the United States in 1965, is seen as having disproportionately benefited Ontario. Separatists claim that the Canadian automobile industry would be vulnerable if Quebec separated because the United States would take the opportunity to renegotiate the auto pact to our disadvantage. In their view, the U.S. only entered the auto pact because the federal government could offer access to the entire Canadian market, including Quebec. With Quebec gone, Canada's justification for the auto pact would partly disappear too.

While Canada did enjoy a surplus of almost \$14 billion in trade in motor vehicles and parts with the United States in 1993, it was not because of the safeguards in the auto pact. The Canadian automobile industry has attracted billions of dollars of investment because of its strong competitive position. It's not because of access to the Quebec market that Ford is building the

Windstar minivan in Oakville and Chrysler is assembling its LH cars in Bramalea. A low Canadian dollar, tax-supported medicare and a high quality labour force have all served to lower costs at Canadian auto plants for the Big Three automakers as well as for Japanese transplants.

If there were major changes to the auto pact, the Quebec automobile industry would be much more vulnerable than Ontario's. The only North American car producer with an assembly plant in Quebec is General Motors of Canada Ltd. at Ste. Therese, outside of Montreal, and it has survived only because of federal financial aid. Having a plant in Quebec hasn't helped GM's market share, which is the lowest for any province aside from British Columbia. Quebecers have a greater preference than other provinces for imports. If Quebec were not to remain part of NAFTA and the auto pact, there would be no Quebec automobile industry at all.

The market is simply too small to support a local automobile parts or vehicle assembly industry. As Dennis Desrosiers, Canada's leading automobile industry analyst, told the National Assembly committee on sovereignty, "The only trade regime that would not provide additional costs to the Quebec industry, is one where Quebec would continue as part of Canada" for auto-pact purposes. The automobile industry is not our Achilles' heel, but just another one of Quebec's exposed body parts.

With the degree of integration in the auto industry, it would make sense for all sides if Quebec joined the auto pact, but it's not an area where Canada will have to give up anything.

TELECOMMUNICATIONS SERVICES

Bell Canada is the main provider of telecommunication services in Ontario and Quebec. Its rates are set by the CRTC for the whole central Canadian region. An important feature of the rate determination process is the cross subsidy between long distance and local services. This means that the price charged the consumer for local phone service is considerably less than the true cost to phone companies of providing these services, with the difference made up by charging more for long-distance services.

Since Quebec francophones have fewer contacts outside their home province than anglophones from the rest of the country, they are less likely to make long distance calls. Quebeckers account for only 29 per cent of the toll calls in the Bell Ontario-Quebec region. As a result, they benefit more from the subsidy of local service. Marcel Côté and John McCallum estimate that basic telephone rates for the average Quebec subscriber would have to go up by about 25 per cent if rates were to be set separately for a newly established Bell Quebec. On the flip side, this means that basic telephone rates for the average Ontario subscriber

would have to go down by 14 per cent. These numbers will become less dramatic over time as long-distance competition heats up and the CRTC allows Bell to compensate by raising local rates.

ELECTRICITY

Hydro-Québec has the right to purchase all but 300 megawatts of the 5,225 megawatts of power produced by Churchill Falls in Labrador under a 65-year contract signed in 1969. This electricity, which is purchased for less than \$10 million a year, is resold to U.S. power authorities or to Quebec electricity users for an annual profit estimated at \$800 million. If this money were to go to the Newfoundland government, it would have a major impact on the finances of Canada's poorest province, equal to about half the fiscal transfer payments received from Ottawa.

Quebec was able to negotiate such a one-sided deal because Newfoundland had no way to get Churchill Falls electric power across Quebec to markets in other provinces and the United States. Quebec was prepared to block that transmission until Newfoundland agreed to its demands. The federal government could have used its authority to establish a power corridor through Quebec to get Churchill Falls electricity to market, but did not want to antagonize the Quebec government.

The unfairness of the Churchill Falls deal has long rankled

Newfoundlanders. Because of growing demand for electricity in the 1970s and the need to generate high cost oil and coal-fired thermal electricity , Newfoundland tried unsuccessfully to get back 800 megawatts of Churchill Falls electricity for its own use by passing legislation allowing it to expropriate the water rights held by the Churchill Falls (Labrador) Corp.

After a series of legal battles in Newfoundland and Quebec courts, the Supreme Court of Canada finally decided unanimously in May 1984 that the Newfoundland legislation was unconstitutional because it interfered with the property rights of Hydro-Québec in Quebec to receive hydroelectric power under the terms of the 1969 contract with the Churchill Falls (Labrador) Corp. The Newfoundland government could have broken a contract to supply power entirely within the province of Newfoundland, but not one that extended outside the province like the Churchill Falls contract.

The federal government has always been reluctant to intervene and take sides in the dispute between Quebec and Newfoundland even though Quebec's action was clearly contrary to the spirit of free trade within Canada. But if Quebec were to become independent, the federal government would no longer have to remain neutral and it could use its clout to get a fair deal for Newfoundland as part of the overall separation negotiations.

If worst came to worst, the federal government could threaten to use its legislative or administrative authority to cut off the power. Although Canada can no longer restrict energy exports to the United States under NAFTA, there is nothing to prevent it from imposing restrictions on the export of energy to Quebec for reasons of security of supply. Getting a fairer deal for Newfoundland on Churchill Falls power will be important in getting Newfoundland's agreement to Quebec separation.

BORDER CONTROL POSTS ARE ESSENTIAL

Whatever the exact shape of post-separation trade arrangements, border control posts between Canada and a sovereign Quebec would be absolutely essential. Quebeckers who think otherwise are deluding themselves. If there were a free trade agreement between Canada and a sovereign Quebec, there would be border control posts just as there are between Canada and the United States. Even in the European Community, where the level of economic integration is much higher than even within a free trade area, there are still border control posts. So even if Canada and Quebec were to maintain a customs union, a common market or even an economic union, there would still be a need for border control posts.

What would be the purpose of border posts? Even if there were no duties to collect on Quebec produced goods, it would

still be necessary to make sure that Quebec wasn't bringing in semi-processed goods from other countries, processing them further and trying to pass them off as duty-free Quebec-made goods in Canada. Sales taxes on goods would have to be collected. Finally, as we discuss in more detail in Chapter 11 on citizenship, there will be a need to control the flow of people across the border. Quebecers will no longer automatically be citizens of Canada and will need to complete at least some paperwork to take up residence in Canada. Quebec residents may be required to obtain permits to work in Canada. Immigrants and refugees must not be able to use Quebec as a back-door entry point to Canada. These border control posts need be no more troublesome than those already on the Canada-U.S. border. But they are indispensable.

Border posts and separate customs rules would probably require some rearrangement in trade flows. Retailers and wholesalers who supply both Quebec and Canada might have to rethink their arrangements. Companies like Canadian Tire might have to set up separate Quebec distribution companies to ease the process of doing business in the new country. But border posts should not do much harm to trade between the Atlantic provinces and the rest of Canada. Trucks laden with paper from Irving-owned mills in New Brunswick could drive through Quebec in bond on the way to Toronto and points west. Quebec, needing to keep its trucking routes clear through Ontario to Michigan and beyond,

wouldn't have any incentive to do otherwise. Driving through Quebec on the way to the Maritimes would be no different than driving from Ontario to New Brunswick through New England, except that the gasoline would cost more.

A NEW NORTH AMERICAN TRADE REGIME

The economies of Quebec and the rest of Canada are highly integrated. And the economies of Canada and the United States are only slightly less so. Trade is the most important link joining us all. It is in the interests of Canada as well as Quebec to promote trade and to establish a new North American Trade regime.

The best way to promote trade would be to maintain free trade between Canada and Quebec within the framework of an expanded NAFTA. An added benefit would be that this would provide an opportunity to pressure Quebec to drop many of its existing and proposed protectionist policies. The level of economic integration would be less than currently and border control posts would be unavoidable. But market access would be preserved and trade would not be disrupted. Our trade relations with Quebec would be close, but be under international rules, as befits the relations between two independent countries, just as they currently are with the United States.

Canada should also do what it can to make the transition from province to nation as smooth as possible for Quebec because

upheavals in Quebec hurt us too. This would include offering to maintain the existing trading arrangements for a period of up to three years and offering to facilitate Quebec's entry into NAFTA and GATT.

But Quebec will have to realize that there is a price for this co-operative approach. Quebec stands to lose the most if existing trade ties are cut and we may have to play on this vulnerability to get what we want in other areas such as the division of the debt. Only after the situation stabilized would it be in our interest to take advantage of the opportunity to lower trade barriers that largely benefit Quebec industries such as the textile and clothing and dairy industries. Then, finally, Canadian consumers would get some benefit from Quebec separation through lower prices.

CHAPTER 11

STILL CANADIAN CITIZENS, EH?

It's 1997. Quebec has just seceded and there's a federal election in the nine remaining provinces and two territories of Canada. The newly-established Canadian consulate in Montreal finds itself mobbed with thousands of Quebecers demanding their right to vote in the upcoming election. Since the 1993 general election, Canadian citizens living abroad for less than five years have been allowed to vote by mail. So despite Quebec separation, Quebecers retain the right to vote in federal elections under the Canada Elections Act. If a Canadian citizen living in Minneapolis or Milan can vote in a Canadian election, why can't a Canadian citizen living in Montreal?

The prospect of millions of Quebecers seeking the right to vote in a Canadian election even though they no longer live in Canada is one of the more bizarre possibilities resulting from the Parti Quebecois's promise that Quebec citizens can keep their Canadian citizenship if they want to after separation.

Here's another: Quebec may have separated, but every day thousands of Quebecers continue to stream over the Ottawa River

from the Quebec suburbs of Hull and Gatineau to their federal jobs in Ottawa. The Public Service Commission is under pressure to fire these employees who manage to claim a federal salary while not even paying Canadian income tax. But Ottawa can't do a thing. The employees have all retained their Canadian citizenship.

In the meantime, a newly-independent Quebec imposes strict rules that insist that everybody from provincial civil servants to teachers and doctors must be Quebec citizens to practice their professions. And Canadians in the rest of the country have no claim on Quebec citizenship.

The prospect of dual citizenship leads to another anomaly. The fledgling Quebec state decides that it can't really afford much of an international diplomatic presence. The new country's tiny diplomatic corps is stretched to the limit, trying to put out brushfires in Washington over trade issues, maintain "fraternal" relations with France and assuage nervous investors in Japan.

There's no money left for missions in the Dominican Republic, Cuba and other favorite Caribbean haunts for Quebec tourists. But no problem. The Quebec government simply advises its 6.5 million citizens (another 300,000 Quebec residents are students, visitors or landed immigrants awaiting qualification

for citizenship) to use their Canadian passports abroad and turn to the nearest Canadian diplomatic mission whenever they lose their travellers' cheques or get arrested.

Holding on to Canadian passports has other advantages to Quebecers. They continue to benefit from visa-free access to a range of countries, the fruit of Canada's hard-won reputation as global nice guy. With their trusty passports in hand, Quebec exporters continue to masquerade as Canadians as do Quebec consultants and other professionals looking for work with international agencies.

NOT A TWO-WAY STREET

According to this rosy separatist scenario, millions of Quebecers would be able to keep their Canadian citizenship even though they no longer reside in Canada, as well as profit from any advantages Quebec may want to bestow on them as citizens. Of course, the same benefits wouldn't be available to Canadians residing in the rest of the country. According to the PQ, Canadians could become citizens of Quebec with no waiting period, but there's a small caveat. That's only if a Canadian citizen decides to become "domiciled in Quebec."

So let's go over this again. Quebecers all automatically gain dual citizenship in Quebec and Canada after secession even

though they no longer reside in Canada. Meanwhile, Canadians in the rest of the country suddenly find themselves citizens of a diminished Canada with rights to citizenship in Quebec only if they move there. Not a bad deal for Quebecers? Right. And according to the Parti Quebecois, there's nothing the rest of the country can do about it. When Barbara McDougall, the onetime Tory external affairs minister, suggested in 1991 that Quebecers who want to keep their Canadian citizenship after separation would have to move to Canada, Parizeau ridiculed the suggestion that Ottawa could strip Quebecers of their citizenship. He said that Canada's Citizenship Act recognizes dual citizenship and it was absurd to think that Canada would allow dual citizenship to "residents of all the countries of the world, including the Samoa Islands, but not Quebec."

What Parizeau failed to mention is that historical experience and advice from legal experts, including a prominent separatist, confirms that an independent Quebec can't dictate the terms of Canadian citizenship. Dual citizenship "à la Parizeau" is unlikely ever to be permitted by the Canadian Parliament. While Canada recognizes dual citizenship now, that's unlikely to continue when one-quarter of the population suddenly switch allegiance and become citizens of a foreign country.

A BIT OF HISTORY

Canadians who prize their citizenship today may be under the mistaken impression that citizenship came with Confederation in 1867. But like the Maple Leaf flag and O Canada as national anthem, Canadian citizenship is a relatively recent invention, a reflection of Canada's slow and sometimes reluctant march to asserting its own identity. Until the first Citizenship Act was passed in 1947, Canadians were defined simply as British subjects. That first Citizenship Act wasn't without controversy. Many English Canadians resisted the idea of a separate Canadian citizenship, fearing it would weaken Commonwealth ties. In what would seem ironic today, it was French Canadian nationalists who argued most forcefully that the primary loyalty of Canadians should be to Canada and not to the British Empire.

Until Citizenship Act regulations were changed in 1973, anybody who became naturalized as a Canadian was required to renounce their previous citizenship. But this so-called ban on dual citizenship didn't work very well because of the way other countries look at their citizenship. France, for example, didn't permit its citizens to renounce their citizenship at all so the ban on dual citizenship didn't work when a Frenchman was naturalized as a Canadian. The flip side of this rule was that if a Canadian were naturalized abroad, except in the case of marriage, he or she automatically lost their Canadian citizenship. But this became increasingly complicated to

administer because it demanded that Ottawa keep track not only of who is a citizen but who isn't one as well.

So the 1977 Citizenship Act dropped the objection to dual citizenship. Once born a Canadian, you're always a Canadian, even if you accept another citizenship. Although most Canadians value their citizenship, the list of privileges that citizenship brings is shorter than many would think. The Charter of Rights and Freedoms gives citizens only three specific rights but they are important--the right to vote and hold public office federally and provincially, the right to enter and leave Canada (that means you can't be deported from Canada if you're found guilty of a criminal offence) and the right to minority language education. The Charter grants other rights to everyone, which has prompted Charter challenges of a variety of rules that favour citizens over landed immigrants and others. In one well-known case, the Charter was used to strike down a rule which allowed only citizens to practice law in British Columbia.

Though the list of privileges may not be long, Canadian citizenship and Canadian passports are highly valued around the world.

QUEBEC NOT ALONE

The Quebec situation when it comes to citizenship is far

from unique. Changes in citizenship have affected millions of people since the Second World War, first with the decolonization process in Africa and Asia, and more lately as the map of eastern Europe and the former Soviet Union has been reshaped in the wake of Communism's collapse.

Questions of citizenship are often fraught with tension, particularly when ethnic and linguistic differences are at stake. But dual citizenship is seldom part of the outcome. When Singapore split from Malaysia in 1965, dual citizenship lasted only for several years as Singapore built its separate identity. Dual citizenship is now banned by both countries. "You can be one or the other," says a Singapore diplomat.

Conflict over citizenship has been most evident in the Baltic states of Latvia, Lithuania and Estonia where these newly-independent states are reluctant to offer full citizenship rights to their large Russian minorities, who are regarded by many as vestiges of the hated Soviet rule. In Estonia, non-Estonians, most of them Russians, make up 37 per cent of the country's population of 1.6 million. Most of the Russians want to stay in the country but the Estonians are insisting that they demonstrate knowledge of Estonian before they can take out citizenship or even keep their jobs. Some Russians are worried about being deported.

Faced with a similar problem of what to do with its Russian residents, the Latvian Parliament recently set a quota system that would allow only 2,000 resident aliens a year to become Latvian citizens. Under pressure from the Council of Europe, from Russia, and even the U.S., the Latvians amended the law to allow the naturalization of most non-Russians born in Latvia by 2000; those born outside Latvia can become citizens starting in 2000. But Russians will have to know some Latvian language, know the basic principles of the Latvian Constitution, the National Anthem and history of Latvia and swear an oath of loyalty to Latvia. For the Latvian government, dual citizenship doesn't exist. Even if a Latvian citizen is considered a citizen by another state, that person remains a Latvian only in the eyes of Latvia.

The most relevant example for Canadians comes in the former Czechoslovakia which split to become the Czech Republic and the Slovak Republic in 1993. The old Czechoslovak citizenship disappeared with Czechs becoming citizens of the Czech Republic and Slovaks citizens of the Slovak Republic. Slovakia, which was less populous and less prosperous than the Czech Republic, suggested a joint form of citizenship but the Czechs, anxious to be rid of the Slovaks and concerned that Slovaks might flood the Czech lands looking for work, refused the suggestion. The Czechs also rejected any form of dual citizenship, even though the idea was fine with the Slovaks.

This became a problem for the estimated 300,000 Slovaks living in the Czech Republic, who had to choose between Czech and Slovak citizenship. Most opted for Czech citizenship. As for the 40,000 Czechs in Slovakia, they were allowed to remain as dual citizens.

But dual citizenship in the case of secessionist states is definitely the exception.

IT'S UP TO CANADA TO DECIDE

The special committee of the Quebec legislative committee on sovereignty concluded in its 1992 report that if Canada followed international practice, it would simply withdraw Canadian citizenship from its citizens resident in Quebec after separation. "Whatever happens, it appears to be in the interest of both Quebec and of Canada to avoid a situation where all Quebec residents would still hold Canadian nationality in a sovereign Quebec, in addition to or in place of Quebec nationality," the report concluded.

The committee based its conclusions on the testimony of Claude Emanuelli, a law professor at the University of Ottawa, who detailed all the ins and outs of what happens to citizenship where one state takes over the sovereignty of another. Normally, when a new country takes over control from an existing nation, it automatically accords its citizenship to all or part of the the

inhabitants of the new territory. At the same time, the old country usually withdraws its citizenship from the inhabitants of the territory when they get their new citizenship. That's what happened in old British and French colonies. When colonies gained their independence, their residents generally lost their British and French citizenship.

Emanuelli concluded in this way, "If Quebec becomes sovereign, Canada would be free to determine which individuals lose Canadian citizenship and Quebec would be free to say which of them gets Quebec nationality." Even Daniel Turp, an adviser to the Bloc Quebecois, said it's up to Quebec to decide who its citizens will be and it's the prerogative of the Canadian Parliament to determine whether Quebec citizens remain Canadian citizens. But Turp argues that if Canada keeps allowing dual citizenship, there's no reason for Quebec to refuse Quebec citizens the right to hold on to their old Canadian citizenship. In fact, he says it's best to leave Ottawa "the burden of this withdrawal and to apply to Quebecers a rule that wouldn't apply elsewhere to people obtaining the nationality of another sovereign nation."

Citizenship remains the ultimate prerogative of a sovereign state. The Parliament of Canada won't be deciding on the definition of Quebec citizenship. But neither will the Quebec National Assembly decide on who will or won't be a Canadian

citizen.

WHY KEEP CANADIAN CITIZENSHIP?

It's fair to say that most Quebec separatists have little use for Canada and Canadian symbols. In fact, a favorite sport of theirs is to deride things Canadians, whether it's the Mounties, the Rocky Mountains or official bilingualism. So why insist on holding on to Canadian citizenship? In large part, it's a matter of reassuring Quebecers who aren't sure they want to risk the adventure of independence. What they're being told is that while separation allows them to get rid of the things they don't like about Canada, they can still keep the parts of Canada that make them feel secure, like citizenship, the dollar and the Canadian economic union.

This approach reflects a certain lack of confidence on the part of separatists in the value of their new Quebec citizenship. While developing their new reputation as a nation internationally, the separatists figure they may as well keep on using the tried and true product of Canadian citizenship and Canadian passports, especially abroad. They don't seem to worry that doing so would border on false advertising. It's a little like a former employee of IBM using his old IBM business card as he tries to rustle up business for his start-up computer company.

Maintaining Canadian citizenship means keeping the right to establish yourself anywhere in Canada, something Quebecers are likely to hold dear, particularly if the first years after separation prove to be lean ones. With the Quebec economy facing uncertain times, young Quebecers would want to keep the insurance policy that they can always move to Toronto or Vancouver to look for work. The reverse isn't true. It will be hard to convince a Canadian from Ontario or Alberta of the great opportunities presented by Quebec citizenship.

While Parizeau may huff and puff about Quebecers being able to keep their Canadian citizenship, it probably isn't in the long-term interests of Quebec itself to leave that option open. If millions of Quebecers remain Canadian citizens after independence, it would simply keep alive the prospect of rejoining Confederation and convince some Quebecers that there was a way of turning back the clock. Federalism and attachment to Canada aren't about to die in Quebec just because Quebec has become sovereign and Canadian citizenship would certainly help keep the flame alive.

And what will happen if large numbers of Quebecers simply refuse Quebec citizenship and opt to remain as Canadians only? Rare is the country that happily has big chunks of its population within its border who have loyalties to another country.

WHY NOT JOINT CITIZENSHIP?

One suggestion making the rounds in separatist circles is that after separation, Quebec could share citizenship with Canada through a joint citizenship based on the European Community model. It's an argument made by Turp, the Bloc Quebecois adviser. He envisages a European-style union between a sovereign Quebec and Canada, which could be not only an economic union but a political one as well with a common Parliament and a common passport that would be based on the European model. Before Czechoslovakia split, the Slovaks had the same suggestion for joint citizenship in a Czech-Slovak union. The Czechs said no.

The chances of this same sort of idea flying in Canada is about as likely as seeing a return of Brian Mulroney as prime minister. It's clear that Quebecers would be the major beneficiaries of a joint citizenship that continued to confer a form of Canadian citizenship on them. Finally, why should we go through the economic and psychological turmoil of splitting the country and dissolving the historic union established in 1867 only to reconstitute it in a new guise? We've already got a common Parliament. It's in Ottawa. And we've got common citizenship in an economic and political union between Quebec and nine other provinces. It's called Canada.

An Early End to Dual Citizenship?

While the separatists continue to promise Quebecers citizenship in a country they don't want to be part of, the right to dual citizenship is already being questioned in Ottawa and the debate over Quebec sovereignty will only intensify the pressure to see it ended. Following public hearings in the spring of 1994, the House of Commons Standing Committee of Citizenship and Immigration suggested bringing back some of the pre-1977 rules on dual citizenship.

Witnesses before the committee questioned how it was possible to swear allegiance to more than one country and worried that dual citizenship was already reducing the value of Canadian citizenship. The committee also was concerned about turning Canadian citizenship into "a convenient commodity," which holders use for international travel and business or as an insurance policy, providing health care to citizens who spend their working lives outside Canada and return to retire, without having paid the taxes that make these programs possible.

The MPs recommended that the government consider restoring the old provisions of the Citizenship Act that forced Canadians who voluntarily acquire another citizenship, except by marriage, to give up their Canadian citizenship. Although the report doesn't mention the possibility of Quebec secession, it was clearly on the mind of committee members in drafting the report.

Ontario Liberal MP John Bryden pushed the dual citizenship issue throughout the deliberations of the committee, with his eye on Quebec separatism. "A great many Quebecers believe they can have Quebec sovereignty and be Canadians," Bryden said. But it's essential that Quebecers be told that "you can't have your cake and eat it too."

"If they want to separate, okay," Bryden says. "If you want to reject us, reject us entirely. You can't boo the rest of Canada and then retain the great respect Canada has worldwide." Bryden argues that a simple change to the law bringing back the pre-1977 ban on dual citizenship will make it clear that Quebecers can't have it both ways. Quebecers wouldn't be singled out. Dual citizenship would disappear not just for Quebec citizens but for any Canadian citizens who acquired another nationality. (The federal government is now preparing draft amendments to the Citizenship Act that may implement some of the Committee's suggestions, but it is far from certain that this legislation will ever be introduced.)

The Bloc Québécois refused to sign on to the report and the party's spokesman on the committee, MP Osvaldo Nunez, a native of Chile who has embraced Quebec separatism, said that elimination of dual citizenship would be "a fantastic provocation against Quebec." Nunez said the rule was clearly aimed at Quebec's push for separatism and the PQ's promise that Canadian citizenship

wouldn't be lost to Quebecers even if they decide to go. "We are in favour of dual citizenship without any restriction," Nunez said.

YOU'RE IN OR YOU'RE OUT

The bottom line on citizenship is that once Quebec leaves Confederation, so do its citizens. Otherwise, Canadian citizenship loses all meaning. There is nothing to negotiate.

That would effectively mean stripping Canadian citizenship from the hundreds of thousands of loyal Canadians in Quebec who vote against secession and desperately want to stay Canadian. Indeed, one can envisage thousands of English-speaking Quebecers, recently-naturalized Canadians and French Canadians still loyal to Canada refusing their new Quebec citizenship and stubbornly holding on to their Canadian citizenship.

That would put both governments in an awkward position, with Canada having a large concentration of its citizens resident in another country, perhaps demanding diplomatic intervention from Canada to defend their rights before the Quebec government. For Quebec, mass refusal to accept Quebec citizenship would be a sign of resistance from its own citizens to the new state's very existence. Whatever the Canadian Parliament decides to do, it won't be easy to strip Canadian citizenship from loyal Canadians whose only misfortune is to live in Quebec. One can see on the TV

news the loyal veteran of the Normandy invasion from his home in Sherbrooke teary-eyed at the loss of his beloved citizenship. Or the Italian-Canadian resident of the Montreal suburb of St. Leonard proudly showing the tattered Canadian naturalization papers and crying out in front of the cameras, "Canada has abandoned me."

One can also anticipate a large exodus of English-speaking Quebecers as well as many francophones if suddenly access to Canadian citizenship becomes conditional on residence in Canada. Are Ontario, Alberta and British Columbia ready for an influx of these groups of new residents? These newcomers, with their generally high educational attainment, their knowledge of English and their Canadian roots, will be easier and less costly to integrate than most international immigrants. As for immigrants, one can also anticipate a big migration of landed immigrants out of Quebec in the leadup to secession. When these immigrants realize that once sovereignty arrives, they will be eligible only to become citizens of Quebec, they may opt to remain in Canada and not close off their opportunities.

One possible solution to the citizenship dilemma might be to include an option clause that would allow Quebecers to elect to remain Canadian citizens for a period of up to two or three years, if they filled certain strict conditions. They could be asked to move to Canada within that time to maintain their

Canadian citizenship. If an immediate move out of Quebec would cause hardship, they could still remain Canadian citizens, provided they continue to file Canadian income tax returns, the way the United States forces its citizens to file returns no matter where they live. Canada could even place a fee of several hundred dollars on whoever registers to maintain Canadian citizenship. It could also require Quebecers who want to remain Canadian citizens to swear a loyalty oath to Canada. How about an oath to the Queen? The hurdles must be made high enough to make sure that only a minority of Quebecers opt to retain their Canadian citizenship.

If Canadians believe that withdrawing citizenship is still too drastic, Parliament could decide to maintain a distinct status for Canadian citizens resident in Quebec, with no right to vote in federal elections, no right to seek public office or work in the federal public service and no right to a Canadian passport until such time as they become resident in Canada. These rights could be reinstated with no waiting period as soon as the Quebecer becomes a resident of Canada.

In any case, Quebec secession would require at least some border controls, similar to the controls existing between Canada and the U.S. For one thing, once Quebec gains full jurisdiction over immigration, completely free circulation of people within Canada would make Quebec into nothing but a giant back door into

Canada. Even under the current arrangement where Quebec has partial control over immigration, thousands of immigrants who choose Quebec as their initial destination merely use Montreal as a way-station before moving to Toronto and Vancouver, where jobs are more plentiful. A system of work permits would also be necessary to make sure that border areas in Ontario and New Brunswick are not overrun with commuting Quebec residents. At the same time, Canada would likely wish to keep out some Quebec residents, such as those with a criminal record.

Canada has to remember to keep its own interests at heart throughout this debate. Allowing more than six million residents of another country who are paying taxes to a foreign government to continue benefitting from all the advantages of Canadian citizenship would be out of the question.

CHAPTER 12

ADIEU TO OFFICIAL BILINGUALISM?

Not many tears will be shed in many areas of the country if official bilingualism ends. Many Calgarians will cheer when the bilingual signs come down at Calgary International Airport. Those offended by the French on their Corn Flakes boxes will be able to eat their breakfasts in peace. Those who deal with the frustrations of federal government voice mail will only get the runaround in one official language instead of two. Government publications will only weigh half as much. Preston Manning will be relieved that he will no longer have to take French lessons to prepare for the next French leader's debate.

Yet none can deny that official bilingualism has been a noble cause. Pierre Trudeau and his two sidekicks, Gerard Pelletier and Jean Marchand came to Ottawa thirty years ago to change the unilingual English face of Canadian government and change it they did. The idea of making the federal government an institution that functions equally in French and in English and provides equal opportunities to both francophones and anglophones is praiseworthy and after some initial resistance came to be accepted as something distinctly Canadian.

Who could argue with encouraging thousands of anglophone bureaucrats to learn French so they could communicate with the 25 per cent of Canadians who have French as their mother tongue? Is it not simply a question of basic equity to assure that francophones could find postal services in their language in Halifax or a French-language TV station in Vancouver? Or have Ottawa help to keep linguistic minorities alive from Newfoundland to British Columbia?

As tensions have grown in Confederation between Quebec and the rest of the country -- tensions that bilingualism was ironically supposed to help alleviate -- criticism of official bilingualism has intensified. The growing fiscal crunch hasn't helped. But the true believers have remained attached to official bilingualism as evidence of the fundamental understanding between anglophone and francophone Canadians that underlies Confederation. These believers, Conservatives and New Democrats as well as Liberals, have rejected the Reform Party's critique of official bilingualism as narrow-minded and mean-spirited. When in power, they have pressed on with the promotion of official bilingualism even as Quebec moved in the opposite direction towards French unilingualism and several provinces lagged on recognition of French rights.

Although the armies of translators and language teachers employed by the federal government will have trouble adjusting,

most partisans of official bilingualism will quickly recognize how quixotic it would be to continue the fight if Quebec leaves Confederation. When more than 85 per cent of Canada's French-speakers have become citizens of a foreign country, much of the justification for official bilingualism will disappear. Yet francophones will remain the largest second-language group in Canada even after Quebec splits, ahead of Chinese and Italian speakers. Canadians will have to make sure that in the inevitable rush to unravel official bilingualism, in the form we have come to know and love, the fundamental principles of justice and decency prevail.

MINORITIES DWINDLING

The end of official bilingualism will, unfortunately, hasten the decline of minority language communities but that decline has been going on anyway.

While official bilingualism has expanded since the initial passage of the Official Languages Act in 1969, the relative demographic strength of the anglophone community in Quebec and of the francophone community in the rest of Canada has actually weakened. The sources of this decline are dramatically different for the two communities. For Quebec's anglophones, it's the persistent departure for other provinces of thousands of community members over the past 25 years. For francophones

outside Quebec, it's the slow and steady assimilation into the majority anglophone community.

During the peak of the exodus from 1976 to 1981, a total of 130,000 anglophones left Quebec while only 25,000 came to the province from elsewhere in Canada. The result is that both the number and proportion of Quebecers with English as their mother tongue have dropped dramatically, from a peak of 790,000 in 1971, representing 13.1 per cent of the Quebec population, to 626,000 or 9.2 per cent in 1991. In the same period, the percentage of Quebecers with French as their mother tongue has climbed to 82 per cent of the Quebec population from 80.7 per cent. The proportion with other mother tongues has also grown, to 8.8 per cent from 6.2 per cent.

Not only have Quebec's French-only language policies aided and abetted this phenomenon by making anglophone Quebecers no longer feel at home in Quebec, they have made it impossible for the English Quebec community to maintain its numbers. By restricting access to Quebec's English schools to children of those educated in English in Canada, Quebec has denied the anglophone community the opportunity to replenish itself through immigration. When English-speaking immigrants arrive in Montreal from Jamaica, Sri Lanka, or Plattsburgh, N.Y., their kids are sent off immediately to a French school, even though there may be a publicly-funded English school down the street. Is it any

wonder that the number of children in English schools in Quebec has fallen from close to 250,000 in 1970-71 to fewer than 100,000 in 1991-92? And that many English schools have been closed? Other than through an anglophone "revenge of the cradle", there's no way to turn back the clock. Even when Quebec separatism was dormant in the 1980s and Quebec's economy was looking up, the exodus continued. As a Task Force on English Education in Quebec concluded in 1992, "If the (the English-speaking community) is prevented from renewing itself, it will simply fade away."

A survey prepared for the English-rights group, Alliance Quebec, in the fall of 1992 showed that 64 per cent of English-speaking youth in Quebec's schools said they planned to leave Quebec within five years. Despite higher rates of bilingualism in the anglophone community, there is no indication that outmigration would do anything but accelerate if Quebec secedes. Efforts to switch the loyalty of anglo-Quebeckers to Quebec first have failed. Anglophone Quebecers are basically English-speaking Canadians who live in Quebec. They may have shed their previous resistance to recognize the French fact and become more bilingual than ever before but they still see themselves as Canadians first.

For the rest of Canada, a renewed exodus of anglophones from Quebec should be seen as an opportunity rather than a burden. Anglophone Quebecers would be some of the best-educated and most

easily assimilated immigrants around. Of the anglophones between 25 and 44 years old who left Quebec between 1981 and 1986, more than half, a total of 15,000 individuals, had university degrees. Quebec anglophones have also tended to take their jobs with them when they leave. Think of all the high-paying jobs Toronto has gained in the past 20 years with the transfer of Montreal-based companies like Northern Telecom, Sun Life Assurance, the Royal Bank of Canada and the Bank of Montreal. (Both banks continue to have their legal headquarters in Montreal but most of their head-office functions are handled out of Toronto, leaving only a hollow shell.) If this exodus is to continue, Canada should make sure it catches the jobs up for grabs. The potential for other moves remains substantial. Air Canada, BCE Inc., Canadian Pacific and Crown-owned Canadian National, as well as any other corporation running a Canada-wide business out of Montreal, will find it increasingly difficult to justify its head office location in a foreign country.

Other institutional departures are possible as well. Back in the 1970s, there were persistent rumours that McGill University might establish a satellite campus just over the border in Ontario. While it's unrealistic to imagine that all of McGill, which is deeply rooted in Montreal and receives much of its funding from the Quebec government, will pick up and leave, partial moves are not out of the question. If individual faculty don't want to stay in Quebec, they can certainly look elsewhere

for jobs. In 1976, the Arctic Institute dropped its longtime affiliation with McGill and moved to the University of Calgary. The Quebec government was not pleased. It tried to halt the transfer of the institute's collection of 30,000 books through the courts, but by the time the injunction was issued, the books were already on trucks securely moving through Ontario.

PRECIOUS ASSET OR THREAT

When it comes to the future of English and anglophones in Quebec, the Parti Québécois is of two minds. The party program speaks glowingly of the anglophone community as "a precious asset" to a sovereign Quebec, which can use its connections in North America and beyond to help a globalizing Quebec economy. The party promises to include in a Quebec constitution the continued right to speak English in the Quebec National Assembly, to use English in the courts and to maintain an English-language educational system from preschool to university. It also promises to protect English-language health and educational institutions and to boost anglophone representation in the provincial civil service, now accounting for less than 1 per cent of the total. In his first statement after being elected as premier, Jacques Parizeau spoke of how Quebec's minority status has made it "extremely sensitive to the fate of minorities in Quebec. And we intend to be beyond reproach on this score."

Despite this openness and generosity, the PQ program also denounces the concept of official bilingualism as a "pernicious" form of federal interference and includes several proposals aimed specifically at weakening the place of English in Quebec. It calls for the Francization of the air waves by "correcting the historic imbalance" in granting broadcasting licences in Montreal, presumably to reduce the number of English stations; reinstatement of the French-only sign law, further restriction of access to English-language schools and junior colleges; and extension of the law forcing business to operate in French to all companies with at least 10 employees, down from 50.

Of course, separatists will claim that they're all for personal bilingualism. It's only institutional bilingualism they're against. So Parizeau has enraged some of his own supporters by insisting that bilingualism is essential for the Quebec of the future. "I'll boot the rear end of anyone who can't speak English. In our day and time, a small people like us must speak English."

As much as we hate to credit him for anything, Parizeau is right. An independent Quebec will need English as much or more than it did as a Canadian province. Nationalist ideology may argue for French as the language of work, but if Quebec is going to keep and attract jobs in high technology areas like aerospace,

pharmaceuticals and computer software, knowledge of English will continue to be essential. There's no doubt that pulp mills and aluminum smelters can be run in French, as they are now, but it's a different matter for sectors that require a heavy technological input. When engineers from Japan's Mitsubishi Heavy Industries come to Montreal to work with engineers from Canadair on the design of a new business jet, they easily find a common language. And it's not French or Japanese. It's English. And as Quebec anglophones become increasingly bilingual, their value as intermediaries with the rest of North America could end up growing.

Yet much of the appeal of separatism has been aimed at righting the "historic" wrongs visited on Quebec by its once dominant minority. One of the peculiar twists of fate that has haunted Quebec nationalism is that this minority spoke English, which was to become the key international language. If the language of the so-called "Westmount Rhodesians" had been Afrikaans or Portuguese, for example, Quebec's revolt against its minority wouldn't have ended up being so damaging. In trying to get back at the traditional "Anglo boss" or the legendary anglophone saleslady at Eaton's department store in Montreal who provided unilingual service to a such a large proportion of Quebec's separatists, Quebec has at the same time made it more difficult to attract international business that uses English as its lingua franca. In Belgium, for example, the feuding French

and Dutch-speaking communities can reject each other's language by learning English, which also gets them ahead internationally.

In effect, separatists are promising the anglophone community constitutional guarantees as long as the community knows its place and doesn't stick out too much. Indeed, as the anglophone community shrinks, it will likely be seen as less of a threat. But that doesn't mean it will ever be encouraged to grow again. Even if a separate Quebec doesn't adopt a vengeful approach to anglophone rights and does guarantee a series of rights for English-speaking Canadians, it's unlikely to reverse the decline that has been going on for decades. The end result is that a separate Quebec will increasingly use English but as a second language by francophones. Anglophones will continue to vanish.

Even with this continued decline, the anglophone community in Quebec will be proportionally much larger than the francophone community outside Quebec. Anglophones still account for just under 10 per cent of the total Quebec population (12 per cent if you count English as the home language). That's double the proportion that francophones represent in Canada outside Quebec (4.8 per cent if you count mother tongue and only 3.2 per cent if you use home language as an indicator.) Quebec anglophones are also highly concentrated in the Montreal area -- more than 80 per cent live in the region -- where they have a strong institutional

network of schools, hospitals and universities as well as an influential, if declining, role in the economy.

English Canadians may feel pangs of guilt about "abandoning" their cousins in Quebec in the event of secession but it's a process of decline that's been ongoing for decades and even a rejection of separation by Quebecers won't quickly turn around.

FRANCOPHONES CONTINUE TO ASSIMILATE

In Canada outside Quebec, what's killing the francophone communities isn't emigration. It's assimilation. As long as francophones were living in largely-homogeneous rural and semi-rural communities, whether in Northern Ontario or on the Prairies, their French language and culture insulated them from the anglophone sea around them. But as francophones became urbanized and secularized, they have tended to lose their language, especially outside their strongholds of northern New Brunswick and of Eastern and Northern Ontario.

This tendency to assimilate is most evident when you compare the statistics for the population with French as their mother tongue and those with French as home language, defined as the language used most often in the home. The 1991 census identified 976,400 Canadians outside Quebec whose mother tongue was French, an increase of 50,000 over 1981. But when you look at the

statistics for people outside Quebec with French as their home language, the total plummets to 636,000, a drop of 30,000 from the same period 10 years ago. In other words, there are hundreds of thousands of French Canadians outside Quebec who spoke French as children now speaking English at home. It's particularly dramatic in Saskatchewan and British Columbia, where three times as many report having French as their mother tongue than as their home language. But even in Ontario, the 1991 census showed there are 503,000 people with French as their mother tongue but only 318,000 who speak French at home as their main language. Only in New Brunswick do the vast majority of francophones retain French as their home language.

The dark side of Canada's treatment of its francophone minority, including Ontario's notorious Regulation 17, which all but banned public-school instruction in French during the early part of the century, is no more. Assimilation is not being forced on francophones outside Quebec but it's happening nevertheless as inter-marriage and the overwhelming strength of English take their toll.

Francophones outside Quebec have also seen a drop in the school-age children in French-language education programs over the past 20 years. From 1970 to 1992, those numbers dropped by 19 per cent to 160,000 from 196,000, but they did grow slightly in the last few years of that period.

Francophones outside Quebec are still subject to a wide range of rights depending on where they live. It varies from officially-bilingual New Brunswick, where francophones constitute almost 35 per cent of the population and have a full range of educational, hospital and government services to a province like British Columbia where only 17,000 residents use French at home, or less than 1 per cent of the population, and where there are no provincially-supplied French-language services except for a few schools and federal services that include CBC French radio and TV stations in Vancouver.

For francophones outside Quebec, relations with Quebec are complex. They have traditionally received little money and even less encouragement from Quebec governments in their fight for education and other language rights. Speaking of getting stabbed in the back, Quebec even intervened before the courts to oppose the demands of a group of Alberta francophones to run their own schools, worried that whatever rights francophones got in Alberta would be used to bolster English rights in Quebec. And separatists have long argued that Quebec has to become sovereign because only it can assure the continued protection of French in North America. That's why francophones outside Quebec were considered "dead ducks" by René Lévesque. If French could survive outside Quebec, separatists would lose a major argument in favor of separation.

This has led to a continuing undercurrent of tensions between successive Quebec governments and francophones outside Quebec. Yet francophones outside Quebec have benefitted greatly from official bilingualism and the expansion of French services in the provinces, both of which have resulted at least in part from efforts to counter the rise of Quebec nationalism. The problem for francophones outside Quebec is that if this nationalism leads to actual separation, the political dynamic will change forever and they will be left on their own. And don't expect thousands to emigrate to Quebec either. Although artists like New Brunswick writer Antonine Maillet and Manitoba singer Daniel Lavoie now make Montreal their home, the number of francophones moving to Quebec is tiny in compared with the movement of anglophones in the other direction. Not only have economic opportunities in Quebec been less than sterling in recent years but there remain large cultural differences between francophones outside Quebec and their Québécois brethren.

One ironic result of sovereignty could actually be an increase in the francophone population of a city like Ottawa. If the federal government insists that its bureaucrats live in Canada to keep their jobs, a certain number of francophones could abandon Quebec for the Ontario side of the border. In addition, some francophone federalists from Quebec who feel strongly about remaining in Canada could also decide that migration will be the answer, although this flow may only serve to counteract the

migration of the few francophones from outside Quebec who may decide the future of their language and culture lie with a separate Quebec. So while the long-term future of francophones outside will become gloomy, separation shouldn't bring any huge flow of people from other provinces to Quebec.

BYE BYE TO B AND B

If Quebec becomes sovereign, federal support for official bilingualism as we have known it will surely die. With Quebec gone, the federation will cease to be a bargain between English and French founding nations. Bilingualism will become an issue for individual provinces. Nothing will stop New Brunswick, the only bilingual province, from retaining French as an official language or Ontario from providing certain services to its minority. But Ottawa will eventually be out of the bilingual business.

This doesn't mean banning French from the House of Commons or ordering Canada Post clerks in Bathurst, N.B. to stop speaking French. But with fewer than 5 per cent of the Canadian population having French as a mother tongue, official bilingualism can't be expected to survive in its current form. The systematic translation of all federal documentation -- 246 million words in 1993-94 -- may make sense when one-quarter of Canada's population is francophone but it's hardly logical when 85 per cent of those

francophones are living in a foreign country. What's more, over 80 per cent of the francophones outside Quebec already consider themselves bilingual. It makes no sense for the federal government to be officially bilingual in all it does for fewer than 200,000 unilingual francophones, who will account for just 1 per cent of the population after Quebec leaves.

The constitution now includes protections for both languages, including equal access for English and French to Parliament and the federal courts and guarantees for the public to receive services from the government and to communicate with the federal government in either official language. The constitution also includes protection for linguistic minorities. These guarantees will have to be changed sooner or later to reflect the new linguistic makeup of Canada. The right to use French in the courts and Parliament could be retained but a blanket guarantee of access to service in French from the federal government will probably have to go.

But there need not be any rush. These changes can be made to the constitution along with other revisions that would result from any rejuggling of Confederation that takes place once the dust over Quebec separation has settled.

In fact, any move to eliminate language guarantees in the immediate aftermath of separation will simply look vindictive.

Canadians will want to show as much generosity as is reasonable. But even without changes to the constitution, the dismantling of some aspects of official bilingualism will begin quickly. The French-language CBC will begin to implode once Quebec departs as will the French operations of National Film Board and Telefilm Canada. That doesn't mean there can't be limited French-language broadcast services in New Brunswick and Ontario, where numbers of warrant and that cable systems can't pick up French signals from Quebec.

When it comes to education, Ottawa's role in support of linguistic minorities is also destined to end, with francophones increasingly on their own. Francophones in New Brunswick, who account for 34 per cent of the population, obviously have enough clout demographically to continue to continue demanding education in their own language. In Ontario, francophones make up a much smaller portion of the population, just 5 per cent if mother tongue is counted, but they are concentrated in northern and eastern Ontario where they have some electoral weight. In other provinces, where numbers and concentrations are considerably smaller, the fate of francophones will be much more precarious.

SAVINGS WON'T BE HUGE, BUT EVERY NICKEL COUNTS

Are there savings to be had from eliminating official bilingualism? Without a doubt, but anybody who thinks it will go

very far in paying down the \$550-billion national debt is dreaming. Thinking that the elimination of bilingualism will solve Canada's deficit problem is as naive as believing separatist claims that Quebec will save billions by eradicating "duplication and overlap" of federal and provincial programs. Ottawa spends about \$650-million a year on clearly-identified official language programs, with about half on language programs in government and the other half on aid to education. The \$300-million price tag of federal services in both languages includes the cost of translation and interpretation, language training and the \$50-million spent on the \$800-per-year bilingualism bonus currently paid to 64,000 federal civil servants. This doesn't count the cost of replacing civil servants during their class time or the far from trivial organizational cost of operating in a fully bilingual environment.

The rest of the \$650-million goes primarily towards subsidizing minority-language education in the provinces -- for anglophones in Quebec and francophones outside Quebec -- as well as assistance for teaching second languages through immersion and other programs. The aid to education includes special deals to assist major projects, including an \$80-million grant to Ontario for establishment of three French-language community colleges. Another \$65-million goes to the promotion of the official languages, which includes everything from grants for the presentation of bilingual plays to a co-operation agreement with

Newfoundland for language training of provincial civil servants.

Even if Ottawa slashes all this spending, it isn't certain taxpayers will save the \$650-million. Without federal funds, francophone children outside Quebec will still have to be educated and, except where schools and classes are very small, there's nothing inherent more expensive about education in French. In other words, the provinces may have to pick up the slack left for minority-language education if federal funding is dried up.

Others claim that the real price of bilingualism is actually much higher than the \$650-million acknowledged by Ottawa. Scott Reid, a researcher for the Reform Party and author of *Lament for a Notion, The Life and Death of Canada's Bilingual Dream*, claims that official bilingualism actually cost \$4-billion to the Canadian economy in 1992, including \$1.7-billion in direct federal government expenditures and \$2-billion in private-sector compliance costs with federal language rules. Yet his justification for these huge numbers isn't entirely convincing.

Reid also argues that the Consumer Packaging and Labeling Act passed by Ottawa in 1974, which requires bilingual labels, costs consumers \$2-billion a year in higher prices, a cost he doesn't document. The logic works this way. If Canada were an English-only country, companies wouldn't have to have to include

"confiture" on jam jars or "Fabriqué en Corée" on VCR crates alongside the "Made in Korea" label. Companies would save millions of dollars by not being required to run shorter production runs for Canada. Consumers would be able to save lots of money by buying Heinz ketchup made for the U.S. market. If Quebec wanted to require French labels, its consumers alone would pay the extra cost and not all Canadians.

That's fine as far as it goes. The only trouble is, bilingualism isn't the only requirement of Canada's labeling laws. These rules also require metric sizing and different nutritional and ingredient information, which means that Canadian labels would still be different from American ones. And even if those requirements weren't there, manufacturers would still want a label for the Canadian market that includes their Canadian address and a 1-800 number for consumer complaints. According to the Grocery Product Manufacturers of Canada, the biggest obstacle to the introduction of common products in Canada and the United States are different standards on what goes into foods. For example, Canada and the United States permit different artificial sweeteners and colouring agents in food products, forcing a change in formulations for products sold in both countries. It's what goes into the cans rather than what's printed on the outside that cost consumers extra.

What of the 250,000 Canadian children outside Quebec

registered in French immersion programs? Parents who lined up overnight to register little Tyler or Kimberley in immersion, figuring it was a ticket to a secure job in a bilingual federal civil service may have second thoughts. So will some parents who jumped onto the immersion bandwagon in the hopes of "saving" Canada. But many may still want French immersion because they believe in the value of teaching a second language to children at a young age. Canadians may be less inclined to learn French for Quebec's sake but the importance of learning a second language endures.

THE WHOLE WORLD'S WATCHING

A sovereign Quebec would also be scrutinized closely to make sure it was treating its linguistic minority fairly. In a brief to the National Assembly committee on sovereignty, University of Montreal law professor José Woehrling warned that when it comes to the future of Quebec anglophones, the world will be watching. "It must be realized that Quebec would provoke a lot of resentment in English Canada and would tarnish its image in international public opinion if, in acceding to sovereignty, it decided to reduce or abolish the constitutional rights that minorities have traditionally enjoyed."

This is a message that Canadians in the rest of the country should remember as well. Any move to restrict the rights of

francophones outside Quebec that smacks of vindictiveness will not reflect well on Canada as a whole. But a withdrawal from active promotion of bilingualism can be seen as perfectly reasonable. In other words, an edict shutting French schools in St-Boniface, Manitoba, or eliminating the right to French-language trials in Ontario might be seen as a nasty and unjustified reaction of English Canadians to the secession of Quebec. Eliminating French lessons for thousands of federal bureaucrats, stopping the automatic translation of technical documents for every piece of equipment the defence department owns and ending subsidies to French-language newspapers in Nova Scotia and Alberta would simply be a logical and measured response to a new demographic and political reality.

One way of protecting minority rights favoured by Quebec separatists involves the signature of reciprocity agreements between Quebec and the rest of Canada. It's an idea that was first floated by René Lévesque in the late 1970s as part of the restrictions his government was placing on access to English schools in Quebec. Written into the French Language Charter was a section that allowed English-speaking children moving to Quebec from another province access to English schools provided their home province offered French schooling equivalent to that offered in English to Quebec anglophones. So far, Quebec has determined that only New Brunswick reaches this high standard. But this has remained a largely theoretical question until now because the

Canadian Charter of Rights and Freedoms has allowed the children of any Canadian who has been educated in English anywhere in Canada to be educated in English in Quebec.

Despite Lévesque's efforts, these reciprocity agreements have always been rejected by the other premiers. But expect the idea to be back on the table if Quebec separates. We believe it's something that should continue to be rejected because it implies making one's minority population hostage to the policies of another country. Decisions on access to French education should be made by Canadian provinces according to their traditions, political process and demographic realities, not merely because Quebec threatens to cut off access to its English schools.

Just as Quebec will have strong historical reasons to maintain the rights of its English-speaking population, so too will the rest of the country have reason to maintain some of the rights of its French-speaking minority. What will wither away is the federal government's active promotion of institutional bilingualism on a national level. In other words, the provinces are not about to shut down French schools in New Brunswick or in Sudbury because Quebec separates. But those schools will have to depend on provincial funding to survive. A federal role in supporting minority-language education will be no more.

With Quebec's exit from confederation, official bilingualism

will end and English will become Canada's sole official language. Canada will continue to have a minority of francophones with historic rights to education and other services, but without French as an official language. English will be the language of administration in the federal government and Ottawa's active promotion of two official languages will end. With Quebec gone, Canada will be as English as a separate Quebec will be French.

CHAPTER 13

Triage in the Public Service?

There was a time not so long ago when Hull, Quebec, was just another hard-scrabble mill town, dominated by the foul-smelling E.B. Eddy pulp mill and benefiting little from the generous federal spending in the national capital across the Ottawa River, with scores of public buildings and well-tended parklands.

For Quebec nationalists. Hull became a symbol of the lopsided nature of federalism, with English-speaking Canadians hoarding all the best jobs and perks of the national capital. To counteract this image and bring French Canadians into the centre of power, the Trudeau government mandated in the 1970s that the centre of power be partly moved to Hull. Today, a phalanx of office towers lining the river across from Parliament Hill houses the headquarters of several major federal departments and agencies, including the Canadian International Development Agency, Environment Canada and the Human Resources Development Department. In the late 1980s, the flowing granite curves of the Canadian Museum of Civilization were added to the mix.

That effort may have succeeded in better sharing the spoils of government in the National Capital Region, but it could end up being a major headache for both Quebec and the rest of Canada in the event of a split. Not only will the federal government have to deal with a radical downsizing of the public service to accom-

moderate the loss of a quarter of its clientele, it will also have to repatriate many of its key ministries and agencies that will then have their headquarters in a foreign country.

The challenge will be especially acute in the Ottawa-Hull region, but also in Montreal, which the federal government has long designated as home for several important national agencies and Crown corporations, including the Canadian Space Agency, Canadian National Railways, the National Film Board and Via Rail Canada.

In the rest of the country, the problem won't be as grave where federal employees are delivering locally needed services. But wherever national functions are fulfilled, whether it's at national defence headquarters in Ottawa or the citizenship documentation centre in Sydney, Nova Scotia, operations will have to be pared back to cope with the reduced workload.

For a Canada without Quebec, the major challenge will be to downsize the federal government to reflect the loss of a quarter of its clientele. The stakes are high. A study by consultant Marcel Côté and economist John McCallum estimated that the federal government's operating costs would be \$3 billion higher after separation because of the loss of economies of scale and the inability to reduce the costs of the federal bureaucracy. Reducing these additional costs to zero will have to be a priority for any federal government.

But this disruption will be insignificant compared to what Quebec will have to face in setting up duplicate departments and agencies for all of the functions now handled by Ottawa, from

Canada Post to national defence. (The cost of this new duplication will easily offset any savings Parizeau expects from eliminating duplication in government services now provided by both levels of government.) In addition, Quebec will face the monstrous task of integrating the federal civil servants on its territory with the existing Quebec public service, with their different cultures and contractual arrangements. This should take bureaucratic feuding and fighting to new heights.

A GIANT PAY CHEQUE

Through the civil service, Crown corporations and scores of agencies and commissions, the federal government employs secretaries, air traffic controllers, judges, food inspectors, RCMP officers, fighter pilots, CBC announcers and letter carriers. In 1993, a total of 552,000 people from coast to coast worked for the federal government in one form or another. Roughly 20 per cent or 111,500 were working in Quebec, bringing in an annual wage bill of a cool \$4.3 billion, excluding the costs of benefits and pensions.

What to do with these federal employees in Quebec and their multi-billion-dollar wage bill will likely be one of the most complex issues facing a divided Canada and a subject of difficult negotiations with Quebec. Quebec secession could leave Hull and the surrounding area, known in Quebec as the Outaouais region, an economic disaster zone comparable to Schefferville, Quebec, after corporate executive Brian Mulroney closed down the local iron mine. Ottawa would be affected as well and would have to adjust to a downsizing of its functions. But if the federal government's operations on the Hull side are repatriated to Ottawa, the

long-term impact need not be great. In addition, Ottawa could benefit from the influx of anglophones and other Quebecers leaving the province in the event of separation.

If tens of thousands of laid-off bureaucrats turn to the federal government for compensation, taxpayers across the country would be on the hook. The last thing Canadians need is to remain responsible for the salaries, pensions and benefits of tens of thousands of employees who live in a foreign country and pay taxes to a foreign government.

Every day, tens of thousands of people cross the five bridges linking Ottawa and Hull to work in the other province, not only in government but also in the private sector. Although there are big flows in both directions, more Quebecers are dependent on Ontario jobs than Ontarians are on Quebec Jobs. About 42,000 Quebecers earn their living in Ontario, while fewer than 20,000 Ontarians work in Quebec.

As to the federal government, an estimated 25,000 federal employees live on the Quebec side of the river, but only a minority of them actually work in Quebec. Most commute to federal jobs on the other side of the Ottawa River. But as they crowd into Ottawa on buses and by car, they pass 15,000 Ontarians heading to Quebec for their jobs in the federal high-rises in Hull.

A special committee of local business and government leaders that looked at the future of the Outaouais concluded in 1992 that after separation, as many as 20,000 of the 25,000 federal jobs in the Hull region would be at risk unless the Quebec government

decided on a massive relocation of its own departmental headquarters to the region. The committee also worried about the fate of the 24,000 Quebecers who work in the Ontario private sector—more than seven times the number of Ontarians who work in Quebec—if Ontario employers decided to replace them with Canadians after separation.

DON'T WORRY, SAYS THE PQ

Conscious of these concerns about massive job loss, the Parti Quebecois has done all it can for the past two decades to reassure Outaouais residents that it will take care of them come independence. The promise has been repeated by successive separatist politicians and enshrined in the party program.

The PQ program undertakes that "every member of the federal public service will be offered a position in the new Quebec public service at conditions equivalent to their current job." It also vows to make Hull one of three administrative centres for the Quebec public service, along with Montreal and Quebec City. It makes a commitment that Hull will get the decentralized operations of some unspecified government agencies and departments. Yet the program also pledges that Quebec City will house all departmental headquarters. Parizeau himself has promised a great economic boost for Quebec City as embassies and government departments flood into the city after sovereignty.

At the same time, the PQ promises that Montreal won't lose government jobs and that there will be massive decentralization to Quebec's peripheral regions. The PQ, like other political parties, has promised everything to everybody and won't be able to

deliver. The Outaouais, with its federalist voting traditions and small population base, will have trouble competing for attention with Montreal and Quebec City. It will end up the loser.

Already, there are signs that the promise to hire all federal bureaucrats in Quebec is less than it's cracked up to be. In its staff report, the Belanger-Campeau commission figured that a separate Quebec would offer jobs only to federal bureaucrats "working" in Quebec, leaving out those working in Ottawa. A consultants' report prepared for the National Assembly committee on sovereignty worked on the assumption that Quebec would offer jobs to all federal bureaucrats residing in Quebec and working in Quebec. That latter definition would exclude the close to 18,000 Quebecers who commute every day to Ottawa and the 15,000 Ontarians who work in Hull.

In calculating the cost of separation, the Belanger-Campeau report figured that an independent Quebec would have to pick up the cost of only 18 per cent of the federal public service, even though Quebec makes up 25 per cent of the Canadian population. It based its calculation on the fact that only 18 per cent of federal civil servants actually work in Quebec, which ignores the thousands of Quebecers who work in Ottawa for the federal government.

The PQ government has already begun to waffle on its promise to provide jobs to all federal public servants in Quebec. In the draft bill on sovereignty, the PQ government only says it will "give priority" to employees of the Government of Canada and its agencies who reside in Quebec in making appointments to its own public service. This is a far cry from a job guarantee.

For Canada, secession negotiations must define Quebeckers working for the federal government in the broadest way possible and make sure that the job offers go out to all Quebec residents working for the federal government, no matter where. This is the least that Canada can do for the thousands of Quebeckers who have worked loyally for it over the years. As for Ontarians working at departmental headquarters in Hull, they would presumably keep their jobs, which would move back across the river to Canada. The federal government should also demand that Quebec bear the cost of severance for any federal employees who choose to leave government rather than take a Quebec government job.

A NATIONAL PUBLIC SERVICE

Quebeckers have spent a considerable amount of time figuring out how to compensate the Outaouais for the inevitable loss of jobs after sovereignty, suggesting everything from moving Quebec agencies from Quebec City to adding hospital beds and university spaces in Hull to make sure Quebeckers don't have to "humiliate" themselves by travelling to Ottawa to get medical treatment or to study. This is a problem for Quebec taxpayers. Of more concern to Canadians are the other proposals to save jobs for Quebeckers after independence at our expense.

Maurice St.-Germain, an economist at the University of Ottawa who studied the future of the Hull region in 1992, suggests that the flow of workers between Ontario and Quebec be allowed to continue uninterrupted after separation. "Border workers could retain their respective jobs and cross the Ottawa River every day in both directions, like Canadians and Americans crossing between Windsor and Detroit, or Europeans between the

different countries of Europe . . ."

A scorched earth policy between Canada and Quebec won't help anyone. Labour mobility should remain as free as practicable between the two sovereign states, although, as St.-Germain implies, some border controls are probably inevitable. But what he fails to recognize is that freedom of movement for private-sector workers is one thing, cross-border commuting by public servants is another. The U.S. government bans non-citizens from holding public service jobs, as do most major industrialized countries. In the European Community, strict citizenship requirements are still in place when it comes to working in the public services of national governments, even though there is barrier-free mobility for other workers. Hordes of Germans aren't crossing the border every day to work in the French public service. The French wouldn't tolerate it for a minute.

St.-Germain, echoing a PQ promise, also suggests that Hull be the site of any so-called "supranational" agencies to emerge from a new economic union between Quebec and Canada, such as a joint customs administration. These agencies would be costly and unnecessary. Canada and the United States operate the biggest two-way trading relationship in the world and have no supranational bureaucracy. The same should be true of Canada and a sovereign Quebec. Even if there were any such agencies, Hull should get only a share of jobs proportional to Quebec's importance in any such relationship with Canada—about one-quarter.

The Public Service Alliance of Canada, the biggest federal public service union, has already done a lot of thinking on the sovereignty issue. The union has set up a Quebec wing based in Montreal that covers 35,000 federal public servants in the

province. Joane Hurens, vice-president of PSAC-Quebec, is sympathetic to the PQ but she's worried about the fate of her Quebec members. "If there's sovereignty, we'll adjust and we'll work with the new government." Yet she admits that there's a clear contradiction between the Parti Quebecois's promise to eliminate what it claims is costly duplication and overlap between the federal and provincial governments and its simultaneous vow to offer job guarantees to all federal civil servants in Quebec.

Hurens worries least about the fate of her members who fulfill tasks that would be equally essential in a separate Quebec. They include federal employees such as food inspectors, penitentiary workers and officials administering unemployment insurance. She even jokes that Quebec would have even more borders to patrol than it has now, and federal customs inspectors already wear blue uniforms. "All you'd need to do is change their maple leaf crests for fleur-de-lis ones."

She's a lot more preoccupied about the employees who work in the headquarters of ministries and agencies located in the National Capital Region as well as in facilities like the national cheque processing centre in Matane, Quebec. These officials are in jobs that depend on a nationwide mandate and would see their raison d'etre disappear with independence. Hurens is particularly sensitive to this issue because half her members live in the Hull region and occupy just those types of jobs. Another vulnerable group consists of Revenue Canada employees living in Quebec, whose jobs are largely duplicated by employees of Revenue Quebec, but she hopes their positions will be safe, at least through a transition phase, because governments are desperate for tax revenue. Quebec taxpayers, take heed.

Noting that the average age of her members in Quebec is more than forty-five, Hurens sees one way of slimming down the number of federal civil servants subject to transfer is to offer early retirement packages to older bureaucrats. That's fine as long as Quebec picks up the tab. When 500 Revenue Canada employees were transferred to the Quebec Revenue department a few years back as part of the agreement that provided for Quebec to collect the GST for Ottawa, it cost the federal government over \$20 million because the federal pension scheme was more generous than Quebec's.

WHAT OF THE CROWNS?

Also unclear is what responsibility a sovereign Quebec plans to take for employees of the federal Crown corporations operating within its borders. The Belanger-Campeau report sets out a list of the Crowns it would like to take, picking the best and leaving the rest for us. Some, like the Montreal Port Corporation, it would take over completely. In the case of the CBC, Canada Post, Canadian National Railways and Via Rail, the report suggests Quebec would pick up a piece of each company to protect Quebec jobs and Quebec operations. As to the Federal Business Development Bank and Canada Mortgage and Housing, Belanger-Campeau suggests that Quebec leave Ottawa with full ownership. Not only is this unacceptable from a financial point of view, but it could leave Ottawa holding the bag for thousands of Quebec-based employees in Crown corporations who should become the province's responsibility.

Take the case of the Federal Business Development Bank, currently based in Montreal, which Belanger-Campeau leaves with

Ottawa, The federal government would have to move the bank's head office back to Canada and wind down its Quebec operations, which would eventually be axed if Quebec were unwilling to keep them going. The same fate would await employees of CMHC. In all such cases, Canada should press Quebec City hard to give those employees jobs in its civil service.

In other words, Quebec can't be allowed to pick and choose when it comes to its commitments to federal employees in Quebec- All Quebec-based employees of federal agencies, departments and Crown corporations, as well as the armed forces and the RCMP, must become the responsibility of Quebec with secession.

One other Montreal-based headquarters requires special attention—the International Civil Aviation Organization. This UN agency, which employs almost 650 people at its headquarters and attracts permanent diplomatic representation from many of its 183 member nations, has been based in Montreal since it was founded in the 1940s. ICAO owes its Montreal presence to a longstanding agreement with the Canadian government under which Ottawa subsidizes 75 per cent of the rental cost for the ICAO headquarters.

Under the terms of a contract signed in late 1993, ICAO is getting a new \$100-million headquarters complex in downtown Montreal. The two buildings are being built by a real estate development firm that is leasing the building to the federal government for twenty years. Ottawa will again sublet the complex to ICAO at a bargain-basement price and gets the right to purchase the building for \$23.5 million at the end of twenty years.

Should Quebec secede, the future of the ICAO lease will be just another of the headaches facing negotiators. Canada would clearly no longer want to subsidize the headquarters of a UN agency now on foreign soil. Quebec would have to take over full financial responsibility for the lease. But it's very possible that ICAO will decide that it no longer wants to stick around in an independent Quebec and would prefer to relocate to a Canadian city. After all, Montreal's claim to be an international centre of aviation will disappear if secession results in Air Canada moving its headquarters from Montreal and in a further reduction in Montreal's international air connections. If ICAO's departure from Montreal becomes inevitable, the federal government should make every effort to convince the agency to move to a Canadian city.

As to the federal civil service. Parliament may have to take steps to ensure that these employees are citizens of Canada who reside in the country. Right now, federal law doesn't formally ban non-citizens from working for the public service, nor does it deal with residency. Instead, it grants a hiring preference to citizens over others, which essentially means that a non-citizen can't be hired unless there is no qualified Canadian available. That preference is currently being challenged in the courts under the Charter of Rights and Freedoms. As with citizenship, Parliament may be forced to rewrite public service rules to ensure that employees of the federal government and its agencies are at least residents of Canada and preferably Canadian citizens. The only way Quebecers should be able to continue to claim the right to work for the federal government after secession is to move to Canada.

Canada must take Parizeau at his word and assume that in all

but a few exceptional circumstances, Quebec will take full responsibility for the more than 100,000 Quebec residents who work for the federal government, its agencies and Crown corporations, It will be up to Quebec to provide them with jobs or offer them acceptable severance or early retirement packages. There may be cases where the federal government wants to retain select employees with special credentials, such as employees of the Space Agency. But Canada cannot afford to make any across-the-board offer to its Quebec employees to integrate them into what remains of the federal civil service. It would simply leave us with a bloated bureaucracy. The country cannot afford this.

But this is much more than simply a financial question for Canada. In a democracy, the civil service must represent the public it is serving to be seen as legitimate. That's why Ottawa has worked so hard for so long to make sure that both French- and English-speaking Canadians are well represented in the bureaucracy. This same concern has led to programs to ensure that the civil service also properly represents women and visible minorities.

The result of this official-language promotion is that 27 per cent of Canadians employed in federal institutions, including the armed forces and Crown corporations, are now francophones. In the National Capital Region, fully 39 per cent of civil service jobs are held by francophones. This is fine as long as Quebec remains part of Confederation, but once Quebec goes, official bilingualism will be dead and the Canadian government will not have to employ as many francophones to enable it to function internally and deliver government services in French. The downsizing of the francophone component of the public service should automatically follow the departure of Quebec public servants.

Western Canadians have enough doubts already about Ottawa's ability to represent their interests. Imagine how they would feel about a public service staffed by residents of a foreign country. There is no way to get around the need for a massive reduction of the Quebec element in the civil service. The simplest way to manage that difficult transition is to ensure that the Quebec government takes on responsibility for all of its future citizens who now work for federal institutions.

**FEDERAL DEPARTMENTS, AGENCIES AND MAJOR
OPERATIONS HEADQUARTERED IN QUEBEC**

Hull

Bureau of Competition Policy

Canadian Heritage

Canadian International Development Agency

Canadian Museum of Civilization

Canadian Radio-television and Telecommunications Commission

Citizenship and Immigration

Consumer and Corporate Affairs (Industry Canada)

Environment Canada

Human Resources Development

Indian and Northern Affairs

National Transportation Agency

Patent Branch

Passport Office

Public Works and Government Services

Montreal

Canadian National Railways

Canadian Space Agency

Federal Business Development Bank

International Centre for Human Rights and Democratic Development

National Film Board
Radio-Canada International
Telefilm Canada
Via Rail Canada

Other Facilities

Cheque Processing Centre, Matane
Customs Training College, Rigaud
Government Printing Plant, Hull
National Archives Storage Facility, Gatineau (Opens in 1996)
Biotechnology Research Institute, Montreal (National Research Council)
Industrial Materials Institute, Boucherville (National Research Council)
Canadian Museum of Nature, warehouse and laboratory facility, Aylmer
(announced)

CHAPTER 14

STANDING ON GUARD FOR WHOM?

Some of the liveliest speculation about the future of Quebec's relations with Canada concerns the possibility of military confrontation in the wake of Quebec secession. In these breathless accounts, Montreal becomes Belfast, or worse still, Beirut or Sarajevo. Armed bands of crazed Anglophones, supported by machine gun-toting Mohawk Warriors, declare independence on Montreal's West Island, turning the Fairview shopping centre in suburban Pointe Claire into their interim Parliament. Armed Crees seize Hydro-Quebec dams in the James Bay and start selling electricity directly to Consolidated Edison, bypassing the provincial utility. Canadian Forces in combat gear, just back from peacekeeping duty in Bosnia, are sent directly into battle in Hull as efforts are made to secure strategic bridges leading from Ottawa to the ski hills and bike trails of Gatineau Park. Inspired by the dispute between Ukrainians and Russians over the ships of Black Sea Fleet, Quebec sailors seize a Coast Guard icebreaker and begin steaming for Quebec City. Spiced up with a little love interest, this could be the start of a great made-for-TV movie.

But this remains the stuff of fiction rather than of credible speculation. Canadians are a remarkably peaceable people. Our history of civil strife is brief, more sporadic incidents than anything else. The Quebec terrorism of the 1960s and 1970s, with its boobied-trapped mailboxes, selected bombings and the murder of Pierre Laporte, was mercifully limited in its bloodshed. As for the Mohawk confrontation at Oka of 1990, it ended with a whimper, not a Waco, Texas-like conflagration that resulted in scores of dead and injured. In the historic confrontations between Quebec and the rest of Canada, we've tended to vent our anger through nasty newspaper editorials and raised voices during federal-provincial conferences. It's more likely that Canada will end, not end with the crackle of automatic weapons but with the droning of politicians, constitutional lawyers and actuaries around a mahogany boardroom table.

All this doesn't mean that military issues don't remain some of the most sensitive in any eventual negotiations between a Quebec bent on separation and the rest of Canada. Even in a country like Canada, with its decidedly unmilitaristic past, talk of defence brings together an amalgam of touchy issues -- the loyalty of armed forces personnel, the symbolic value of national sovereignty, border questions, alliances with other nations and lots of money invested in military bases and

equipment.

Let's start by discounting the possibility that Quebec secession will become an issue of grave concern to military strategists in the U.S. Pentagon. The era when the separation of Quebec might have caused military strategists in Canada and the United States to fret over the implications for North American defence are over. With the end of the Cold War and the disappearance of the Soviet nuclear threat, the strategic importance of the whole continent, and particularly its northern tier has diminished markedly. The worries that Quebec would become a "Cuba of the North" or a decidedly neutral nation refusing to take part in NATO and NORAD have also dissipated.

Like the NDP, the Parti Québécois has shed any overt anti-U.S. positions and now espouses defence policies that sound remarkably like the those of recent Canadian governments -- maintain a conventional military force that would fulfill commitments to the UN, NATO and NORAD, promote world peace, protect national sovereignty and provide aid to the civil power. Quebec may fear U.S. cultural domination, but it will be careful not to alienate the Americans on defence issues. As with free trade, Quebec separatists don't have trouble cosying up to Americans if it means moving them out of the sphere of influence of English Canadians. In the end, Jacques Parizeau will be unwilling to do anything that would upset the U.S. and threaten

the recognition he desperately craves from Washington.

QUEBEC LACKS STRATEGIC IMPORTANCE

Pentagon officials are unlikely to worry because strategically, Quebec isn't very important to the "defence" of North America in the first place. Even in the days of the Cold War, Quebec wasn't of much strategic importance. Although its land mass is large, the province has no ice-free seaports and most of its southern coastline is along the Gulf of St. Lawrence. Even after Quebec secession, entrance to the Gulf and the shipping lanes leading to Quebec City and Montreal remains under Canadian control. To the north, the Northwest Territories act as a buffer from any threat that might have once existed from over the Pole, and to the east, Labrador and Newfoundland are there as a protection against the now non-existent Soviet submarine threat. As for the St. Lawrence Seaway, its importance as a commercial waterway is in steep decline, with increasing volumes of grain moving through West Coast ports. Concerns over the strategic importance of the Seaway have long been overblown. Sinking a laker full of grain would hardly be worth the effort, because nobody would notice.

André Legault, a political scientist specializing in strategic studies at Laval University, sums up Quebec's strategic importance in this way. "If Canada is marginal, Quebec would be

even more so, because its territory will represent nothing but a simple enclave within the much larger Canadian federation."

Quebec's lack of strategic interest is reflected in the current military presence in the province. A relatively small portion of the uniformed personnel in the Canadian Forces is actually stationed in Quebec, making up about 14 per cent of the 74,000 members of the regular forces. There are only a few large Quebec bases -- the land bases in St-Hubert and Valcartier, the supply depot in Longue Pointe in east-end Montreal and the air force base at Bagotville. There are no naval bases in Quebec although there are several naval reserve units. Added to these Quebec-based regular forces are more than 15,000 reservists and several thousand civilian personnel.

The Bélanger-Campeau Commission used the fact that Quebec has few bases and relatively few soldiers in the province to justify its claim that it is responsible for only 14.5 per cent of the budget of National Defence. These calculations leave out the operations of National Defence headquarters in Ottawa and all the Quebec residents who work there. It also assumes that Quebec gains in no way from the role of the Navy, for example, since naval operations are based in the Atlantic provinces or British Columbia. Using the same logic, Prince Edward Islanders shouldn't have to pay for any share of the national defence budget, because CFB Summerside has been shut down and the province no longer has

a military base. The Bélanger-Campeau calculation serves the separatists well by allowing them to show that the cost of a Quebec army would be small.

A MODEST ARMY

Although the PQ has seldom shown much interest in defence and strategic issues, party policy does call for establishment of a Quebec army after independence. Jacques Parizeau has said that it's essential for a separate Quebec to have its own army and it would be absurd to delegate these responsibilities to a joint Canada-Quebec force. "It's fundamental that Quebec have its own armed forces. An army whose loyalty is to the nation becomes a support for democratic life." He insists that a Quebec army would be modest in its goals and would first respond to domestic security needs, like the Oka crisis, where close to 4,000 members of the Canadian armed forces were called in. It would also exercise Quebec sovereignty over the North, patrol Quebec's coastline, and protect the fishery.

Quebec's own military needs after sovereignty will probably be limited to some land forces that could provide aid to the civil power and some maritime surveillance capability on the St. Lawrence River. Quebec already has the nucleus of a small army with the brigade based at Valcartier near Quebec City. But Legault says that if Quebec wants to simply protect its own

sovereignty, it doesn't need two squadrons of CF-18 fighters at Bagotville. It could acquire a small number of more modest planes. When it comes to Maritime defence, Quebec could build for itself some small vessels to patrol the Gulf of St. Lawrence that wouldn't need the elaborate anti-submarine capability of Canada's new frigates.

For a Canada without Quebec, the military question has to be asked in terms of each of the three components of the armed forces, according to Joseph T. Jockel, director of the Canada Project at the Centre for Strategic and International Studies in Washington. For the navy, separation wouldn't cause much of an issue, because it's based on the two coasts with no substantial installations in Quebec except for the naval reserve headquarters in Quebec City. It becomes a bit touchier when it comes to the army, Canada would lose one-third of its effective force if the 5th brigade at Valcartier were to become the basis for a Quebec land force.

But it's the future of CFB Bagotville, in the Saguenay-Lac St. Jean region, that raises the touchiest questions. With the full withdrawal of Canadian Forces from Europe, the base is one of only two remaining homes for Canada's fleet of CF-18 fighters, the other being in Cold Lake, Alberta. From Bagotville, two squadrons of CF-18s, totaling 36 aircraft, provide interceptor capability for the eastern half of the country including the Far

North. Another 65 CF-18s are based at Cold Lake and another 20 or so are undergoing overhaul work or are in storage at any one time.

The work carried out by the aircraft at Bagotville would have to be reassigned to the base at Goose Bay, Labrador, or elsewhere because their coastal and other surveillance work would have to continue. If Quebec were to keep the CF-18s, the issue would be complicated by the fact that all the CF-18s across the country are commanded from Fighter Group headquarters in North Bay, Ontario. It seems unlikely the armed forces of a newly independent Quebec would want to be taking orders from their old colleagues. As Jockel points out, "How would Quebec man, train, and maintain what would be, in effect, a small piece spun off from a larger air defence force? Whose aircraft would be responsible for air defence operations in Atlantic Canada? Would Quebec build its own air defence control center, or would it propose that North Bay become a joint Canada-Quebec control center? If Quebec opted for its own center, would Canada be obliged to create duplicate facilities in Atlantic Canada?"

Any decision on the CF-18s will be tied up with the future of NORAD. Jockel has speculated that the U.S. might prefer dissolving NORAD rather than be forced to reorganize it to include Quebec as a third member. Jockel argues that the need for a joint command with operational control over all North American

air defence is disappearing. Norad could simply be replaced with an arrangements between Canada, the U.S., and perhaps Quebec, to share military information and draw up joint plans. Jockel says that from the viewpoint of military efficiency, the CF-18s would be best operated jointly by Quebec and Canada but politically that might not be acceptable to either side.

One risk that Quebec faces in proposing a modest military is of being accused not only by Canada but by the U.S. of being a defence freeloader, unwilling to bear its fair share of North American defence costs but happy to take advantage of the collective security umbrella.

A QUESTION OF LOYALTY

Perhaps the most tricky issue will be the future of Quebecers serving in the Canadian armed forces. Where will there loyalty be? To Canada or the new Quebec state? Harriett Critchley, director of the Military and Strategic Studies Programme at University of Calgary, argues that Quebec separation would require the disbandment or relocation to Canada of all the elements of the Canadian Forces currently in Quebec as well as the disbandment of all reserve and militia forces in the province. Then would come the sensitive issues of what to do with the members of the forces who would wish to remain loyal to Canada.

Figuring out what to do with members of the armed forces is not as simple as deciding on the fate of federal civil servants in Quebec. Soldiers have committed themselves to fight for their country and can't be expected to switch allegiances and fight for another country simply following the results of a referendum. It's clear that some members of the Forces would see no problem in joining Quebec's own military but many others, perhaps the majority, might wish to stay with Canada. In the aftermath of the breakup of Czechoslovakia, about two-thirds of Slovak military officers actually opted for Czech citizenship.

This will be particularly sensitive because Quebeckers make up such a big part of the armed forces. While Bélanger-Campeau emphasized the fact that only about 14 per cent of the regular forces are based in Quebec, the commission conveniently overlooked the fact that fully 28.5 per cent of the armed forces, 21,236 men and women, are Quebeckers by birth. These Quebeckers serve the armed forces not only in Quebec but across the country. If a separate Quebec were to spend only 14.5 per cent of the \$10.8-billion a year that Ottawa spends on Defence now, Canada will be left with an armed forces that is heavily overstaffed, particularly with Quebec-born soldiers.

Although Canadians would probably prefer to see Quebeckers in the armed forces remain loyal to Canada, if all these soldiers, sailors and airmen do opt for Canada, it could cause

considerable difficulty. Not only would it impose a financial burden on Canada, which will be forced to carry a military after losing almost one-quarter of its GDP, but it could result in the anomaly of having the country defended by soldiers from an a now-independent Quebec. Solutions will not be easy to find.

With Quebec's minimal defence requirements, there has been speculation that the newly-independent state might be content to leave defence in the hands of Canada or propose a form of joint management of the armed forces. Quebec might pass up on setting up its own armed forces to save money and to assure Canada and the U.S. of its reliability.

Even if Quebec wanted joint management of the armed forces, the rest of the country would be unwilling to do so if the split were in any way acrimonious. We believe that the chances of any joint Canada-Quebec institutional arrangements after separation would be slim. That would be particularly the case when it comes to the military. Imagine if Quebec natives were engaged in an Oka-style revolt against a sovereign Quebec and Canadian soldiers were forced to intervene as part of a shared Canada-Quebec military operation. It would place Canada in an impossible position. After splitting the country in two and dickering over who owns what and who owes what, it would be healthier for both countries to keep their armed forces distinctly separate. Cooperation would be desirable but forget about a joint command or

jointly-run units.

DEFENCE INDUSTRY AT RISK

If Quebec decides to have a modest military, it runs one major risk -- threatening the future of its defence industries. Many of Canada's largest defence contractors are based in Quebec, and have long been supported by federal contracts and generous research and development funding. In aerospace alone, Quebec is home to 45 per cent of Canada's \$9-billion a year industry, which provides about 25,000 high-paying high-skilled jobs in the province. Although the aerospace industry is now primarily civilian in its orientation, defence contracts still account for roughly 30 per cent of the industry's output.

Quebec is the location for some of Canada's major aerospace businesses including Bombardier Inc. and its Canadair division; Canadian Marconi Co., Bell Helicopter Textron Canada Ltd., Pratt & Whitney Canada, Oerlikon Aerospace Inc., Unisys GSG Canada Inc. (formerly Paramax Electronics), Rolls-Royce Canada Ltd. and the CAE Electronics unit of CAE Inc. Companies like Oerlikon Aerospace and Bell Helicopter wouldn't even be in Quebec in the first place if it weren't for federal contracts and grants. And this list doesn't include a range of other defence-related businesses in Quebec, including MIL-Davie Inc., the shipyard near Quebec City; Expro Chemical Products Ltd., which makes

explosives; and the munitions division of SNC-Lavalin Group Inc.

With Quebec out of Canada, Canadair's controversial contract for maintenance of the CF-18 fighters, which is handled out of Canadair's Mirabel facility, would have to be withdrawn or allowed to lapse when it expires. Canada's fighters could hardly be maintained in a foreign country. That would give Winnipeg's Bristol Aerospace a second chance to get the contract that most Westerners believe was stolen from them to begin with. And MIL-Davie, Quebec, shipyard which has survived on federal contracts and handouts for years, will have to turn to Quebec for help. Some defence contractors will likely decide to move out of Quebec to satisfy requirements of their major customer, the government of Canada, for production in Canada. Others may rethink the future of their entire Canadian operations. Canada's job will be to make sure that if companies and their employees are going to leave Quebec, they'll head to Ontario, British Columbia or Nova Scotia and not south to Ohio or Kentucky.

Not only would Quebec have trouble keeping Canadian defence contracts, it would have trouble with its U.S. defence business as well. Canada has long had defence production sharing arrangements with the U.S., which allow Canadian companies to bid on U.S. defence contracts and participate in the development of American defence systems. In return, Canada procures much of its defence requirements south of the border. In the aerospace

business alone, exports accounts for about half of the defence component for Canada, with most going to the U.S. A Quebec aerospace company like Héroux Inc. depends heavily on the U.S. air force for helicopter repair and overhaul business under the defence production sharing arrangements.

Once Quebec secedes, it will have to negotiate defence production and development arrangements with both Canada and the U.S. Otherwise, it risks being shut out of lucrative contracts. The problem for Quebec in getting new defence-sharing arrangements is that to profit from these deals, you have to be a substantial purchaser of military hardware yourself. "You've got to buy something to be in the game," says one industry official. With Quebec facing big budgetary problems and with little commitment on the part of the PQ to a significant military presence, the prospect of big defence procurement contracts will be limited.

Canada, as well, will have fewer goodies to offer defence contractors. With 25 per cent of its population gone and almost as much of its tax revenue also lost, Ottawa will be forced to extend the cuts that the military has been undergoing for several years. With the shrinking of its military budget, Canada will probably have to reduce its overseas commitments to peacekeeping and humanitarian efforts. In addition to the financial constraints that secession and the subsequent reorganization of

the Armed Forces will bring on, the very act of dividing the country will probably make Canadians more conscious of the need to assure national sovereignty first, before committing too many resources abroad. And resources will be stretched due to the simple fact that Canada will retain a huge coastline to patrol and will have to maintain a credible presence in a geographically-partitioned country.

The division of military equipment could be sticky and there is the opportunity for swapping equipment. Although location is generally the best indicator for division of these kind of assets, this isn't simply a question of dickering over the ownership of several hundred computers or a fleet of cars. Assets like ships and fighter aircraft are not only expensive, they have strategic value and they may not suit each side's particular needs. If Quebec inherits everything associated with the current military bases in the province, its land forces would be well-equipped and have access to three transport helicopter squadrons. But it will lack aircraft for search and rescue, maritime patrol and large transport operations, like Hercules aircraft. Canada's fleet of 12 frigates, to be all delivered by 1996, are based on the two coasts with none in Quebec. But with Quebec having no coastline to speak of and no desire for a blue-sea navy, it will probably be happy not to inherit any.

Although the knee-jerk reaction might be to fly all of the

CF-18s from Bagotville to Cold Lake on the eve of secession, this might not prove to be a wise course of action. The value of this equipment will likely be accounted for in the division of assets and liabilities and Canada might be better off getting these planes off our backs. Since the withdrawal of CF-18s from Europe, the armed forces has an oversupply of the planes. In any division of assets after separation, Canada may prefer to leave with Quebec the CF-18s and the problem of figuring out what to do with them. As for surveillance duties now handled out of Bagotville, we could probably handle them from Goose Bay, Iqaluit and elsewhere in eastern Canada, using the remaining 90 or so CF-18s with the Forces.

The prospects of dividing the armed forces will be a huge challenge. It will require downsizing throughout the forces, more drastic than through all the years of budget-cutting, and starting from the top at National Defence Headquarters. Otherwise, the overhead costs will hinder Canada from having a military that will be able to respond to real needs, whether in Rwanda or in case of a natural disaster at home.

PART 3

CANADA IN THE DIVIDED HOUSE

CHAPTER 15

HOW WILL WE FARE?

"How will we fare?" is the most important question on the minds of most Canadians when faced with the prospects of Quebec separation. We have heard much about the calamitous economic consequences independence will have for Quebec and we fear that the rest of Canada will be similarly affected. Quebec's separation will undoubtedly send a shock wave reverberating through financial markets. A run on the Canadian dollar and an upsurge of interest rates could lead to cutbacks in investment and consumer spending. Skillful damage control and good economic management will be required to get through the difficult transition period without a recession.

We have many strengths that will enable us to weather the storm and to build a strong future, but how we fare depends on how we react and what we do. If we let ourselves be guided by spite, we can turn a perilous situation into an economic disaster. If we follow our self-interest dispassionately, we have a reasonable chance of surviving the difficult transition period without major disruptions. In the long run, we can actually benefit.

LOST INTERNATIONAL STATURE

With a quarter less people and a GDP that would be more than 23-per-cent lower, we have to face the unpleasant reality that a Canada without Quebec would not carry the same economic and political weight internationally. A new Canada would no longer have the seventh largest economy among the industrialized nations belonging to the Organization for Economic Co-operation and Development, but would fall to the eighth position, after Spain.

The significance of this downgrading is difficult to assess. Canada has taken considerable pride in its membership in the G7, the group of seven leading industrialized countries. Brian Mulroney, in particular, always took great pleasure in hobnobbing with the likes of George Bush and François Mitterrand. Yet Canada became a member of this elite club almost as an afterthought. When the G7 was formed in 1975, it wasn't even asked to join. Canada was eventually brought in a year later at the insistence of the United States, as a counterweight to the heavy European representation.

Still anxious to keep the G7 from turning into a European-dominated club, the United States would probably not welcome Spain as a G7 member simply because its economy had become larger than Canada's. However, there could be pressure to drop Canada without adding Spain. In any event, Canada's participation in the

G7 which is now marginal at best would become further marginalized.

Canada would also become a slightly less important player in other important international organizations such as the GATT, the IMF, the World Bank and the OECD. But this is unlikely to make a great difference in our ability to defend our interests in the international arena.

Potentially as important as our lost stature in the international community would be the weakening of our bargaining position with the United States. Canada currently has more than 170 treaties governing its relations with the U.S.A. As Quebec would have to negotiate a similar complex web of treaties or to seek to adopt existing treaties, American negotiators would have their hands full just dealing with Quebecers. This could make it more difficult to get them to focus on our evolving priorities.

ECONOMIC IMPACTS

Most of the studies on the consequences of separation have traditionally emphasized the effects of a split on Quebec, especially those undertaken in the province itself. What would happen in the rest of Canada has always been of secondary interest. Even English-Canadian studies that have been conducted from a federalist viewpoint have tended to emphasize the impact

on Quebec, in part to show Quebeckers how damaging the split would be.

Yet there have been a few efforts to quantify the impact on the rest of Canada of such a split. The Economic Council of Canada's annual review, before the Council was chopped by the Tories in an austerity move in 1992, looked at what would happen if Quebec seceded and was given control over all the programs provided to Quebeckers by the federal government and over all federal tax revenues paid by Quebeckers. The Economic Council estimated that this would have a negligible positive impact on the rest of Canada.

In contrast, the Royal Bank of Canada predicted a disaster. Immediately before the 1992 referendum on the Charlottetown Accord, the Economics Department of the Royal Bank stepped boldly into the fray with a prediction that if Quebec were to separate, investment would fall sharply in the two years after the split and then only recover slowly. Eight years after breakup, economic activity would be an astonishing 18 per cent lower than otherwise and per-capita income 15 per cent lower. The annual income loss would be \$3,900 for each Canadian or \$10,140 per household. Unemployment would be 3 to 4 percentage points higher and 630,000 Canadians would have emigrated. This would be an economic catastrophe of the first order for Canada.

Fortunately, the Royal Bank's doomsday predictions are totally unbelievable. No other reputable economists have forecast an impact even close to this. No one has even predicted such a large impact on Quebec, where most economists agree that the impact would be concentrated. The estimates for the decrease in GDP in Quebec range from negligible to as much as 10 per cent.

At the low end of the estimates for the impact on Quebec is the ever optimistic Bélanger-Campeau commission, which argued that the costs of sovereignty for Quebec would be minimal if reason prevailed in economic relations with the rest of Canada.

Economist Pierre Fortin of the University of Quebec at Montreal estimates that the Quebec economy would only decline 2 per cent and unemployment would rise 1 percentage point. The Economic Council has estimated that Quebec would see a drop of 1.4 to 3.5 per cent in its GDP, equivalent to another small recession. At the high end, are two independent estimates prepared by Patrick Grady and by Marcel Côté and John McCallum, both of which call for substantial declines in Quebec output of 5 to 10 per cent of GDP.

If the impact in Quebec, where effects of separation would be concentrated, were at the very most 5 to 10 per cent of GDP, how could the impact in Canada as a whole possibly be as large as 18 per cent of GDP as the Royal Bank has suggested? And where

would the 630,000 people leaving Canada go? After all, it's not that easy to get a green card to work in the United States.

If we were to appoint an English Canadian commission to estimate the cost of Quebec separation to the rest of Canada, it would probably conclude that in the short run (say one to three years) the transitional costs will be small if reasonable economic relations are established between the two sides, and that in the longer run there could even be economic benefits.

FISCAL BENEFITS

As a less well-off province, Quebec has long benefitted from inflows of money from the federal government and taxpayers in the rest of Canada. Most beneficial is the equalization program, which provides billions of dollars every year so that "provincial governments have sufficient revenues to provide reasonably comparable levels of public services at reasonably comparable levels of taxation." In the 1994-95 fiscal year, Quebec receives \$3.9 billion in equalization payments from the federal treasury. That's over 45 per cent of the total of \$8.5 billion of such payments going to the seven poorest provinces. Ontario, British Columbia and Alberta, the provinces in which almost 80 per cent of the Canadian population outside of Quebec lives, don't get a cent in equalization.

The Canada Assistance Plan is another program where Quebec gets more than its per-capita share of federal funds. The plan was originally designed to pay half of the cost of welfare programs in all provinces but, as an austerity measure, growth of the payments to the three richest provinces has been capped at 5 per cent per year since 1992. As a result, Ontario, and British Columbia get less than half of their social assistance spending covered by the federal government. Ontario feels especially hard done-by because the federal government now pays only 29 per cent of its welfare costs, while it still pays 50 per cent in the equalization-receiving provinces. This costs Ontario \$1.7 billion in 1994-95. Alberta still gets back 50 per cent of its spending on social welfare from the federal government but only because it has made draconian cuts in its expenditures. Because Quebec is the biggest of the poorer provinces, it now accounts for 34.6-per-cent of all the money Ottawa spends under the Canada Assistance Plan.

Though other payments by Ottawa for areas like health and education go equally to all the provinces, both have and have-not, because of its large share of equalization and Canada Assistance Plan payments, Quebec manages to account for 31.4 per cent of all major federal transfer payments to the provinces, even though it makes up less than 25 per cent of the population.

Unemployment insurance is another federal program where

Quebec gets more from Ottawa than it pays in. That's because Quebec has had a chronically higher unemployment rate than the national average. In 1993 alone, Quebeckers and their employers paid \$4.4 billion in UI premiums while receiving \$5.5 billion in benefit payments, for a net benefit of \$1.1 billion. We are, of course, neglecting many smaller programs where Quebec gets less than its share as the Bloc Québécois will be quick to remind us. Grain subsidies and R&D support are two areas often cited. But it is the big programs that count most in the overall balance of benefits.

One smaller program benefiting Quebec that is a particular irritant to other provinces is the Canada-Quebec Accord on immigration, which guarantees Quebec in perpetuity at least \$90 million per year to settle and train immigrants. This amount currently accounts for a third of the total federal government money allocated for immigrant settlement and integration services even though Quebec took in only 18 per cent of immigrants in 1993. Ontario, on the other hand, takes in 55 per cent of immigrants and gets the same amount - \$90 million. The provinces like Ontario and British Columbia that are receiving the lion's share of immigration do not have the funds needed to facilitate integration into Canadian society.

The income tax system also works to Quebec's advantage. Because personal income tax takes a larger percentage of earnings

as incomes rise and because Quebecers have lower average incomes than other Canadians, they pay less in federal taxes as a group than their population share. In 1992, Quebecers contributed less than 23 per cent of federal revenues, while accounting for more than 25 per cent of the population.

Estimating Quebec's net balance out of Confederation--whether it takes out more out of the federal government than it puts in--is a very difficult exercise. It involves complex and sometimes arbitrary assumptions about how you treat the federal deficit and where taxes are actually paid. For example, the deficit is usually treated as a deferred tax and sales taxes like the GST are allocated to the province that consumes the taxed goods rather than the province that produces the goods. Still, there is a consensus among economists that Quebec takes more money out of Confederation than it puts in. Even the Bélanger-Campeau commission itself estimated that Quebec received a net fiscal benefit of \$2.7 billion or \$409 for every man, woman and child in 1988. The Fraser Institute, in its *Government Spending Facts Two* estimated that Quebec's net current fiscal benefit was \$696 per capita in 1990. This works out to a hefty \$4.9 billion per year.

Successive federal governments under both Liberal Pierre Trudeau and Conservative Brian Mulroney have spent heavily in the regions. This has been influenced by the large contingents of

Quebec MPs, who always managed to sit on the government side of the House, and who have a big stake in federal largesse. The Quebec caucus has been particularly adept at using its political weight, which has in turn led Ottawa to do likewise in other regions. The result has been the spending of billions on projects from the Hibernia oil development, to Mirabel airport in Quebec and oil upgraders in Saskatchewan, which has only exacerbated Canada's deficit and debt problems.

While Quebec is only one of seven recipients of equalization payments, it is by far the most politically influential. Concerns have been voiced in the Atlantic provinces as well as in Manitoba and Saskatchewan about their continued access to federal transfer payments if Quebec secedes. The worry is that with Quebec gone, the political will in the three richer provinces to support these payments may also disappear. These fears are probably exaggerated. For one thing, the constitution commits the federal government to the principle of equalization. And there has been no indication that residents in the Ontario, Alberta and British Columbia are any less committed to helping their less affluent cousins than they ever have been. (Mobility in Canada is such that a large percentage of Westerners probably came from back east in any case.) In fact, with Quebec gone, the federal government would be better able to afford continuing to pay equalization and other transfer payments to the other poorer provinces.

There's a final fiscal advantage for the rest of Canada in the event of Quebec separation. If Quebec were to separate taking along its quarter share of the debt, the rest of Canada would have to shoulder a debt that would be a bit lighter to carry. (Net debt would fall from \$547.9 billion or 73.6 per cent of GDP to \$411.5 billion or 71.4 per cent of GDP.) This would make Canada more creditworthy and slightly lower the interest rates that have to be paid to bondholders. Over time, the burden of this debt for Canada would fall because growth of both population and the economy would likely continue to be faster than in Quebec as it has been for the past 20 years.

As for Quebec, its newly-acquired \$136.4-billion share of the national debt would come on top of its existing provincial debt of \$66-billion. Quebec is already the fourth highest indebted province (as a percentage of GDP) after Newfoundland, Saskatchewan and Nova Scotia. Its credit rating is already lower than that of the federal government and of Ontario, British Columbia and New Brunswick. Taking on this new debt would make the split decidedly more difficult and costly for Quebec than for the rest of Canada. But this would be Quebec's problem, not ours.

Canada's federal deficit would be lower if Quebec were to separate (even assuming unchanged interest rates) because Quebec would no longer gain a net fiscal benefit from the federal

government and would assume a heavier debt burden. By subtracting Quebec's share of the various federal government revenues and expenditures, we can roughly estimate that the federal deficit in the current fiscal year 1994-95 would fall from \$39.7 billion or 5.3 per cent of GDP to \$27 billion or 4.7 per cent of GDP. The Government of Quebec, on the other hand, would find that the extra revenues it would take over from the federal government would be \$12.7 billion less than the additional expenditures it would inherit. This initial deficit would, of course, be unsustainable and have to be offset through huge spending cuts and tax hikes. Quebeckers expecting separation to solve their financial problems would be severely disappointed.

The elimination of the duplication and overlap of federal and provincial programs would make a much smaller contribution to deficit reduction than professed by separatists. While Jacques Parizeau claimed savings of as high as \$3 billion during the Quebec election, Daniel Johnson only conceded savings of \$500 million based on government studies.

But let's not become too complacent in comparing our fiscal position with Quebec's. Even with Quebec gone, Canada would still be one of the most highly indebted states in the industrialized world. Only Italy, Belgium, Greece, and Sweden would have higher higher debt in relation to GDP.

TRADE

In contrast to fiscal relations, which is our strong suit, trade is a vulnerable area for both partners. If the separation of Quebec is allowed to disrupt trade flows, it would hurt the Canadian economy, perhaps seriously. Investors would likely look south for better and more secure opportunities. Ontario and the Atlantic provinces would be the most affected by any disruption in trade because of their greater dependence on trade with Quebec (7 1/2 to 8 1/2 per cent of all manufacturers' shipments from the Atlantic provinces and Ontario went to Quebec in 1989). The Atlantic provinces would also be vulnerable to any obstacles that Quebec might set up on trade flows between the Atlantic provinces and the rest of Canada if relations ever became acrimonious. But not so vulnerable as Quebec which ships over 29 per cent of its manufactured shipments to the rest of Canada. On the other hand, the Prairies and British Columbia would hardly notice a ripple even if there were huge dislocations in Quebec trade flows because only 3.8 per cent of manufacturers' shipments from the Prairies and a meagre 1.6 per cent from British Columbia go to Quebec.

The secession of Quebec need not automatically bring interruptions in trade in its wake. The speedy conclusion of a mutually beneficial trading agreement could preserve good trade relations and prevent any disruptions. An agreement on the right

of passage through Quebec of shipments from Western Canada and Ontario to the Atlantic provinces would also go some way to reassuring those in the east who fear that they will be cut off from the rest of Canada.

In the longer run, a Canada without Quebec would be able to pursue a more aggressive trade liberalization policy. The highly protected and vocal Quebec textile, clothing, footwear, and dairy industries would no longer be a force holding back future trade negotiations. There would also be an opportunity to get a better deal for Newfoundland on the sale of Churchill Falls power by threatening to turn off the switch.

ANGLOPHONE MIGRANTS

Quebec anglophones are the most highly mobile group in Quebec society, being able to fit right in immediately wherever they move in English-speaking North America. Since the Second World War, Quebec anglophones have been 10 to 15 times more likely to leave Quebec than francophones. As Quebec anglophones are also adamantly opposed to Quebec separation, they are likely to vote with their feet if Quebec secedes. In the five years after the first PQ election victory in 1976, there was a net loss of 106,300 anglophones. While Quebec's anglophone population has continued to dwindle, with a net loss of 41,600 from 1981 to 1986 and 22,200 from 1986 to 1991, there were still 626,000

anglophones in Quebec in 1991. But an April 1991 survey revealed that almost half of these intended to leave if Quebec were to become independent.

Anglophone newcomers from Quebec are uniquely poised to make an immediate and important contribution to the economy of the rest of Canada. They are highly educated and skilled. More than half the anglophones aged 25 to 44 years who left Quebec between 1981 and 1986 had university degrees. They are already fluent in English. And many bring their high-paying jobs with them, especially if they are part of a corporate move.

There has been an exodus of head offices of English-Canadian companies (or most of their functions) out of Quebec for many years. Companies like Northern Telecom, Sun Life Assurance, the Molson Companies, Royal Bank of Canada and the Bank of Montreal have all moved most or all of their headquarters to Toronto, even if some still have their legal head offices in Montreal. Some of these companies went with fanfare; some stealthily in the dead of night. If Quebec separates, most of the remaining English-Canadian companies will probably also leave, either because of legislative requirements or a simple business choice.

Canadian Crown corporations headquartered in Montreal could be directed to pull up stakes. Canadian National Railways has 2,900 head-office staff at its headquarters, while VIA Rail has

roughly 700 employees. Private corporations in the transportation field like Air Canada and CP Rail would be required to move their head offices to Canada by federal legislation.

Canadian financial institutions or their holding companies located in Montreal, such as Power Corporation and Imasco, could be forced to leave to comply with federal legislation governing financial institutions. The Royal Bank still has a 1,200 head-office staff housed in Montreal's Place Ville Marie. Purdy Crawford, the chairman of Imasco Ltd., the tobacco conglomerate and parent of Canada Trust, has gone on record as saying that if Quebec were to separate, his company would have to consider moving its head office out of Montreal.

Canadian federally regulated telecommunication firms and their holding companies are also subject to restrictions on ownership. The most important telecommunication firms in Montreal are BCE Inc, its subsidiary Bell Canada, and Teleglobe Canada. Red Wilson, BCE's Chairman and CEO was quoted in the October 1994 *Globe and Mail Report on Business Magazine* as saying, "BCE is a Canadian company under the Canadian Business Corporations Act and would therefore be located in Canada." Bell Canada itself would have to be split so that its Ontario and Quebec telecommunications businesses could be regulated separately.

There are also a few other Pan-Canadian or international

companies still domiciled in Montreal that might find a separate Quebec to be too small of a base for their Canadian or world-wide operations. The largest of these is Alcan Aluminium Ltd., which has always hesitated to leave Quebec because it benefits from low power costs at its Quebec smelters, where it owns its own hydro dams. If these companies decide to move, let us make sure it is not to the United States. We have already mentioned that pharmaceutical and defence-related businesses might see the advantage of moving as well. In addition, there are dozens of other smaller, but not unimportant pan-Canadian companies such as Zellers, Reitmans and Chateau Stores that may find it difficult to remain based in a separate Quebec.

OPPORTUNITIES FOR TORONTO

Toronto and Montreal have long vied for the position of Canada's major metropolis. Montreal was originally much more important. Once the centre of the fur trade and the head office for the building of the trans-continental railway, Montreal occupied the position as the country's leading transportation and financial hub until supplanted by Toronto following the Second World War.

The growth in north-south trade and post-war immigration favoured the expansion of Ontario and Toronto. The climate of political uncertainty following the election of the PQ in 1976

and the 1980 referendum contributed dramatically to the shift of the head offices of major corporations from Montreal to Toronto.

The separation of Quebec from Canada would reinforce Toronto's position as Canada's dominant metropolitan centre. Indeed, with Montreal removed from Canada and its remaining links with the Canadian hinterland weakened, there would be no challengers. Toronto would be the logical destination for any migrating head offices to go. These head offices would bring with them the need for an expansion of key support areas such as financial, accounting, legal and other business services, resulting in many spin-offs to the local economy.

If Montreal were no longer part of Canada, the federal government would no longer need to even the playing field by favouring Montreal over Toronto. Admittedly unsuccessful initiatives such as the establishment of World Financial Centres in Montreal and Vancouver would be abolished. Toronto and Western Canadian consulting engineers would no longer have to compete with Montreal's politically well-connected SNC-Lavalin for their share of the federal government largesse provided through the Export Development Corporation and the Canadian International Development Agency.

The Toronto Stock Exchange and the Toronto securities industry would benefit from reduced competition from the Montreal

Stock Exchange and Montreal investment dealers if Quebec were to separate. Montreal's strong position in Canadian financial futures and options would be vulnerable.

GREATER COHESIVENESS

A Canada without Quebec would be a much more cohesive and governable political entity. The incessant wrangling over Quebec's place in Confederation would be over, once and for all. The provinces could be expected to participate whenever a federal provincial meeting was called, without constantly worrying about whether Quebec would boycott the meeting for one reason or another. Federal proposals could be judged on their merits rather on the basis of whether they increased or decreased provincial, particularly Quebec, government powers. It is sad to say, but we would be in a much better position to make the difficult decisions required to deal with the economic and social problems facing Canada today.

CHAPTER 16

DON'T GIVE UP ON CANADA

Quebec separatists have long accused federalists of conducting a fear campaign against their dream of a sovereign nation aimed at striking terror into the hearts of Quebecers that their old-age pensions might be cut off or that their standard of living would plummet. This threat has been made for so long that many Quebecers discount such gloom-and-doom economic scenarios as political manipulation even when there is something real to fear.

Ironically, Canadians in the rest of the country who sincerely want Canada to stay united have also been subject to a type of scare campaign, though it has not been based primarily on economics. Instead, it feeds on English-Canadian self-doubt.

The rest of Canada will never survive Quebec's departure, we are told. Not only will we suffer economically, but our will to hold together as a country will be destroyed forever. Quebec is what keeps us distinctive. Quebec, even though it has been threatening to secede for twenty-five years, keeps us united.

In recent years, this fear campaign has convinced many Canadians that they have to accommodate Quebec's demands even if they don't

really think them a good idea. This was the "logic" used by Brian Mulroney and his allies in the referendum campaign on the Charlottetown accord. Agree to this constitutional concoction and Quebec might be satisfied, at least for a few years. Refuse it and risk Armageddon. Remember those threatening television ads of a pot boiling over on a hot stove, the image of Canada's fate if we voted no?

Canadians didn't buy that line during the debate on the accord, probably in part because it was being sold to them by an unpopular Brian Mulroney. Yet the fear that Canada will somehow collapse if Quebec ever separates is still felt profoundly by many Canadians. With Quebec gone, won't those wealthy Albertans and Ontarians simply cast the Atlantic provinces off like poor relatives they're tired of supporting? With Quebec gone, why would the West want to remain in a country dominated by Ontario?

The fear of a rapacious United States is also usually served up. A Canada without Quebec will never resist the tug of union with the United States, we are told repeatedly. Without the French fact, Ontario is no different from Michigan and Alberta is indistinguishable from Montana. "What are we going to do? Form our own country?" was the plaintive cry of former Nova Scotia premier John Buchanan in 1990 when the threat of Quebec separation seemed imminent. "That's absurd. Stay as a fractured part of Canada? A good possibility, but that's all. Or be part of the

United States? There's no choice."

If it's not union with the United States, then there are those who speak of sovereignty for everyone. British Columbia and Alberta will be making their own unilateral declarations of independence within months and Ontario will be right behind. As for Manitoba, Saskatchewan and the four Atlantic provinces, they'll be left as orphans.

The problem with all these scenarios is that they shortchange Canada and shortchange us as a people. There is no doubt that Quebec has been an integral part of Canada politically, economically and culturally since its inception, that Canada would be damaged politically, economically and psychologically by Quebec separation. But if Quebec goes, there will still be a Canada, a perfectly viable country of 22 million people with a common set of shared values and a desire to live together. Quebec has no desire to take our defining symbols and institutions with it when it goes. We will still have the maple leaf flag, the RCMP, the CBC and even the industrious beaver. Canadian literature and arts will still flourish. The Canadian landscape will be just as awe-inspiring as it was when first captured on canvas by the Group of Seven. Canadians will still be the best hockey players in the world. Companies like Northern Telecom will still be among the world's most technologically advanced. In

their day-to-day lives, most ordinary Canadians, from Vancouver to St. John's, will not even notice that Quebec is gone.

What Canadians desire most is for Canada to remain united. A 1990 Canadian Facts/Globe and Mail public opinion poll, taken in the emotional aftermath of the collapse of the Meech Lake accord, found that 93.6 per cent of Canadians outside Quebec wanted Canada to remain as an independent country if Quebec separated. The strongest sentiment in favour of Canada's staying together came not from Ontario but from the farthest reaches of the country, in British Columbia and the Atlantic provinces. Only 3.6 per cent of all Canadians wanted Canada to join the United States.

Even Jacques Parizeau has more faith in Canada than many of us do. He told Laurence Richard, "Many people who don't know English Canadians tell themselves that Canada is an artificial country, and if Quebec leaves, all the other pieces will fall. This never seemed to be believable to me. There will certainly be people who favor annexation to the United States, But I'm not sure this will happen. In fact, I'm convinced of just the opposite."

The Atlantic provinces, which will feel most isolated by Quebec separation, might be inclined to explore their prospects in joining up with New England. But they will quickly realize

that they are better off remaining part of Canada. Atlantic Canadians will be in for a rude shock when they realize that equalization payments and regional development aren't part of the American way. The American response to regional inequalities has been depopulation. If you want proof, visit North Dakota or the northern part of Maine sometime. Neighbouring parts of Saskatchewan and New Brunswick look positively prosperous in comparison.

As for the Americans themselves, they aren't particularly interested in annexing Canada, despite the insistence of groups like the Council of Canadians that the American wolf is always at the door. America's nineteenth-century credo of Manifest Destiny is long gone. The Americans no longer look covetously at their neighbour to the north for territorial expansion. They don't need to take over Canada to take advantage of our resources. They can simply buy them.

Even annexing the wealthier parts of Canada would be of little benefit to the United States and would drastically alter the balance of political and economic life in a way that would upset many Americans. U.S. politicians, particularly those on the right, are unlikely to welcome millions of new voters used to socialized medicine and bigger government.

Rather than setting Canada on a road to breakup, Quebec's

departure may very well bring Canadians closer together. Most Canadians still look to their national government for leadership, a leadership that Ottawa has often been reluctant to provide over recent years for fear of upsetting Quebec. The people who favour strong policies from their national government will no longer be gagged by those who warn that these views are constitutionally unwise because they're likely to inflame passions elsewhere.

It is true that many Canadians have a strong regional identity, and there's no doubt that Canada is simply too big and too diverse to be anything but a federal state. But aside from Quebecers, how many Canadians feel a sense of provincial patriotism so strong that it overwhelms their loyalty to Canada?

Canadians are very mobile and many have lived in other provinces or have relatives in other provinces, but most of them see themselves as Canadians first and foremost. And this is not about to change if Quebec separates. For Canadians, one of the most irritating aspects of Quebec separatist rhetoric has been its belittling of things Canadian- *Le Devoir's* Lise Bissonnette told the French news magazine *L'Express* in the fall of 1994, "I don't believe in Canada because it does not exist." She is wrong. Canada does exist and will continue to do so.

Pundits like Gordon Gibson believe that with Quebec gone,

resentment towards the federal government will only grow because it will be seen as being dominated by Ontario, which will have just about half of the Canadian population. What this argument fails to recognize is that in a united Canada, Quebec and Ontario together now account for 62 per cent of the population, and it has not been Ontarians who have been prime ministers for twenty-six of the past twenty-seven years. With Quebec's departure, central Canadian influence will necessarily decline.

The most dramatic change after Quebec's departure will, in fact, be the increase in Western influence. From 29 per cent of the population, the four Western provinces will jump to almost 39 per cent, and that proportion is likely to grow if Alberta and British Columbia continue to boom. The new Canada will be much more centred on Western Canada. No federal government will be able to take the West for granted again.

Many of the values that Canadians have always cherished—our love of democracy, pluralism and individual rights and freedoms, as well as a strong sense of community—will remain even if Quebec departs. The Charter of Rights and Freedoms will still protect us. Our distinctly Canadian approach to universal health-care and other social policies will remain, albeit subject to the financial constraints that beset these programs now. So will our

support for cultural institutions like the CBC, the national museums and the Canada Council, which are necessary to promote a distinctive Canadian culture against the homogenizing pull of North American culture. Our belief in peace, order and good government will also remain and will continue to drown out the cries of Canada's new right for a handgun under every pillow,

Most of us will regret the loss of the extra dimension that Quebec and its language have given to Canada. But the ethnic diversity that has made Toronto, Vancouver and other large cities a fascinating multicultural mix will still be with us, along with our open-door immigration policy. Canada without Quebec will be English only insofar as English will remain its dominant language.

Despite all the media talk of solidarity, Quebec remains a profoundly divided society over its relationship with Canada. There is nothing more quintessentially Quebecois than electing separatists to a federal Parliament and telling pollsters that they want the separatists to continue to represent them in Ottawa even if separatism is rejected in a referendum- Many Quebecers seem ready to live with this indecision indefinitely, using it as a lever to keep the fiscal benefits coming from Ottawa and to dominate the Canadian political agenda while their province's demographic and economic influence continues to dwindle.

Most Canadians, no matter where they live and what their political allegiances, profoundly want Quebec to remain in Confederation. But our patience is being strained to the breaking point. Nothing is really wrong with the constitutional status quo, as the collapse of both the Meech Lake and Charlottetown accords demonstrates. Politicians who want to toy with the fundamental nature of our institutions should have learned by now to tread softly in that territory. Canadians will not be held to ransom.

The time has come for Quebec to decide. The choice will be between the Canada of today and a sovereign Quebec with all that that entails. If Quebecers are convinced that, after 127 years of flourishing as a predominantly French-speaking society within a prosperous, tolerant country, they would rather be independent, then so be it. We will mourn the loss, but Canada can and will survive. With good leadership and hard work, it will not merely survive but prosper. As it enters the twenty-first century, Canada will still have more going for it than any other country in the world.

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