

Lone Quebec viable: Desjardins chief

By Robert Gibbens

Financial Post

MONTREAL — Claude Béland, head of the 4.6-million-member Desjardins credit union group, believes the Meech Lake Accord will be passed, but the cost to English-French relations will be heavy.

"Most people in Quebec want to stay in a Canada that recognizes the two founding peoples, English and French," he said before opening the

annual meeting yesterday of La confédération des caisses populaires et d'économie Desjardins du Québec.

"But they also believe if Meech fails and Quebec must go it alone, it has the economic muscle to survive despite initial problems. We could agree on monetary problems, for instance. We'd build our own society. Anglophones would be very welcome to stay."

He said visits to Western Canada

had shown him people there are not ready to accept the concept of two founding peoples of confederation. "Quebec clearly is different, especially its culture, but I don't hear much appreciation of that in the West."

Because of English Canada's often hostile attitude, a souring in English-French relations is inevitable even with the signing of Meech, he said.

Béland said the Desjardins group expects a second year of slower growth in 1990. The company's priority is to complete streamlining the operation of nearly 1,400 caisses populaires throughout Quebec. Its trust, insurance and other financial services units also must bear the brunt of a toughening fight for market share.

Group assets, including those of affiliates outside Quebec, grew 13.3% in 1989 to \$44-billion. The growth rate was down from 15.6% in 1988 and about 15% earlier in the 1980s.

In 1989, for the first time, the Desjardins group lost momentum to banks and big trust companies in Quebec, giving up market share in the mortgage and deposit-taking sectors.

Béland said he is optimistic for 1990 but warned a slower economy may cause asset growth to slip again. Société d'Investissement Desjardins, the group's industrial-holding company, also faces poorer performance by some companies in which it has invested heavily, al-



Béland: Believes Meech will be passed but at a cost

though the Culinar Inc. food group is doing well.

Net interest income and other revenue (Quebec only) was \$1.54-billion last year, up 16.1% from 1988, while non-interest expenses grew 11.5% to \$1.2-billion. Surplus before taxes and distribution was \$340 million vs \$250 million, a 35% increase.

Béland said the group is studying complaints that new permanent shares issued last year to bolster the caisses' capital base are saddled with overly rigid redemption rules and so lack liquidity.

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GST opponents warn of possible violence

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Alban D'Amours



President and Chief Executive Officer

Alban D'Amours was born on July 9, 1940 in Sainte-Françoise, a municipality in the Bas-Saint-Laurent region.

After earning his B.A. in Social Sciences and M.A. in Economics from Université Laval, he completed his doctoral studies (Ph.D.) at Minnesota University in 1969, specializing in Monetary Theory, Public Finance and Econometrics.

He taught for several years in the United States and at Université de Sherbrooke. He then entered Québec public service and held important positions for the administrations of René Lévesque and Robert Bourassa, including Deputy Minister of Revenue (1981) and Associate Deputy Minister of Energy (1986).

He joined the Confédération des caisses populaires et d'économie Desjardins du Québec in January 1988 as Senior Vice-President, Planning, Communications and Marketing. His impressive career led him to be appointed Inspector and Auditor General for Desjardins Group in 1994, when he recommended the creation of the Desjardins Bureau for Financial Monitoring and Enforcement.

On February 19, 2000, Mr. D'Amours was elected to the office of President of Desjardins Group for a first four-year mandate as of March 25, 2000. He was then re-elected by acclamation on January 27, 2004, for a second and final four-year term ending in March 2008.

Background Note 1: The enclosed publicly sourced news and academic articles serve to demonstrate historical and continuing evidence that Quebec's Desjardins Financial Group had from the early seventies to present day an unusual and unique closeness with that Province's nationalist and separatist governments and political parties. From the early years of Rene Levesque's government to present day, the Desjardins group has tremendously benefited by the largesse of favorable PQ government policies clearly intended to facilitate the growth of that Quebec private sector financial institution by enacting policies, laws and regulations from which the company has clearly benefited to the detriment of prevailing non-Quebec nationalist financial institutions not so closely tied with the government and separatist political parties of the Parti Quebecois and Bloc Quebecois. These articles also demonstrate evidence that Desjardins arguably operates in a partisan manner with sometimes remarkably open 'nationalist' or pro-separatist actions that would not be expected or tolerated amongst most mainstream financial businesses not having the luxury of being so closely tied to a government or ruling regional political party.

Money working for people

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ProQuest

Databases selected: Multiple databases...

QUEBEC COMMISSION: Business group to back autonomy; [Final Edition]

Michel Van De Walle. *The Ottawa Citizen*. Ottawa, Ont.: Nov 12, 1990. pg. A.1.FRO

Abstract (Summary)

The credit-union group will present a brief to the Belanger-Campeau commission. It will include survey results that show more than 80 per cent of Desjardins' managers back political autonomy for Quebec, and support Quebec's right to freely choose its partners.

[Claude Beland], who sits on the commission, said he agrees that affirming political autonomy means first affirming sovereignty and negotiating partnership later.

In one of the nine questions, respondents were asked how they favored four political options: the status quo; new negotiations to get Quebec into the Constitution; political autonomy with free choice of partners and independence.

Full Text (413 words)

(Copyright *The Ottawa Citizen*)

MONTREAL -- The powerful Mouvement Desjardins will favor sovereignty when it appears Tuesday before the commission on Quebec's political future.

The credit-union group will present a brief to the Belanger-Campeau commission. It will include survey results that show more than 80 per cent of Desjardins' managers back political autonomy for Quebec, and support Quebec's right to freely choose its partners.

Results of the poll, conducted with the help of the Leger and Leger polling firm, were obtained by the Canadian Press.

"I will uphold the position that the survey revealed," Desjardins president Claude Beland said in a telephone interview Sunday.

Beland, who sits on the commission, said he agrees that affirming political autonomy means first affirming sovereignty and negotiating partnership later.

Results of the survey, conducted in October, are based on 10,203 responses, a little more than half of the credit unions' 19,935 elected officials, general managers and top officials of regional federations.

The poll has a margin of error of less than one per cent, says the polling firm founded by former Parti Quebecois cabinet minister Marcel Leger.

In one of the nine questions, respondents were asked how they favored four political options: the status quo; new negotiations to get Quebec into the Constitution; political autonomy with free choice of partners and independence.

Political autonomy received the support of 85 per cent; independence 66 per cent; new constitutional talks 33 per cent and the status quo 23 per cent.

The percentages add up to more than 100 because respondents could back more than one option.

The results also suggest Desjardins managers feel Quebec is penalized by certain federal economic policies, is denied essential powers in cultural matters, and does not get its fair share of federal support.

As well, nine of 10 respondents believe it is urgent to settle the constitutional issue and that it is up to Quebec itself to define its future. And 91 per cent favor holding a referendum.

"We want the people to be consulted before any move is made," Beland said. "We don't want the government to take the conclusion of the commission and act solely on that basis.

"We want a popular consultation with a clear and precise question. "

On association with neighbors, Beland said it could also be made with the United States, not just with Canada.

"It's clearly pointless to talk of sovereignty if it's to rebuild the same situation as before. (Partnership) is between sovereign states, which is very different."

Credit: CP

Background Note 2: From reading the attached news articles it is clear to the observant reader that Desjardins is not at all a typical private sector entity operating under the same rules as normal competitors and with purely business-minded motivations or actions. Up to the early nineties its private sector leadership is on the public record as openly promoting separation of the Canadian province of Quebec to be a sovereign and independent nation. One might also logically assume it is only because the company was heavily criticized by the non-separatist business community and federal government agencies in the mid 1990s that it has since then been seen to appear to be less openly pro-separatist to the public eye.

There is also evidence herein that the growth and financial strength of Desjardins has been orchestrated by its political and government colleagues. The reason as stated by PQ leaders is that the province needs strong local financial institutions to help prop up its economy in the event of a downturn in its economy following election of a separatist agenda provincial government or ultimate complete separation or sovereign independence. As such, Desjardins and few other private sector Quebec finance businesses like it would be expected to act as economic tools to boost its local economy in cooperation with a Quebec separatist government when and if needed.

As also indicated within these pages, for years there is ongoing evidence of strong ties between Quebec separatist governments and this private sector entity. A poll was published that 80% of Desjardins managers openly supported separation in the early nineties. Historically and to this day there are numerous examples of interchanging leadership and management persons between the senior and middle management of several Quebec government administrations, the PQ and BQ political parties and Desjardins. Moreover, Desjardins provides grants, financing and funding to numerous francophone, nationalist, separatist agenda and so-called 'cultural' associations pervading Quebec society.

Given that Desjardins can also be seen to promote long-term separatist and nationalist goals, and that its leadership are on public record that they already consider Quebec as being a 'de facto' distinctly sovereign nation, it is only reasonable to assume both the institution and its political allies might naturally seek out the advise of and confer with other separatist and nationalist entities throughout the world if only to at least benefit by comparing notes and experiences.

Caisses pops challenge the chartered banks

New Quebec law lifts Desjardins fortunes

By Alan D. Gray
Times staff

MONTREAL — For most of its 84 years the Desjardins Group, founder of Canada's first credit and savings co-operative, has confined its banking-type activities mainly to the depositors and borrowers who make up its faithful following of 3.5 million members.

Deep roots

In the process it has built a solid base throughout the 1,249 caisses populaires — Quebec's credit unions — it operates along with its three insurance companies and a trust company. But despite its deep roots in the province, the caisses populaires have been getting only a small — albeit increasing — share of loans to businesses, a field that has been dominated by the chartered banks.

As of Dec. 31, only \$2.2 billion, or just 15% of its total loans outstanding of \$14.5 billion were classed as commercial. That accounted for less than 18% of the \$12.3 billion in total industrial and commercial credit outstanding in Quebec at the end of last year.

Now, however, buoyed by a change in the laws of Quebec, the Desjardins Group is mounting an offensive to attract even more commercial customers in the province. And the main losers could be the chartered banks.

Since July 1, the caisses pops, as they are sometimes called, have benefited from the Quebec government's determination to ease certain restrictions on the financial industry. Under a change in legislation they are for the

first time free to make loans using customers' inventories as collateral.

In the past, the caisses pops were compelled to secure business loans with trust deeds, a cumbersome and expensive procedure that frightened off many potential borrowers.

The change in the legislation has left caisses pop officials no less than jubilant.

"There are many PME's (small and medium businesses) who couldn't afford the fees," says Pierre Barnes, financial and administrative vice-president of the Montreal Federation des caisses populaires Desjardins. "They're our garden, our immediate market, and now we can serve them."

The Montreal federation is the largest of 11 regional and professional groupings of caisses pops. At July 31, it accounted for 42% of the caisses' assets of \$17.9 billion. (The entire Desjardins Group reported assets of \$20 billion at Dec. 31.)

The federations have wasted little time beefing up commercial loans operations. They have lured away loan specialists from the banks, and have introduced training programs for their own staffs.

Lower costs

As well, for the first time they have begun working together, instead of independently of one another. Now, for example, they are using common forms that reduce costs and improve efficiency.

As a result, demand for loans "is much bigger than we can handle," says Barnes, who estimates business now is running about 30%



Times photo: Harold Rosenberg

Caisses pops' Barnes: Beefing up loans.

ahead of last year at this time.

But even before July, the caisses had been chipping away at the banks' hold of the market. Their share of the Quebec market, for example, has more than doubled since 1979. Last Feb. 29, the Montreal group had 2,800 loan requests on hand, totalling \$800 million; a year earlier there were 2,200 applications, worth \$493 million. Barnes says similar increases are being recorded throughout the Desjardins movement.

The banks are well aware of this developing muscle. National Bank of Canada, considered the caisses pops' chief competitor, with about

475 branches in Quebec, is smarting at the loss of loans officers.

"Some of our people have already left (for the caisses pops)," says Gilles Mercure, the bank's president and chief operating officer. "I can think of two, and certainly there are others. It hurts us."

A senior Quebec banker complains that the caisses have built-in advantages. They don't pay income taxes or government-mandated deposit insurance, he contends, and they are permitted to keep lower reserves with the Bank of Canada.

To Gaetan Couture, marketing vice-president of the

Montreal federation, such remarks show that "we are poorly understood by the banks." The caisses pops do pay income taxes, although at the favorable rate of 18% (compared to the 48% rate paid by the banks) that applies to all small business. They also pay deposit insurance, he says.

As for reserves, he maintains that the caisses pops voluntarily set aside at least 11% of deposits, compared with the compulsory 8% for the banks.

But at least two inherent advantages do belong to the caisses pops. For one thing the banks are owned by relatively small numbers

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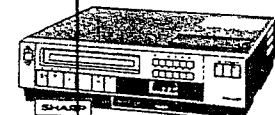
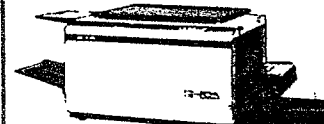
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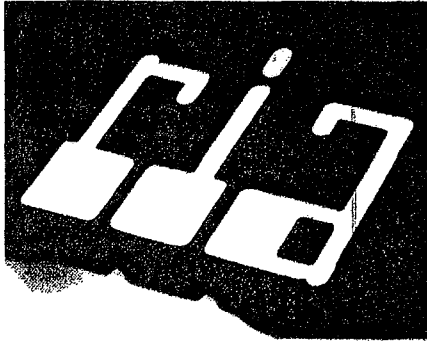


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CAISSES POPS

Competitors warn about loan losses

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of shareholders, who divide the profits.

Each caisse pop, on the other hand, belongs to all its borrowers and depositors. Profits are redistributed annually among those owners. In effect, therefore, loans are often cheaper than at the banks. Barnes cites one example, which he concedes is extreme, of a \$40,000 loan on which the rebate equalled two months of interest costs.

Another advantage is the caisses pops' traditional closeness to the people they serve. In more than 400 small communities they are the only financial institution. If that were a bank, Barnes maintains, it "would close, because it wasn't profitable."

The caisses are far from home-free in their quest for expansion, however. Their competitors at the banks warn that without trained officers, loan losses are bound to increase.

"Commercial loans are not like personal loans," says Jean Savard, Bank of Montreal's vice-president of commercial banking for Eastern Canada. "You don't have to study profit-and-loss statements, ratios, and so on."

"... A given industry has its ups and downs, and you must be able to read between the lines."

Close to customers

But Barnes fields the warning comfortably, and gets in a jab of his own. Losses are running at 0.5% of loans, he says, the same as for banks. And, he continues, "we don't have loans in Brazil — our customers are here."

(Canada's five largest banks have \$21.5 billion, or more than 25% of their foreign assets, in Latin America. Some countries in that sphere are having great difficulty repaying their loans and may, in fact, default.)

Couture, the marketing man, chides the banks for thinking they have a monopoly on risk analysis. Equally important, he says, is that the caisses pops are close to their members. "The managers and the local board know what's happening."

Although restricted to Quebec by law, the caisses pops are beginning to look outward. In October, 1981, they established a special arm, La Caisse centrale, to act as central banker for the whole Desjardins Group.

The agency is permitted to lend and borrow funds anywhere. Although most of its external dealings have been with Canadian governments and their agencies, commercial activities outside the province are expanding. Loans to the private sector outside Quebec last year shot up 116% from 1982 to \$260 million.

André Couture, La Caisse centrale's vice-president of legal and public affairs, says growth is "less spectacular" this year, largely because "we're getting into larger numbers."

Nonetheless, he thinks prospects are good for the agency, which in 1983 recorded a 12-month rise in assets of 46% to \$1.6 billion. For one thing, it began operations just as the recent recession hove into view, and "that was good training."

In addition, unlike the banks and their "100-year tradition of making loans to large companies, we're not stuck with any bad habits," Couture says. Teamwork between the credit and treasury departments is emphasized — something older institutions find difficult — and loans can be suited more flexibly to clients' needs.

The next big step, Couture says, will be "to go international." In 1982 the agency acquired 1.5% of London and Continental Bankers Ltd., a co-operative group based in London. Small though it is, the holding allows the Quebecers to establish relations with European bankers.

Broader horizons

The Montreal Federation, too, is thinking internationally, along with growing numbers of its customers. It is now able to negotiate letters of credit and letters of guarantee, for instance. From one correspondent bank in France two or three years ago, its foreign representation has grown to cover 17 countries.

Barnes is proud of the way the caisses' horizons have expanded. "We offer the services of a chartered bank — we're on an equal footing with them," he says. "It's a big change for us."

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Sept 22 1984
P 51
Financial Post.

A time of change for the caisse

By Amy Booth

MONTREAL

AS QUEBEC rushes to eliminate the divisions between the four pillars of the investment community, one institution to keep an eye on is the Caisse centrale Desjardins de Québec.

Often thought of as a stolid collection of tiny parish-pump co-operatives, the Desjardins movement is actually in the forefront of change and already offering a wide variety of financial services. These cover such diverse areas as banking, brokerage, insurance and trust.

And it is moving quickly now to ensure it will remain highly competitive once the distinctions between the four pillars are removed.

The caisse has come a long way from Lévis, Que., where it started in 1900 with a 10¢ deposit. These days, its total worth is better than \$50 billion, including as-

sets under administration and insurance in force.

The most extensive part of the operation is still the individual caisses populaires, or credit unions, of which there are more than 1,400, serving nearly four million members. Some of these operate more than one facility which brings the total outlets up to 1,668 or almost as many branches as any chartered bank has in all Canada.

Furthermore, in 500 municipalities throughout Quebec, the local caisse populaire is without competition. Sizes, of course, vary: the largest member is in Hull with total assets of \$150 million. The total for them all is \$20 billion.

Most of the deposits are lent out locally to individuals or smaller corporations. But because the outlets are established in every corner of the province, their total activities add up to 32% of Quebec's

CONTINUED ON P.2

It's a time of change for caisse in Quebec

Continued from p.1

personal loans, as well as 50% of the agricultural loans and 44% of those for residential housing.

The way the organization works is that the caisses are banded together in federations, 10 regional ones and one for the caisses d'économies, which are credit unions within corporations or institutions.

The federations oversee the individual caisses as well as arranging for two or more members to join forces when making loans which would be too large for one of them to handle.

Joining the federations together is a confederation which might best be described as the head office function of a chartered bank.

By law, the confederation is responsible for inspecting and auditing the operations of the individual caisses and the federations. But it also supplies such services as legal counsel, labor relations, computer services and the like.

Arrangements

While most financial institutions within Quebec and throughout Canada have recently begun to make arrangements to expand their services beyond traditional niches, the Desjardins group has been much more than a savings and loan organization for many years.

As early as the 1940s, it offered general and life insurance through a general insurance company, now known as Groupe Desjardins assurances générales. In 1983 this had total assets of almost \$151 million, 9% higher than a year earlier.

There are also two life insurance companies offering a broad range of individual and group policies — Assurance-vie Desjardins and Sauvegarde-Co. had insurance in force last year totaling more than \$24 billion.

The Desjardins group moved into the trust business in 1963 by acquiring a fledgling trust company, Fiducie du Québec.

With total corporate assets of more than \$800 million and assets under administration of \$7.5 billion, Fiducie has six regional offices and holds permits to operate in most Canadian provinces.

Last year, the company was also granted the first limited securities brokerage permit for a trust company in the province, which means it is entitled to administer Quebec stock savings plans.

Two other corporations, organized in the 1970s, moved the Desjardins group into the business world as well. Société d'investissement Desjardins was organized in 1974, effectively as a holding

company (Caisse de dépôt et placement du Québec owns 14% of SID).

SID holdings include a 52% interest in pastry maker, Culinar Inc., 21% of trucking firm, Verendrye Management Corp. and 13% of Nordair Ltd., as well as investments in television and radio broadcasting, paint and furniture companies.

The other affiliated institution is Crédit Industriel Desjardins Inc., which offers term financing to small and medium-sized businesses. Crédit Industriel also has its own subsidiary, Pierre Lafleur Leasing Ltd., which specializes in long-term vehicle leasing to individuals and businesses.

Perhaps the most significant expansion of the Desjardins group came in 1981 when the Caisse centrale Desjardins started operations.

Chartered by Quebec, the caisse centrale is not a formal bank although it accepts deposits from government and paragonment institutions as well as other organizations. It is also active on the capital market.

However, since December, it has been receiving a share of Canadian government deposit business along with other chartered banks. It is a member of the Canadian Payments Association, the settlement organization that deals directly with the Bank of Canada and its debt securities are qualified as eligible investments for life insurance companies, pension funds and certain other Canadian financial institutions.

Loan portfolio

In two years of operations to the end of last year, the caisse centrale had built up a loan portfolio of \$539-million, notably with zero loan losses and no non-performing loans.

In many ways, the Desjardins group is already a financial supermarket where a customer could acquire cradle-to-grave financial services for himself and his company.

However, insiders say there is still some refining to be done to make all services quickly and easily available to all customers at all times. For instance, larger commercial loans may come from Crédit Industriel or from the various federations which sometimes causes slowdowns.

Smoothing out these bottlenecks is a major preoccupation of confederation officials now. Next spring, by which time it is expected a revised law for credit unions in Quebec will have been tabled, if not passed, the Desjardins group believes it will be ready to take on all financial supermarket competition.

Fin Post

Sept 22 1984

p 52

ProQuest

Databases selected: Multiple databases...

Business could sway Quebec constitutional panel; [Weekly Edition]

Kevin Dougherty. Financial Post. Toronto, Ont.: Sep 17, 1990. pg. 3

Abstract (Summary)

Judging the mood of Quebec business, it is not clear that they will uphold the federalist option. There was near unanimous support from Quebec business for the Meech Lake accord, and some leading figures, notably Bernard Lemaire, chairman of Cascades Inc., and Michel Gaucher, the successful acquirer of Steinberg Inc., flirted publicly with the idea of independence as an alternative if the accord was rejected.

Claude Beland, head of Quebec's \$45-billion Desjardins co-operative movement, was outspoken before and after the failure of Meech Lake, saying that Quebec could go its own way. Beland, who rejects a renewed federalist solution, has already been named to the committee as the co-operative representative.

A poll, conducted in August by the Institut quebecois sur l'opinion publique, indicates that 30.6% of Quebecers favor Quebec remaining a Canadian province, 33.7% lean toward independence and 35.7% want a new association between Quebec and the rest of country.

Full Text (763 words)

(Copyright The Financial Post 1990)

The four business nominees to be named - probably this coming week - to a special Quebec National Assembly committee on the province's constitutional future could determine the panel's direction.

The committee, which will report by March 28, 1991, is being put together in response to the failure of the Meech Lake constitutional accord last June, an event widely regarded in Quebec as signaling the end of the Canadian status quo.

Its mandate is broad, calling for an open-ended study of Quebec's constitutional future. But with 29 of the 36 members of the committee chosen, the split looks roughly even between proponents of a federalist solution and those favoring some form of sovereignty-association.

The panel will include representatives of business, labor and other Quebec interest groups, municipal and provincial politicians, as well as three federal MPs. Members are being chosen by Parti Quebecois Leader Jacques Parizeau and Premier Robert Bourassa in a rare show of co-operation.

The Quebec MNAs, most of the interest group representatives and Lucien Bouchard, former federal cabinet minister and now head of the Bloc Quebecois band of sovereigntist MPs, have been appointed. What remains are two federal MPs (who will be pro-federalist in all likelihood), four business representatives and one person from the cultural or academic establishments.

"Once you start consulting, it takes time," said Sylvie Godin, Bourassa's press secretary, explaining why, more than a week after the committee was formally created, agreement still has not been reached on the remaining membership.

Committee co-chairmen will be Michel Belanger, chairman of the National Bank of Canada, and Jean Campeau, former chairman of the Caisse de depot et placement du Quebec.

Belanger, 61, is a Quebec nationalist who still has faith in the federal system. Campeau, 59, who becomes chairman of Domtar Inc. Nov. 1, sees sovereignty-association as Quebec's future path.

Parizeau and Bourassa hope the group will come to a unanimous verdict, but many pundits believe it will hand down two reports, one calling for renewed federalism, the other pitching for sovereignty.

ProQuest

Databases selected: Multiple databases...

Credit union group wants sovereignty vote within year; [Final Edition]

Daniel Sanger. *The Ottawa Citizen*. Ottawa, Ont.: Nov 14, 1990. pg. A.3

Abstract (Summary)

[Claude Beland] backed up his argument with a poll of more than 10,000 Desjardins managers, saying an overwhelming 89 per cent "want Quebec to take control of all the levers of power: economic, social, cultural, political, legislative."

Alban D'Amours, a vice-president of communications with Desjardins, said this morning he told the commission the Quebec government could protect Quebecers who lose their government jobs by reassigning them to jobs in the public and private sectors within the province.

Beland, who is also an influential member of the Belanger-Campeau commission on Quebec's political future, said a sovereign Quebec should seek a monetary and economic union with Canada.

Full Text (344 words)

(Copyright *The Ottawa Citizen*)

With files from Citizen staff

QUEBEC -- Quebec should separate first and negotiate later, the giant Mouvement Desjardins credit-union group told the commission studying the province's future Tuesday.

On a day that was clearly won by pro-sovereignty forces, Quebec's most powerful financial institution called for a referendum within a year because "enough is enough."

"We consider ourselves a nation and the main thing is to protect and develop this nation," said Claude Beland, president of the Desjardins group, which has deposits of some \$46 billion.

"The best way to do it is for Quebec to state its sovereignty and then decide as a state who its partners will be."

Beland backed up his argument with a poll of more than 10,000 Desjardins managers, saying an overwhelming 89 per cent "want Quebec to take control of all the levers of power: economic, social, cultural, political, legislative."

Beland's position was quickly buttressed -- to no one's surprise -- by Bernard Landry, vice-president of the Parti Quebecois, who followed him to the stand.

The commission also heard that the jobs of 26,000 public servants in the Outaouais would not be lost if Quebec separates.

Alban D'Amours, a vice-president of communications with Desjardins, said this morning he told the commission the Quebec government could protect Quebecers who lose their government jobs by reassigning them to jobs in the public and private sectors within the province.

That news was welcomed by the head of the Outaouais Planning Corporation, who said he was glad the issue was being brought up before the commission.

"We strongly believe the Belanger-Campeau Commission should recommend to the government a formula to guarantee the jobs of public servants in the Outaouais," said Jean-Marie Seguin.

But a spokesman for Pontiac MNA Robert Middlemiss said the minister was not optimistic that many jobs could be guaranteed.

"It's pure speculation." said Denis Carmel.

Beland, who is also an influential member of the Belanger-Campeau commission on Quebec's political future, said a sovereign Quebec should seek a monetary and economic union with Canada.

(With files from Citizen staff.)

Credit: CP

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But Beland said it would be in Canada's interests to have monetary union because if Quebec leaves, the rest of the country and the Bank of Canada will feel the impact.

As for the debt, Beland admitted it was still a question mark but said that's no reason for Quebec not to decide which way it wants to go as a nation.

Later yesterday, Quebec Intergovernmental Affairs Minister Gil Remillard also found himself fielding renewed demands for a referendum.

In addition to the Mouvement, the Parti Quebecois and the Conseil des Syndicats Democratiques presented briefs including requests to hold one.

Remillard tried to turn around the demands by asking PQ vice-president Bernard Landry when his party would hold it and how they would word the question, a clear shot at a raging internal PQ debate that has split the party.

The plan backfired somewhat. Landry went so far as to say the PQ would back even a government-organized referendum as long as it deal with the PQ's basic position: total control over laws, taxes and foreign treaties.

Asked what the question should be, Landry said "Do you want Quebec to be a sovereign country, complete and recognized."

Asked the same question, Beland said the question should be "extremely clear and precise."

Remillard, however, denied his government was edging in the direction of a referendum, the traditional political turf of the PQ.

Later, however, Remillard was unable to say what he would do, dodging a question from a reporter to say what his question would be.

[[Illustration]

Black & White Photo; Andre Ouellet. He set the tone Claude Beland. Alleges scare tactics

Credit: GAZETTE

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Action heats up as federalists query sovereignists; [FINAL Edition]

PHILIP AUTHIER. *The Gazette*. Montreal, Que.: Nov 14, 1990. pg. A.5

Abstract (Summary)

It was Liberal MP Andre Ouellet who set the tone when he publicly chastised Desjardins president Claude Beland for not spelling out what monetary policy a sovereign Quebec would have.

Beland, who arrived packing an internal survey indicating more than 80 per cent of Desjardins' managers back political autonomy, stood his ground, accusing them in turn of trying to scare Quebecers as was done during the referendum.

[Gil Remillard] tried to turn around the demands by asking PQ vice-president Bernard Landry when his party would hold it and how they would word the question, a clear shot at a raging internal PQ debate that has split the party.

Full Text (656 words)

(Copyright *The Gazette*)

QUEBEC - Federalist members of the Belanger-Campeau commission went on the attack against two pro-sovereignty groups yesterday, accusing them of hiding the true consequences of splitting Quebec and Canada.

And there's increasing pressure on the government to move rapidly to hold a referendum on the question of sovereignty for Quebec after the commission ends its work.

After a week of relatively polite discussions on the 36-member ?!qr0600,0016commission, the gloves came off when both the Mouvement Desjardins and the Parti Quebecois were challenged to spell out exactly how sovereignty would affect monetary policy, the national debt and external relations.

It was Liberal MP Andre Ouellet who set the tone when he publicly chastised Desjardins president Claude Beland for not spelling out what monetary policy a sovereign Quebec would have.

"Why haven't you devoted a significant part of your brief to the question of money because, when it comes down to it, your institution should be interested?" Ouellet asked.

"I remind you that the Union des Artistes, people who aren't even in business, recommend the dollar be pegged to the U.S. dollar and have a value of about 60 cents. Do you think that's an appropriate suggestion?"

He was followed by Ghislain Dufour, president of the federalist Conseil du Patronat, who challenged Beland to say exactly how the national debt would show up on the paycheque of the average worker.

But Beland, who arrived packing an internal survey indicating more than 80 per cent of Desjardins' managers back political autonomy, stood his ground, accusing them in turn of trying to scare Quebecers as was done during the referendum.

"It reminds me a good deal of that," Beland said later. "Luckily the commission is very public and people will be able to see the difference between what is scare tactics and what is the reality."

Ouellet's remark about the 60-cent dollar prompted Serge Turgeon of the Union des Artistes to accuse the MP of "demagoguery" for breaking the embargo on the union's brief and taking one sentence out of context to advance his cause.

In its brief to the commission, the Mouvement says a monetary union with the rest of Canada is preferable, but that Quebec shouldn't hesitate to print its own currency, pegging it to the U.S. dollar, if it fails to get a deal.

Separate now, talk later: Desjardins

By Daniel Sanger

Canadian Press

QUEBEC — Quebec should separate first and negotiate later, the Mouvement Desjardins credit-union group told the commission studying the province's future yesterday.

On a day that was clearly won by sovereigntist forces, Quebec's most powerful financial institution called for a referendum within a year because "enough is enough."

"We consider ourselves a nation and the main thing is to protect and develop this nation," said Claude Béland, president of Caisse centrale Desjardins du Québec, which has deposits of

about \$46 billion.

"The best way to do it is for Quebec to state its sovereignty and then decide as a state who its partners will be."

Béland backed up his argument with a poll of more than 10,000 Desjardins managers, saying an overwhelming 89% "want Quebec to take control of all the levers of power: economic, social, cultural, political, legislative."

Béland dismissed an allegation by a Desjardins manager that the poll was weighted to get answers supporting sovereignty.

"It's only one manager who is saying that and he probably misunderstood the poll. I just said exactly what 85% of the respondents

told us."

Béland's political position was quickly buttressed — to no one's surprise — by Bernard Landry, vice-president of the Parti Québécois, who followed him to the stand.

Landry also called for a referendum, but only after an election victory by his party and a "letter of intent" from the Quebec legislature to Canada saying that the province planned to separate.

"I have no doubt that a referendum would be won," Landry said. "Canada has cost us very dearly."

Béland, who is also an influential member of the Belanger-Campeau Commission, said a sovereign Quebec should seek a monetary and

economic union with Canada, a view shared by many.

But if Canada refuses to let Quebec keep using the dollar the province should coin its own currency and index it to the US\$, he said.

"And if we don't index it with the US\$ we'd find some other strong currency — the franc, the mark," Béland said. "But the road we see is a monetary union with Canada — it goes with history and tradition. No one is against it."

"We can't iron things out by negotiations," he said. "We tried that with Meech Lake and you know where it left us. We don't have time to go back to the table now."

Desjardins' political role sign of 'guts'

By Kevin Dougherty

Financial Post

LÉVIS, Que. — Claude Béland's decision to throw his weight behind Quebec sovereignty marks a major turning point for Quebec's leading deposit-taking institution.

The Desjardins credit union movement was founded in Lévis by Quebec native Alphonse Desjardins 90 years ago this week. Now headed by Béland, the credit union has grown into a financial empire with assets approaching \$50 billion.

Until Béland came along, no Desjardins president has had the guts to speak out on political issues, observers say.

Ironically, Béland's sovereignty stance runs counter to the philosophy of founder Desjardins, who was a federalist. He conceived the caisses as an alternative to private lenders and the usurious rates they charged French Canadians unable to get bank credit.

"I think that if Mr. Desjardins were alive today, he would be saying the same thing we are saying," Béland says, explaining that the federal system Desjardins knew was less centralized than today's.

Praise for Béland's stance has not been unanimous in Quebec. The Desjardins credit union movement belongs to the 4.7 million depositors in its network of 1,494 caisses populaires, all but 155 of them in Quebec, and some observers ob-

ject to Béland's political involvement.

For columnist Jean-V. Dufresne of Le Journal de Montréal, Béland committed "misappropriation of the caisse" in declaring his support for a sovereign Quebec before the Bélanger-Campeau committee on Quebec's constitutional future.

The sovereignty controversy appears to have had little impact at the Desjardins head office complex in Lévis, known as La Cité Desjardins. The credit union movement supervises a full range of banking, trust, insurance and stock brokerage services. It also owns a leasing company and plans to expand its real estate holdings. It has nonfinancial holdings as well, owning a majority interest in a snack cake company, for example.

Desjardins has proposed creation of a holding company, owned by Quebec-based financial institutions, to ensure that control of major Quebec companies, such as Consolidated-Bathurst Inc. (sold last year to Stone Container Corp. of Chicago), stays in Quebec.

Desjardins, the Quebec government's Caisse de dépôt and Laurentian Group Corp. would probably be participants in such a venture.

Béland is a key member of the Bélanger-Campeau committee, now touring the province to find out what course Quebecers want to take in response to the death of the Meech Lake constitutional accord last June.

Committee co-chairmen Michel Bé-



Credit unions' Claude Béland (left): Praise not unanimous in Quebec for the pro-sovereignty stance of province's largest deposit-taking institution

langer and Jean Campeau and Béland are the only three members on the steering committee who are not elected members of the Quebec national assembly. Béland favors an early referendum on sovereignty.

"It will take a strong Quebec to shake Canada into creating a stronger Canada," he said this week, responding to Prime Minister Brian Mulroney's declaration dismissing the sovereigntist wave in Quebec as "ephemeral."

In his opening statement at the Bélanger-Campeau hearings last month in Quebec City, Béland referred to Quebecers' "reconquest" of their economy. In testimony, he told his fellow committee members Quebec should give itself "the status of an autonomous national community."

He also said Quebec could opt for its own currency if Canada is not interested in working with a sovereign Quebec. However, his first choice is still a partnership, providing for free circulation of people, goods and capital, a common currency and monetary policy.

Béland's position was endorsed by the 33 members of his board after a survey of caisses populaires managers. Béland told the committee that 89% of respondents agreed Quebec should assume full control over its economic and political destiny.

Some caisses populaires executives complained the survey was slanted. However, on the main question — "Do you think Quebec should declare independence?" — 66% of respondents said

yes, reflecting recent polls of the Quebec populace.

In an interview before the Bé Campeau process began, Béland explained that what he and others proposing should not be dismissed as the emotionally charged epithet "ratism." The problem should be at rationally as a search by Quebec for a new way to live with people rest of Canada.

"We don't use that word [sep in Quebec]," he says. "I have always I think Canada is in need of self planning as a country."

Quebecers have a better idea where they want to go than Canadians outside the province, Béland says. He credits this awakening to their ing control over their economic destiny.

"For francophone Quebecers, wave of taking back control of economy began with Mr. Desjardins 1900," he says. With 34,000 employees in its co-operative and corporate work, the Desjardins movement is



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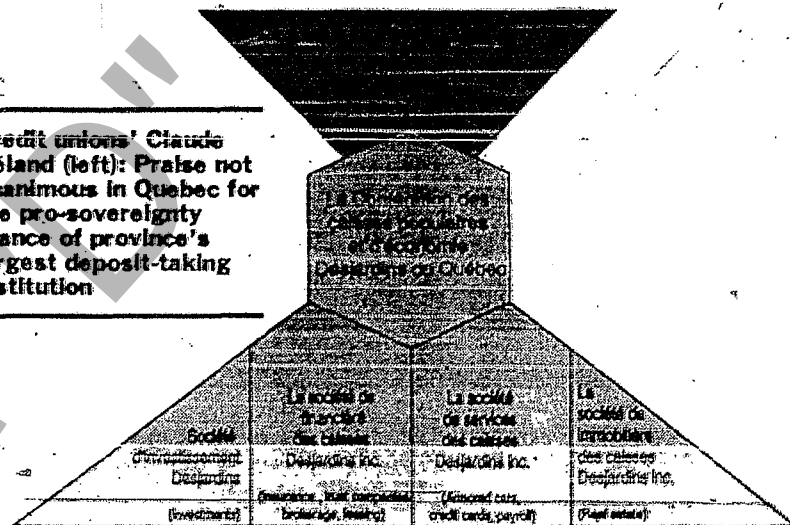
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Credit unions' Claude Béland (left): Praise not unanimous in Quebec for the pro-sovereignty stance of province's largest deposit-taking institution



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yes, reflecting recent polls of the general Quebec populace.

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"We don't use that word [separatist] in Quebec," he says. "I have always said I think Canada is in need of strategic planning as a country."

Quebecers have a better idea now of where they want to go than Canadians outside the province, Béland says, and he credits this awakening to their growing control over their economic destiny.

For francophone Quebecers, this wave of taking back control of their economy began with Mr. Desjardins in 1900," he says. With 34,000 employees in its co-operative and corporate network, the Desjardins movement has sur-

passed BCE Inc. as the province's largest employer. BCE's Quebec operations, chiefly through Bell Canada and Northern Telecom Inc., have a payroll of 31,000.

The caisses under the umbrella Confédération des Caisses populaires et d'économie had total assets of \$38.7 billion at the end of 1989, making them bigger than the National Bank of Canada, Quebec's second-largest deposit-taking institution (\$34 billion in assets).

When Desjardins' other divisions are added, the movement's total assets rise to \$46 billion. Sometime next year, Desjardins anticipates, it will reach the \$50-billion mark.

Béland says his priority for 1991 is to establish closer links with the 1,314 credit unions outside Quebec affiliated with the Canadian Co-operative Credit Society, offering them access to Desjardins' computerized financial system and its specialized products.

"We want to make alliances with Canadian credit unions," Béland says.

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Ontario companies boycott Desjardins; [Final Edition]

CP. Calgary Herald. Calgary, Alta.: Mar 30, 1991. pg. B.4

Abstract (Summary)

[Claude Beland] said that when a Toronto firm was asked to check the market for a share issue by a Desjardins subsidiary, potential buyers such as pension fund managers were asked if they knew of the Mouvement Desjardins.

Full Text (224 words)

(Copyright The Calgary Herald)

QUEBEC (CP) - A number of Ontario companies - including Sun Life and Prudential of America - are boycotting the Mouvement Desjardins credit union, says the president of the financial services giant.

Claude Beland says about 20 firms have backed off doing business with the credit union since late last year, when he came out in favor of Quebec sovereignty before the provincial commission on Quebec's future.

"Since I gave my submission before the Belanger-Campeau commission, companies such as Sun Life and Prudential have been saying: 'If it's Desjardins, it's no! If it's from Quebec, it's no!'" he told Quebec Le Soleil in an interview which the newspaper published Friday.

Beland wouldn't name the other 18-odd firms. Sun Life incurred the wrath of separatists when it moved its head office from Montreal to Toronto following the 1976 election of the Parti Quebecois. The Canadian operation of Prudential Insurance Co. of America is also based in Toronto.

Beland said that when a Toronto firm was asked to check the market for a share issue by a Desjardins subsidiary, potential buyers such as pension fund managers were asked if they knew of the Mouvement Desjardins.

"They replied, 'Yes, a little bit.' But they didn't ask to look at the dossier, they said, 'Is that the organization run by Mr. Beland, the greatest sovereigntist in the world?'"

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Keep political pluralism alive in Quebecers' current debates

CLAUDE BÉLAND, president of the Mouvement Desjardins, was desperately trying to make himself appear to be interesting when he declared recently that his stance in favor of Quebec's sovereignty has earned him so many death threats he has begun to worry about his personal security.

One wonders how roughly two-thirds of Quebecers manage to keep their calm — after all do not the polls show that 60%-70% of Quebecers support sovereignty? Advocates of sovereignty are so eager to argue that their views are now the mainstream view it seems odd to hear Béland suggesting that the sovereigntist position is so courageous, so visionary, so outstanding.

While it's true that sharing mainstream views does not ensure protection against violence and extremist action, what is pernicious in Béland's supposed martyrdom are the numerous subtle and not so subtle references to a conspiracy of capitalists who presumably are attempting to undermine the hopes and aspirations of Quebecers, using whatever means they deem necessary.

Stinging attack

What is worrisome, also, is the growing intolerance being directed at all those who question the motives, assumptions and promises of the sovereignty camp.

Recently, for example, Parti Québécois leader Jacques Parizeau launched a stinging attack against Montreal financier Paul Desmarais following the latter's remarks on the risks of politi-

MARIE JOSÉE DROUIN is executive director of the Hudson Institute, Montreal.

VIEWPOINT

By Marie Joséé Drouin



cal uncertainty and the benefits of federalism. According to Parizeau, the fact that Desmarais had sold off a substantial portion of his Quebec holdings — most recently, Consolidated Bathurst and Montreal Trust — and invested heavily abroad proved that his attachment to Canada was lukewarm and tarnished his ability to comment on the Quebec question.

In other words, according to Parizeau, unless you put your money where your mouth is, you should shut up. Yet again Parizeau was massaging reality, conveniently overlooking the well-known fact that the Quebec government and the Caisse de dépôt et placements has discouraged Desmarais from acquiring Domtar and Canada Trust. Had the government not been so keen to "spread the wealth," Desmarais's investments might have taken a different turn and Consolidated Bathurst would not have fallen into American hands.

However, demagoguery and ideology are not preoccupied with facts and realism and we can expect these cowardly personal attacks to continue.

Besides, why could not or should not foreigners have the right to express an opinion about Quebec and Canada? Do Canadians think they can finance about a quarter of the national debt abroad and yet escape the scrutiny and comments of their creditors?

Likewise the province of Quebec raises fi-

nancing in foreign markets. Why is it that American, British, Swiss, Japanese, and other investors cannot have an opinion on Quebec, unless of course it is favorable to sovereignty? Why are they more suspected of having vested interests than those in Quebec vying for "ambassadorships" and other high-flying jobs a sovereign Quebec might offer.

It is sure there will be gaffes made during the debate on the future of the country. For example, the credit watch alert recently announced by the Canadian Bond Rating Service was based on the same kind of sophomoric review as was the earlier study commissioned by the Bank of Montreal comparing the Quebec situation with the "smooth" separation of Sweden and Norway.

'Party line'

A great deal of vigilance will indeed be required to ensure that rigor, objectivity and accuracy guide the various analyses that will be put forth during the coming months. Those and only those factors should be the criteria against which studies are judged, irrespective of authorship.

Similarly, one would hope Quebecers will continue to seek and respect political pluralism. Béland is wrong — defenders of capitalism are not all of one mind. Nor are workers a homogeneous group. Nor are sovereigntists, for that matter. Among those who support sovereignty there is a range of people, some of whom seek outright independence while others are convinced that formal association with the rest of Canada is essential. Some advocate a corporatist type projet de société, others favor a more competitive, liberal form of political organization. The range of positions on issues such as culture, science



Claude Béland, president of Mouvement Desjardins, has received many death threats thanks to his support of Quebec sovereignty

policy, feminism, management of the environment and linguistic policy is kaleidoscopic.

Unfortunately, the message emanating much more regularly from the defenders of sovereignty is one that appears to undermine the forces of pluralism. Those who do not toe the "party line" are more often than not subjected to ridicule and discredit, not in the spirit of political fair play but rather through guilt by association, insinuation and outright fiction.

The self-important Béland obviously wants to be seen as courageous. Others might argue that expressing support for some form of federalism in the current Quebec context is the true test of courage. In any event, when one has the courage of one's convictions one does not fear challenge, dispute and contrary opinions. One lets the people decide in the freest possible way.

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From New France to new Quebec

The making of a Staatsvolk

IT IS easy enough to see Quebec's current threat to leave Canada as just another expression of unhappiness, the latest wail of exasperation in a long series of complaints and grievances. But that describes only a part of what is happening. This time Quebec's threat to pull out is also an assertion of self confidence and a defiant avowal of its readiness to go it alone in the big wide world. This is no cry for help. Quebec is waving, not drowning.

Whether it is waving Adieu or merely Bonne journée, it is doing so because of two recent transformations. One is the globalisation of the world economy and the drawing together of the economies of North America. This has been happening for years, as economies has grown ever more successful at transcending artificial frontiers like the 49th parallel that divides the United States and Canada. The Auto Pact signed in 1965 yoked Ontario (and to some extent Quebec) into the United States economy: components went north, cars went south. The sweeping away of trade barriers in the GATT meant that by the mid-1980s, when 75% of Canada's trade was going to the United States and 20% of the United States' trade to Canada, four-fifths of it was duty-free. That proportion was to rise under the free-trade agreement signed in 1988, an agreement strongly opposed by many Canadians on the grounds that it would

leave them helpless against the mighty competition from the south and further Americanise a country whose *raison d'être* is to be different from the United States.

This was not, however, the view in Quebec, whose votes for the Progressive Conservative government of Mr Mulroney were enough to give him a majority in the 1988 federal election and thus return him to office to implement the free-trade agreement. Quebec, that island of cultural insecurity, had become the most outward-looking and America-friendly part of Canada. It welcomed the freedom that came with an end to tariffs. Indeed, the belief that it could survive in a continental market without any help from Ottawa now makes secession seem much less frightening than it did in, say, 1980.

Something has evidently been going on in Quebec. That something is still little understood in the rest of Canada, which is usually ten years behind the times in grasping what is happening there.

Québec Société Anonyme

For many years there was not much to understand. Quebec was a backward, largely rural province dominated by Catholic priests and suspicious not just of English-speakers but of many modern democratic ideas (women, though allowed to vote in federal elections after 1917, did not win the vote in Quebec until 1940). Just as English-speaking Canadians are the descendants of the counter-revolutionaries who stayed loyal to Britain, so Canada's French speakers are the descendants of pre-revolutionary Frenchmen: Quebec's flag (barely 40 years old) includes a white cross to symbolise Christianity and four fleurs-de-lis "to evoke the kingdom of France"; Quebec's emblem is the lily that was the symbol of France until the revolution.

Quebec remained a backwater until the 1960s. Proud though Quebeckers were of their Frenchness, France took little interest in them, and the modernising events of post-revolutionary France largely passed French-speaking Quebeckers by. Quebec's economic affairs, especially its large companies, were mostly in the hands of English-speakers. In this respect, as Sylvia Ostry of the University of Toronto's Centre for International Studies points out, Quebeckers were like Afrikaners: remote from their forebears, they missed out on the enlightenment in Europe, took refuge in an isolated culture and left business to the English-speakers with whom they reluctantly shared their outpost.

In 1960, however, the Quebec Liberal Party came to power intent on change. So far-reaching and profound were the reforms it wrought that the process it set in train has come to be called **the Quiet Revolution. This is the second transformation that has brought Quebec to the verge of separation.**

The main effect of the Quiet Revolution was to turn Quebec from a society of French-Canadians driven by a fear of cultural obliteration into one of Québécois (the word did not exist before the 1960s) driven by economic assertiveness and becoming, in the slogan of the times, *maîtres chez nous*, "masters in our own house". A defensive minority has been turned into a nation, or a *Staatsvolk*, as Berel Rodal, a Canadian civil servant, has called it: the ethnic group that defines the state. The transformation has been achieved

largely from the top down, by the provincial government involving itself in all manner of activities it had hitherto shunned.

The first of these, in the 1960s, was education, which had previously been left to the church. The secularisation of Quebec began with the creation of a provincial ministry of education and a network of junior colleges. Bright young Quebecers started to spurn the priesthood in favour of the civil service. Today they probably go to the University of Montreal's business school, the Ecole des Hautes Etudes Commerciales. Quebec now provides two-fifths of all the business students in Canada.

Then came more **direct government intervention in business**. Among the most striking examples was the nationalisation (of provincialisation) of various utilities to form Hydro-Québec, the company that is building the vast James Bay hydroelectric project at a cost of nearly \$25 billion. Hydro-Québec is not only a giant in its own right, it has provided a training ground for Quebec businessmen, and its contracts have been used to make other Quebec companies, notably engineering firms like Lavalin and SNC, into internationally competitive enterprises.

More recently, the state capitalism of the 1960s has become what Thomas Courchene of Queen's University calls market nationalism. Under the Quebec Stock Savings Plan, created in 1978, tax incentives became available for Quebecers who invested in Quebec companies. At least until the 1987 stockmarket collapse, thousands of small companies had new access to capital. Investors did not do badly either. Between December 1981 and December 1989, these Quebec shares outperformed the top 300 on the Toronto Stock Exchange.

Quebeckers' savings were also mobilised in other ways. **The old Caisses Populaires Desjardins**, which grew out of North America's first savings and credit co-operative, founded in the small town of Lévis in 1900, was transformed into an engine for the development of Quebec. Today two out of three Quebecers, 4.7m people, are members of a caisse and the Mouvement Desjardins has assets of over \$44 billion. Though cautiously invested, these assets are used with great effect to promote the economy of Quebec.

Next came Quebec's pension fund (of all the provinces it alone has its own). In 1980, under a new president, Jean Campeau, the Caisse de dépôt et placement de Québec was charged not only with getting the best possible return on capital but also with fostering the development of Quebec's business. Today it manages fully \$36 billion and, with a portfolio of \$10 billion mostly blue-chip Canadian shares, is easily the biggest stockmarket investor in Canada. Nearly half of its assets, however, are held in government bonds, most of them Quebec's (allegedly **it lends to the Quebec government and state enterprises at preferential rates**). **Because of this and because of its private placements and deals, it is immensely influential in Quebec.**

This co-operation between provincial government, private business, individuals and even unions continued through the 1980s. In the 1981-82 recession, for instance, under the Corvée-Habitation programme, government, unions, lending institutions and municipalities all agreed to lower fees, wages, rates

and charges to keep the housing industry going. More recently, this year, Quebec's 400,000 public employees have agreed to a six-month wage freeze and an extension of existing contracts until June 1992.

Corporatism, Canadian-style

Innovation is moving on. Quebec now wants to slash away at financial regulations, to let the caisses populaires issue equity capital and to allow unit trusts to enter into joint ventures with foreign financial institutions. One ambition is to form "mammoth corporations", commercial-cum-financial enterprises that would be charged, among other things, with the task of keeping successful companies in Quebec.

In the light of all this there is no doubt that Quebec is a distinct society, though not perhaps in the way that English-speaking Canadians have traditionally seen it as one. For the moment, note only two aspects of Quebec's character. The first is its similarity in some respects to Japan or Germany or France: Quebec has a cohesiveness, embodied not just in its use of French and its affection for its culture but in its projet de société--the common enterprise on which the whole society is embarked--that Canada as a whole markedly lacks.

Second, this projet de société is not entirely alien to the pan-Canadian tradition of looking at government in a favourable light. On the other hand it sits pretty uncomfortably with the American tradition (of ideological belief, often honoured in the breach) of keeping the role of government to a minimum, both in business and in other matters.

PHOTO (BLACK & WHITE): Now to take on the world

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Back

ProQuest

Databases selected: Multiple databases...

Fumbled fax lets news agency in on BQ bid for \$1.45-million election loan; [Final Edition]

Chris Cobb. *The Ottawa Citizen*. Ottawa, Ont.: Jul 8, 1993. pg. A.4

Abstract (Summary)

CP Quebec bureau chief Maurice Girard, thinking at first that the information was intended for public release, called the Bloc financial administrator Francois Leblanc for an explanation. In seconds he knew he had a good story.

Girard figures the Bloc's concern is based on the Caisse's desire to keep a low political profile during the forthcoming election campaign. Caisse president Claude Beland was a vocal supporter of the No side during last fall's referendum campaign.

Full Text (300 words)

(Copyright *The Ottawa Citizen*)

It was a slow, summer doldrums day at the Quebec City bureau of Canadian Press. Then the scoop came in.

A 10-page fax containing detailed financial information slid into CP's office Tuesday from the separatist Bloc Quebecois.

Political parties often send faxes to newsrooms. Unfortunately for the Bloc, this fax shouldn't have been one of them. It was confidential and meant only for the party's accountant in Laval.

Someone at Bloc headquarters in Montreal had pressed the wrong buttons and the fax ended up in the worst place possible -- a newsroom on a slow day.

The errant fax contained details of a \$1.45-million election loan the party is negotiating with the Caisses Populaires Desjardins.

CP Quebec bureau chief Maurice Girard, thinking at first that the information was intended for public release, called the Bloc financial administrator Francois Leblanc for an explanation. In seconds he knew he had a good story.

"Leblanc said 'Oh my God, we're not going to get the money if you publish that.' Then he offered me various undefined future scoops if I didn't write anything. He said the bank would be upset with the publicity. I said we don't negotiate the publishing of news. Girard said Wednesday.

"Anyway, this is summer and there's nothing happening. It's an entertaining story.

Girard figures the Bloc's concern is based on the Caisse's desire to keep a low political profile during the forthcoming election campaign. Caisse president Claude Beland was a vocal supporter of the No side during last fall's referendum campaign.

Girard's story about the loan got wide play in the Quebec media on Wednesday. The circumstances of the scoop got less attention.

"If it's not cell phones, it's fax machines, added Girard. "Technology just isn't safe. But we're glad. We had some fun with it.

Credit: CITIZEN



CANADA

House of Commons Debates

VOLUME 140 • NUMBER 099 • 1st SESSION • 38th PARLIAMENT

OFFICIAL REPORT (HANSARD)

Monday, May 16, 2005

Speaker: The Honourable Peter Milliken

The House met at 11 a.m.

[English]


Business of the House

Private Members' Business

[Private Members' Business]

* * *

Taiwan Affairs Act

 (1145)

[Translation]



Mr. Roger Clavet (Louis-Hébert, BQ): Mr. Speaker, I thank the colleagues who have just spoken on Bill C-357, both the hon. member for Victoria and the hon. member for Kootenay—Columbia, the bill's sponsor. This is the first hour of debate at second reading. It is a pleasure for me, as the Bloc's critic for the Asia-Pacific region, to speak on this bill.

Bill C-357 provides an improved framework for economic, trade and cultural initiatives between Canada and Taiwan. Before indicating whether the Bloc Québécois supports the principle of this bill and whether it can be referred to committee, just to keep everyone guessing, I want to provide some context essential to understanding this issue.

In this regard, the Bloc Québécois wants to acknowledge Taiwan's obvious economic and political progress. No one will deny that, not even the People's Republic of China. Undeniably, Taiwan is now a free, democratic and, above all, prosperous country. It is clearly a model for the entire Asia-Pacific region.

It is interesting to note that Quebec maintains close and friendly cultural and economic ties with Taiwan. Between 2001 and 2002 alone, Quebec exports to Taiwan increased by 17%, to a noteworthy \$134 million. Quebeckers are happy to have access to Taiwanese products, such as computers and semi-conductors. In exchange, the Taiwanese benefit from imports of reliable Quebec products, such as wood pulp, telecommunications equipment and iron ore, to name just a few.

I would also add that university and cultural exchanges between Quebec and Taiwan have been extremely successful. In the riding of Louis-Hébert, which I have the pleasure of representing in the House, Université Laval has extremely close ties with Taiwan. These exchanges will continue. Even some colleges maintain similar relations, with both Taiwan and China.

I would, moreover, emphasize that Quebec's relationship with Taiwan cannot in any way have a negative impact on the deep friendship and attachment Quebec feels for the People's Republic of China. I had the pleasure of working there for two years. Contacts between Quebec and the People's Republic of China have been constantly increasing for over 30 years now. There have been visits by senior officials, agreements have been signed and major trade exchanges have taken place, all of which are evidence of our ongoing good faith and good will.

As for Quebec's exports to China, these have increased by leaps and bounds in recent years. I have some interesting figures here also. From its level of \$318 million in the year 2000, the value of Quebec's exports to China increased by 117% to some \$700 million in 2002. There is nothing to indicate a decrease. Among the Quebec products of most interest to the People's Republic of China are aircraft and aircraft parts, pulp and paper and inorganic chemicals. I list these as evidence that there can continue to be very good trade relations Quebec and the People's Republic of China, and between Quebec and Taiwan. Quebec's importation of Chinese products in 2002 was not negligible either, at about \$3.4 billion.

Let us not lose sight of the fact that educational exchanges between Quebec and China are also very important. Universities and colleges, Quebec's in particular, have very active

relationships with China. Close to a thousand Chinese students come to Quebec every year to study.

Now back to Taiwan, since this bill deals primarily with Quebec's and Canada's relations with Taiwan.

The Bloc Québécois feels the need to support the principle of this bill because of the friendship and ties that exist between Quebec and Taiwan. In particular, we unreservedly support its underlying principles: peace and security in the Asia Pacific region.



(1150)

We in the Bloc Québécois believe that the resolution of the dispute between China and Taiwan should be peaceful and negotiated by the two parties. Nothing in this bill would lead us to think such a resolution might not be possible.

This bill should not be seen as meddling or trying to disturb a situation in sometimes precarious equilibrium—no point in beating around the bush—but rather as a means to strengthening economic, trade and cultural ties between Taiwan and Canada. Who could dispute that?

We in the Bloc have, of course, found a few shortcomings after analyzing the bill. We will thus mention a few reservations we have with respect to the bill in due course, when the bill is being considered in committee. However, at this stage of debate, two things about the bill should be mentioned, which will, in our opinion, help improve bilateral relations between Canada and Taiwan and international relations generally between Canada and other Asian countries.

First, the Bloc Québécois supports Taiwan's participation as an observer at certain international organizations. Currently, it is excluded—and we heard this again this morning—from participation in international organizations such as the World Health Organization. These organizations are technical rather than political in nature, even though their political scope is somewhat limited. We need only consider how the SARS epidemic could have been different had Taiwan had observer status with WHO. Things would have been simpler for everyone, because Taiwan could then have taken part in the organization's deliberations.

We in the Bloc Québécois also note the pacifist tone of Bill C-357. We would point out that the dispute between Taiwan and mainland China will not be resolved with prayers. It will take a disarmament agreement in the case of geographic areas of potential confrontation. No one is fooled and no one forgets the constant threat. We believe that relations between the People's Republic of China and Taiwan can improve only through dialogue and diplomacy.

We in the Bloc Québécois reiterate our affection for and great friendship with both the People's Republic of China and Taiwan. We think that a peaceful settlement of the disputes will lead to a valuable solution.

In summary, the Bloc Québécois supports this bill in principle for the following reasons. First, it will strengthen economic, trade and cultural relations between Quebec, Canada and Taiwan. The Bloc also supports Taiwan's participation in certain international organizations. The conditions for its participation can be discussed and decisions made on a case-by-case basis. Regarding the International Civil Aviation Organization for instance, major legal tangles could ensue if Taiwan's participation in that organization were not recognized de facto. Allowing Taiwan to act as an observer in major international forums will facilitate communication.

I want to refer again to the bill's pacifist tone; it does speak of disarmament and dialogue. We all agree with that. Besides, and this may be the bill's greatest strength, there is hardly any diplomatic risk involved since this bill is modelled after a 1979 U.S. bill maintaining the status quo to preserve friendly relations with both Taiwan and China.

Thus, we want to restate our feelings of friendship not only for the Chinese people, with whom we will continue to do business, of course, but also for the Taiwanese people. We believe that we must continue in this direction.

In conclusion, for all the reasons I just stated, the Bloc Québécois supports referring Bill C-357 to committee for further study, and we support the principle of this bill.

[English]

Exhibit "D"

Junket fever

Free trips MPs took last year, as compiled by the Ethics Commissioner, with additional comments

FROM THURSDAY'S GLOBE AND MAIL
MAY 31, 2007 AT 2:03 AM EDT

Bloc MP Christian Ouellet and Estelle Côté

Where: Taiwan

Stated goal: Canada-Taiwan relations

Result: Mr. Ouellet said he discussed environmental issues and learned lots about Taiwan, but failed to push for the recognition of Quebec sovereignty.

Sponsor: Chinese Culture University

Date: Aug. 26 to Sept. 2, 2006

Cost: transportation \$4,584; accommodation \$1,790; gift \$150

Travel companion: Mr. Ouellet said that being accompanied by his spouse facilitated informal discussions with Taiwanese officials.

Bloc MP Carole Lavallée

Where: Taiwan

Stated goal: Meeting

Result: Ms. Lavallée said she presented her party's sovereignty agenda for Quebec in meetings, and discussed workplace issues with Taiwan's labour minister in a two-hour-long meeting.

Sponsor: Chinese Culture University

Date: Aug. 27-Sept. 2, 2006

Cost: transportation \$2,852.11; accommodation \$1,627.25; gifts \$75

Exhibit "D"

ProQuest

Databases selected: Multiple databases...

Secret ballot keeps Beland at Desjardins helm; [FINAL Edition]

JOHN DAVIDSON. *The Gazette*. Montreal, Que.: Jan 19, 1994. pg. D.1.BRE

Abstract (Summary)

Claude Beland was elected yesterday to a second term as president of the powerful Mouvement des Caisses Populaires Desjardins.

There were rumors in [Desjardins] circles that Beland, a lawyer by training, would step out of the business world and run as a Parti Quebecois candidate in the provincial election that must be called this year. But he squelched that speculation by allowing his name to be voted upon in the director's ballot.

Beland's most recent coup was the highly leveraged purchase of the Laurentian insurance and banking group for \$685 million. However, Desjardins only had to lay out \$73 million in cash to create the new Desjardins-Laurentian Financial Corporation. The rest came from a share swap which didn't cost the credit-union group one cent.

Full Text (508 words)

(Copyright The Gazette)

Claude Beland was elected yesterday to a second term as president of the powerful Mouvement des Caisses Populaires Desjardins.

In a ceremony which resembled the election of a new Pope, Beland was elected by secret ballot to a new 3-year term at the helm of the Quebec credit union confederation which has 1,500 branches and \$60 billion in assets.

It ranks as the sixth-largest financial institution in Canada.

Beland, 62, has just completed a 7-year term as president of the Desjardins group and his mandate can only be renewed for three years at a time by the confederation's bylaws.

"During the past seven years, Desjardins has seen strong growth and improved profitability in comparison with other financial institutions," Beland said in a statement after the election.

"We are now even more solidly the most important financial institution in Quebec."

The vote was unusual by normal corporate standards because no candidate was allowed to present his or her name publicly. All lobbying was done behind the scenes in the group's corridors of power in Montreal and Quebec City.

Members of the 33-person board of directors were allowed to vote for anyone they chose - but through a secret-ballot system which did not reveal their choices.

The Desjardins movement, which was founded 92 years ago in close co-operation with Roman Catholic parishes around Quebec, still uses the ecclesiastical term "conclave" to describe the election of a new president.

"You almost expect to see white smoke streaming out of the board room when a successful candidate has been elected," said one Desjardins administrator who asked that his name not be used.

There were rumors in Desjardins circles that Beland, a lawyer by training, would step out of the business world and run as a Parti Quebecois candidate in the provincial election that must be called this year. But he squelched that speculation by allowing his name to be voted upon in the director's ballot.

Beland's father was the founder of an Outremont credit-union branch in the 1920s and he worked as a teller in the

suburban Montreal branch from the time he was 16 years old.

While working as a lawyer, Beland became involved with Desjardins's legal affairs in 1962.

In 1986, he was named executive assistant to former Desjardins president Raymond Blais. In 1987, he was elected president of the confederation after Blais fell sick.

Beland said the main priority of his second term is to assist the economic development of Quebec.

The Desjardins movement, with 50,000 employees, is the largest private employer in the province, he added.

"We support all initiatives - public and private - to offer financial support to new companies and to create new jobs in the province."

Beland's most recent coup was the highly leveraged purchase of the Laurentian insurance and banking group for \$685 million. However, Desjardins only had to lay out \$73 million in cash to create the new Desjardins-Laurentian Financial Corporation. The rest came from a share swap which didn't cost the credit-union group one cent.

[Illustration]

Colour Photo; CLAUDE BELAND

Credit: CP

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Databases selected: Multiple databases...

Separation is the only solution, Beland says; [FINAL Edition]

PHILIP AUTHIER. *The Gazette*. Montreal, Que.: Nov 18, 1994. pg. D.3

Abstract (Summary)

[Claude Beland] said it's time Quebecers realized that the dream of making the federal system respond to their needs and aspirations is unattainable and there's only one answer left: start over. "It's too bad, but a real confederation is not possible because there is a complete block on the part of English Canada," Beland said.

Beland's separatist stripes are well-known. He was among the businessmen on the Belanger-Campeau commission in 1991, but he sided with the Parti Quebecois in saying that separation is viable and the only option. But Beland's political activities earned him a rap on the knuckles from some [Desjardins] officials who warned him not to mix money and politics.

In September, Beland said he doubted the Mouvement would participate in the 1995 referendum debate. He said if he were to take the same pro-sovereignty position, "50 per cent of the people will tell me to mind my own business." One Federation president said the caisses populaires serving allophone or anglophone clients took heat for Beland's position last time, "and that pressure moved upward to the directors."

Full Text (556 words)

(Copyright *The Gazette*)

QUEBEC - Breaking his silence on political questions, Mouvement Desjardins president Claude Beland yesterday waded back into the debate on Quebec's future, stating that Quebecers have no choice but to separate from Canada.

Beland said it's time Quebecers realized that the dream of making the federal system respond to their needs and aspirations is unattainable and there's only one answer left: start over. "It's too bad, but a real confederation is not possible because there is a complete block on the part of English Canada," Beland said.

"We tried to negotiate a little thing like the distinct society and were told no. How long have we tried to get powers over job training? I hope Quebecers understand the message." Asked if Quebec should separate, Beland said: "I don't think we have any choice."

Beland made the comments yesterday following a speech about the national debt before the Institut d'Administration Publique du Canada in Quebec City.

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Yesterday, Beland changed his line and would not say what role he'll play in the campaign. But he did confirm the Mouvement will participate in a series of studies on sovereignty being prepared by the minister for restructuring, Richard Le Hir.

He insisted that the Caisse's 33-member board of directors has not discussed its role in the campaign.

Beland did not mention the referendum issue once in his speech. Later, he told reporters that for the Canada of



GRETTA CHAMBERS

The big time

The Bloc comes of age. So does Mouvement Desjardins

Just when the Mouvement Desjardins was preparing to go "Canadian" with the acquisition of the Laurentian Group, including a chartered bank, its offer to bankroll the Bloc Québécois in the forthcoming federal election came to light. It was the Bloc itself which inadvertently made the announcement, and in detail. A document setting out the terms of the proposed loan was faxed, not to the Bloc's accountants for examination, but to the Quebec bureau of the Canadian Press.

It was an unusual media bonanza. And if it embarrassed the Bloc, it must have infuriated Desjardins. The Bloc has come of age. It needs financing like any other political party. But such lack of discretion, even by mistake, is more likely to dry up sources of election loans than keep them flowing.

News of the \$4.5-million loan offered to the Bloc by Desjardins hit the front pages the day before the Desjardins-Laurentian agreement was made public. Claude Béland, president of Desjardins, expressed delight that the co-operative movement was moving into the big time and would with this transaction become one of the six "giants" of Canadian finance.

Desjardins becomes a player

Béland's nationalistic political leanings, publicly expressed during his stint on the Bélanger-Campeau Commission and during the referendum on the Charlottetown accord, do not stretch to financial xenophobia. Desjardins had gone about as far as it could go in Canadian co-operative markets. With a chartered bank in its bag of assets, it becomes a player on the Canadian financial scene. Better for this move to be made now, before the next federal and provincial elections, which may shake Canadians' faith in the permanence of the Quebec-Canada link.

For Desjardins and the Laurentian Group, this is a strictly business operation. So is Desjardins's offer to bankroll the Bloc. In fact, one has to wonder who else would? Today, Quebec is probably the most apolitical province in Canada.

The Parti Québécois, and particularly its leader Jacques Parizeau, speak of sovereignty in terms of inevitability. But there is little resonance in public opinion. The Péquiste candidate won hands down in the recent by-election in Portneuf, which returned a Liberal with the highest majority at the last election. That victory had as much to do with the political doldrums as with dissatisfaction with the Liberal government.

Premier Bourassa has a tired government on his hands. Nothing it does gets good media reviews. In fact, in these dog days of summer, the government, which must operate regardless of season, is being subjected to a constant stream of critical analysis.

No signs of an overdue renewal have been spotted. That does not mean to say, however, that the PQ is riding high on anything but its alternative status.

Bloc has advantage over PQ

There seems to be a direct political correlation building up between a good showing by the Bloc this fall on the federal front and the election of the PQ next year as the government of Quebec. This is a tidy theory. But who knows how Quebecers are going to be



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year as the government of Quebec. This is a tidy the-
ory. But who knows how Quebecers are going to be
feeling a year from now?

The Bloc has a tactical and strategic advantage over
the PQ. It can claim to be the only federal party with
undivided loyalties. It is entirely devoted to Quebec's
interests. But electing Bloc MPs will not, of itself,
change the nature of federal politics, except perhaps to
make the country more ungovernable. The burden of
providing a constructive image, rather than that of a
bunch of spoilers, will put a great strain on the Bloc.

By the time the provincial election comes along,
Lucien Bouchard's troops will have used up their col-
lected and borrowed money. They may not be of as
much use to the PQ as Jacques Parizeau expects. The
PQ, too, spent some of its own political and financial
capital in the wrong forum.

Parizeau's contention a few months ago, that he was
looking forward to the "Italian-style" Parliament that
those projected 50 Bloc MPs would give Canada went
over very badly with public opinion and with the Bloc
itself. Lucien Bouchard is at pains to stress the pro-
Quebec orientation of his party, not its anti-Canadi-
an unity aspirations.

In the current polarized atmosphere, this is not the
time to start up a third party. But Quebecers seem to
be fed up with the choices.

The interest shown in a meeting of 175 young peo-
ple in Trois Rivières over the weekend is indicative
of a kind of political void.

Set up by Mario Dumont, the former president of
the young Liberals who joined Jean Allaire, of the Al-
laire report, on the No side of the referendum, Option-
Youth is to be a forum for political reflection. It has
been called a breath of fresh air in an otherwise stifling
political climate. In Quebec, however, as elsewhere,
the political climate is not to be confused with eco-
nomic considerations. It will continue to be business
as usual.

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has also promised a referendum 10 months later and
it's at that point, I suspect, that Quebec will say no to

ProQuest

Databases selected: Multiple databases...

The big time: the Bloc comes of age: so does Mouvement Desjardins - Chambers

The Gazette (Index-only). Montreal, Que.: Jul 15, 1993. pg. B3

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L'AGE DU PLURALISME

With his electoral victory, Jacques Parizeau undertakes to govern a society which has been changed, profoundly changed, by its Quiet Revolution. This Revolution has been a thirty-five year process. Quebec is entering a new age.

And I think we need a new phrase for this new time in Quebec's history: L'age du Pluralisme.

We no longer have a society, a Quebec society, in which the confrontation between a French-Canadian working class and an English-speaking industrial bourgeoisie is at the crux of everything.

Yes, there are still millions of French-speaking working people. Yes, there are still big Canadian, British, and American (and now Japanese) corporations. All the Shakespearean characters of the drama entitled White Niggers of America are still on the stage. But they have been joined by new characters. The factions and alignments are not as they were.

This act of the drama is not so Shakespearean, it is more in the exploratory manner of an improvisation by Robert Lepage.

This is what Mr. Parizeau will have to try to understand, and will not, I fear, be able to understand. He is an actor from the Quiet Revolution, and cannot change his points of reference. But we must try to understand.

The beginning of the beginning is to see that French-Canadians are no longer a people composed essentially of working people, as they largely were in 1960. The ruling class is no longer overwhelmingly composed of outsider capitalists. There is Lavalin and Bombardier now, Power Corporation and the new French face of Bell Canada (Bell Quebec): a solid French-Canadian participation in capitalist economic power, through promotions within old corporations and the launching of new ones.

This change often pleases English-Canadian Leftists, always somewhat uneasy with the Quebec Left's ethnic and anti-colonial themes, relieved to get back to straight class interpretations of our society. And so they may note the change, but not go much beyond it . . .

But to really begin to see these changes, we must go beyond them. We must try to see how the new Quebec, in which class lines are less related to languages, is as distinct a society as the old French-Canadian Quebec was. More distinct, perhaps.

This is because of a further fact, which is in a way the Quiet Revolution's greatest triumph, but which tends to disorient us, independantistes and federalists both. The French-speaking working people of Quebec are no longer a unified ethnic entity tracing their ancestry to New France and to nowhere else. In 1960 it could have been said, without really doing violence to the social facts, that no one but French-Canadians spoke French here. One's family name situated one, immediately. Even a French name made one an outsider if it was not one of the few hundred French-Canadian names of the colonizing days, 1600, 1700, 1750 . . . This key factor in Canadian political history has rarely been seen, analyzed, and given its full importance. Hence its coming to an end is also under-evaluated.

It was because of this ethnic tightness, these shared roots, that a political movement could take shape so quickly and so emotionally in the great metropolis of Montreal, in what appeared an atomized North American techno-society. The tale of coming over from a pre-modern France, and surviving conquest and proletarianization through 300 years was central.

The fact that few French people joined the few thousand original settlers after 1760 was not stressed in anyone's ideology. The old Catholic nationalists, the new Marxist nationalists, the federalists of left or right--it was just taken for granted by all of them. Combined with the long unpopularity of French among the immigrants who did come--Italians, West Indians, Jews, for example--it was what made French Quebec react to things with such fervor, such cohesion. It was a river-valley of very similar people, French Quebec.

This people had reproduced itself grandly, kept its language, and yet not lost touch with the world. And hence it had entered into the machine age, circa 1925, in the millions, still cohesive, with the same folk songs and memories of the farm and the lumber camp, amid the skyscrapers, amid the mass media

(which were also being swallowed in great draughts). It was the accent that was particular to the people. Without anyone really having planned it, here were people who were at once villagers--and global villagers.

It is also remarkable how religion played a huge role in the cementing of the tribe before the coming of the mass-media age. And then it faded, in the psyche, with stunning speed and painlessness, when television and the recorded pop song could do the cementing in a secular way.

But it was painful to be part of such a group. For the village was now largely left behind. The group collectively lived low wages, poor housing, and absorption into industries where others had all the know-how and capital. It was a cohesive people, but a humiliated one.

Out of this humiliation came the Quebec socialist idea. Out of it came the dream of a republic. And most central, out of it came the aim of making the language respected.

Now that religion had faded, the language was the great distinguishing trait of the nation. Skin colour, physiognomy or costume played little role in the group identity. Basically this was a people with their language and their accent as their most prized traits. Learnable traits, both of them. Teachable traits.

And in the Quiet Revolution, the Quebecois (a newly-enlisted word) set about to teach their language, and naturally, to teach it with their accent. Teaching was what was going on, but often the teachers did not feel it as teaching, but more as social justice. They tended to imagine their cultural group remaining much as it had always been, even after all the teaching was done. A natural mistake to make.

a 30-year cultural offensive

The teaching was done through a 30-year cultural offensive--singers, poets, filmmakers, novelists, orators, playwrights, photographers, circus acrobats, talk-show hosts--and through the school system.

The English school was made the traditionalist school, open only to those whose ancestors had used it; and the French school was made the innovative school, which would integrate newcomers into the society. Tensions and controversies on the edges of this process have filled our traditional-minded press, French and English, for a decade. But then . . . there is the big fact.

The method was highly workable. It was workable and it was rapid. As with the public schools of North Winnipeg or the Lower East Side in 1920, so with Quebec's Bill 101, from about 1977. It made the children of Vietnamese, Chileans, Greeks, Haitians, Algerians, Egyptians, into Quebecois. French spoken with the Quebec accent comes from many young mouths now, African, Asian and Latin American mouths, in every city in Quebec. This has profound meaning for social struggles and utopias. Left and right are both reluctant to realize this. Their points of reference are in the Quiet Revolution. And now we are in the Age of Pluralism.

There is a sector of the Quebec economy which is neither capitalist nor

socialist. Let us talk about this sector as a way of looking towards the year 2000. Let me try to explain what it is: it is a **creation of the Quiet Revolution.**

There are two key elements: Hydro-Quebec and the Mouvement Desjardins--the huge publicly owned corporation and the prosperous province-wide cooperative movement. Both, I think, have socialist roots; both have socialist potential. But both are at very non-socialist stages of their development now, very technocratic.

Hydro-Quebec has socialist roots because it was founded by Adelard Godbout to take a great natural resource out of the hands of private corporations that were insensitive to the common people, and to put electricity into the farmhouses of Quebec. Then it was expanded by Rene Levesque, with great hopes of making it work for economic liberation in some way, in the heat of the Quiet Revolution and on the eve of the independence movement's takeoff. It is state-owned and has to answer to parliament, or at least to the premier.

The caisses populaires have socialist roots because Alphonse Desjardins began them at the turn of the century in a spirit of economic democracy, and current chairman Claude Beland continues to speak that language, and to respect the one-customer-one-vote principle in each local caisse. But he now controls a mighty empire of insurance and consumer credit services. And he's more like an executive than an organizer at the grassroots. So even caisse members tell you!

There could be technocratic plans for all this money and technology. Daniel Johnson and Jacques Parizeau could both be seen as voicing them. They suggest not so much privatization as using these tools to nurture a business class.

a different alliance

There could also be people's-power plans. Natives could sit on Hydro's board; so could consumers, youth or labour. Posts could be elective. This is if the demand was made and if the campaign was launched. **The caisses could be revitalized from within and used to help the Third World, used to help the underclass. But all this would require a new progressive alliance, one which would learn to renounce links with the emergent Quebecois business class.**

It could be a new progressive alliance in Quebec including immigrants, unions, ecologists, women, gays. Much as the Parti Quebecois drew together diverse elements in the '70s around its social justice and ethnic-pride language, this alliance would have to find a language.

Where are the voices which could do that? In school, I'd say. They are in CEGEP, still shop stewards, marginals, punks, all colours, but mostly with one speech style.

What will these new forces mean for Quebec independence and Canadian federalism?

I think Quebec independence is less likely now than it was the day Rene Levesque took power in November, 1976. I think the presence of an

independantiste block in Ottawa is only superficially a hastener of the separation issue. Profoundly it is an acceptance of Quebec nationalism in a role of pressure group, of nagger of Canada into decentralizing reform. And I'd say the Bloc Quebecois has somewhat taken up the social critique that the troubled New Democrats can no longer deliver.

No movement on the Quebec scene at the same moment expresses this new alliance I'm speaking of. When it comes, I predict it will be around the ecological theme.

The Quebec society now entering its Age du Pluralisme has the stewardship of one of the biggest hunks of nature on planet Earth. And its meeting with an Amerindian movement very much at a stage of Quiet Revolution has been its biggest shock-of-learning so far in the process.

So what I predict will take root here, will combine the Old New Left's determination to rouse the oppressed with a commitment to the French language; less concern with French ethnic roots; and a sense of humanity being within nature, and not in command of nature.

No movement on the Quebec scene at the moment expresses this mix. But before this new government's term is up, some first signs will have appeared. Some first voices will have spoken.

The Parti Quebecois' victory is impressive: 77 seats, against 47 for the Liberals and 1 for Action Democratique, the fledgling centrist party.

The Parti Quebecois which has taken power in Quebec is a strange Parti Quebecois, for those who remember Rene Levesque's reformism. indicating a turn to the right is the leadership of Jacques Parizeau, who though not a businessman (a business-school professor, rather), has always had the image of a businessman. His victory speech contained the word "solidarity," perhaps giving it a left coloration; but also the words "strengthen the economy"-- definitely, in current rhetoric, a right coloration. In his ranks he has Richard LeHir, a leader of the Canadian Manufacturers' Association with a florid free-enterprise eloquence. He also has Monique Simard, a Canadian Dimension contributor with roots in the Confederation of National Trade Unions; Mathias Rious, with roots in teachers' unionism; and Louise Harel, who lit up the left wing of the party from Rene Levesque's days to the present. Quel debat!

The ferocious economics professor says he will revive the drive for Quebec independence. But how will he do it, with a majority won by playing down independence and a thin edge in the vote even then? Parizeau has little populist poetry in him. He can't inspire. Rather, it's his socio-economic leaning that will be the thing to watch.

PHOTO: Jacques Parizeau

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By Malcolm Reid

Malcolm Reid is editor of the Quebec magazine Abraham, journal du village global.

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Exhibit "D"



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## **PQ had \$37-billion Yes-vote insurance: Cash was to support dollar, Quebec bonds; [FINAL Edition]**

JAN RAVENSBERGEN. *The Gazette*. Montreal, Que.: May 18, 1996. pg. D.1

### **Abstract (Summary)**

The Parti Quebecois government orchestrated a financial game plan before last October's referendum on Quebec independence to stockpile \$37 billion in liquid assets in the expectation of a Yes victory, the newsmagazine *L'Actualite* has reported in its latest issue.

Three government arms - the Ministry of Finance, the Caisse de Depot et Placement du Quebec and Hydro-Quebec - manoeuvred to amass \$17 billion of liquid assets by the eve of the Oct. 30 referendum vote, reporter Jean Chartier added in his detail-rich story, which appears in the magazine's June 1 issue.

The two key banking groups in Quebec also pitched in, Chartier reported, maintaining regular contact with a very senior Quebec Finance official during the months leading to the Oct. 30 vote. By referendum day, the National Bank of Canada, the Mouvement Desjardins and the Desjardins-controlled Laurentian Bank of Canada had altogether amassed \$20 billion of liquid assets - considerably higher than their normal levels.

### **Full Text (911 words)**

*(Copyright The Gazette)*

The Parti Quebecois government orchestrated a financial game plan before last October's referendum on Quebec independence to stockpile \$37 billion in liquid assets in the expectation of a Yes victory, the newsmagazine *L'Actualite* has reported in its latest issue.

The cash was destined to support Quebec bonds and the Canadian dollar in the event of financial panic following such a victory.

It would have been used to strengthen Quebec's bargaining hand - and insulate it from a potentially crushing credit crunch - while the province was negotiating a political and economic partnership with the rest of Canada during the year following a Yes vote, the magazine reported. The stockpile, including Quebecers' pension savings, was also to have been used to dampen financial turmoil during the aftermath of those negotiations had they failed.

### **Parizeau Thought Deal Unlikely**

On referendum day, then-premier Jacques Parizeau confessed in a then-secret interview that he believed a partnership deal between Quebec and the rest of Canada "would never happen."

Three government arms - the Ministry of Finance, the Caisse de Depot et Placement du Quebec and Hydro-Quebec - manoeuvred to amass \$17 billion of liquid assets by the eve of the Oct. 30 referendum vote, reporter Jean Chartier added in his detail-rich story, which appears in the magazine's June 1 issue.

That war chest alone would have been enough to buy back every Quebec government and Hydro-Quebec bond in the hands of foreign investors on the day following a Yes vote, according to Chartier. The face value of those bonds represents about 40 per cent of the total outstanding, he stated.

The \$17 billion amounted to less than half the financial buffer shepherded into place under Parizeau's direct order, according to Chartier. He is a *Le Devoir* reporter who took a leave of absence last year to act as communications director under the short-lived provincial restructuring ministry. That ministry had been led by Richard Le Hir, now out of the Quebec cabinet.

### **Banking Assets Kept Liquid**

The two key banking groups in Quebec also pitched in, Chartier reported, maintaining regular contact with a very senior Quebec Finance official during the months leading to the Oct. 30 vote. By referendum day, the National Bank of Canada, the Mouvement Desjardins and the Desjardins-controlled Laurentian Bank of Canada had altogether amassed \$20 billion of liquid assets - considerably higher than their normal levels.

Parizeau, in a TVA-network television interview taped on the afternoon the referendum ballots were being cast, stated that several billions of dollars had been earmarked to protect the value of the Canadian dollar in the event of a Yes victory.

"For a long time," he also stated, "I have started from the principle that the thing" - a negotiated political and economic partnership with the rest of Canada on which the Yes forces campaigned harder as voting day neared - "would never happen."

The No forces won the vote by a razor-thin edge.

The interview with Parizeau was broadcast two days following the referendum, after Parizeau announced his forthcoming resignation as premier and as PQ leader.

He quit the day after his widely criticized referendum-night speech, in which he blamed "money and the ethnic vote" for the defeat of the Yes.

The Caisse, which invests the cash in the Quebec Pension Plan, had by that night boosted its cash and near-cash reserves to \$8 billion, or 12 per cent of Caisse assets, "an unprecedented level," Chartier stated.

A Caisse official yesterday refused to confirm that figure.

The usual Caisse liquidity is in the range of \$2-\$3 billion range, between 4 and 5 per cent of assets.

'We Were Ready'

Key strategist in the closed-door planning and co-ordinating, according to Chartier, was Jacques Dumont, assistant deputy minister of finance under Jean Campeau, then finance minister.

"We were completely ready," Campeau, who has also since left the provincial cabinet, declared to Chartier in a recent interview.

"The government of Quebec was in a position to sidestep the financial markets for . . . a certain time, shall we say. And luck was on our side, in the sense that the securities market was very liquid at that time."

Jean-Guy Langelier, chief executive of the Caisse Centrale Desjardins, told Chartier that Dumont called him regularly to discuss the Desjardins liquidity levels.

"We talked together twice a month during the summer and at the start of September. That's pretty normal; we are one of the bankers of the Ministry of Finance."

Kevin Dougherty, a Caisse public-relations official, told The Gazette yesterday that "we never denied that we had developed a liquidity position before the referendum."

'Prudent Management'

Michel Nadeau, Caisse senior vice-president (core portfolios) and assistant general manager, gave a speech in Quebec City about a month prior to the referendum, Dougherty added, saying that Quebec financial institutions had lined up a \$20-billion cash cushion.

"The Caisse decided to do this on its own," Dougherty insisted.

"This is part of prudent management. You have to safeguard your deposits . . . to prevent a run on the bank. That's the name of the game."

"Just think of any time when there's going to be a sort of crisis in confidence with financial institutions. You have to be prepared.

"If there had been a lot of Quebec bonds on the market suddenly" - following a Yes vote, for instance, as uncertain foreign investors unloaded their IOUs from Quebec and Hydro-Quebec - "the Caisse and others were in a position to buy them."

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## **Consulting-fee criticism `lot of noise for nothing': Bouchard, ministers defend hiring of advisers as useful way of obtaining fresh points of view; [Final Edition]**

SEAN GORDON. *The Gazette*. Montreal, Que.: Oct 20, 2000. pg. A.9

### **Abstract (Summary)**

Premier Lucien Bouchard struck back at his critics yesterday, defending the government's decision to pay what the Liberals call princely sums to "friends of the government" to study thorny policy decisions on health, language and municipal mergers.

The documents also showed Quebec paid \$140,000 to former PQ minister Michel Clair to head a task force on health reform, \$240,000 to former union leader Gerald Larose to preside the estates- general on language, and \$165,000 to ex-Caisse Desjardins head Claude Beland to supervise the development of a new Montreal mega-hospital.

Liberal leader Jean Charest said entrusting four unelected people with such important jobs is evidence that Bouchard doesn't trust his cabinet with those decisions.

### **Full Text (379 words)**

*Copyright Southam Publications Inc. Oct 20, 2000*

Premier Lucien Bouchard struck back at his critics yesterday, defending the government's decision to pay what the Liberals call princely sums to "friends of the government" to study thorny policy decisions on health, language and municipal mergers.

"I think this is a lot of noise for nothing," Bouchard said.

"It is an attempt to cast a shadow over first-class work that is being done by eminent citizens, people who were chosen for their intellectual qualities, for their expertise.

"I don't think we are sidestepping the democratic process of the National Assembly in any way."

Health Minister Pauline Marois went one step farther, saying all governments must rely on independent experts and that new ideas are sometimes hard to come by in government.

"It's a good thing we've done this, otherwise we could find ourselves stuck in the day-to-day with no new ideas and with no critical perspective," Marois said.

In the National Assembly on Wednesday, the opposition produced a series of documents indicating the government paid \$900,000 over two years to super-bureaucrat Louis Bernard for his role in negotiating deals with Indian bands, his efforts at shaping up the Emploi- Quebec morass, and his study on municipal mergers.

The documents also showed Quebec paid \$140,000 to former PQ minister Michel Clair to head a task force on health reform, \$240,000 to former union leader Gerald Larose to preside the estates- general on language, and \$165,000 to ex-Caisse Desjardins head Claude Beland to supervise the development of a new Montreal mega-hospital.

Liberal leader Jean Charest said entrusting four unelected people with such important jobs is evidence that Bouchard doesn't trust his cabinet with those decisions.

"If he had any confidence in their work, he wouldn't have to phone his friends whenever there's a problem on the horizon," Charest said, arguing that contracting out limits the National Assembly's decision-making ability.

Language Minister Louise Beaudoin dismissed the Liberal leader's criticisms, saying Larose has done an exemplary job at a pay rate that falls well within the government's contracting limits.

"Everything was done according to government norms," she said.

"There are no problems with that. . . . The legislative and political process continues as it should.

"I have no problem with any of this."

**[Illustration]**

Photo: Bouchard: First-Class Work. ; Photo: Marois: New Perspectives. ;

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# Quebec Inc.

**French-Canadian Entrepreneurs and  
the New Business Elite**

**Matthew Fraser**

KEYPORTER BOOKS

To the memory of Stewart Kinnaird Fraser

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dynamic corporations have financed takeovers and expansion through the scheme — the steel company Canam Manac Inc.; the large SNC Group engineering firm; National Pagette; the Unigesco holding company; the Quebecor publishing and newspaper empire; and the Bombardier Inc. manufacturing giant. From 1983 to 1987, the number of new public companies listed on the Montreal Exchange more than tripled. In 1986 alone, 177 new companies were listed on the ME and 214 new issues were made.

Also, Parizeau's aim of acquainting French Canadians with the stock market has been even more successful than he could have imagined. In early July 1987, the Commission des valeurs mobilières du Québec (Quebec Securities Commission) issued the results of a survey, taken a few months earlier, indicating that one out of every seven Québécois owns stocks worth a total of about \$13 billion — accounting for 14 per cent of the population (16 per cent including mutual-fund investors). That is more than three times the 4.4 per cent who owned stocks a decade earlier in 1977. But the figure still falls short of shareholder percentages of other populations, such as Ontario (20 per cent), the United States (26 per cent), Hong Kong (35 per cent), and the Canadian average (18 per cent). The REA has nevertheless triggered the highest growth of public shareholders in the country. It has been so successful, in fact, that in 1986 Alberta created its own version of Quebec's stock savings plan.\*

While the REA was catching on fire, Parizeau was also following trends in the American financial-services industry with increasing interest, especially as non-financial corporations started taking over financial companies. In 1981 American Express had bought Shearson Loeb Rhoades, the second-largest securities dealer in the United States. And retailer Sears, Roebuck had purchased the Dean Witter Reynolds stock-brokerage company as well as Allstate Insurance. These takeovers and mergers were revolutionizing the financial services industry by creating so-called "one-stop financial supermarkets." U.S. consumers could now trade stocks, buy car

\* On January 1, 1986, Alberta's Tory government, faced with a slumping economy due to low world oil prices, announced the Alberta Stock Savings Plan, offering tax credits between 10 per cent and 40 per cent limited to investments in Alberta-based companies with assets less than \$500 million. Saskatchewan has also introduced a similar plan offering flat 30 per cent write-offs. Nova Scotia, Newfoundland, and Manitoba have been considering stock plans of their own.

insurance, sell their house, and do their banking at the same counter.

New deregulation laws in the United States were also permitting mutual-insurance companies to create holding subsidiaries which could diversify into non-financial investments. That trend, coupled with the financial-supermarket explosion, was the very antithesis of the traditional four-pillar financial structure of banks, brokers, and insurance and trust companies — all staying out of one another's business. The result was obvious: the four-pillar structure would inevitably come crashing down.

Parizeau was the first Canadian politician to perceive the worldwide effect of this trend. He was also the first one to act. First, he allowed 100 per cent ownership of Quebec investment dealers, which was a major change considering the ownership limit in Ontario was 10 per cent. "I knew damn well nobody would try to profit by this change because the 10 per cent ownership rule in Ontario would mean a 100 per cent owned Quebec broker couldn't do business in Toronto," says Parizeau. "But the door was opened, and a few of the large institutions in Quebec started to buy 10 per cent stakes in some brokerage firms. They knew that if the rules changed in Toronto they had the right to go up from there to 100 per cent. They had put in a toe."

On June 22, 1984, Parizeau brought in the heavy artillery with Bill 75, which completely unfettered the province's regulated financial industry. First, the law allowed unrestrained integration of financial services, letting insurance companies diversify into property management, pension funds, stock savings plans, and even banking. Second, Bill 75 permitted any Quebec mutual insurance company to create a so-called down-stream holding company, an unrestricted subsidiary that could diversify the mother mutual company's capital into non-financial investments — whether in grocery chains, railways, or real estate.

Deregulation in Quebec gave French-Canadian financial companies the opportunity to consolidate and create huge capital pools in a worldwide financial market which was rapidly concentrating. Quebec insurance companies were quick to take advantage of the law: the Laurentian Group, for example, integrated into investment dealing by acquiring 10 per cent of Geoffrion Leclerc, bought Toronto's sleepy Eaton Financial Services, took over Trident Life Assurance in England, and indirectly bought a chunk of Provigo,



the \$5.4 billion grocery chain, through a minority partnership with Bertin Nadeau in his Unigesco holding company.

Bill 75 blew the lid off the Canadian financial industry, which outside of Quebec had not alerted itself to the impact of the coming changes. The Canadian Bankers Association even pleaded with Parizeau to slam the brakes on his deregulation measures and cooperate with a federal-provincial study of the industry before taking action. Ontario started laboriously examining the possibility of deregulation, and in early 1984 federal minister of state for finance Roy MacLaren set up a committee to mull over the future of four-pillar institutions. Its members came from the financial industry itself — at the time still nervous about the possible effects of precipitate change — and included Banque Nationale president Michel Bélanger, Wood Gundy president Don Bean, Mouvement Desjardins president Raymond Blais, Canada Life Assurance president Ed Crawford, and Montreal economist Marie-Josée Drouin. The committee was headed by William Dimma, a partisan Liberal and head of the A.E. LePage Ltd. real estate company. As it happened, while the committee was deliberating, LePage got swallowed, in mid-1984, into Edward and Peter Bronfman's Trilon Financial Corp. empire. Trilon, of course, had a direct interest in regulatory changes and was vigorously lobbying its own case through numerous high-level political channels.

The blue-ribbon group — which one observer called a “supper club” — eventually stumbled into a path of political quicksand when a federal election brought the Tories to power in the late summer of 1984. The new government started looking for its own solutions, though the Liberal-sponsored committee continued to meet.

But Ottawa had already missed the boat. In Quebec, one-stop financial supermarkets took off while Ottawa was still scratching its head. It was a classic case of reality running ahead of policy. And it was especially embarrassing at a time when dubious banks in Alberta were collapsing and shady trust company scandals were exploding in Ontario. In 1985, the new Tory minister, Barbara McDougall, who showed little interest in the MacLaren group's suggestions, began rummaging in Parizeau's law for ideas and tabled a deregulation green paper, quickly dubbed “the groan paper.” Embraced by some and dismissed by others, the green paper's philosophical pigmentation turned a bilious shade as the government undertook a “consultation” process and the lobbying heated up.

Finally, McDougall's successor, Thomas Hockin, made some progress when Bay Street abandoned its four-pillar conservatism and, for what turned out to be wholly selfish reasons, saw the wisdom in deregulation. In the meantime, Quebec insurance companies with federal charters were becoming exasperated with dilatory Ottawa. They began to launch legal proceedings to have their charters switched to Quebec jurisdiction. Pierre Shooner, head of the \$1.2 billion Les Coopérants, was particularly anxious to make the switch. Shooner complained that under federal rules an insurance company could not issue public stock. Therefore, to finance takeovers, his mutual company had to borrow from banks at a preferential 8 per cent, while the Quebec-chartered Laurentian Group could make a public offering and pay a dividend of 4 per cent — half the cost. Shooner publicly criticized the Ottawa rules as “outdated” and blasted Barbara McDougall for having reneged on her promise to swiftly bring in changes.

Just before Christmas in 1986, Hockin announced Ottawa's catch-up deregulation policy. It had originally set down strict ownership provisions to prevent big, non-financial companies from holding a majority interest in financial companies, thus preventing preferential “self-dealing” within the same corporate empire. But after vigorous lobbying by a few financial service giants — Montreal-based Imasco (which owns Canada Trust), Toronto's Edper Investments (Brascan/Trilon/Royal Trust/A.E. LePage) and Montreal's Paul Desmarais (Power Corp./Montreal Trustco/Great-West Life) — Ottawa watered down the restriction: non-financial corporations could own as much as 65 per cent of financial companies, obliged only to ensure that 35 per cent of the voting stock was traded publicly. The Ontario Securities Commission, too, opened ownership provisions for brokerage firms.

On Bay Street, provincial deregulation measures took effect on June 30, 1987 — the so-called Big Bang — while Hockin was still slowly pushing his own law through Parliament in Ottawa. They were three years behind Quebec.

Parizeau, following the events from his Université de Montréal campus office, was meanwhile witnessing the realization of his long-range economic plan. French Canadians were investing billions in Quebec companies, and billion-dollar capital colossi like the Laurentian Group were starting to stretch their corporate tentacles around the globe.

nie d'Assurances); Antoine Turmel (president, Placements Turan Inc.); Robert Parizeau (president, Sodarcen Inc.); Michel Perron (president, Normick Perron Inc.); Yves Pratte (lawyer, partner, Clarkson Tétrault); James David Raymond (chairman, Cemp Investments); H. Arnold Steinberg (vice-president, Steinberg Inc.); George S. Mann (president, Unicorp Canada); Robin Abercrombie (president, Roberts Creek Resources); Sam Abramovitch (president, United Westburne Industries); Michel Baribeau (chairman, Baribeau & Fils); Hervé Belzile (president, Alliance, Compagnie Mutuelle d'Assurance-vie); William Bergen (consultant); Marc Bourgie (president, Urgel Bourgie Ltée); Jean Charton (chairman, Herdt & Charton Inc.); Claude Ducharme (partner, Desjardins, Ducharme, Desjardins & Bourque); Gilbert Finn (chairman, Assomption, Compagnie Mutuelle d'Assurance-vie); Mary Lamontagne (corporate director); André Latreille (chairman, Alta Construction); J. Conrad Lavigne (chairman, J.C.L. Corp.); Gilles Mercure (professor, École des Hautes Études commerciales); J. Robert Ouimet (president, Entreprises J.-R. Ouimet Inc.); Gilles Roch (vice-chairman, Banque Nationale); Maurice Soucy (chairman, Nap. Dumont Ltée); Paul-Gaston Tremblay (chairman, Primo-Gestion Inc.); and Louise B. Vaillancourt (chairman, La Fondation Armand-Frappier).

If the 1980s have witnessed a cult of capitalism in Quebec, it is not the first time an economic movement has sprung from the French-Canadian spirit. The *caisse populaire* (credit union) movement is one that has been gaining momentum in the province for nearly a century. The Mouvement Desjardins, as its central organization is called today, is a financial leviathan whose nationalist mission and old-style Québécois populism is to millions of French Canadians a kind of socio-economic religion.

The oldest credit-union network in North America, the Mouvement Desjardins is by far the biggest and the strongest. The sixth-largest financial institution in Canada, the Mouvement passed \$30 billion in assets in early 1987 — an awesome critical mass of Québécois capital accumulated in two decades after fifty years of slow progress from small-town beginnings in Lévis. Today, the Mouvement is an immense financial pillar buttressing the Quebec economy, with 35 per cent of the province's retail banking market, 19 per cent of the commercial-loan business, and control of two

insurance companies, a trust company, and the largest armoured-truck fleet in Quebec.

And to the intense frustration of its critics, the Mouvement Desjardins — as a financial “co-operative” — pays a preferential tax rate of about 17 per cent. Surplus earnings in 1986 were \$225 million.

The Mouvement's Montreal headquarters is in the Place Desjardins, a massive shopping mall and hotel complex built a decade ago as a monument to the strength and endurance of Quebec's co-operative movement. Architecturally, the building is something of a marvel; its four beige-coloured towers stand one on each corner, and inside a vaulting atrium rises heavenward.

Walking past the Place Desjardins, one cannot miss a modernist sculpture inscribed: “La société de demain appartiendra toute entière à ceux qui savent s'unir” (The future belongs to those who unite). For a capitalist slogan, those words are uncannily close to the writings of a bearded German gentleman who was not noted for his ideological chumminess with Adam Smith. But in the Mouvement Desjardins, an institution founded on the hard rock of a paradox, the rhetoric of Karl Marx has been ingeniously adapted for a Québécois historical script.

On the fortieth floor of the south-east Place Desjardins tower, outside the office of Mouvement president Claude Béland, there are subtle signs everywhere of the quasi-religious nature of the *caisse populaire* cult. Executives in the hallways display a cheerful collegiality that seems unusually purposeful to an outsider. The men all wear gold, hexagonal lapel pins, like members of some secret society. In a waiting room near M. Béland's office, one of his aides, a bright and handsome young man who seems to speak no English, produces an eighty-page booklet called *Réflexions d'Alphonse Desjardins*. It contains salient pronouncements of the Mouvement's founder, prophet, and high priest.

“Here is one I think you might be interested in,” says the young aide, pointing to a passage under the heading “L'avenir national” (Our National Future). The passage reads: “Organisons-nous sur ce terrain; si nous ne sommes pas des millionnaires, devenons au moins un peuple millionnaire . . . il n'y aura pas d'obstacles que nous ne surmonterons pas, pas d'opposition que nous ne briserons pas, pas de conquêtes qui nous seront inaccessibles!!!” (We must organize ourselves, for if we are not millionaires let us at least

become a millionaire people . . . thus there will be no obstacles that we cannot surmount, no opposing force we cannot defeat, and no conquests that are not within our powers!!!).

A few moments later in his spacious but spare office, Béland is reflecting on that profoundly nationalistic — and quasi-religious — character of the “caisse pop” movement. “There is no question that it was nationalist from the beginning. It was clear that Alphonse Desjardins wanted French-speaking Quebecers to get together to create reserves of capital,” says Béland, a small, trim, white-haired man with a slightly gnarled face. “I like to describe it as *social capital*.”

There can be little doubt that Alphonse Desjardins would be elated with the size and influence of the movement that today bears his name. The Desjardins credit-union network counts 1,375 *caisses populaires*, 11 regional federations, 26,386 employees and 4,147,239 members — all organized under the *caisse centrale* umbrella of the Mouvement Desjardins. At the top of this gigantic cooperative pyramid sits Béland, a Montreal lawyer who became president of the Mouvement in early 1987, following the sudden illness and death of his predecessor, Raymond Blais, who was considered one of the great figures of Quebec's economic revolution.

Few were surprised by Béland's ascendancy to the president's office. A disciple since his childhood, he was brought through the Desjardins priesthood by his father, Benjamin Béland, a prosperous Montreal businessman who ran the local *caisse pop* branch in Montreal's Outremont district. Claude, who grew up in Outremont, attended Brébeuf like most of his contemporaries from that well-to-do neighbourhood. He worked in the *caisse* office part time as a cashier while studying law at the Université de Montréal, later teaching commercial law there and writing three books on the cooperative movement. He joined the Mouvement as a legal adviser in 1971, and a decade later became head of the Mouvement's insurance companies.

Today, fifty-five-year-old Béland controls a financial empire rivalled in influence in Quebec only by the government-owned Caisse de dépôt — a Desjardins partner in many ventures. Both are equally feared and resented in Quebec by opponents of Québécois economic nationalism.

Among Desjardins-owned companies are La Sauvegarde life insurance company (\$171 million income, \$7 billion of insurance in force); the Fiducie du Québec, a trust company (\$10 billion in as-

sets under administration); Crédit Industriel Desjardins, a commercial loan company (nearly \$400 million in assets). It also owns 10 per cent of the brokerage house Brault Guy O'Brien; and l'Assurance-vie Desjardins, another life insurance firm, has \$24 billion in force and a 24.8 per cent return-on-capital rate that is the highest of all insurance companies in Canada (second-ranked Standard Life has only a 15.9 per cent return-on-capital rate).

Through its investment arm, La Société d'investissement Desjardins (SID), the Mouvement also holds large stakes in major Quebec corporations that, collectively, returned a \$35.6 million profit on \$403 million in revenues in 1986. The SID holds, for example, a 20 per cent share of Marcel Dutil's Canam Manac steel-products company, a 30 per cent stake in the Provost Corp. transport firm, and a controlling 52.5 per cent interest in Culinar, the large food company that includes Vachon Cakes.

The Mouvement, though in theory committed only to the social improvement of its members, is not averse to a little corporate muscle-flexing now and then. Indeed, as the abortive 1970 takeover attempt of Culinar by U.S.-owned Beatrice Foods demonstrated, any foreign proprietary ambitions directed at the company are regarded, and treated, as a hostile political act against the economic interests of the Québécois collectivity. Quebec's agriculture minister, Jean Garon, said precisely that when the province invested \$11 million, through the Crown corporation Sôquia, for 39 per cent of Culinar's shares in 1977. And a decade later, in early 1987, the Mouvement spurned a \$200 million bid for Culinar from Ouimet Cordon Bleu. The Caisse de dépôt, which also owns a chunk of Culinar, actually was willing to sell its stock but Cordon Bleu wanted either 100 per cent of the shares or nothing. The Mouvement Desjardins would not budge, and the deal fell through. “Culinar is our *patrimoine* company,” says Béland. “We're holding on to it.”

More recently, the Mouvement scored a takeover coup whose psychic spoils were even more gratifying. In the early 1980s, the Mouvement's armoured-truck fleet, SECUR, was engaged in a shinkicking competition with Brinks — each controlling about 45 per cent of the Quebec securities-transportation market, with Wells Fargo taking up the 10 per cent slack. Soon the two big firms started undercutting each other, finding themselves in a Pyrrhic standoff as both lost money just to stay in the war.

“It was a question of who would last longer,” says Béland, scar-

cely concealing a sinister smile. "One was going to buy the other and it was just a matter of time."

With close to \$30 billion in back-up capital, the Mouvement could afford perseverance. It dug in and waited for Brinks to surrender. The war was won on February 18, 1986, when Brinks gave in, sold its Quebec assets to the Mouvement, and ignominiously retreated from the province. Every Brinks truck was repainted brown and beige and labelled "SECUR." The Mouvement today controls more than 90 per cent of the Quebec market.

It was a takeover rich in irony when one recalls Brinks's role as the armoured getaway fleet for Royal Trust during the 1970 provincial election. René Lévesque, in his memoirs, could not resist noting the revenge factor in the Brinks takeover. Alluding to the Royal Trust affair, Lévesque writes in an ironic footnote: "La Brinks dont l'achat par le gouvernement Desjardins, cette année même, m'est apparu comme une tardive mais douce revanche." (The takeover of Brinks by the Desjardins government this year struck me as a tardy but sweet revenge.) Lévesque's reference to the Mouvement Desjardins as a "government" is a jest that none the less reveals the connection between the Mouvement and the nationalist cause.

Not surprisingly, the Mouvement has attracted a fair share of criticism. Much of it is vituperative anti-Québécois railing, but some objections are levelled more dispassionately. Cynicism about the Mouvement's quasi-religious impetus is not in short supply, particularly now that it has become so huge. In certain financial circles, it is abhorred for its essentially collectivist nature.

The Mouvement was born on December 6, 1900, in the kitchen of Alphonse Desjardins's white clapboard house in Lévis, where 130 local artisans signed a *pacte social*. The founding members pooled their savings in the same *caisse*, committing themselves to three nights of unpaid work at the lending office every week. The first *caisse populaire* opened in the same house — at 8 avenue Mont-Marie — on January 23, 1901. A month later, it had accumulated \$242.80, and by 1905 that amount had reached \$4,000. Desjardins's house today is a Mouvement-owned museum and mecca to which more than 2,000 disciples make an annual pilgrimage.

The house, built in 1882 by Desjardins, was donated to the Mouvement by his daughter Albertine in 1938. It was restored in 1981 and today is occupied by three staff members, including a

corporate historian. The Mouvement also owns a corporate retreat in Lévis called L'Institut Coopératif Desjardins, a pagoda-like building used for training sessions of Mouvement employees. It is rented to outside groups, too. The building contains sixty-four bedrooms, eight lounges, a bar, and a dining room. With twenty-one employees, it boasts a 60 per cent occupancy rate and about \$1 million in income for the nine months it is open every year.

Alphonse Desjardins, who was born in 1854 into a family of nine children, was a deeply conservative *bleu* who, after studying commerce, launched a career as a journalist, first at *L'Écho de Lévis* and then at *Le Canadien*. He later landed a job in the provincial legislature editing the debate speeches, and founded the conservative newspaper *L'Union canadienne*. Then, in 1892, he moved to Ottawa to work as the French-language stenographer of the debates in the House of Commons.

It was here that Desjardins first got the idea for his *caisse populaire* movement. In 1897, a year after Wilfrid Laurier took office, Desjardins was following a heated argument in the House when one honourable gentleman from Quebec expressed his astonishment and outrage that a French Canadian had been forced to pay \$5,000 interest on a \$500 loan. Desjardins was horrified by this, and he immediately set out to do something about the *ravages de l'usure*. Starting in 1898, he conducted numerous correspondences with co-operatist movement organizers in Europe, and two years later North America's first credit union was born.\*

If the founding ideas behind the Mouvement Desjardins were fervently anti-capitalist, the banks especially were viewed as monstrous perpetrators of greed. The big banks, such as the Bank of Montreal, had already started to pull out of rural Quebec, and to some degree the *caisses* were merely filling a vacuum. Socially conservative and profoundly Catholic, the Mouvement received

\* The Quebec co-operative movement in fact began, in different forms, in the eighteenth century. In 1789, the year the French Revolution exploded, Quebec's first *mutuelle-vie* insurance company started — La Société bienveillant de Québec — and in the 1830s a "mouvement mutualiste" emerged in the province. Interestingly, the first French-Canadian insurance companies dealt in life insurance while the early anglo companies in the province tended to sell fire insurance — suggesting that francophones invested in the security of the next generation while anglophones were more concerned with the here and now. Towards the end of the nineteenth century when big outside insurance companies expanded into Quebec, francophone nationalists united in opposition, and the co-operative movement was to a significant extent born from those sentiments.

not just the blessing of the Church but its vigorous support. Most *caisses populaires* were named after the local parishes, and priests would ceremoniously sprinkle water at the inauguration of a new branch. Desjardins's manifesto, *Le Catéchisme des Caisse Populaires*, was actually co-authored by a priest, l'abbé Philibert Grondin.

By 1910, the year the manifesto was published, Desjardins had already become quite a celebrity on the public-speaking circuit. In 1908, he had travelled more than 5,000 miles, given 52 public speeches, and addressed 150 private functions. During 1910, Desjardins travelled to Massachusetts to deliver a total of 22 speeches in English, which he spoke fluently.

By the time of his death in 1920, Desjardins had achieved an almost saint-like stature in Quebec. He did not live to witness the full social and economic impact of the massive industrialization of the province, especially the incursion of foreign multinationals. But it was not long after Desjardins's death that Premier Alexandre Taschereau was accused of selling Quebec out to anglo capitalists — a sentiment through which the co-operative movement found a renewed *raison d'être*. The menace to Quebec's French-speaking culture was now the ravages of foreign economic domination. The battle-cry became more compelling, needless to say, after the Crash of 1929. Once again, the Church offered moral and intellectual support. Indeed, one of the greatest voices of co-operativism was the Dominican priest Georges-Henri Lévesque, the longtime Laval dean who founded a chair of Co-operation at the university.

In his biography of Maurice Duplessis, Conrad Black suggests that the co-operatist élan that emerged in Quebec in the 1930s may have been related to Bergsonism, the French philosophical movement named after Henri Bergson. An anti-materialist thinker whose 1907 work, *Creative Evolution*, was received as a masterpiece of modern thinking, Bergson's idea of "entelechy" is certainly compatible with French-Canadian nationalism. Philosophically opposed to finalism, which holds that destiny is shaped by uncontrollable forces, the concept of entelechy assumes that destiny can be controlled from within by decision and action. It is easy to see how Bergson's views, as a social philosophy, would have attracted adherents among French-Canadian co-operatists.

Black, who describes the *caisse populaire* movement as "Catholicized socialism," offers an interesting description of its deeply

socio-religious character: "In French Canada it was held by the more uninhibited advocates of the corporate and co-operative movements that through Catholic dedication and adventurous courage, the effulgent genius of the race would secure to it what numerical and cybernetic strength had given to the lumpen anglo-phones. Qualities of soul and spirit would make good the material deficiencies." Black hastens to argue that the movement was allied only incidentally to the fascistic tendencies of national socialism flaring up in other parts of the world at the time. Still, the *caisse populaire* ideology was profoundly conservative, collectivist, and anti-liberal, and did attract the right-wing nationalist element of Quebec society.

It was undoubtedly the Mouvement's anti-capitalist orientation that made it difficult for Alphonse Desjardins to get *caisse populaire* legislation passed. In 1906, after Desjardins had lobbied for five years in Ottawa, a proposed Bill finally made it to the Senate. The upper chamber ceremoniously quashed the Bill with a bluster of outrage. After a fair amount of squabbling, however, the legislation was finally passed in the Commons over the Senate's objections. One man who came forward and spoke in favour of the Bill was a young protégé of Prime Minister Laurier named William Lyon Mackenzie King.

That debate about the philosophical underpinnings of the Mouvement Desjardins continues today, especially in view of Claude Béland's recent clamouring for legislative changes permitting co-operatives to benefit, like mutual-insurance companies, from financial-services deregulation. Calling the Mouvement Desjardins "un gros poisson dans un petit bocal" (a big fish in little bowl), Béland announced in early 1987 his intention to set up a down-stream holding company similar to the one created by Laurentian Group. It would be able to issue stock, buy non-financial companies, and expand beyond Quebec.

It is time, Béland believes, for the Mouvement to prove that it is not merely, as it has been called, "un géant qui sommeille" — a sleeping giant. (The Mouvement is certainly a giant compared with other Canadian credit-union organizations. The *Financial Post* 500 lists the Mouvement's 1986 assets at \$25.7 billion, while the second-largest credit union in the country, the Vancouver City Savings Credit Union, had assets of only \$1.5 billion.)

The Mouvement is already, de facto, an integrated financial-services group — owning banks, insurance companies, a trust com-

pany, and a brokerage firm. But legislation would free up its huge capital funds and permit the Mouvement to acquire a bigger piece of the rapidly concentrating financial-services sector. And, though the Mouvement is also already operating on international money markets, deregulation would permit it to take over companies outside Quebec in the same way Power Corp. and Laurentian Group have been making aggressive takeovers beyond the province.

Those ambitions have raised certain questions. If the Mouvement issues stock, how will the organization belong to its members when the public at large also has a proprietary right? What would happen to the Mouvement's tax-exempt status? In early 1987, the Mouvement answered the first question when its trust company, Fiducie du Québec — which is allowed to issue stock — made its first public offering. It issued \$20 million in subordinate, *non-voting* stock, a suspiciously undemocratic policy for an organization that sets great store by high-minded co-operative principles. The Montreal newspaper *La Presse* immediately accused the Mouvement of "apartheid" shareholder policies. As for the matter of its tax status, the Mouvement's position is that it wants to retain its fiscal advantages while benefiting from the deregulatory changes. That, some have remarked, is asking for the proverbial cake and wanting to eat it too.

Béland admits that the Mouvement is, by necessity, "less pure" as a co-operative movement than it was in the past. But he argues that, in a changing financial industry, it has to adapt to realities of the market in order to maintain its position of strength and, ultimately, improve the social condition of Quebecers.

"Our objective is not to crush our competitors," says Béland. "Our objective is merely to respond to the needs of our members by involving them in the Mouvement to become more aware economically and socially. We are not a financial institution like the others, and you must always remember that."

The next few years will reveal how successfully the Mouvement can meet its goals of diversifying and expanding beyond Quebec. But its real challenge will undoubtedly be within the province itself. In a society which is becoming increasingly individualistic and free-market-oriented, the collectivist Mouvement Desjardins, while it will unquestionably continue to grow in size and power, risks appearing more and more like an outdated, socio-economic cult from Quebec's conservative past.

## CHAPTER SIX

### The Entrepreneurs: The Corporate Apprenticeship of Daniel Fournier and the *Garde Montante*

Daniel Fournier, the 32-year-old owner of Montreal's 121-year-old Ogilvy department store, is part of the new breed of francophone entrepreneur — highly educated, perfectly bilingual, financially shrewd, and super ambitious. There are many others like him in Quebec today, bright, young businessmen walking confidently through open corporate doors that, a decade ago, they would have had to kick down. For them, the timing is right. Fournier knows that history has tilted in his favour, and he is turning it to his own advantage.

Indeed, when the Nesbitt family, which had owned Ogilvy since 1927, signed away the store to Fournier in the spring of 1985, it was a corporate capitulation influenced as much by history as by the balance sheet. For more than a century, Ogilvy — or Ogilvy's as it was once called — was a more-British-than-Harrod's establishment that attracted its carriage-trade clientele with ceaseless devotion to tradition, including the appearance every day at noon precisely of a kilted bagpiper who marched through the store's aisles playing a highland favourite, usually "Cock of the North."

Daniel Fournier was the first francophone ever to own Ogilvy, and as soon as news of the purchase reached the newspaper, letters began to pour into the store asking who he was and insisting that he not tamper with the traditions that had made Ogilvy's one of Montreal's most cherished retail institutions.

Fournier, virtually unknown in the Montreal business milieu, was a football star turned land developer and Ogilvy was the latest acquisition in his rapidly expanding collection of downtown pre-

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MARC V. LEVINE



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*For Marta and Katie*



pact on other languages, even one spoken by a majority, and to invade it with foreign vocabulary, foreign turns of phrase, and foreign habits of thought (which can scarcely be dissociated from language). Eventually, it is argued, non-elite languages are relegated to the sphere of "folklore" and survive, if at all, in corrupted form.<sup>4</sup>

René Lévesque, as usual, put the matter succinctly: when you control economic life, he said, you control linguistic life.<sup>5</sup> To survive and *s'épanouir* (blossom) culturally, Francophone Montreal needed to represent something more than a French translation of the economically dominant English-speaking world. "That is why," as Leslie notes, "quite apart from the economic aspirations of a [Francophone] middle class, the language of high technology, senior management, and the boardroom is considered to have special significance."<sup>6</sup>

As Francophone nationalists mobilized over these and other language issues, every Quebec provincial government between 1960 and 1985 deployed various instruments of public policy—economic development programs, educational reform, and language policy—to reshape Montreal's economy in the interests of the French-speaking majority. Between the Quiet Revolution and the early 1980s, the Quebec state actively intervened in the economy to attack linguistic disparities in income, establish French as the normal language of work and consumer activities in Montreal, *francise* the "external face" of business in the city, and promote Francophone control over key economic institutions. The policies were undertaken at the provincial level, where Francophones solidly controlled the levers of power, but it was the Montreal situation that motivated policymakers in Quebec City.

By the 1980s, aided by certain market trends, state policy had helped transform Montreal's economy and promote an economic reconquest of sorts by French-speaking Montrealers. The power of Anglophone capital, and the use of English as a language of management, remained substantial. Nevertheless, by the 1980s, Montreal boasted a dynamic and innovative Francophone managerial elite, greater use of French in city workplaces, and pronounced reductions in income disparities based on language.

The nature of these economic changes, and an analysis of the forces promoting them, is the focus of the next two chapters. In this chapter, we examine the policies put into place between 1960 and 1985 that sought to improve the positions of Francophones and the French language in Montreal's economy. Chapter 8 then provides a detailed assessment of the economic impact of these policies.

## The Quebec State and Francophone Economic Development

The role of the provincial government in Quebec's economy expanded dramatically after 1960. Public expenditures represented 17 percent of Quebec's gross domestic product in 1961; by 1983, that figure had climbed close to 30 percent. The provincial bureaucracy grew from around thirty thousand employees in 1960 to nearly a hundred thousand by 1980, and thousands more were employed in local health, education, and social service "para-public" institutions funded by the provincial government.<sup>7</sup>

The size of governments at all levels increased throughout Canada between 1960 and 1980 (although the Quebec state grew at a substantially faster rate than government in comparable jurisdictions such as Ontario).<sup>8</sup> State expansion in Quebec during this period was shaped by many of the same forces promoting public-sector growth in all advanced capitalist societies: a Keynesian consensus on the role of public spending in promoting economic growth, and public demands for social welfare programs. But, as we saw in Chapter 3, the rise of the Quebec state took place within a Francophone nationalist framework. In the ideology of the Quiet Revolution, the Quebec state was explicitly "conceived as an instrument in service of the interests of French Canadians."<sup>9</sup> In contrast to other areas in Canada or the United States, ethnic promotion became a *central* (though not exclusive) concern shaping public policy in Quebec. Thus, as the state assumed a more prominent position in Quebec society, its nationalist "mission" inexorably affected the places of English and French in the Montreal economy.

Quebec's rapidly growing state became a major source of quality employment for Montreal Francophones. Through the early 1970s, shockingly few Francophones held middle- and senior-level management positions in Montreal's Anglophone-controlled private sector. However, the growth of the provincial bureaucracy, combined with expanded employment in schools, social services, and health care institutions, produced a Francophone-controlled public alternative to the Anglophone-controlled private-sector labor market. Unlike the upper echelons of private industry, French was established as the main language of communication in the state sector. A 1982 survey by Sales and Bélanger found that 88.2 percent of senior and intermediate managers in Quebec's public administration worked "almost exclusively in French," compared to only 31.6 percent in such posts in private enterprise.<sup>10</sup>

By 1981, as a result of the twenty-year expansion of the state, 18.1 percent of metropolitan Montreal's labor force was directly employed in the public sector, either by the provincial government, the city of Montreal, or

parapublic institutions. An additional 2.4 percent of metropolitan Montreal's labor force was employed by the Canadian government. All of these institutions employed Francophones to a much greater degree than did the private sector, and by 1981 an estimated 23.4 percent of metropolitan Montreal's Francophone labor force worked in the public sector.<sup>11</sup> Thus, in the face of limited economic opportunities in the upper echelons of Anglophone-controlled businesses, increases in public-sector employment in Montreal and across Quebec after 1960 provided jobs for an upwardly mobile new Francophone middle class of technocrats, teachers, social service workers, and policy entrepreneurs.

The "state sector" also emerged after 1960 as a Francophone-controlled locus of managerial jobs: over 98 percent of the senior and intermediate-level managers in Quebec's public administration in 1982 were Francophone. There were, of course, Francophone managers entering the private sector in the 1960s and 1970s. But, the numbers were small: in 1970, only 12.7 percent of the recent graduates of the Université de Montréal were working in the private sector.<sup>12</sup> Until private corporations in Montreal significantly *francised*, Quebec's public administration and state corporations would represent a crucial source of managerial jobs for Francophones. Moreover, the public sector would serve as an important training ground for Francophone managers who, as Montreal *francised* in the 1970s and 1980s, could then move into the private sector.

Beyond providing employment for Montreal's Francophone new middle class, the expanded Quebec state also sought to nurture the development of a Francophone capitalist class in Montreal and across the province. I argued in Chapter 3 that Montreal's emergent Francophone middle class was the driving force behind the state expansion that began in the early 1960s. However, as William Coleman, Dorval Brunelle, and others have documented, certain elements of a nascent Francophone "bourgeoisie" also envisioned "state capitalism" as a vital tool to advance their economic aims.<sup>13</sup> Michael Behiels notes that by 1960 "French-Canadian businessmen, suffering from the powerful competition of the larger and more dynamic Anglophone and American corporations, became increasingly supportive of the demands being made by this new professional middle class for an active, secular, Francophone-oriented Quebec state."<sup>14</sup>

In the early 1960s, some Francophone businessmen had ambitious plans for elaborate, corporatist state planning in Quebec. Representatives of the Montréal Chambre de Commerce, the Mouvement Desjardins, and several Francophone financial and industrial companies joined with the Lesage government in 1960 to establish the Conseil d'orientation économique (COEQ), a public-private industrial strategy council along the lines of corporatist entities emerging at the time in Europe. Although Brunelle main-

tains that COEQ functioned as a "strategic locus" whereby the interests of Francophone businessmen "could be directly articulated to the provincial political power,"<sup>15</sup> the evidence is that COEQ's impact was limited. As Dale Thomson points out, "meeting only once a month in Quebec City or Montreal, [COEQ] could not produce well-documented recommendations." COEQ members "were busy men who found it difficult to do much more than attend the meetings." Thus, under these circumstances, COEQ "found it easier to endorse recommendations put forward . . . by government departments." Ironically, according to Thomson, despite the ambitious plans of Francophone businessmen for COEQ, it was individuals identified with the Francophone new middle class, such as René Lévesque, Jacques Parizeau, and Claude Morin, who used COEQ to exert influence over the Lesage government's economic development agenda.<sup>16</sup>

Although Francophone businessmen did not control the agenda of Quiet Revolution *étatisme*, policymakers were nevertheless committed to using state power to expand the Francophone presence in the private sector. The architects of the Quiet Revolution were nationalists, not socialists, and the state was seen as a valuable tool in rectifying the historical weakness of Francophones in Quebec capitalism. During the Quiet Revolution and after, two main economic development strategies were pursued: public support for Francophone-controlled firms in the private sector and the development of Francophone-run public enterprise. By 1978, Quebec-based enterprises had access to more than 160 programs of economic assistance, including low-interest loans, loan guarantees, research and development assistance, and provincial government equity and debt financing; Francophone-controlled enterprises have been the conscious beneficiaries of these programs.<sup>17</sup> The most important of the Quebec government's direct business assistance programs has been the Société de développement industriel (SDI), created in 1971. The SDI provided "gap financing"—supplementing the funds private financial institutions might be willing to lend a firm—to stimulate economic development in sectors promising high productivity, export potential, and good wages.<sup>18</sup> Between 1971 and 1981, the SDI extended \$602 million in financing to firms in the Montreal region (approximately 60 percent of total SDI allocations).<sup>19</sup>

In addition to business assistance programs, public enterprise was a central feature of Quebec state capitalism. Five state corporations were established or expanded during the Lesage administration, and nine more were created between 1967 and 1978.<sup>20</sup> As we explore below, **the purpose of these state corporations was clear: to establish large-scale, Francophone-controlled enterprises in strategic sectors that could counteract Anglophone economic power while fostering the development of a Francophone entrepreneurial class.**

The nationalist economic policies of the Quiet Revolution culminated during the late 1970s under the Parti québécois. The PQ came to power in 1976 with clear nationalist goals, but also with a social-democratic program and the perception of being antibusiness. The PQ had little support in the Francophone business community, and in party platforms the PQ often attacked corporate power and promised that social concerns would take precedence over purely economic (that is to say, business) ones. Economic policy statements early in the Lévesque administration extolled the virtues of "mixed economies," and called for government intervention "to compensate for weakness in the private sector, to ensure coherent development, and the presence of domestic influence in strategic sectors."<sup>21</sup> Nevertheless, by the end of the first Lévesque administration, and certainly during the PQ's second mandate (1981–1985), the fiscal imperatives of advanced capitalism and the triumph of pro-business technocrats in the party had resulted in economic policies that veered away from public planning and social democracy, toward the more corporatist model of public support for private enterprise. After 1980, according to Thomas Courchène, the PQ became "the most business-oriented or market-oriented government in Canada."<sup>22</sup> In 1978, PQ Finance Minister Jacques Parizeau castigated Quebec corporate executives for complaining about progressive taxation and the "social-democratic" direction of PQ policy; by 1983, Parizeau would proclaim that the promotion of a Francophone business class was the PQ's greatest achievement.<sup>23</sup>

The PQ created and expanded numerous programs to aid Francophone firms. The SDI was expanded, with an increased focus on small- and medium-sized firms—precisely the sector most likely to include Francophone-controlled enterprises. New PQ economic development initiatives included Opération solidarité économique (a coordinated program linking public works and business assistance), the Office québécoise du commerce extérieur (an export promotion agency), and PME-innovatrice (a special assistance program for small- and medium-sized firms).<sup>24</sup>

Three PQ programs in particular demonstrated the party's deepening commitment to Francophone businesses during its years in power. In 1977 the PQ instituted a *politique d'achat*: a "Buy Quebec" government purchasing policy that set aside more than \$5 billion to support Quebec-based (primarily Francophone) enterprises. Such preferential purchasing ranged from buses ordered by municipal transport commissions, to household appliances purchased by the Société d'habitation du Québec (Quebec Housing Corporation), and computers procured by local school boards.<sup>25</sup> In 1979, the Régime d'épargne-actions, or REA (the Quebec Stock Savings Plan) was established, providing tax credits for stock purchases; the plan bestowed millions in tax breaks on wealthy Quebecers, and also raised over \$5 billion in first-issue share purchases on the Montreal Stock Exchange, primarily in small-

and medium-sized Francophone corporations (see Chapter 8). Finally, in 1984 the PQ passed Bill 75, deregulating the insurance industry and permitting insurance companies to invest in finance companies, use public deposits to grant commercial loans, and to diversify into areas such as mutual insurance, property management and, through holding companies, into commercial and industrial investments.<sup>26</sup> All told, this was quite a record for a government labeled "antibusiness."

We should not exaggerate the extent to which promoting the interests of Francophone capitalists was a top priority of the PQ. "Ethnic" criteria never completely displaced conventional "economic" criteria in state economic policy—for two main reasons. First, English-Canadian and American capital occupied an integral place in the Montreal and provincial economies. Thus, any provincial government wishing to stimulate economic growth and create jobs was a hostage to the disinvestment power of non-Francophone capital. This was especially true for the Parti québécois in the late 1970s as it sought to boost a sagging economy amid public fears that the party's sovereignty option was a formula for economic disaster. It was no accident that one of René Lévesque's first actions upon becoming premier was an attempt to reassure New York financiers that fiscal restraint and economic stability were PQ priorities.

Second, contrary to the analyses of scholars such as Gilles Bourque, Anne Legaré, and Pierre Fournier, although the PQ was interested in helping Francophone capitalists, the promotion of a Francophone "national bourgeoisie" was not the *defining goal* of the party.<sup>27</sup> Many of the important PQ programs of its first years in power—language policy, public automobile insurance, campaign finance reform, anti-strikebreaker legislation, and, for that matter, the party's Quebec sovereignty option—generally incurred the wrath of the Francophone business community. The limits of nationalism in PQ economic development policy were displayed in 1977 when the provincial government awarded a \$92 million contract for 1,200 buses to General Motors, rejecting a bid from Francophone-controlled Bombardier. In defending the government's decision, Premier Lévesque emphasized the economic need to attract investments from multinationals such as GM, and cautioned against adopting "a criterion of pure 'cultural' preference that would soon lead to the creation of a genuine economic ghetto."<sup>28</sup> In preparing for its referendum on sovereignty, the PQ did not want to alienate a major U.S. multinational corporation—even at the risk of offending a powerful Francophone corporate "success-story." Not unexpectedly, the PQ decision met with a stinging reaction from Bombardier President Laurent Beaudoin:

I do not understand why a nationalist government cannot fully measure the disastrous consequences for Quebec companies of a decision

that enshrines, for generations to come [and] in a sector where the state has important influence, the absolute supremacy in Quebec and in Canada of the world's largest multinational, and destroys as a consequence, any hope of developing a Quebec company in that area.<sup>29</sup>

Beaudoin, of course, conveniently neglected to mention the numerous government contracts Bombardier had received throughout the 1970s and the substantial financial assistance it had been given by state corporations. In addition, both the Canadian and Quebec governments would provide important export assistance to Bombardier as it penetrated mass transit vehicle markets abroad in the late 1970s and 1980s. Nevertheless, the 1977 GM-Bombardier episode does reveal that the Quebec state was not the pure instrument of Francophone capitalists and that conventional macroeconomic concerns—stimulating growth and investment—often took precedence over the immediate interests of the Francophone business class.

### State Corporations and Francophone Economic Development

Among the various economic development tools deployed by the Quebec government after 1960, none was more instrumental in helping create a Francophone capitalist class than state enterprise. Three important state corporations—the Société générale de financement (SGF), the Caisse de dépôt et placement, and Hydro-Québec—were created or expanded during the Lesage administration to attack the two main historical sources of Francophone weakness in Montreal's private sector: inadequate capital for large-scale development and lack of access to dynamic sectors of the economy. These public enterprises should not be misinterpreted as socialism *québécois*: the logic underpinning them was pure Francophone state capitalism. As Jacques Parizeau put it in 1970: "In Quebec, the state must intervene. It is inevitable. It is what gives people the impression that we are more to the left. If we had, in Quebec, 25 companies like Bombardier, and if we had important banks, the situation might be different. We have no large institutions, so we must create them."<sup>30</sup>

The SGF was created in 1962 as a public-private fund to invest in modern, Francophone-run enterprises, capable of competing with foreign and English-Canadian corporations. Premier Lesage had touted the importance of a provincial investment fund as tool to "reconquer the French-Canadian place in the economy," and Francophone business elites, led by René Paré of the Montréal Chambre de Commerce enthusiastically supported the idea.<sup>31</sup> Montreal's Anglophone business establishment viewed

such an investment fund as a threat, and George Marler, who represented the views of "St. James Street" in the Lesage cabinet, voiced his opposition.

Despite Anglophone business resistance, the SGF was established, with an initial \$25 million public-private subscription, and with Paré as the first chairman of the board. By all accounts, the SGF was a disappointment in the 1960s, functioning more as a bail-out mechanism for nearly bankrupt, family-owned French-Canadian businesses than as a supporter of new, dynamic Francophone enterprises.<sup>32</sup> Almost half of the SGF's holdings in 1965 was in Marine Industries, the Simard family's troubled construction company, and in 1971 the SGF lost \$8 million on investments of \$50 million.<sup>33</sup>

In the 1970s, however, the SGF was reorganized, established as an autonomous state corporation, and given an infusion of new capital. Under the leadership of aggressive Francophone managers emerging from the province's revitalized educational system, the SGF began having a real impact as a holding company that nurtured the development of large private corporations under Francophone control. For example, in 1975, a \$6.8 million investment by the SGF helped Bombardier acquire and modernize the Montreal Locomotive Works complex. SGF assistance—along with other loans from public agencies, government contracts, and marketing assistance—enabled Bombardier to become one of Quebec's most successful corporations, with 1988 sales of \$1.4 billion and international market niches in the production of mass transit vehicles and snowmobiles. In 1982, Bombardier outbid several leading U.S. companies to gain a \$1 billion order for New York City subway cars and become the North American leader in mass transit equipment. By 1989, Bombardier had diversified into a wide range of transportation fields, including aircraft manufacturing, acquiring Canadair Inc. from the federal government in 1986 and gaining a foothold in 1989 in the European aircraft industry by buying Short Brothers of Belfast from the British government. At present, 80 percent of Bombardier's business is located outside Canada, and the company "represents one of the greatest successes of state-supported private enterprise" in Quebec.<sup>34</sup> The Bombardier story illustrates how the SGF had become a prominent contributor to the development of a Francophone capitalist class by the late 1970s. By 1986, the SGF itself held assets of \$1.4 billion.<sup>35</sup>

A second state corporation that helped cultivate Francophone capitalism was the Caisse de dépôt et placement. The Caisse was established in 1965 after a bitter battle with the federal government and "the representatives of St. James Street."<sup>36</sup> In 1965, in one of the numerous Quebec-Ottawa squabbles of the 1960s over federal-provincial authority, the Quebec government set up the Quebec Pension Plan ("opting out" of the federal system, to the chagrin of Ottawa). The Caisse de dépôt et placement was created to manage the funds accumulated in the Quebec Pension Plan, investing in stock markets and purchasing bonds for provincial capital projects

ambiance that prevailed through the late 1950s. The days of the segregated, all-English work units described by the Gendron Commission are fading, and there is widespread recognition that knowledge of French is increasingly essential to socioeconomic advancement in the city. The "burden of bilingualism" is no longer exclusively shouldered by Francophones. In 1985, 67.6 percent of the Montreal Anglophone workforce declared itself bilingual, up from 43.4 percent in 1961.<sup>16</sup> More strikingly, unilingual Anglophones constituted, in 1961, 32 percent of Montreal's highest paid workers; by 1985, they represented only 7.8 percent of the city's best-paid employees.<sup>17</sup> In 1961, unilingual Anglophones represented 57.1 percent of the best-paid English-speaking workers in Montreal; by 1985, the unilingual component of highly paid Anglophones had declined to 31.7 percent.

By the 1980s, it had become increasingly difficult for Anglophones in the Montreal labor market to prosper without at least a working knowledge of the language of the city's majority. Anglophones working in local operations for Montreal corporations are expected to be bilingual. Even in head offices, generally exempt from the *francisation* provisions of Bill 101, 39 percent of Anglophone employees in 1979 had second-language job requirements, up from 10 percent in 1964.<sup>18</sup> Montreal corporations will recruit unilingual Anglophones, but the expectation is that these employees will undergo language training and gain a working knowledge of French. As *francisation* has progressed, job opportunities have diminished for unilingual Anglophones as office workers and sales personnel, occupations that involve either substantial public contact or linguistically heterogeneous workplaces. In short, as the 1981 SECOR study puts it, "It is still possible in Montreal to get a job without knowing French, provided one is willing to limit one's career. Bilingualism [has] . . . become virtually a necessary precondition in many firms for upward mobility."<sup>19</sup> This development represents a major transformation from only twenty-five years ago.

All the evidence suggests that Montreal workplaces increasingly functioned *en français* by the 1980s. Although French had not yet become by 1979 the "normal and customary" language of work envisioned by Bill 101, its status in the Montreal economy advanced considerably from the late 1960s. The fragmentary evidence presented by Monnier through 1983, and impressionistic evidence gathered by the CLF in its 1986 consultation, suggest that French has continued to make important, incremental gains as the language of work in Montreal through the 1980s.<sup>20</sup>

It is likely, however, that increased use of French in Montreal workplaces through the 1980s continued within the general pattern of sectoral and occupational variation of the 1970s. With the proximity of U.S. markets, the status of English as the international language of business in an increasingly global economy, and the historical roots of English in the Montreal economy, English will likely continue as a dominant language of management

in Montreal.<sup>21</sup> In head offices and corporate activities oriented toward non-Quebec markets, English still prevails as a language of work; it is in local operations that French has made its most significant headway.

## The Control of Capital

A central objective of Quebec government policy since the early 1960s has been to promote the growth of Francophone corporations and increase the number of Francophone managers and executives in the private sector, in Montreal and across the province. By the 1970s and 1980s, Quebec had witnessed the dynamic growth of Francophone corporations, most of them headquartered in Montreal, and many of them venturing beyond Quebec into Canadian and international markets. By the mid-1980s, there was a highly visible Francophone *garde montante* (rising guard) of economic elites—Pierre Laurin (Alcan), Pierre Lortie (Provigo), Bernard Lamarre (Lavalin), Laurent Beaudoin (Bombardier), and Claude Castonguay (Le Groupe La Laurentienne)—whose exploits filled the pages of Montreal's French-language press. Business has become practically a cultural obsession in much of French-speaking Montreal, and Francophones are involved in Montreal corporate life in ways that would have been unimaginable a mere twenty years ago.

The linchpin of the growing Francophone control of Montreal's economy was the "veritable breakthrough" in Francophone financial power that occurred in the 1970s.<sup>22</sup> As Fournier and Bélanger point out, "the regional financial hegemony of indigenous [Francophone] capital is no longer in question."<sup>23</sup> By the end of the eighties, it was rare for any major investments or deals to be made in Quebec without some participation by Francophone financial institutions. Moreover, the development of this financial power meant that Francophone businesses no longer lacked the access to capital that had historically limited their growth.

The new Francophone "financial network" includes the following sectors:

1. *Public capital.* The Caisse de dépôt et placement, with its active investment policy, its mandate to support Francophone economic development, and extensive holdings in Montreal firms, is the primary "quasi-public" pool of capital that has bolstered Francophone financial power in Montreal. In addition, tax-sheltered savings programs, such as the Régime enregistré d'épargne-rétraite, have stimulated the growth of capital held by Francophone financial institutions.

2. *Private banks and credit unions.* The merger of the Banque Provinciale and the Banque Canadienne Nationale in 1979—creating the Banque nationale du Canada (BNC)—put a Montreal-headquartered, Francophone-

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controlled bank within hailing distance of English-Canada's "Big Five"—at least in the Quebec market. The Banque nationale had assets of \$31 billion in 1988 and, even though that is considerably less than the total assets of such English-Canadian banks as Royal Bank (\$110 billion) and the Bank of Montreal (\$78.9 billion), BNC is a major force in Quebec corporate finance.<sup>24</sup>

The explosive growth of the *caisses populaires*—credit unions of the Mouvement Desjardins—also injected new dynamism into Montreal and Quebec financial markets. The *caisses populaires* were founded in 1901 in the French-Catholic parishes of rural Quebec as a means of retaining local savings for local investment, and as a way of raising capital in Francophone communities neglected by Anglophone banks. After 1940, a substantial number of *caisses* were opened in Montreal and by 1974 the Fédération de Montréal des caisses Desjardins possessed over \$325 million in assets.<sup>25</sup>

By the mid-1980s, the provincewide federation of *caisses* known as the Mouvement Desjardins contained more than fifteen hundred *caisses populaires* and, despite the localistic roots of the *caisses*, had become a Montreal-headquartered holding company. By 1988, helped by provincial government legislation permitting *caisses populaires* to finance subsidiaries with funds raised in the market, the Mouvement Desjardins held assets approaching \$40 billion, including diversified holdings such as the Société d'investissement Desjardins, which buys shares in industrial firms, and the Crédit industriel Desjardins, which offers large business loans.<sup>26</sup> Other major enterprises connected with the expanding Desjardins empire include several insurance companies, substantial shares of the BNC, and a controlling interest in Culinar, Inc., a Quebec food-processor whose attempted takeover by the U.S. multinational Beatrice Foods was blocked by the Desjardins investment. The *caisses populaires* are particularly important in non-corporate finance, controlling, in 1987, 45 percent of Quebec's residential mortgage market, 32 percent of its consumer credit transactions, and 38 percent of its personal savings.<sup>27</sup> By 1988, the Mouvement Desjardins was Canada's sixth-largest deposit institution.

There still is a localistic, Francophone communal spirit underpinning the *caisses populaires*: "almost all Quebec Francophones, including their children"<sup>28</sup> have accounts in the *caisses*. But the Mouvement Desjardins has become one of the "mammoths" of Quebec's financial network, a financial and holding company of national and increasingly international scope that extends well beyond the rural "cooperative" ideology promulgated by its founder Alphonse Desjardins in 1901. The Complexe Desjardins, the architecturally-distinctive Montreal headquarters of the Mouvement Desjardins is as much a landmark of the Francophone ascendancy in the new Montreal economy as the Sun Life and Bank of Montreal buildings epitomized the era of the "English city."

3. *Insurance and trust companies.* Bolstered by PQ legislation de-

regulating the industry, Francophone insurance companies have become increasingly important participants in Quebec's financial markets. The most powerful of these insurance companies, Le Groupe La Laurentienne, has seen its assets grow from \$100 million in 1975 to \$4.5 billion in 1985 to almost \$15 billion in 1988, chiefly through spectacular internal growth and numerous, remunerative acquisitions.<sup>29</sup> La Laurentienne has taken full advantage of deregulation, opening up Canada's first "full service, financial supermarket in its Montreal offices."<sup>30</sup> The company has diversified into banking (with the acquisition of La Banque d'épargne de la cité et du district de Montréal), trust companies, real estate, and financial services, and has penetrated markets in English Canada (with its control of the Toronto-based Eaton Financial Services), the United States, and Great Britain. As already indicated, the Mouvement Desjardins is also a major force in the Quebec insurance industry, with l'Assurance-Vie Desjardins, La Sauvegarde, and La Sécurité among its holdings.

Trust companies are Canadian financial institutions that act as fiduciaries—managing private investment portfolios and estates—and financial intermediaries. Although Anglophone-controlled companies such as Royal Trust still dominate the Montreal market, major gains have been made by Francophone-controlled companies, such as the Trust générale du Canada and the Desjardins-controlled Fiducie du Québec. In addition, Francophones gained control of several formerly Anglophone companies in the 1970s and 1980s, such as the powerful Montreal Trust Co. that was controlled by Paul Desmarais' Power Corporation until it was sold to Bell Canada Enterprises in 1989.<sup>31</sup>

4. *The Montreal Stock Exchange.* A sign of the growing dynamism in Francophone-controlled financial markets was the revival in the 1980s of the Montreal Stock Exchange (ME). Historically, the ME was another bastion of Anglophone financial power, an important institution of the era when St. James Street was Canada's Wall Street, and Montreal was the financial capital of Canada. After the 1930s, however, as Toronto displaced Montreal as Canada's financial center, the importance of the ME waned. Fewer and fewer Anglophone companies listed their stock with the Exchange, and in the 1970s—with the dynamic growth of the Toronto exchange and the linguistic instability in Montreal and Quebec—the percentage of Canadian stock transactions taking place on the ME declined from 35.8 percent in 1971 to 11.9 percent in 1981.<sup>32</sup>

Despite the Exchange's alarming decline in the 1970s, the groundwork was being laid by the Exchange's first Francophone president, Michel Bélanger, to transform the ME from a declining, anachronistic Anglophone institution into a predominantly French-speaking operation increasingly serving the investment needs of the Quebec regional market.<sup>33</sup> In the 1980s, under the innovative leadership of president Pierre Lortie, the Exchange

# Nationalism and Trade Liberalization in Quebec and Taiwan

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## Introduction

In this paper, we explore how nationalism in Taiwan and Quebec has been affected by trade liberalization. [1] In particular, we explore the way in which political, business and intellectual elites have used trade liberalization to shape nationalist agendas. In Taiwan, the economic reform of the mainland has increased the interdependence of the Taiwanese economy with the Chinese mainland and reduced the maneuverability of nationalist forces to further the pursuit of political autonomy. Hence, Taiwanese leaders have used nationalism to search for an acceptable political discourse that accommodates the identity of the people in the context of regional autonomy and the claims of the mainland government to protect Taiwanese interests through constitutional guarantees. In Quebec, on the other hand, nationalists have viewed the liberalization of free trade as a means of furthering an independence agenda while weakening constitutional approaches that have heretofore dominated the Canadian political landscape. Hence, efforts at constitutional reform, which were previously accommodated by nationalist forces because of the reluctance of the majority of Quebecois to vote for outright independence, have been influenced by an appeal to free trade.

While the study makes it clear that Quebec and Taiwan are different in fundamental ways, we also think they are comparable in some respects. One fundamental difference is that Quebec is *de facto* and *de jure* a part of Canada whereas Taiwan's case is more complex; it has not been a part of the Chinese mainland in any meaningful way since 1895. Furthermore, while Quebec may be viewed as a classic case of secessionism, [2] the struggle over Taiwan is associated with irredentism. [3] In spite of these differences, however, there are commonalities between the two territories in terms of the types of claims that are being made and the convertibility of those claims. The nationalist parties in both cases share in a search for national identity in the face of global and regional pressures over which they both have limited control. In Quebec, the search is related to the protection of culture and language as well as independence from the rest of Canada. In Taiwan, it is a response in part to the identity needs of the islanders, in part to the needs of the Taiwanese government to develop a viable negotiating strategy vis-a-vis the mainland. In addition, nationalists in both territories see themselves on the political periphery in relation to central authorities; both have group affinities across borders, both accommodate the agendas of nationalist leaders, and both are challenged by counter claims of the nation state.

Because of these commonalities, we think it is useful to look more closely at how nationalists in Taiwan and Quebec have used the liberalization of trade to further (or not) their nationalist agendas. A major reason for doing so is an assumption that globalization and trade liberalization are modifying the organizational and political context in which nationalism flourishes by enhancing the strength of regional and subregional identities at the expense of the nation-state. [4] Therefore, before looking more closely at the way in which nationalist elites have used trade liberalization, and the language of trade, to further nationalist agendas, we briefly discuss nationalism in relation to globalization and regional/subregional identities as well as the characteristics of nationalism in Quebec and Taiwan. While we also assumed that trade liberalization, whether in the form of an international agreement like NAFTA or the economic reform of China, would strengthen nationalist agendas in both territories, the study demonstrates that the relationship is more complex since nationalism is shaped by global and regional politics as well as issues of trade.

### Globalization and Regional/Subregional Identities

Globalization and trade liberalization serve both to support and weaken regional/subregional identities. [5] Regional and subregional identities become the bases for forming strategies to deal with global competitiveness, but in the process, they transcend the secure trading spaces of the old economic regimes based on national markets and nation states. [6] Whether regions are linked by formal agreements such as North America and Europe or by market-driven alliances as in East Asia, it is widely recognized that they begin to redefine geo-economic and geo-political understandings. Within larger regional identities, subregions also take on new force as the nation states of which they are a part or with which they are associated are themselves reshaped by globalization. Within regions and subregions, therefore, the processes of development not only seem to run counter to older patterns of economic growth grounded in the nation state but also become contested spaces with no fixity or inevitability of formation. [7] Hence, globalization and emerging patterns of regional trade open, or appear to open, new opportunities for subregions to affirm their identities through nationalism.

One reason why nationalism and trade can play upon each other within a subregional context is that economic globalization does not, and cannot, involve the structural integration or coordination of national markets. Instead, it leads to the internationalization of some national spaces more than others, the growth of "local internationalization" through the development of economic ties between local and regional authorities, the deepening of multinationalization as transnational corporations form multiple linkages to enhance their own growth by exploiting local differences, and a division of labour which is shaped increasingly at a regional or subregional level. [8] Far from homogenizing economic space, the processes involved in globalization actually involve the reordering, and sometimes the reinforcement, of differences or socially embedded forms of competitiveness, as in the case of relations between Taiwan and south China. [9] Alternatively, they re-align trading relations, as in the case of Quebec. Either way, they can, and sometimes do, open spaces for the articulation of nationalist interests previously muted or aborted. On the other hand, theories of institutional spillover imply that there is potential for increasing political integration within regions as a result of trade liberalization, which, in turn, can weaken or contest exclusionary forms of nationalism based on geography, ethnicity, culture or religion. [10] Both types of tensions exist within Taiwan



and Quebec.

The shifting re-alignments caused by globalization and regionalization also have an impact on governance. [11] While the nation state remains a privileged space for governance, and some states are clearly more important than others, there can be little doubt that multiple forms of interdependent governance mechanisms are evolving. In addition to the state, they include cartels, associations, clans, networks, alliances, and the market with the latter being more important subregionally. Because the countries of East Asia can be thought of as a form of open, market-driven regionalism in contrast to the neo-sovereign or neo-liberal regionalism of Europe and North America, subregional identities, based on clans and networks, have played an active role in shaping economic and political activities. [12] This certainly is the case with respect to Taiwan. In some respects, therefore, the privileging of national reunification on the part of China can be seen as a response, not only to historic aspirations, but also to the unleashing of subregional forces by an open-door policy that furthers geo-global interdependence. Hence, the contested status of Taiwan cannot be understood simply in terms of contiguity or intra-country political arrangements but must also be assessed in terms of subregional economic and political linkages. In a similar fashion, the process of national identity in Quebec has been enhanced by globalization as the Canadian state gives way to pressures from above and below. On the other hand, the process of globalization also challenges, in fundamental ways, the homogenizing drive of nationalists in Quebec because it presupposes multiple levels of economic and political governance. [13] Hence, nationalism can be as unstable as the nation state itself as multiple forms of governance emerge in a global environment.

#### Nationalism in Quebec

The nationalist movement in Quebec, like nationalist movements elsewhere, has been grounded in a sense of deprivation. Deep down, the sense of deprivation has been fed by socio-economic and cultural grievances that have led to demands for independence from the rest of Canada. [14] Where the grievance has been cultural, it has also been associated with the protection of language in order to avoid assimilation or cultural dominance. With either type of grievance, however, political parties have played an important role in articulating grievances as well as in providing alternative visions of nationhood.

The current wave of nationalism in Quebec is related to the Quiet Revolution and the quest for cultural preservation. The Quiet Revolution, or awakening of Quebec, came with post-war economic prosperity, the rise of a new francophone business class, [15] and the growth of universities. [16] From 1960 to 1967, Quebec became declericalized, a new generation of university graduates challenged the old leadership, a new nationalist party was formed, and Charles de Gaulle, in an official visit as president of the French Republic, called for a free Quebec. The call electrified the young of Quebec and highlighted for the rest of the country a surge of new struggles over the protection of the French language, a demand for greater political autonomy and the resurgence of Quebec's economic power. In the beginning, the struggles centred on the Quebec government but gradually, as demands for independence and sovereignty-association with the rest of Canada took hold, the contest turned to the federal government in Ottawa.

The subsequent rise of the nationalist movement was closely associated with the "Parti Quebecois." The party was formed in 1968 and took office in 1976. Support came primarily

from the young, nationalists, unions and working class voters in resource-based industries, all products of the Quiet Revolution. During the 1976 election, the party promised, as part of the electoral campaign, to negotiate sovereignty-association with Canada if it won a referendum, which it would hold in 1980. In the end, the referendum was defeated largely because the Canadian prime minister of the day promised the people of Quebec constitutional renewal. [17] When the "no" side succeeded, he attempted renewal but was only successful in entrenching a charter of rights and freedoms into the constitution. It addressed none of the essential concerns of Quebec and further exacerbated relations between the Canadian state and Quebec by giving English Canadians within Quebec the legal means to challenge newly passed language laws which entrenched French language rights against English. To protect itself, Quebec invoked a notwithstanding clause exempting it from part of the charter of rights and freedoms, an action which in turn led to charges of discrimination by English Canadians on both sides of the border. Because of the impasse, Quebec and Canada were engulfed for a decade in a constitutional wrangle that centred around various proposals associated with two federally negotiated accords at Meech Lake and Charlottetown.

Efforts to revise the constitution to accommodate Quebec demands proved elusive. [18] The accords were defeated by lukewarm support on the part of the other provinces and by limited popular support in the country. Each time an accord was defeated by the rest of Canada, nationalist sentiment in Quebec flourished as the people of the province felt that their aspirations for nationhood were thwarted. [19] Hence, the defeat of the accords led eventually to a vastly revamped federal parliament in which nationalist sentiment in Quebec coalesced around the election of a new "federal" party called the Bloc Quebecois. In a bizarre twist of electoral events, the Bloc became the official opposition of the country in 1993 even though it was committed to separation from Canada. Another consequence of the defeat of constitutional reform was the re-election of the provincial Parti Quebecois. The party promised a new referendum on Quebec separation in 1995. Like an earlier referendum in 1980, the debate leading up to it was emotional and divisive, pitting one part of the country against the other, federalists against separatists within Quebec, minorities against majorities, and even leaders within the separatist movement against each other. [20] The referendum, which was eventually held in 1995, led to a very slim victory for the "no" side. Because of the marginal nature of the defeat, the Parti Quebecois defiantly called for a new referendum at a time in the future that would be political advantageous. After two attempts at constitutional reform and two referenda, however, the Quebec people were becoming less concerned about the nationalist debate and more concerned about the economy and jobs. Faced with ongoing uncertainty about the future of the province in the Canadian federation, they re-elected the Parti Quebecois in 1998 on the understanding that it would focus, first and foremost, on good government and economic prosperity. In 1998, the Supreme Court of Canada also ruled on the legality of Quebec secession and in 1999, the federal government introduced a clarity bill into the House of Commons in order to stipulate the requirement of a clear question on sovereignty.

### Nationalism in Taiwan

Taiwan has an identity crisis that is also deeply rooted in history. Historically, it has been isolated from the Chinese mainland since the seventeenth century: colonized by the Dutch and the Spanish, incorporated by the Manchu, occupied by the Japanese and ruled since 1949 by the Guomindang government. Socially, there are four main groups: Minnan, Hakka (both called Taiwanese) [21] Mainlanders, and Austronesian aboriginals. However,

nationalist sentiment is largely centred around the aspirations of the Taiwanese and Mainlanders and two political parties, the Guomindang (GMD) and the Democratic Progressive Party (DPP). Economically, several decades of stable development have provided Taiwan an opportunity to become an economic giant. The success and confidence, which the Taiwanese people have attained as a result of economic growth, have empowered the islanders to counteract the authoritarian practices of the GMD and even to react to the mainland. Militarily, Taiwan, aided by the United States and backed up by Japan, has also developed a powerful defensive strategy that has served as psychological protection against communist infiltration so that a status quo vis-a-vis the mainland can be contemplated.

In the late seventies and early eighties, a series of spontaneous social movements were launched within civil society by farmers, workers, students, teachers, aboriginals, environmentalists, consumers and feminists. [22] From 1983 to 1987, more than 1,500 mass protests were organized. [23] In the context of this social turbulence, the DPP was formed in 1986, largely representing the Taiwanese who were disaffected with the GMD. In the early 1990s, the GMD itself split into a "mainstream" (basically pro-Taiwan) and a "non-mainstream" (basically pro-mainland). In addition, some members broke away from the GMD altogether and formed the Chinese New Party (CNP) in 1993. As a consequence of renewed nationalist sentiment, Li Denghui of the Taiwan GMD succeeded in becoming the first directly elected president in Taiwan, taking Taiwan, in contrast to the mainland, down a democratic path.

Chinese nationalism was, therefore, first deconstructed by the GMD into a status quo to maintain vested interests, and further deconstructed by the islanders via democratic means into a form of Taiwanese consciousness to separate themselves from close identification with the mainland. While diverse national identities can weaken the nation state and maybe even democratization itself, Xu Xinliang, one of the DPP leaders, stated the opposite. He believes that democratization can help solve the identity problem. [24] Democratization, therefore, is being used to enhance Taiwanese consciousness at the same time as it intensifies the partition between nationalism and localism among the Mainlanders.

As a separate independent political entity, Taiwan may be considered a de facto nation state. However, it is hardly a de jure sovereign nation. [25] Hence, it faces a dilemma that is different from Quebec's. There appears to be no way for Taiwan to break away from the mainland without invoking war. For that reason, both main political parties in Taiwan invoke a political language which is at once pro-independence and pro-association with the mainland. While Li Denghui antagonized Beijing, he also threw out the odd laurel hoping thereby to maintain a status quo and reinforce a Taiwanese sense of separate identity. It was a risky but useful strategy to hold onto power, according to Christopher Hughes. [26] The risky nature of the strategy became evident in 1999 when Li Denghui announced that relations between Taiwan and the PRC should be characterized as a "special state-to-state (or to be more specific, 'country-to-country') relationship." [27] In the process of arguing the special relationship, Li was negotiating to prevent the political isolation of Taiwan from international recognition and from participation in the benefits of the liberalization of global trade. In this regard, there was little difference between the GMD and the DPP. [28] Hence, the risk was tested again in 2000 when Chen Shuibian of the DPP won the presidential election. He toned down Li's position on the "special country-to-country relationship" in order to encourage across-the-strait dialogue; however, he also

allowed his vice-presidential partner to test the mainland's tolerance of the voice of Taiwan independence.

Unlike Quebec, therefore, where ethnic nationalism is represented primarily through one party, nationalism in Taiwan is complicated by diversity and represented by different parties. To some degree, both the Mainlanders and the Taiwanese favour a state-oriented rather than a culturally oriented nationalism in the formation of a modern nation. At the same time, the former GMD government of Taiwan, which largely represented the interests of the Mainlanders, recognized the cultural fault line between the mainland and the island after several hundred years of European and Japanese colonisation. The Taiwanese, on the other hand, appreciate that ethnic affiliation between the aboriginals and the mainland Chinese is so feeble that a strong cultural bond cannot be easily established. Both sides, as a consequence, turn to a political solution. Similar to Quebec, the Taiwanese people also make use of language as a symbolic cut-off point from the mainland and support an independence movement in order to encourage a constitutional break-up of the ruling government. However, there is also a difference. Quebec is linked to Canada territorially. Taiwan is not so linked to mainland China. [29] Taiwan is threatened militarily. Quebec is not.

#### Trade Liberalization and the Nationalist Agenda in Quebec

While nationalist sentiments in Quebec and Taiwan clearly have historic roots that go deep, the direction those sentiments are taking has been affected by the liberalization of free trade in North America and in East Asia. The free trade debate has been described as a defining moment in Quebec and Canada's political landscape. [30] The push toward free trade was initiated by the Conservative government of Prime Minister Brian Mulroney, which was elected in 1984. Prior to the election, the Prime Minister claimed that he would not support free trade because it would economically tie Canada too closely to the United States. After the election, he changed his mind and fathered a trade agreement with the United States in 1989 (Canada United States Free Trade Agreement or CUSFTA), which then became the basis for a subsequent trilateral agreement with Mexico under the North American Free Trade Agreement (NAFTA) in 1994.

In Quebec, political, business and intellectual elites were either neutral to, or supported free trade, although organized labour was opposed, as well as some community leaders and educators.<sup>3</sup> Hence, in the free trade election of 1989, the federal Conservatives eked out an election victory and a second mandate in large measure because of Quebec. While nationalists in English Canada strongly opposed the deal, nationalists in Quebec were indifferent or in favour. Pierre Martin [32] said that support for free trade was a rational political strategy at the time. Essential to the support was a lack of opposition from the both the federalist (Parti Liberal) and the independence (Parti Quebecois) parties in the province. Prior to 1988, the Parti Liberal had been cautious about free trade. However, the growing antagonism of English Canada to constitutional recognition of Quebec's distinctiveness within the federal system, the eventual collapse of the Meech Lake Accord and the support of business for free trade led to a reversal of position. In addition, the Parti Quebecois, which also had been cautious about free trade prior to 1988, turned table because of the influence of Jacques Parizeau (an economist who, for a short time, became leader of the party). Parizeau and subsequent leaders of the party continually promoted the notion that the Quebecois had a natural affinity with the United States more than with the rest of Canada.

In a way, the free trade debate, combined with the rejection of the Meech Lake Accord, led to a situation by the early nineties in which the two principal provincial parties in Quebec both advocated a greatly decentralized federation or outright sovereignty. [33] Furthermore, the call for decentralization or sovereignty was increasingly perceived to be less problematic and less a threat to the economic future of the province because of the advantages of free trade. A fundamental recommendation for the dismantlement of the old federal system came from the Quebec Liberal Party's own constitutional committee (the Allaire Report). [34] The difference between the Parti Liberal and the Parti Quebecois henceforth would be one of degree. While it continued to acknowledge a role for federalism, the Parti Liberal nevertheless put the rest of Canada on guard by stating that Quebec reserved the right to withdraw from the federation at any time in the future. It was, however, a subsequent all-party commission, the Belang er-Campeau Report, [35] that made a direct link between sovereignty and free trade.

The report acknowledged that the issues raised by the attainment of independence were complex and affected every aspect of life in Quebec from economic development to cultural protection. At the economic level, the Commission was of the opinion that free trade would not be a hindrance and might even facilitate the transition to sovereignty. At an international level, the Commission also perceived few problems in joining multilateral agreements such as the General Agreements on Tariffs and Trade (GATT) or the World Trade Organization (WTO); it was simply assumed that Quebec "would likely be admitted retroactively to the date of accession to sovereignty." [36] Similarly, the report stated that participation in regional free trade agreements would not likely meet with opposition from other countries. Furthermore, even in terms of negotiations about a common market with the rest of Canada, the commissioners were confident that existing laws and agreements, as well as economic common sense, would prevail in maintaining as well as in enhancing ties that fostered free trade. [38] A strong conviction about the merits of free trade for Quebec nationalism was subsequently stated more boldly in a policy paper of the Parti Quebecois [39] that was widely distributed in the province a few years later. The report extolled the virtues of free trade as a stimulus to economic development. At the same time, the party affirmed that changes in education, communications, and labour market adjustment could be achieved by Quebec more easily than Ottawa, not only because it had the constitutional responsibility for social programs, but also because it was better able to articulate the wishes of the Quebec people.

Quebec business, particularly export-oriented big business, supported free trade, as did business in the rest of Canada. [40] Unlike the rest of the country, however, some sectors of business were less antagonistic to Quebec nationalism. One reason for the difference was that Quebec nationalism helped to create a new wave of Quebec companies and financial institutions that were beholden to the Quebec state. During the sixties and seventies, "the dynamic role of the Quebec state and of the provincially regulated financial sector encouraged francophones to become involved in business, and francophone control of private enterprises grew rapidly." [41] Prior to the Quiet Revolution, the Quebec economy had been dominated by companies controlled by English Canadians or Americans. The nationalists encouraged instead the creation of an indigenous business class with strong loyalties to Quebec. An important way in which that was achieved was the infusion of public funds through organisations like the "Caisse de depot et de placement" and "la Societe generale de financement" into investments which favoured provincial companies. In addition, the Quebec government supported and encouraged

cooperative institutions like "le Mouvement Desjardins" to provide capital to small local companies so that they could respond to regional markets and create local employment. [42] The impact was powerful, not only in creating a sense of nationalist pride, but also in laying the ground-work for increasing ownership of small and large Quebec enterprises in many sectors of the economy as well as the emergence of multinationals like Bombardier and Power Corporation.

One of the side advantages of being a provincial government during the negotiation of the regional free trade agreements was that the subsidies that helped to create Quebec Inc. were not immediately challenged by the United States. Regulations on tariffs, subsidies and countervail applied initially to the federal level of government. For that reason, it was easier for many Quebec business leaders to support the free trade agreement since there was little threat to the subsidies, at least in the short term. On the other hand, the Quebec government realized that it was only a matter of time before the old nationalist model of economic development based on public support would be challenged. It began, during the eighties and nineties, to change its policies to give greater weight to private companies engaged in export trades. It placed increasing reliance on cooperative funds rather than direct state support. Furthermore, among large export-oriented companies that had no particular loyalty to Quebec, free trade led to a softening of their support for federalism because it lessened the need for federal protection from the nationalist agenda. [43] Hence, while business associations like "le Conseil du patronat du Quebec" and "l'association des manufacturiers du Quebec" continued to favour the federalist cause on constitutional issues, they no longer were unanimous in their support.

Support for free trade within the nationalist camp came as well from Quebec intellectuals. In a spirited debate between two political scientist, [44] Daniel Latouche from the Universite du Quebec Montreal argued with Philip Resnick of the University of British Columbia about the reasons why Quebec supported the free trade agreement. Resnick, a self-declared English nationalist who prior to 1988 had been a supporter of nationalist demands in Quebec, complained to Latouche about the lack of support Quebec nationalists had given to English nationalists in their hour of need. In reply, Latouche expressed bewilderment. He saw no reason why nationalists in Quebec should express gratitude to their English confreres since English Canada had refused even minimal constitutional reform for Quebec. Furthermore, he claimed that nationalists in Quebec did not support free trade to snub English nationalists. Rather they supported it to further the cause of sovereignty and independence as well as to defend Quebec's language culture in the face of continentalism. In a "memoire" presented to the Belanger-Campeau Commission, Latouche went even further and concluded that an independent Quebec could fend for itself better than a provincial Quebec in the face of a new international economic order. [45]

In a similar defence of the benefits of free trade for sovereignty, Ivan Bernier, [46] an expert in international law, reported to the Belanger-Campeau Commission that he saw few legal barriers to an independent Quebec joining the GATT or extending free trade agreements to include Quebec. Rodrigue Tremblay (1991), an economist, was more blunt in his support. Acknowledging Resnick's contention that English Canada's attitude to Quebec deteriorated because of Quebec's support for free trade, he opined that any Canadian government, whatever its political stripe, was likely to support free trade in the future. Therefore, he thought it highly unlikely, and certainly undesirable, for business in Quebec and the rest of Canada to become antagonistic toward each other. Similarly, he

felt that English Canada had little to gain, and a lot to lose, by keeping Quebec out of the free trade agreements since it would be in the interest of the United States and other trading partners to have Quebec included. He concluded that it would be a fundamental interest for Canada and Quebec to continue a common market relationship whatever form political and constitutional changes might take. [47]

Support for free trade also came from editorials of *La Presse* (a newspaper with one of the largest circulations in Quebec). While *La Presse* was not a supporter of independence, it nevertheless spoke strongly for Quebec interests. Furthermore, since the two principal political parties in Quebec both supported free trade and special status for Quebec, the support of *La Presse* for free trade served to reinforce a perception that free trade was not a threat to the cultural and language concerns of the nationalist movement. Unlike the *Toronto Star*, which was very specific about the disadvantages of free trade for English Canada, "*La Presse* was generic in its advocacy of free trade," [48] relying on words such as "prosperity," "stability," "efficiency," "economic development," "economically dynamic," and "economic liberalization" to validate its virtues. According to Parella, [49] one consequence of the support by *La Presse* was that there was little public antipathy or hostility to free trade. The critical debate on free trade also came at a time when Quebec was still enjoying economic prosperity, which, in turn, stimulated support for free trade. Furthermore, when trilateral talks for NAFTA took place in the nineties, the balance of opinion in Quebec was sixty percent in favour and thirty percent opposed, almost the opposite of public opinion in the adjoining (English) province of Ontario. [50] For the public as for the political and business elite, free trade was not a threat to the nationalist cause. It was a benefit.

#### Trade Liberalization and the Nationalist Agenda in Taiwan

In East Asia, no significant trading bloc like NMTA has been built up. [51] Instead, there are informal trade associations like the East Asian Economic Caucus (EAEC), the ASEAN Free Trade Area (AFTA) and the Asia Pacific Economic Cooperation (APEC). Given the lack of regional trading blocs, trade within the subregion of Taiwan, Hong Kong and southern China has increased significantly and been labeled a Greater China Triangle. [52] The territories within the subregion have used their economic strength to increase their bargaining power with other countries in the region. However, Taiwan's business involvement in the Greater China Triangle creates a major political dilemma for the Taiwan government in furthering a nationalist agenda. On the one hand, because of economic reform and subregionalization, it is being integrated into the mainland market. On the other hand, because of the One China policy, it cannot join regional and global organizations as a sovereign state in order to diversify its economic interests. Hence, the demand for an adjustment of political arrangements by the Taiwanese comes not primarily from ethnic consciousness but from the interests of political economy. [53]

To outweigh the pull of trade toward the Chinese mainland, a "Go South" strategy was launched by Taiwan in 1994. The planning of the Asia-Pacific Operations Centre (APOC) and the setting up of the Gaoxiong (Kaohsiung) Off-Shore Transshipment Centre in 1995 aimed to establish the Chinese mainland as Taiwan's economic hinterland and to create a stepping stone to develop a regional market in Southeast Asia. However, the 1997 financial crisis in East Asia created political instability and economic unpredictability in the region and the Taiwan economy continued to rely heavily on the mainland market. For that reason, at the beginning of 1998, Taiwan embarked on a second round of "southward"

expansion. An "Action Plan to Promote Economic Cooperation with Southeast Asian Countries" was announced in March of the same year. GMD-owned enterprises such as Taiwan Sugar, Taiwan Salt, Chinese Petroleum and Central Investment corporations and GMD-supported companies such as China Development initiated many substantial investment projects in the Southeast Asian region. Other private enterprises, however, especially manufacturing investors, hesitated to follow the "Go South" initiative after 1998. [54] Because of the "fatal attraction" [55] of cheap labour and natural resources on the mainland, Taiwan business was provided with the opportunity and flexibility to upgrade its capital goods and high-tech skills in a sheltered market. [56]

Essentially, Taiwan fears that "economic integration may undermine its bargaining power in negotiations about unification or its bid to become independent, at least in a de facto sense." [57] Aside from the Go-South policy, Li Denghui announced in September 1996, at the Third Conference on Business Management in Taipei, a policy of "Caution and Self-Restraint" with respect to China, the ultimate goal of which was "to regulate Taiwanese investments of big enterprises and high-tech industries in mainland China." [58] Under the policy, the Taiwanese government took several steps to deter Taiwanese business interests from investing in the mainland. At the same time, the government aggressively pursued a policy of increasing trade with Central America and the European Union in a global perspective. By taking these economic measures, the government was attempting to prevent a "hollowing out" of the state by over-reliance on the mainland market. [59]

Nevertheless, Taiwanese business interests remained restive about the GMD's initiatives to curtail investment and trade with China. To counterbalance Li Denghui's policy of caution and self-restraint, they regularly bypassed the government's regulations and made use of mainland investment to maximize profit and to step up the regionalization of the Taiwanese economy. In response to government initiatives, they essentially adopted two strategies: (1) technology transfers through a third country (e.g., the Acer Group's capital from Malaysia in Suzhou), and (2) the use of international capital to support mainland projects (e.g., Wong-Wong Cookies Company's capital from the Singaporean stock market). [60] These and similar initiatives did not mean that businesses in Taiwan acted directly against government policy, but it did mean that they looked for ways of circumventing the negative effects of the nationalist agenda. While Li Denghui and the GMD government worried about the unpredictability of mainland development and increasing hostility of the mainland government toward Taiwanese nationalist objectives, [61] business leaders were more worried about the Asian financial crisis and the failure of the first round of "Go South" policy.

Moreover, it was not only business which countered GMD policy. Increasingly, it was a strategy of the DPP. In a DPP China Policy Conference held in February 1998, there was a hot debate on the issue of Taiwan's relations with the PRC. Two major views were expressed in the conference: one similar to the GMD's and the other encouraging "a greater degree of engagement with China and lifting of the restrictions on direct trade links across the Strait." [62] A policy of linkage seemed to be gaining the upper hand. Faced with pressures of global trade and the possible loss of trade to China after the mainland joined the WTO, the former DPP leader, Xu Xinliang, who served two terms as DPP president and was a non-partisan candidate for presidency in Taiwan, advocated that Taiwan play a more active role in the mainland market. In a recent statement on economic policy, Xu warned that the Taiwan economy would have its own future only when it could "master the mainland market." If it failed, he felt that Taiwan would forever be "a substitute



factory." [63] In November 1999, however, a white paper of the DPP announced that there was no need to worry "about the economy of Taiwan being absorbed by China," or about being "limited to the two policies of the 'no rush, be patient' or 'courageously march west'," but to balance national security with a common economic interest between Taiwan and China. [64] Hence, while it seems that the DPP may be more inclined to independence than the GMD, it is also possible that the independence movement in Taiwan may become more intense as both major parties claim to be representing the Taiwan people.

The DPP's position can be best understood in the context of the GMD's persistent opposition to the mainland's offer of three direct links. The GMD regards the links as a form of economic infiltration of its market and therefore its national security. The Chinese mainland regards it as a mechanism to prevent Taiwan from declaring independence and to promote unification. By resisting the three links, **the Taiwan government is promoting both nationalism and free trade.** Ethnically, it realizes that the Taiwanese people would like to build a separate identity. Politically, it invokes the benefits of democracy to maintain a distance from the mainland's socialism. Economically, on other hand, Taiwanese capitalists would like to take advantage of the huge market of the mainland. Because the mainland market is so important, the Taiwan government has to make concessions to the business sector, which takes every chance to circumvent the government's containment policy. Faced with difficulty in operationalizing the "Go South" strategy, the government has been forced, in spite of nationalist sentiment, to adopt a "Westward Policy" in order to secure a share of mainland development. Hence, trans-border trade challenges the preference for political divergence.

Still another economic battlefield between Taiwan and the Chinese mainland is emerging around China's accession to the WTO. Because the WTO is a "non-political" organization, Taiwan and Hong Kong, as "customs territories," can become full members of the world body, in addition to the PRC. What makes accession "political" is that the Beijing government insists that the PRC should be allowed into the WTO before Taiwan, although the latter has been completing the necessary agreements with current WTO members faster than the former. Even though the mainland's economy is growing steadily and progressively, the PRC's accession to the WTO might be delayed for months or even years. Should that happen, it will push Taiwan into a more difficult and disadvantageous position in developing its own international market and in competing with the Chinese mainland in the Asian region. That is also one of the reasons why Taiwan is struggling for a "special country-to-country relationship" in order to reposition itself in international politics and prevent its hands from being tied by the Chinese mainland.

On the other hand, the preservation of Taiwan's political autonomy in the sea of shifting Chinese identities will depend, in part, on the sustainability of nationalism and a sense of community. The importance of a sense of community (shengming gongtongti) to the future of Taiwan was initially proposed by Li Denghui in August 1991. He described it as a way of affirming the principle that the fundamental basis of the modern state was not ethnic, religious or linguistic heritage but a sense of civic commonality -- having the same destiny regardless of the ethnic identity. [65] When Li Denghui unveiled the 228 Memorial on 28 February 1995, he declared that one of the future tasks of the Taiwanese government was to manage a great Taiwan and to bring together a living community of shared sorrows and joys. [66] Following up on this sentiment, he pushed further, in December 1998, for the identity of the "New Taiwanese" in an election campaign. The New Taiwanese, according to the then president, formed a "living community in which all the people commonly living

in Taiwan struggled for and (were) dedicated to Taiwan and the Republic of China, irrespective of the time of coming to Taiwan, languages or regions." [37] The symbolic function of the term, New Taiwanese, was intended to dilute the conflict between Taiwan and the mainland by creating a new kind of nationalism in which politics, ethnicity and economics were amalgamated. It could also conveniently be described as a marriage of nationalism and trade liberalization.

## Conclusion

Quebec and Taiwanese experiences with nationalism provide a picture of state-nationalist relations that are at once complex and intriguing. Trade liberalization is only one of the issues. The complexity arises from the history of both territories as well as the way in which cultural groups within each territory have used opportunities, past and present, to affirm their identity and to seek greater independence. There are, of course, differences between Quebec and Taiwan. In Quebec, ethnic nationalism has continually challenged a federal system of government and used democratic means to promote separation of the two founding nations. In Taiwan, the GMD/DPP government has attempted to clarify island/mainland relations in the name of nationalism and at the same time to provide a vehicle for discourse and representation of island identity. Except for a small minority, there is not the language divide as there is in Quebec's dispute with Canada. On the other hand, a long period of foreign colonization has served to fracture the sense of identity of many Taiwanese while solidifying to some degree widespread resistance to dominance by the GMD and interference by the mainland. At the core of differences between nationalism in Quebec and Taiwan, however, is the pivotal role of democratization. While democratization in both has enhanced ethnic nationalism, the democratic process is not likely to be threatened by Quebec independence, either for the people of Canada or Quebec. In Taiwan, by contrast, democratic gains could be lost if the Taiwan government attempts to assert the independence of the island in the face of opposition from the mainland.

Furthermore, the language divide between Quebec and English Canada is much greater than that between Mandarin China and Minnan Taiwan; at least, there are more disparities between the English language and the French language than the Chinese language and the Minnan dialect because the latter both have common characters. Ethnic nationalism, although tempered by liberalism and a commitment to pluralism, remains an underlying force for Quebec to detach from Canada. Conversely, appeals to civic nationalism are influential in determining the future identity of Taiwan. While nationalism is still a weapon for Quebec to wrestle with Canada, it serves Taiwan by keeping the Chinese mainland at a distance. In the near future, a new referendum may be used by Quebec, or more specifically by the Parti Quebecois, to further its quest for independence. In Taiwan, however, a demand for outright independence will be met with military force from the mainland. Consequently, Taiwanese nationalism is at once more nuanced and assertive in its declarations and in its practice. Nuanced because the language of independence is perceived as a threat to the unity of country by Beijing. Assertive because Taiwan desperately wants to maintain a distance from the mainland.

It seems also that nationalism, whether secessionist or irredentist, can be diffused as well as strengthened by trade liberalization. There is no simple linear relationship between the two, not only because of larger political issues noted above but also because of globalization. "Nations and nation-states do not simply interact with each other; under

modern conditions, they form -- or tend to form -- a world, i.e., a global context with its own processes and mechanisms of integration." [68] Hence, nationalism is an insufficient cause of political integration. In extreme forms, one type of nationalism is localization; another is imperialistic internationalization. In between is a type of post-nationalism, through which nations and states integrate to form a "global-human condition." [69] On the one hand, nation-states protect themselves from political aggression. On the other hand, they interact with one another through economic co-operation. In North America, Canada and, through it, Quebec are incorporated into NAFTA, APEC, and the WTO. In East Asia, China and Taiwan are integrated through a subregional growth triangle as well as APEC and various global organizations. Quebec nationalists seize the opportunity of economic integration to highlight the claim for independence as well as their special status. Taiwanese nationalists are ambivalent about economic integration, as evident in the recent white paper of the DPP, because it loosens their bonds of national identity. As a consequence, while trade liberalization provides a platform for Quebec to transcend the status quo, the most that nationalism can do for Taiwan is to maintain it.

Is the different response to trade liberalization due simply to differences in secessionist and irredentist nationalism? We think not. While different forms of nationalism are bound to condition responses, it is widely recognized that trade liberalization is influencing not only nationalist sentiment but also national states. Trade liberalization has strengthened nationalist sentiment in Quebec and Taiwan but it has also strengthened the economies of Canada and China, thereby undercutting, to some degree, the value of separation. Hence, the relationship between trade liberalization, irredentism and secessionism is complicated. In Taiwan, trade liberalization gives the government and the people space to counteract their mainland counterpart. In Quebec, it is used to assure the local populace that separation from the rest of Canada will not lead to economic collapse. Furthermore, it allows nationalists in both Taiwan and Quebec to affirm their identity in the international arena. On the other hand, trade liberalization also plays itself out in the form of political and economic alliances that are regional and subregional in nature. In the case of Taiwan, that strengthens the role of China; in the case of Quebec, the role of Canada. Hence, trade liberalization is a double-edged sword that gives scope to nationalist aspirations while moderating the outcome.

Dalhousie University, Halifax, Canada and City University of Hong Kong December 2000

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Timothy Ka-ying Wong and Yui-chung Wong as well as two anonymous reviewers for reading an earlier draft of this paper.

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Exhibit "D"

# Desjardins Group

From Wikipedia, the free encyclopedia

**The Desjardins Group** (or **Mouvement des caisses Desjardins** in French) is the largest association of credit unions in North America. It was founded in 1900 in Lévis, Québec by Alphonse Desjardins.

Located mostly in Québec but also in Ontario, Manitoba, and New Brunswick, it is composed of 536 local *caisses populaires*, which serve 5.8 million members. The entire system is regrouped into 11 regional federations.

Total assets at Desjardins Group reached \$135 billion CAD in 2006. This ranks it as the sixth-largest financial institution in Canada and the largest in Québec, ahead of National Bank of Canada. It had in 2006 over 39 985 employees and 7,020 elected and volunteer officers. In 2006, it gave its members \$483 million CAD in patronage allocations and \$64 million CAD in donations, sponsorships and academic scholarships<sup>[1]</sup>. Most of this latter sum went to regional economic development and health purposes.

The Desjardins Group has over 11 subsidiaries, ranging from insurance services (Desjardins Financial Security, Desjardins General Insurance), real estate (Place Desjardins), venture capital funds (Desjardins Venture Capital) and brokerage services (Desjardins Securities).

The Desjardins Group, through its subsidiary Développement international Desjardins, is also working in over 50 developing countries such as Burkina Faso, Vietnam and Mexico.


Desjardins Group is currently expanding outside the province of Quebec: in 1992 it opened the Desjardins Bank in Florida to cater to southbound Quebecers, particularly snowbirds and retirees; this latter practice has also been adopted by a number of the banks in Canada.

Desjardins is a member of:

- CDIC
- Interac
- NYCE ATM Network
- CBA

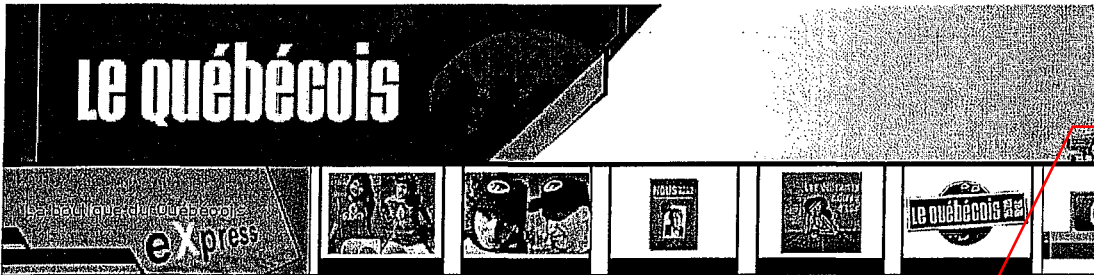
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| Desjardins Group                                                                   |                                                                                                                 |
|------------------------------------------------------------------------------------|-----------------------------------------------------------------------------------------------------------------|
|  | <b>Desjardins</b>                                                                                               |
| Conjuguer avoirs et êtres                                                          |                                                                                                                 |
| <b>Type</b>                                                                        | Cooperative                                                                                                     |
| <b>Founded</b>                                                                     | Lévis, Canada (1900)                                                                                            |
| <b>Headquarters</b>                                                                | Lévis, Canada                                                                                                   |
| <b>Key people</b>                                                                  | Alban D'Amours, President & Chief Executive Officer                                                             |
| <b>Industry</b>                                                                    | Financial services                                                                                              |
| <b>Products</b>                                                                    | Checking Accounts<br>Insurance<br>Stock Brokerage<br>Investment Bank<br>Asset-Based Lending<br>Consumer finance |
| <b>Employees</b>                                                                   | 39 985 (2006)                                                                                                   |
| <b>Website</b>                                                                     | www.desjardins.com                                                                                              |

NOTE -See English translation of this article on following page.

2007: PQ government would have sought funding from Desjardins to protect Quebec economy in event of adverse money markets reaction to separatist government election in 2007. Similar arrangement was done following 1995 referendum.



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### Nouvelle détaillée

## Boisclair écarte l'idée d'un fonds d'urgence

2007 03 07

ÉLECTIONS 2007  
Au lendemain d'un référendum gagnant  
**Boisclair écarte l'idée d'un fonds d'urgence**

Tommy Chouinard La Presse

André Boisclair estime qu'une éventuelle victoire du Oui à l'occasion d'un prochain référendum n'entraînerait aucune instabilité financière. Le chef péquiste en est si convaincu que, une fois élu, il ne créerait pas un fonds d'urgence pour pallier d'éventuels contrecoups économiques comme l'a fait Jacques Parizeau en 1995.

Interrogé pour savoir si, une fois élu, il allait imiter Jacques Parizeau et créer un fonds de stabilisation de l'économie en prévision d'une victoire référendaire, André Boisclair a répondu sèchement : " Non. " " Je ne crains pas de l'insécurité au lendemain d'un référendum. Je ne suis pas du tout inquiet ", a affirmé le chef du Parti québécois hier.

En 1995, le premier ministre Jacques Parizeau avait constitué une réserve de 17 milliards de dollars en liquidités au ministère des Finances, à la Caisse de dépôt et de placements du Québec et à Hydro-Québec. De leur côté, la Banque nationale, le Mouvement Desjardins et la Banque Laurentienne avaient accumulé des liquidités de 20 milliards.

La somme de 37 milliards devait pallier pendant deux ans les contrecoups économiques d'une victoire du Oui au référendum. Elle aurait servi notamment à racheter des obligations québécoises en cas de vente de panique sur les marchés étrangers. C'était le fameux plan O - pour " obligations " - de Jacques Parizeau.

André Boisclair juge que cette mesure ne serait pas nécessaire à la suite d'un référendum qu'il tiendrait " le plus tôt possible " après son élection. " Ceux qui voudraient agiter le drapeau de la peur, qu'ils se rappellent ce qui s'est passé en 1995. Qui aurait pu prévoir quelques heures avant le résultat du référendum son résultat ? Et est-ce qu'on a vu de l'incertitude sur les marchés financiers ? Est-ce que le gouvernement du Québec et les entreprises se sont retrouvés dans une situation plus difficile ? Non, le cours de la vie s'est poursuivi ", a-t-il expliqué.

Par ailleurs, André Boisclair a affirmé que, s'il est élu le 26 mars, il travaillera dès le lendemain à faire reconnaître un éventuel Québec souverain auprès de la communauté internationale.

La plateforme électorale du PQ prévoit une déclaration unilatérale de l'indépendance du Québec après au plus un an de négociations avec Ottawa.

Interrogé pour savoir quelle assurance il détenait que les pays étrangers allaient reconnaître une déclaration unilatérale d'indépendance, André Boisclair a esquivé la question. Mais selon lui, la récente reconnaissance de la nation québécoise par la Chambre des communes " va venir de beaucoup faciliter la reconnaissance internationale d'un Québec souverain ".

Retour

Summary: PQ government would have sought funding from Desjardins if necessary to protect Quebec economy in event of adverse money markets reaction to separatist government election in 2007. Similar arrangements were in place following 1995 referendum.

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## Detailed news

### Boisclair draws aside the idea of emergency funds

2007 03 07

#### ELECTIONS 2007

At the following day of a gaining referendum

**Boisclair draws aside the idea of emergency funds**

Tommy Chouinard The Press

André Boisclair estimates that a possible victory of Yes at the time of a forth referendum would not involve any financial instability. The pequist chief is if convinced that, once elected, it would not create emergency funds to mitigate possible economic by-effects like made Jacques Parizeau in 1995.

Questioned to know if, once elected, it were going to imitate Jacques Parizeau to create funds of stabilization of the economy in forecast of a victory chief de André Boisclair answered curtly: "Not" "I do not fear an insecurity at the follow day of a referendum. I am not at all anxious ", affirmed the chief of the **Québécois Party yesterday.**

In 1995, the Prime Minister Jacques Parizeau had constituted a reserve of 17 billion dollars in liquidities to the ministry for Finances, the Case of deposit an placements from Quebec and in Hydro-Quebec. On their side, the national B the Desjardins Movement and the Laurentienne Bank had accumulated liquid of 20 billion.

The sum of 37 billion was to mitigate during two years the economic by-effect victory of Yes with the referendum. It would have been in particular used to repurchase Québécois obligations in the event of sale of panic on the foreign markets. It was the famous plan O - for "obligations" - of Jacques Parizeau.

André Boisclair judges that this measurement would not be necessary followi referendum which it would hold "as soon as possible" after his election "Thos which would like to agitate the flag of the fear, that they remember what occu in 1995. Who could have envisaged a few hours before the result of the referendum his result? And did one see uncertainty on the financial markets? government of Quebec and the companies were found in a more difficult situat Not, the course of the life continued ", it explained.

In addition, André Boisclair affirmed that, if it is elected on March 26, it will wc of the following day to make recognize possible sovereign Quebec attached t international community.

The electoral platform of the PQ envisages a unilateral declaration of the independence of Quebec after at more the one year of negotiations with Otta

Questioned to know which insurance it held that the foreign countries were g to recognize a unilateral declaration of independence, André Boisclair dodge

question. But according to him, the recent recognition of the Québécois nation by the House of Commons "much will just have facilitated the international recognition of sovereign Quebec".

[Return](#)

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Exhibit "D"

## Bernard, Louis

Louis Bernard, senior civil servant (b. at Montréal 27 Jul 1937). Number 1 civil servant and eminence grise for the PARTI QUÉBÉCOIS sovereignist government, Louis Bernard was at the heart of the development of the Québecois government of the last 30 years. A graduate of the U de Montréal in law, and of the London School of Economics and Political Science in administrative law, Louis Bernard became a lawyer with the firm of Stikeman & Elliott in 1960. From 1964 to 1970, he was Associate Deputy Minister for the Canadian Department of Intergovernmental affairs.

It was in 1970, initially as Principal Private Secretary to Camille LAURIN, that Louis Bernard undertook the path that would lead him to the summit of the Québec civil service. As of 1976, he held the strategic position of Principal Private Secretary to Prime Minister René Lévesque. The following year, he became Secretary General for Electoral and Parliamentary Reform, and in 1978, Secretary General to the Executive Council, the highest post in the Québec civil service, and a position he held during the 1980 REFERENDUM. Subsequently, he became a special advisor to the Executive Council until his departure from Government in 1987. In the private sector, he is executive vice-president of the Laurentian Bank.

In 1994 and 1995, Louis Bernard returned to government, again as Secretary General to the Executive Council, a job he held at the time of the 1995 REFERENDUM. Therefore, he was intimately connected in defining two strategic referenda.

In late 1995, Louis Bernard returned to the Laurentian Bank as executive vice-president, a position he held until his retirement in 1998. Since then, he has been a consultant and negotiator for the Québec government, being appointed, amongst other things, as special negotiator on native issues, and government representative on the question of municipal reform in metropolitan Montreal. He was also given responsibility for finance and transport issues in the region. In 1987, he published *Réflexions sur l'art de gouverner*. He is president of the administrative council of the Montréal Heart Institute. The Institute of Public Administration of Canada awarded him the Vanier gold medal in 1992 for his exceptional contribution to the development of the Québec Civil Service. Also in 1992 he received the Prize for Excellence from the Institute of Public Administration of Québec. He is an Officer of l'Ordre national du Québec (2000).

**Author** JEAN CHARTIER

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← Another example of close ties between Quebec's finance industry and its PQ or BQ political and government entities.