

Free Trade and Quebec Models of Development

By

Dorval Brunelle and Benoît Lévesque¹

Department of Sociology

Université du Québec à Montréal

In the following pages we will bring to light the effects of free trade on the two models of development implemented in Quebec since 1960. First, we will establish the influence of endogenous and exogenous factors on the first-generation model, that of the « Quiet Revolution ». Second, we will examine the free-trade option in relation to a second-generation model perfected and implemented since the 1980s by the Liberal and PQ governments until the elections of Spring 2003. We want to show how the free trade option has led to the overlapping of two sets of social practices : a first set which led to collaboration between social and economic actors in the establishment of a model of development in Quebec itself, on the one hand, and a second set which led these actors to put in question the liberalisation of trade instigated by the governments of Quebec and Canada, on the other hand.

We will describe briefly the « Quiet Revolution » model before examining how and why the model was put into question by social actors. We will be working with the hypothesis that we are witnessing the emergence of a new paradigm of development that could lead to the establishment of a second-generation Quebec model, a model which would adapt the economy and its institutions to an open market while at the same time supporting initiatives to organise new practices in an effort to temper the rigors of an open market.

The « Quiet Revolution »

Two sets of factors allow us to explain why, following June 22nd 1960, the newly-elected government of Jean Lesage engaged in a profound reform of the provincial

¹ D. Brunelle is director of a research group on continental integration, the *Groupe de recherche sur l'intégration continentale* (GRIC), and B. Lévesque is director of a research group on the social economy, the *Collectif de recherche sur les innovations sociales dans les entreprises et les syndicats* (CRISES).

This article was translated by Daphné Brunelle.

administration and institutions. The first is internal: the obsolescence of institutions and bureaucratic apparatus of the province, the commitments made by the Quebec Liberal Party (QLP), and the restructuring of the alliances between social actors. (Brunelle, 1978) As far as external factors are concerned, we must take into account three separate dimensions which make up the province's geographical, political and normative space: the continental, the federal and the provincial dimensions. At the continental level, the determining factor is without question the consolidation of an industrial axis around the Great Lakes area. Partly induced by a process of spacial expansion proper to North America, this movement took on new geopolitical functions during the *Cold War*, since development policies in the United States (US) as well as in Canada favoured the implementation of industries in the heart of the continent to the detriment of cities on the East Coast, and to the detriment of Montreal and its harbour. The continental option led the federal government to encourage the industrialisation of Ontario throughout the post-war period and thus disconnected the two large « central » provinces of the country, the former Lower and Upper Canadas, which had been the main beneficiaries of the previous phase of industrialisation.² Finally, at the third level, this option consolidated relations between Queens Park and Ottawa, and pushed the provincial government to adopt a protectionist policy towards goods and services coming from other provinces. The net result of this evolution, as far as Quebec's economy was concerned, was that, caught up in the momentum of a modernisation begun during the « Quiet Revolution », Quebec found it increasingly difficult to gain access to outside markets while the provincial budgetary deficit increased exponentially.

In the meantime, the « Quiet Revolution » was carried forward by the government's dialogue with its three main socio-economic partners : the business community, the unions and the cooperative movement, which shared the idea that they had to play a kind of institutional and normative catch-up which would put them in a position to link economic and social development thereafter. The idea was to transpose the ideas of John Maynard Keynes and those of William Beveridge to the provincial level of government and governance. This project of modernisation was one dear to the hearts of French-Canadians, and thus it took the form of a project of national emancipation. Economic growth sustained by planning, technical progress, universal access to collective and basic services —health care and education in particular— and even mass consumption were the values that drove the model. This approach to development took for granted that the market should not be the only integrating force,

² Both sectoral free trade agreements signed by the federal government at the time, the Defence Production Sharing Agreement of 1956 and the Auto Pact of 1965, reinforced the implementation of heavy industry in Ontario.

a lesson that had been learned in 1929 and confirmed by the recession that followed the cessation of hostilities in Korea in 1953. The State appeared to be the only counter-weight to market forces capable of negotiating with the business community, as in the case of the electricity cartels during the nationalisation of Hydro-Québec in 1962, and seemed once again to be the only authority capable of taking charge of collective services provided up until then by religious and charitable organisations.

The government became an entrepreneur in order to promote industrial diversification. Public spending in the economic sector (excluding other levels of government) increased from 8.5% in 1961 to 26.8% of the GDP in 1985. Several large State societies were put in place in the wake of the nationalisation of Hydro-Québec, which became the main issue of the 1962 electoral campaign.³ The percentage of companies under French-Canadian control grew from 47.1% in 1961 to 61.6% in 1987. (Vaillancourt and Leblanc, 1993) In the crucial sector of finance, it grew from 25.8% to 58.3%. (Bourque, 2001)

In the social sector, the « Quiet Revolution » of the 1960s and the Castonguay Reform of the 1970s favoured modernisation, accessibility and universality in education, social services and health. However, the organisation of these services was highly bureaucratic and hierarchic in nature. (Bélanger and Lévesque, 1992) Moreover, social and health services were offered more and more in hospitals and social service centres, rather than in areas where people actually lived. (Vaillancourt and Jetté, 1999) Home services remained under-developed, and the *Centres locaux de services communautaires* (CLSC) under-used, until the end of the 1970s, while community interdependencies, prevention and social determinants of health and well-being were neglected by public authorities.

Meanwhile, in most of the Organisation for Economic Cooperation and Development (OECD) countries, the implementation of a model of development inspired by the theories of the Keynes-Beveridge tandem was experiencing a number of important set-backs towards the end of the 1960s. This was amply confirmed by the magnitude of the social protests and student movements during the course of 1968 all around the world.⁴ In Quebec, social movements explicitly questioned the model of the

³ Among these initiatives we can mention: la Société générale de financement (1962), SIDBEC (1964), la Société d'exploration minière (1965), la Caisse de dépôt et placements (1965), la Société de développement industriel (1971), la Société d'énergie de la Baie James (1971), la Société de développement immobilier (1971), la Société québécoise d'initiatives agro-alimentaires (1975), la Société nationale de l'amiante (1978), etc. cf Yves Bélanger, (1998).

⁴ Mobilisations which, it is important to remember, were stirred up in no small part by the movement of protest against the Vietnam War.

« Quiet Revolution », its hierarchical approach and its fake democratism. From the beginning of the 1970s, social tensions reached their paroxysm with the radicalisation of the unions and the formation of small parties of the extreme-left. (Désy, Ferland, Lévesque and Vaillancourt, 1980)

Carried to power in November 1976 in a highly charged social context⁵, the Parti Québécois (PQ) government published *Bâtir le Québec* in 1979 and *Le Virage technologique* in 1981 in order to adapt the “Quiet Revolution” model to changing times. These two reports defended an option based on comparative advantages, industrial specialisation and international competition. In truth, the first-generation model had reached its limit, and some studies had even concluded that Quebec’s economy was poised to become de-industrialised.⁶ As a result, industrial policies should no longer serve to help companies in difficulty, but instead favour those that were innovative and capable of reaching foreign markets. This change of policy was important, since the model of the « Quiet Revolution » had aimed at the establishment of a relatively self-centred economy and banked on diversification in order to support non-profitable sectors. Henceforth it was rather the following objectives that were to be aimed for : (i) the implementation of big industrial projects and the maximisation of their economic effects on Quebec; (ii) the development of a dynamic tertiary sector comprised mostly of specialised services for industries and consulting engineering; and (iii) the development and exploitation of new electronic technologies.⁷

In order to increase the legitimacy of its option, the PQ government convened a series of socio-economic summits to which the business community, the unions and the cooperative movement were invited. Three national summits were held (1977, 1979 and 1982) along with close to thirty regional and sectoral summits —among them, one on cooperation. During the 1982 summit, the Fédération des travailleurs et travailleuses du Québec (FTQ) presented a project for a *Fonds de solidarité des travailleurs du Québec* which was approved by the Québec government and, soon after, by the Federal government.⁸ However, after the defeat of its sovereignty-association project in the referendum of May 1980, and in the wake of the budgetary

⁵ Two famous conflicts, the strike at *United Aircraft* and the strike of the *Gens de l’Air*, had a profound impact on the electoral campaign.

⁶ Bureau du coordonnateur fédéral du développement économique, (Québec), *Perspectives de développement économique au Québec*, Gouvernement du Canada, Département d’État au Développement économique, décembre 1982, p. 55.

⁷ The document also recognised that “ coordination should prevail between the federal and Quebec programs.”

⁸ The *Fonds* was created in 1983. Its assets reached \$4.4 billion on December 31st 2002.

crisis and unpopular measures taken during the short but severe recession of 1980-1982⁹ the PQ government's economic policies lost its popular support.¹⁰

In January of 1985, the PQ held an extraordinary congress against the backdrop of a profound crisis, during which « revisionist » and « orthodox » clashed over the question of an alliance with the federal government. But if Premier Levesque's proposition to put the issue of sovereignty on the back-burner met with the approval of the delegates, it came at a high cost. Denis Vaugeois and Camille Laurin, former ministers belonging to the orthodox wing, tendered their resignations, closely followed by Gilbert Paquette.¹¹ In February, the protest gained momentum and in June the Premier announced that he was quitting political life.

The recourse to economic nationalism during the « Quiet Revolution » caused the economy to lag behind significantly both in external and Canadian markets. Even though Quebec exports to the United States increased by 25% in 1984, in the rest of the country exports grew by 33%, resulting in the continued decline of Quebec's share of Canadian exports to 16%. in 1985 ¹² The most striking example (and most widely-publicised) of this decline was the removal from Quebec of the headquarters of large Canadian and American corporations throughout the period.¹³ Besides, the supporting role that the provincial government had played ended up costing dearly : in 1986, the public debt had reached \$60 billion Canadian, which was the equivalent of 56.6% of the GDP.¹⁴

Free Trade in Context

The strategy implemented by the progressive-conservative government of Prime Minister Brian Mulroney elected in September 1984, pursued both the reform of federal-provincial relations and the negotiation of a free trade with the United States

⁹ In 1982 Quebec lost around 140,000 jobs, 50,000 of which were in the manufacturing sector, and the unemployment rose to 15%.

¹⁰ The PQ government established a Ministry of Employment and Concertation in 1984.

¹¹ In addition to the names cited, this crisis led to the departure of Jacques Parizeau, Jacques Léonard, Denise Leblanc-Bantey and Louise Harel.

¹² Larry Black, «La position du Québec apparaît incertaine dans un contexte de libre échange avec les États-Unis», *Le Devoir*, March 12th 1985, p.11.

¹³ Here is a partial list : Northern Telecom moves to Nashville, Seagram to New York, Ciment Lafarge to Dallas, AMCA de C.P., previously Dominion Bridge, to Hanover. Moreover, other large Canadian companies like Canadian Pacific, Molson and Bell Canada, or entire sectors like banks and insurance companies, which maintained their headquarters in Montreal had in fact moved operations and work force to Toronto. (*Idem*, p. 12)

¹⁴ The debt broke down as follows : total debt was equal to \$22 billion, that of State-run societies was \$23.2 billion, and that of the municipalities \$15.2 billion. Cf *Le Devoir* July 17th 1986, p.11.

(US). This had profound consequences on Canada's commercial policies and, as a result, on the Quebec model of development.¹⁵ Indeed, conscious of the fact that its good faith in constitutional negotiations ran the risk of being put to the test in its management of commercial policies, the federal government was prepared to make concessions in order to gain the support of the provinces as it did during the economic Summit of Regina convened in mid-February 1985¹⁶ Commercial negotiations were used to muster support for constitutional reform, an important strategic move when one recalls that the Premier of Quebec, Robert Bourassa, was, along with Alberta, most favourable to free trade with the US. However, some economic sectors, notably small businesses, were not favourable to free trade¹⁷ which goes a far way towards explaining why negotiations were conducted very discretely.¹⁸

If we link both arguments, one concerning the decision made by the Mulroney Cabinet to favour « economic union » within Canada and with the US, the other concerning constitutional negotiations, with ongoing debates within Quebec at the same time concerning obstacles imposed by the constitutional regime and the regional development policy sanctioned by Ottawa, we see that there is a close link between the two. This linkage explains why, once denied constitutional *and* economic integration in the Canadian market, the Quebec government's political and economic options were severely limited.

This being said, we must point out that the federal government's free trade option did have important implications in a number of sectors, as evidenced by the creation, in

¹⁵ Let us recall the dates : if we can trace back the events surrounding the negotiations of the Meech Lake Accord to the election of the Progressive-Conservative Party in September 1984 and to the government of Quebec's Project of constitutional accord presented by Premier Lévesque and his Minister of Justice P.-M. Johnson in May 1985, the infamous « beautiful risk », it's in reality the return to power of Robert Bourassa's QLP in December that gave a second wind to the « renewed collaboration between Quebec and its partners within the Confederation », to quote the title of a conference held on the subject in May 1986. As for the official start of free trade negotiations between Canada and the United States, it takes place in Québec City in March 1985 during the « Shamrock Summit » which brought together the two « Irishmen », President Reagan and Prime Minister Mulroney.

¹⁶ The four major subjects on the agenda were investment, international commerce, regional economic development and the training of labour.

¹⁷ At the time there are 747,777 small businesses in Canada and 166,505 in Quebec whose sales totalled \$31.1 billion in 1983. Among the large industries opposed to the project was the brewing sector.

¹⁸ In January of 1986, the Bourassa government named Jack H. Warren as President of the Consulting Committee of the Quebec Government on the issues relative to free trade, and it formed a ministerial sub-committee presided by the Minister of Foreign Trade Pierre MacDonald (with Daniel Johnson, Minister of Trade and Industry, André Vallerand, Minister to Small Businesses, and Gil Rémillard, Minister of International Relations and Intergovernmental Affairs of Canada). However, precious little came out of this.

the days following the elections, of a Working Group responsible for the scrutiny of public programs, placed under the presidency of then Vice Prime Minister, Erik Nielsen. The group's mandate was to « examine the government programs in order to simplify them and make them more understandable and accessible to their clientele. »¹⁹ The group surveyed 989 programs run by 126 ministries and government organisms which totalled spending costs of about \$92 billion in the form of benefits allocated to individuals, companies and provincial governments. All these programs were examined by mixed study groups composed of specialists from both private and public sectors which, « given the imperious necessity to reduce spending and the deficit, will attempt where possible to economise in all sectors.»²⁰ Thus, it was made clear to all at the time that the conservative government was planning to engage in a profound reform of programs and institutions by relying on the market, on entrepreneurship and on regional dynamism, rather than on large projects or a national plan. As for the QLP government, after the crisis of January 1985, it subscribed completely to this new partnership.

The emergence of a second-generation model in Quebec

As soon as the elections of December 1985 were won, Robert Bourassa's government defined its own options in terms of economic policy by publishing three reports on privatisation (the Fortier Report), on governmental reorganisation (the Gobeil Report) and on deregulation (the Scowen Report). The content of these three reports was not *directly* inspired by the neo-liberalism applied in the US and the United Kingdom (UK) at the time, but was directly in line with the recommendations contained in the *Report of the Royal Commission on Economic Union and Development Perspectives for Canada* tabled in September 1985. Key ministers within the Bourassa Cabinet were actively involved in the implementation of the recommendations of the MacDonald Report in Quebec's development strategy.²¹ But, paradoxically, by acting this way, the Bourassa Cabinet no longer aligned itself with the federal Liberals, who had been responsible for the setting up of the commission, but with the Conservatives of the Mulroney government who had decided to make the commission's recommendations their own.

¹⁹ Erik Nielsen, « The conservative government examines old programs », *Le Devoir*, February 20th 1985, p.11. Excerpts from a speech to the *Canadian Club* in Toronto on the 13th.

²⁰ *Idem*.

²¹ The content of these reports provoked a very negative outcry. Apart from Jacques Parizeau's intervention, which we will examine later, we can cite, for example, Jean-Paul L'Allier, « La démolition tranquille. » *Le Devoir*, July 19th 1986, p. A-7.

Thus the economic policies applied in Quebec by the QLP government during its eight years in power stayed sail between the neo-liberal options coming out of the “*rapports des sages* » and the three following goals : (i) the promotion of industry in key sectors such as aerospace, communications, public transit equipment, electrochemistry, engineering as well as food and agriculture; (ii) the preservation of key industries, such as petrochemistry and pharmaceuticals; and (iii) the promotion of exports.²² That being said, the Bourassa government did apply at least one recommendation coming out of *Le Virage technologique*, concerning the implementation of mega projects, and proceeded with the building of hydroelectric power dams, a strategy denounced by its critics as « hydroelectric pharaonism. »

The transition from a self-centred strategy of development based on complementarity and self-sufficiency²³ to one based on openness and the promotion of exports had major consequences in a vast number of areas. Among the public enterprises and programs which would be put into question by Robert Bourassa’s liberal government, the dismantling of the Société de Développement Industriel (SDI) was evoked as well as the preferential policy known as the « *politique d’achat chez nous* » according to which government and state societies were asked to favour quebec companies as long as their prices didn’t exceed those of their competition by more than 10%. The government hoped in this way to open the market of the other provinces which accounted for 40% of Quebec’s small businesses exports. The realignment of its economic policy also had considerable fallout in the area of social policy, when the Minister of Labour, Pierre Paradis, piloted a profound reform of the social insurance regime by establishing the Positive Action Program for work and employment (APTE) which planned to reduce the social aid received by those who were still able to work.

In his critical analysis of the “*rapports des sages* », the former minister of Finance in the Lévesque cabinet, Jacques Parizeau, warned the Bourassa government against what he called the « *virage majeur* » (a significant change of direction) it was about to make by entrusting Quebec’s development to the private sector and to the forces of the marketplace. He emphasised to what an extent, in an economic context where the « mastodonts » ruled, it would be unrealistic to put into doubt the pivotal role played by the State in the creation, the support, and the expansion of private companies in Quebec. He quoted the following examples : the role of the Caisse de dépôts in the creation of Provigo, that of the SGF in the development of the petrochemical sector and the saving of Domtar and Rexfor during the downsizing of

²² cf. *Perspectives de développement économique au Québec*, op. cit., pp. 56-61.

²³ As an example, we can point out that one of the effects of the agricultural policy of the « Quiet Revolution » was to increase Quebec’s self-sufficiency from 47% to 0% between 1979 and 1982.

the sawmill sector in the Gaspé, that of Hydro-Québec during the expansion of subcontracting, or that of the Régime Épargne-actions (REA) during the expansion of Cascades. Parizeau concluded his analysis by advancing the theory that, if indeed the time had come to review and evaluate existing programs, as well as to examine questions of « supply, of reordering and administration, » in return, « it would be ridiculously optimistic to imagine that the construction of an economy in Quebec was now finished. »²⁴ The message was no doubt received, at least in part, because the economic policy applied and sanctioned by the provincial liberals did at least try to temper the perverse effects of its liberalising policies by lending timid support to the development of social and community initiatives, a support which would be taken up and increased at the time of the PQs return to power in 1994. It is this other dimension, which supports the idea of a second-generation model of development for Quebec, to which we will now turn.

Indeed, parallel to and behind the scenes of the project of the liberalisation and opening of the markets an original model was emerging which was the result of a synthesis of the lessons learned from past experiences, and lessons borrowed from experiments tried elsewhere, notably in the European community. This approach was fed, since the beginning of the 1990s, by a number of initiatives of civil society and by certain governmental measures in the social as well as the economic domains. These experiments, financed thanks to the support of the provincial and federal governments²⁵, fell within the framework of a pluralist economy making way for civil society as much as for the State and the market. (Favreau and Lévesque, 1996)

It is thus that, in certain specific sectors, the government no longer intervened as a planner, but more as a partner of the private socio-economic sectors. In the context of exacerbated competition which forced innovation and the emergence of an economy of knowledge, some companies in these sectors adopted new modes of governance which sought to mobilise social dynamism and the economic extras that were social capital, confidence, learning communities and innovative milieux. In that context, the government was called upon to play the role of catalyst to facilitate the multiplication of agreements between economic and non-economic partners. This meant that public intervention in the economy didn't disappear but was simply transformed. Instead of serving as a support to solvent demand, industrial policies

²⁴ cf. Jacques Parizeau, : « Ne jetons pas le bébé avec l'eau du bain! » *La Presse*, July 19th 1986, p. B-5.

²⁵ A double financing which can lead to duplications, not to say tensions, at grass root level . cf. Y. Bélanger, D. Brunelle and C. Deblock, *Éléments de stratégie pour une relance industrielle dans la région de Sorel-Tracy*, research report, March 15th 1996, 341 p.

were now articulated around a strategy based on « integrated offers » (Mazner and Streeck, 1991), research and development (R&D), the training of manual labour, access to financing and company services (Oslo Manual). In doing this, industrial policies were looking to secure education policies and training and research policies as well as many others. They emphasised specialisation in certain strategic sectors and encouraged the formation of industrial groups or local production systems. (Porter, 1990) Therefore, through dialogue and partnership, a « new mixed economy » that banked on the synergy between the capitalist, public and social economy sectors could emerge. It would be as different from the earlier administrated economy—which sought to have the government completely control the economy—as it would be from the old mixed economy wherein the private and public sectors were completely and hermetically separate one from the other. By contrast, the new mixed economy, as a pluralist economy, offered new challenges, since it required the arbitration between dynamic market forces and public interest, the imputability and participation of its citizens, regulation and deregulation, and global, national, and local scales. (Monnier & Thiry, 1997)

The recognition of civil society played a central role in economic development, and was the result of demands formulated by a number of social actors such as unions, community and women's groups, local collectives, cultural communities and ecological groups. The PQs return to power in 1994 confirmed this. Thus, during the economic summit of 1996 the results of which were mitigated, both community and women's groups were called upon to stand by the unions and the business community in order to take up the challenge of unemployment, of poverty and social needs. Likewise, several intermediary authorities (like regional councils of development, sectional discussion tables, sectional labour committees, commissions of job market partners and local centres of development) represented new areas in which civil society organisations participated with the elected in the elaboration and the implementation of strategies of development. Thus the role of government would be transformed, because from state intervention—which in theory is external to civil society—there would be a transition to a more secure form of intervention that interfaced with the elected in various areas of deliberation. However, this opening up to partnership was still timid, and the actors from social and economic areas were unequally involved. It also tended to cause tensions within large unions, pitting partisans and opponents of these partnerships against each other.

On the companies' part not only were there technological innovations being put into effect, but also social innovations. (Lapointe, Bélanger, Cucumel and Lévesque,

2002) Even though taylorist organisation was obviously still present on the terrain, it had nonetheless been deeply shaken by the labour crisis as well as competition and new technologies that required flexibility and integration. These new approaches led not only to a review of labour organisation, like, for example, the transition to teamwork, and the review of areas of competence, but also to a redefinition of the division of power between management and syndicated labour, as illustrated by the creation of joint committees and continuous negotiations. (Grant, Bélanger and Lévesque, 1997; Bélanger, Grant and Lévesque, 1994). Since the beginning of the 1980s, workers' participation in the companies' property had become a reality thanks to the establishment of two workers' funds and around forty cooperatives of worker-shareholders.²⁶ (Comeau and Lévesque, 1993)

In the social domain, the participation of civil society became henceforth unavoidable in the in-depth review of the Welfare-State. (Giddens, 1999) Faced with persistently high levels of unemployment, of social exclusion and public debt, proponents of a « third way » banked on equity rather than equality, on targeted interventions rather than integral protection, on the recourse to active rather than passive measures; in short, on responsibility rather than dependence. There was a polarisation between the two alternatives of the Welfare-State reform : one which anchored social protection to market rationale and which in so doing left the disadvantaged to the mercy of the charitable initiatives of civil society, and the other which favoured empowering individuals and collectives by developing a new interface between social organisations and the State. (Noël, 1996; Vaillancourt and Laville, 1998) In accordance with this approach it was necessary to substitute a so-called « negative » approach, in which the mission of the Welfare-State is focussed on reacting and repairing, with a « positive » one, in which welfare would focus on empowering or rehabilitating individual citizens.

It was in this way that community organisations that value user participation adopted a vision of development wherein the boundaries that separated the social and economic were put into question, as evidenced by the fact that the new social economy emphasised not only social and health services but also services in the

²⁶ « Through the institutionalisation of financial savings, the number of salaried workers that can now save —either individually or collectively— can also become shareholders in their companies. The delegation of the management of these savings-shares gives institutional investors control over company heads that didn't exist in the previous growth regime. » (Aglietta, 2002 : 41) Apart from the consequences these savings had on economic circuits and on worker solidarity, it seems important underline that, in Quebec, more than half of manufacturing companies of 50 and more employees have as financial partners development funds controlled either by unions or by the State (Lévesque, Mendell and Rouzier, «Portrait du capital de risque au Québec. Une première estimation», *Économie et Solidarités*, Québec, Presses de l'Université du Québec (forthcoming).

context of local development. (Favreau and Lévesque, 1996) It is then that we can see the institutional recognition of community and women's organisations which were called upon to serve side-by-side with the business community and the unions to work on the challenge of unemployment, poverty and social needs. In social and health services, community organisations obtained —under the Côté-Rochon reform— acceptance and recognition as partners. In socio-sanitation in particular the reconfiguration of the Welfare-State was accomplished otherwise than through privatisation and the merchandising of collective services. (Vaillancourt, 1999 and 1996)

In short, the politics of openness and the advent of Free Trade mobilised social actors and unions in particular, which were led to develop their actions and strategy on two fronts : against the perverse effects of liberalisation on the internal front, and against the policy of free trade on the external front. On the internal front, as we have just seen, the unions, in alliance with other social actors, mainly supported the more ambitious initiatives of the PQ government²⁷ while on the external front, that is to say free trade policy, their stance was visibly more critical.

That being said, it is difficult for several reasons to evaluate the impact that these movements, as well as the inevitable tensions between strategies of participation on the one hand and strategies of opposition on the other, had on the second-generation Quebec model. Firstly, because of the multiplication of mobilisations consecutive to the multiplication of the battlefronts in the areas of health, education, poverty, lodging, the environment and, last but not least, free trade. Secondly, because the social actors, be it the women's movement, the student and union movements, to name only a few, were engaged on several fronts at once so that it becomes difficult to measure their effectiveness in transforming the model. Thirdly, because some of the involvement, collaborations, participations and other consultations created enormous tensions within the organisations themselves that were involved in the construction and establishment of a second-generation model. In spite of these difficulties, however, it remains without a doubt that this mobilisation concerning free trade in particular, contributed to reinforcing the position of these actors in the definition of alternatives to the extreme liberalisation of the market on other levels.

It should be noted once more, by way of a summary assessment, that since the signing of the Canadian-American Free Trade Agreement (FTA) in 1989, the weight of exports of goods and services in the total production value has grown

²⁷ Support which cost many union leaders dearly, and has had repercussions in all the unions.

considerably: in 1995, the rate of exports in relation to the GNP was 11.1% in the U.S.; in Canada, it stayed stable at around 28% between 1990 and 1994, but it climbed to 37.4% in 1995. This considerable opening towards the outside is an indicator of the asymmetrical interdependence that characterises the trade relations between the two countries, a relation of surpluses marked by the importance of intra-company trading. Thus it is that 50.3% of American exports destined for Canada and 42.7% of their imports from Canada can be attributed to multinationals; the scope of these movements becomes all the more apparent when it is pointed out that Canada accounts for 21.6% of all American exports and for 19.2% of all their imports. By looking at the provinces' shares in the totality of Canadian exports, we can see that Quebec's share has remained stable over the years and remained at roughly 19% in the 1980s and 1990s. By comparison, Ontario's share rose from 40.3% to 49.3% between 1981 and 1994, while 96% of its exports were destined for the U.S. market.

During the same period, exports and imports in Quebec were also concentrated on the U.S. Thus exports to the U.S. accounted for 76.1% of the total exports in 1992, and for 81.9% in 1995, while the percentage of those destined for the European Community dropped from 12.1% to 9.4% between those two dates. Moreover, Quebec exports were very focussed, with five basic products comprising 40% of the total exports by themselves; these were aluminum, telecommunications, newsprint, automobiles and airplanes. That being said, it is interesting to note that these sectors had growth rates that were inferior to those of traditional sectors such as tobacco, textiles and furniture.

Conclusion

Coming back to our working hypothesis, according to which exogenous and endogenous effects of free trade should be distinguished in order to analyse Quebec's models of development, we see that discontinuity prevails over continuity, essentially because the second-generation model of development imposes a greater dissociation between social and economic dimensions of development.

On the social front, the most important repercussion of free trade was the Bouchard government's decision to apply the zero-deficit policy adopted by the G-8 during its 1995 summit in Halifax. By associating the main economic and social actors with its deficit-reduction policy during the Summit on Employment and the Economy in 1996, the Bouchard government gave itself a free hand to make deep cuts in social services, most particularly in health and education, while at the same time trying to

reinforce the social economy sector. One of the first results of the Summit was the creation of the Advisory Group on Regulatory Streamlining under Bernard Lemaire.²⁸

Concerning economic development, the government proceeded to the repositioning of supporting factors of production, a strategy that involved the reorientation of subsidies from companies to sectors of production, as shown by the policy that allotted 1% to R&D training. In most areas, the government still resorted to the top-bottom model of development characteristic of the «Quiet Revolution» as was the case for municipal mergers and regional development. The treatment given to these two cases accounted significantly for the government's defeat in 2003, in spite of two promising initiatives which were the Law against poverty and the creation of new daycare centres.

As was the case with the «Quiet Revolution» model, the so-called second-generation model was tied to political options as well. To highlight this choice, we must evaluate its performance and compare it to other national models. To the extent that development objectives integrate defined objectives in terms of sustainable development, of quality of life and social cohesion based on equity, not to say equality, these choices have a profound impact on the model itself. This came out in a debate between Jean-François Lisée, former political counsellor in the government Cabinet and Jean-Luc Migué of the Institut Économique de Montréal, concerning the respective virtues and defects of the Quebec model of development. The former emphasised how the model had allowed for a reduction in poverty and unemployment and had reduced disparities in income and regional development, while the latter denounced its bureaucratic rigidity and high levels of taxation. That being said, the model was criticised from within the government as much as from without, and these dissensions foretold a difficult future. (Brunelle and Drouilly, 2002) This brings us back to the question formulated at the beginning concerning the tension between two types of practices, one which favours collaboration between social and economic actors in the hopes of creating a new model of development on the one hand, the other which

²⁸ This group consists of 12 members, 9 of which are from the business community, 2 from the unions and a lawyer specialising in the environment. To give an idea of the group's work, we can quote the following excerpt from its 2001 report: "The President of the Advisory Group on Regulatory Streamlining, Mr. Bernard Lemaire, made public today a report on The Simplification of Administrative Formalities: a Necessity for the Economy. This report contains 44 recommendations, among which one seeks to impose a two-year moratorium on any new administrative formality destined for the business community except in cases of absolute necessity. 17 million formalities were imposed by only 20 ministries and organisms in 1998-1999, and the Advisory Group therefore came to the conclusion that it is imperative to sap any attempt to introduce new formalities if we want to stimulate the development of the economy and the creation of jobs in Quebec." Online, mce.gouv.qc.ca

favours oppositions in the hopes of avoiding ever-increasing incorporation to the requirements of liberalisation and flexibilisation into public programs, a tension which goes a long way towards explaining the PQ's electoral defeat. More fundamentally, we could go further and ask ourselves if the approaches, techniques and strategies applied the second time around by the successive liberal and PQ governments between 1985 and 2003 really constituted a single model of development or several, so difficult and litigious was the arbitration between the constraints imposed by liberalisation on one hand, and social, community, or cooperative alternatives taken on by important socio-economic actors on the other.

In the meantime, the Charest government which came to power in April of 2003 appears clearly in favour of revising whole sections of the second-generation Quebec model and securing Canadian federalism. By so doing, it places itself directly in line with the previous Bourassa governments. Besides, by immediately taking on the unions, the government's strategy puts into question the fragile alliances that had been woven between the important socio-economic actors during the 1996 Economic Summit. It remains to be seen how the new Premier will manage the impossible triangulation in which he may well find himself with the revision of the Quebec model, the reinforcement of Quebec's integration into the Canadian federation, and economic integration on a continental scale. The general hypothesis on which the Quebec model was built, as interpreted by the PQ government, was that it was possible to pursue two of these goals at once, but not three. Indeed, the strengthening of the Quebec model is essentially dictated by the constraints of the continentalisation of the North American economy, which implies in return a loosening of political linkages at the Canadian national level. However, reinforcement of political integration within Canada could very well threaten the economic and social framework which had been set up to mitigate the constraints of continentalisation for Quebec economy and society. For the time being, mounting union mobilisation shows that this realignment will not proceed without difficulty.

Bibliographie

BÉLANGER, Paul R., Michel GRANT et Benoît LÉVESQUE, (dir.) (1994). *La modernisation sociale des entreprises*, Montréal, PUM.

BÉLANGER, Paul R., Benoît LÉVESQUE, (1992) b, « Le mouvement populaire et communautaire : de la revendication au partenariat », in Gérard Daigle et Guy Rocher, *Québec en jeu*, Montréal, PUM, p. 713-747.

- BÉLANGER, Paul. R., Michel GRANT et Benoît LÉVESQUE, (1994), *La modernisation sociale des entreprises*, Montréal, Presses de l'Université de Montréal, 320 p.
- BÉLANGER, Yves, Dorval BRUNELLE et Christian DEBLOCK, *Éléments de stratégie pour une relance industrielle dans la région de Sorel-Tracy*, rapport de recherche, 15 mars 1996, 341 p.
- BOURQUE, Gilles L., (2000), *Le modèle québécois de développement : de l'émergence au renouvellement*, Québec, Presses de l'Université du Québec.
- BRUNELLE, Dorval, (1978), *La désillusion tranquille*, Montréal, HMH.
- BRUNELLE, D. et Deblock C., (1989), *Le libre-échange par défaut*, VLB Éditeur, Montréal,
- BRUNELLE, D., et P. Drouilly, (2002), « Le PQ à bout de souffle », *Le Monde diplomatique*, novembre.
- BRUNELLE, D., (2003), *Dérive globale*, Montréal, Boréal.
- COMEAU, Yvan and Benoît LÉVESQUE, (1993), « Workers' Financial Participation in the Property of Enterprises in Québec », in *Economic and Industrial Democracy, An International Journal*, Vol. 14, no 2, p. 233-250.
- DÉSY, M., M. FERLAND, B. LÉVESQUE, et Y. VAILLANCOURT, *La conjoncture au début des années 1980 : enjeux pour le mouvement ouvrier et populaire*, Rimouski, Librairie socialiste, 210 p.
- FAVREAU, Louis et Benoît LÉVESQUE, (1996), *Développement économique communautaire. Économie sociale et intervention*, Québec, Presses de l'Université du Québec.
- ESPING-ANDERSEN, Goasta, (1999), *Les trois mondes de l'État-providence. Essai sur le capitalisme moderne*, Paris, PUF, 312 p.
- GIDDENS, Anthony, (1999), *The Third Way : The Renewal of Social Democracy*, Cambridge, Polity Press, 166 p.
- Gouvernement du Québec, (1979), *Bâtir le Québec*, Québec.
- Gouvernement du Québec, (1982), *Le Virage technologique*, Québec.
- LANDRY, Bernard, (1987), *Commerce sans frontières*, Montréal, Éditions Québec/Amériques.
- LAPOINTE, Paul-André, Paul BÉLANGER, Guy CUCUMEL et Benoît LÉVESQUE, (2002), *Innovations en milieu de travail dans le secteur manufacturier au Québec*, Montréal, Cahiers du CRISES, 28 p.
- LEVESQUE, Benoît, (2001), « Le partenariat : une tendance lourde de la nouvelle gouvernance à l'ère de la mondialisation. Enjeux et défis pour les entreprises publiques et d'économie sociale », in *Annals of Public and Cooperative Economics/Annales de l'économie publique sociale et coopérative*, Oxford, Blackwell, Vol. 72, no 3.

- LÉVESQUE, Benoît, Gilles L. BOURQUE et Éric FORGUES, (2001), *La nouvelle sociologie économique. Originalité et diversité des approches*, Paris, Desclée de Brouwer, 268 p.
- LISÉE, Jean-François (2003), « Un mauvais procès au modèle québécois. Étude des pièces à conviction », Version allongée d'un texte publié dans *Le Devoir*, 11 février.
- OCDE, (2001), *Perspectives territoriales de l'OCDE. Économies territoriales*. Paris, OCDE, 315 p.
- PORTER, Michael E., (1990), *The Competitive Advantage of Nations*, New York, The Free Press.
- Rapport de la Commission royale sur l'Union économique et les perspectives de développement du Canada*, (1985), 3 volumes, Ottawa.
- VAILLANCOURT, Yves, (1999), « Tiers secteur et reconfiguration des politiques sociales », *Nouvelles Pratiques Sociales*, Vol. 11, no 2 et Vol. 12, no 1, p. 21-39.
- VAILLANCOURT, Y., (1996), « Sortir de l'alternative entre privatisation et étatisation dans la santé et les services sociaux », dans B. Eme, J.-L. Laville, L. Favreau et Y. Vaillancourt (dir.), *Société civile, État et Économie plurielle*, Montréal, Hull et Paris, CRISES, Université du Québec et CNRS, p. 147-224.
- VAILLANCOURT, Y. et C. JETTÉ, (1999), *L'aide à domicile au Québec : relecture de l'histoire et pistes d'action*, Cahiers du LAREPPS, no 99-01, Montréal, UQAM, avril, 29 p. + annexes.
- VAILLANCOURT, Yves et Jean-Louis LAVILLE, (1998), « Les rapports entre associations et État : un enjeu politique », in *Une solution, l'association ? Socio-Économie du fait associatif*, in *Revue du MAUSS semestrielle*, no 11, p. 119-135.