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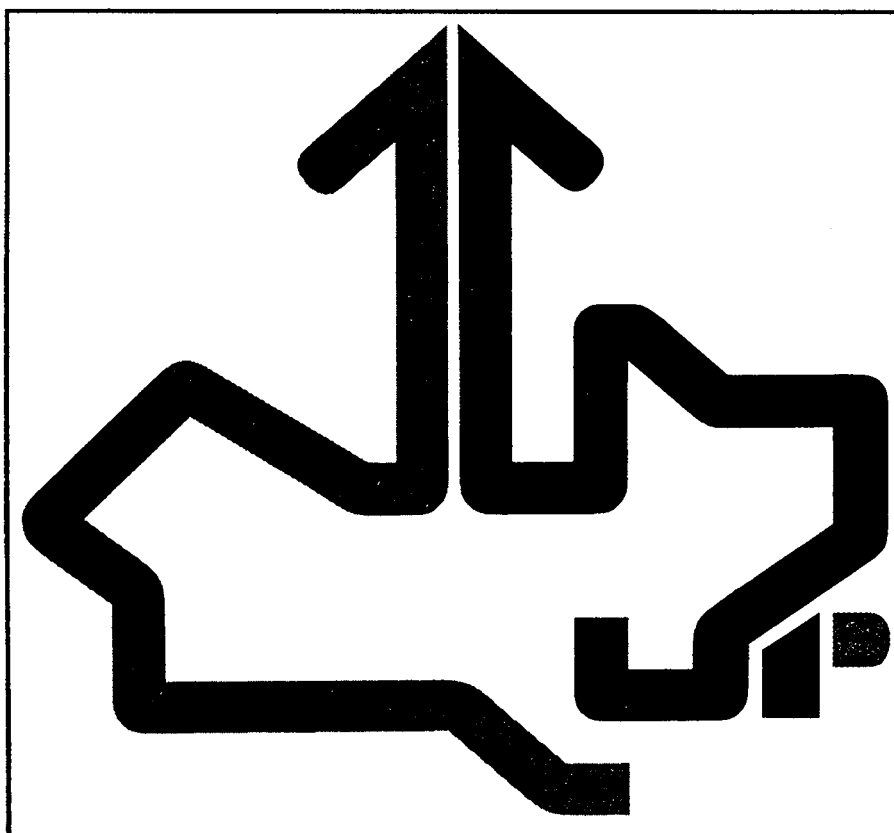
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*Québec-Canada : A New Deal. The Québec Government Proposal for a New Partnership Between Equals : Sovereignty-Association, 1979 (extract).*

# Québec-Canada: A New Deal

The Québec government proposal  
for a new partnership between equals:  
sovereignty-association

## Chapter Four **A New Deal**



## Chapter Four

### A New Deal

If we are really looking for a new agreement between Québec and the rest of Canada, it is absolutely essential to replace federalism by another constitutional formula.

This search for a new formula must be carried out with due consideration for the fundamental, legitimate preoccupations of Quebecers, who want to communicate and talk directly and freely with their neighbours and with other nations, who do not want to destroy Canada or to be completely separate from it, who wish to improve their situation, and who are determined to see that the changes to come are made democratically and without disorder.

The Government of Québec fully shares and endorses these preoccupations.

#### **The Way of the Future**

Thinking of the future the Government of Québec proposes a constitutional formula which would replace the present federal system and at the same time respect the legitimate feelings of Quebecers toward Canada. This new system, while freeing Québec from Ottawa's domination, would not break up an economic community that extends from the Atlantic to the Pacific; it would ensure for Québec a maximum of autonomy while maintaining the natural interdependence and the historical and human links that exist between Québec and the rest of Canada; it would enable Québec to institute the measures that it lacks at present, without forcing the other provinces to accept responsibilities they do not feel they need. This new system would provide permanent solutions to the many problems engendered by relations between Québec and Ottawa over the years.

Of the two roads open to Quebecers—a federalism whose fundamental renewal is to all intents and purposes impossible because it would contradict the very nature of federalism, and a new agreement between Québec and Canada capable of reconciling political

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autonomy and economic interdependence—the Government of Québec has chosen the latter, sovereignty-association, a contemporary expression of Québec's continuity, in brief a new deal.

### **The Modern Phenomenon of Association**

The recent history of international relations shows that federalism can no longer be regarded as the only formula capable of reconciling the objectives of autonomy and interdependence. Although it was fashionable in the past century, the federal formula must now give way to associations between sovereign countries. While no new federations are being created, economic associations are on the increase on every continent. It is not possible to mention them all, but we can draw up a table of the principal cases, many of which have come about in the past forty years.

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#### **Modern Associations of Sovereign States**

##### **In Europe**

**European Coal and Steel Community (ECSC)**

**European Atomic Energy Community (EURATOM)**

**European Economic Community (EEC)**

(Great Britain, France, Federal Republic of Germany, Italy, Holland, Belgium, Luxembourg, Ireland, Denmark, and soon, Greece, Spain and Portugal)

**The Belgium-Luxembourg Economic Union**

(Belgium and Luxembourg)

**Benelux**

(Belgium, Holland, Luxembourg)

**The Nordic Council**

(Iceland, Norway, Sweden, Denmark, Finland)

**The European Free Trade Association (EFTA)**

(Austria, Norway, Finland, Iceland, Sweden, Switzerland, Portugal)

##### **In Latin America**

**The Latin-American Free Trade Association**

(Argentina, Brazil, Chili, Mexico, Paraguay, Peru, Uruguay, Colombia, Ecuador, Venezuela, Bolivia)

**The Sub-Regional Andean Integration Group**

(Bolivia, Peru, Ecuador, Chili, Colombia)

**The Central American Common Market**

(Guatemala, Salvador, Nicaragua, Honduras, Costa Rica)

**The Caribbean Community and Common Market**

(Antigua, Barbados, Guyana, Trinidad and Tobago, Jamaica, Grenada, Dominica, St. Kitts-Nevis, Montserrat, St. Vincent, Anguilla)

**In Africa**

**The West African Economic Community**

(Ivory Coast, Mauritania, Upper Volta, Mali, Niger, Senegal)

**The Central African Customs and Economic Union**

(Cameroon, Central African Empire, Popular Republic of the Congo, Gabon)

**The West African Monetary Union**

(Benin, Ivory Coast, Upper Volta, Niger, Senegal, Togo, Mali)

**The Central Bank of Central African States**

(Cameroon, Central African Empire, Congo, Gabon, Tchad)

**In Asia**

**The Association of South East Asian Nations (ASEAN)**

(Indonesia, The Philippines, Malaysia, Singapore, Thailand)

These various associations of sovereign states are distinguished from one another by the nature of their activity and the degree of their integration, as well as by the history of relations between the member states and their various characteristics: population, culture, political system, etc.

The European communities are probably the most advanced examples of economic integration. Their activity is primarily economic, but it also spills over into social policy and scientific policy, among other areas. The economic union between Belgium and Luxembourg, and the Benelux countries, which appeared before the European Economic Community, are part of the European movement toward economic integration, while preserving a certain cohesion of their own within the Nine. As for the European Free Trade Association, its economic links are rather weak.

On the other hand, the Nordic Council and the Association of Southeast Asian Nations, while not as completely integrated, have a much more diversified activity.

Basing itself firmly on the historical trend of Québec thinking, which has always sought to redefine relations between Québec and the rest of Canada on a more egalitarian basis, the Government of Québec proposes this type of modern formula of association between sovereign countries to ensure for Quebecers a better control of their own affairs, without shattering the Canadian economic framework.

Association in equality may take many forms: far more flexible than federalism, it is more easily adapted to the

realities of countries that resort to it, and the degree of association will depend on whether cooperation is to be limited to certain fields or maximum advantage is to be taken of a broader economic community.

Modern economic associations are generally the result of cooperation between individual countries and entirely sovereign nations, which have agreed to pool some of their powers. In such cases, integration is based on the sovereignty of the partners. In our case, however, economic integration already exists and it is the sovereignty of the partners that must be established. The point of departure is different but the aim is identical.

### **The Implications of Sovereignty**

The idea of sovereignty is clearly defined in international law: it is, in general terms, the power to make decisions autonomously, without being subject in law to any superior or exterior power, which implies that the sovereign state has full jurisdiction over a given territory. Sovereignty ensures complete autonomy, in the sense that the state enjoys full legal freedom in all fields; its authority is exercised to the exclusion of any other within the limits of its territory; and it can be present in the community of nations.

The sovereign state may, however, of its own accord and without giving up its sovereignty, agree to limit its scope or to delegate part of it in certain specific fields.

Thus, for two states linked by an agreement or parties to an association, the joint exercise of their sovereignty would necessarily be reflected in reciprocal concessions. In the case that concerns us, any limitation that Québec would agree to impose on the exercise of its sovereignty would entail, in return, the corresponding limitation, accepted by Canada, of its own sovereignty.

In a federal system, sovereignty is shared by two powers one of which, the central power, has priority. Consequently, citizens are ruled by two governments, two sets of laws and two court systems; there are two kinds of elections, one to elect the central parliament (the House of Commons, in Ottawa) the other to elect a local parliament (the National Assembly, in Québec); there are also two taxation systems. On the other hand there is a

single customs tariff, a single currency and a single international personality.

Under the formula proposed by the Government of Québec, sovereignty would reside entirely in the State of Québec, so that Quebecers would be ruled by a single government and would pay taxes only to Québec. Because of the association, Québec and Canada would continue to share a single customs tariff and a single currency. Each partner, however, would have its own international personality.

In legal terms, the difference between the two formulas could be stated this way: at present, the relations between Québec and Canada are ruled by a Constitution that divides powers between two governments, only one of which, the federal government, has an international personality; in the formula proposed by the Government of Québec, both Québec and Canada would have an international personality, and their relations would be ruled not by a constitution, but by a treaty of association. While the present situation of Québec in relation to Ottawa resembles that of the states of Maine or Illinois in relation to Washington, within the framework of an association it would be more like that of France or Holland in relation to the European Common Market, with certain important differences.

Any comparison, though, has its faults. The United States or the Common Market arose out of needs and situations that do not necessarily correspond to those of Québec and Canada today, and the same can be said of all associations that have been attempted throughout the world until now. Very different political formulas and structures correspond to diverse experience, and none represents a model made to measure. Although the best known reorganization and association experiment, that of Europe, is often evoked in the present document, this does not mean that the proposal of the Québec government is totally based on it, as though it were a prototype that could be imported here, particularly since the European experiment is far from complete.

### **Types of Association**

The economic association of sovereign states may assume many forms, according to the combination of



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shared elements and total sovereignty that is selected. Sharing a certain number of elements may be carried out through legal, statutory or institutional arrangements as numerous as they are varied, so that between the state almost free of any ties and the national community almost completely eclipsed by a larger state there is an infinite number of intermediary situations and possible arrangements. It is customary to distinguish four general integration formulas, from the least restrictive to the most complete: the free trade zone, the customs union, the common market and the monetary union.

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**Forms of Association**

— In general, a **free trade zone** is defined as a **geographical area composed of sovereign states within which goods can move freely**. The sovereign states that constitute such zones do not have to be geographical neighbours, as is the case in the European Free Trade Association. In such cases, no customs are levied between participating countries and each decides freely on its own trade policy towards non-member countries. A free trade zone can be total, or it can include the right to resort to certain measures, administrative measures for instance, that restrict its scope in some areas. Aside from such distinctions, we can say that if Canada and Québec opted for such a formula there would be no customs to pay on goods going from Québec to Canada or from Canada to Québec. On the other hand, both Québec and Canada would remain free to establish the tariff barriers and commercial policies toward other countries which would appear desirable to them.

— The **customs union** is defined as **the area formed by sovereign states within which customs barriers have been suppressed and which has established a single trade policy and a uniform tariff toward third countries**. In practice, such a formula can tolerate certain specific arrangements aimed at taking into account, temporarily or on a long-term basis, certain specific situations. The general formulas covered by the term customs union differ from the free trade zone in that they include, to a certain extent, the adoption of a common trade policy toward non-members. In general terms, if Québec and Canada opted for a customs union, they would accept the free flow of goods within the present boundaries of Canada and would maintain a single tariff toward the rest of the world.

— A **common market** is **the space formed by sovereign states within which goods, people and capital can flow freely, this zone being linked to the rest of the world by a single tariff and trade policy**. Here again, the formula allows for many varied arrangements according to regions, areas of activity, time, etc. If such special arrangements are substantial, the formula is sometimes called an **imperfect common market**. This is **the case at present** of Canada, due particularly to provisions regarding **agricultural products, oil products and railway tariffs**.

Moreover, Canada is not a real common market because it is not made up of sovereign states. Should Québec and Canada together create a more or less perfect common market, they would have to replace existing federal institutions by truly joint institutions.

— A **monetary union**, finally, is defined as **the area formed by sovereign states within which goods, people and capital flow freely**, this zone on the one hand being linked to rest of the world by a single trade and tariff policy and, on the other hand, possessing a single currency and hence the same monetary policy. Here again, the transformation of Canada into a true Québec-Canada monetary union would mean replacing present federal monetary institutions by joint institutions.

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### **The Special Character of the Québec-Canada Relationship**

The examples cited above show the great variety in the types of association entered into by many sovereign peoples throughout the world; no less different are the historical circumstances that led these people to such varied solutions. Québec too has evolved in circumstances that are specific to it, circumstances which, while they have certain analogies with some of the cases cited above, cannot be reduced to any one of them. The institutions and the functioning of the future association between Québec and Canada must reflect what is specific to each of the communities.

Most of the countries now grouped in various associations enjoyed sovereignty long before they joined together, while those that associated a few decades ago did so at a time when the state did not yet occupy as large a place in the economic activity of nations. On the one hand, Québec has not yet gained its sovereignty, while on the other hand, the institutions of the state, because of the size of their expenditures at all levels of government, play a considerable economic and social role in Québec as well as in the rest of Canada.

Given the situation of our two communities, and because the economic space that Canada and Québec share must be both preserved and developed, the Québec government wants to propose to the rest of Canada that the two communities remain in association, not only in a customs union or a common market but in a monetary union as well. Thus Canada can be preserved intact as an economic entity, while Québec can assume all the

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powers it needs as a nation to ensure its full development. Replacing federalism by association will, in effect, maintain economic exchange, but the nature of political and legal relations between Québec and Canada will be changed.

**The Proposal**

For a proper understanding of the formula proposed by the Government of Québec, we will describe how it will function by examining the powers that will be exercised by Québec and specifying the extent of the association between Québec and Canada; we will also say a word about the Québec-Canada community structures that must be provided for.

We hasten to state that the changes described here will not occur overnight after the Referendum, but will be, can only be, the result of negotiations between Québec and Canada, negotiations that will be started as a result of a positive answer in the Referendum. In the next chapter we will explain how the proposed formula will be gradually implemented.

**A. Sovereignty**

Through sovereignty, Québec would acquire, in addition to the political powers it already has, those now exercised by Ottawa, whether they were assigned to the federal government under the British North America Act of 1867 or whether it assumed them since that time, directly or indirectly.

Sovereignty is the power to levy all taxes, to make all laws and to be present on the international scene; it is also the possibility to share freely, with one or more states, certain national powers. Sovereignty for Québec, then, will have a legal impact on the power to make laws and to levy taxes, on territorial integrity, on citizenship and minorities, on the courts and various other institutions, and on the relations of Québec with other countries.

For each of these subjects, the government wishes to define as clearly as possible the position it intends to adopt in its negotiations with the rest of Canada.

● **Laws and Taxes**

The only laws that will apply on Québec's territory will be those adopted by the National Assembly, and the only taxes that will be levied will be those decreed by Québec law. In this way, there will be an end to the overlapping of federal and Québec services, which has been so often denounced, thereby enabling Québec to control the totality of its fiscal resources.

Existing federal laws will continue to apply as Québec laws, as long as they are not amended, repealed or replaced by the National Assembly.

● **Territory**

Québec has an inalienable right over its territory, recognized even in the present Constitution, which states that the territory of a province cannot be modified without the consent of that province. Moreover, since the agreements were reached on James Bay, there no longer is any lien on any part of the Québec territory. In becoming sovereign, Québec, as is the rule in international law, will thus maintain its territorial integrity.

Moreover, it would be desirable for Québec to regain the advantages that would normally come to it from its geographical position, putting an end to the uncertainties that have surrounded the issue of jurisdiction over the Gulf of St. Lawrence, Labrador and the Arctic regions.

● **Citizenship**

The Québec government gives its solemn commitment that every Canadian who, at the time sovereignty is achieved, is a resident of Québec, or any person who was born there, will have an automatic right to Québec citizenship; the landed immigrant will be able to complete residency requirements and obtain citizenship. The Parliament of Canada will have to decide whether Canadians who become Québec citizens may maintain their Canadian citizenship as well. Québec, for its part, would have no objection.

Any person who is born in a sovereign Québec will have the right to Québec citizenship; the same will hold true for any person born abroad of a father or mother who has Québec citizenship.

Québec citizenship will be recognized by a distinct passport, which does not rule out the possibility of an agreement with Canada on a common passport, since the two states will have close relations, of a community nature, that may cover many subjects.

Canadian citizens will enjoy the same rights in Québec as Québec citizens enjoy in Canada. The acquired rights of foreign nationals will also be fully recognized.

● ***The Minorities***

The government pledges that Québec's Anglophone minority will continue to enjoy the rights now accorded it by law, and that other communities in Québec will be given the means to develop their cultural resources.

The Amerindian and Inuit communities, if they so desire, will be in full possession on their territory of institutions that maintain the integrity of their societies and enable them to develop freely, according to their own culture and spirit.

As for Francophone minorities in Canada, Québec intends to fulfill its moral responsibilities towards them, as it has started to do, for that matter, despite its limited means.

● ***The Courts***

Naturally, the Québec courts will be the only ones to administer justice in Québec. All judges will be appointed in accordance with Québec laws, and judges who are now on the bench will remain in their functions. However, a joint court, constituted through the treaty of association between Québec and Canada, will have the power to interpret this treaty and decide on the rights that result from it.

● ***External Relations***

Québec will continue to be bound by the treaties to which Canada is now a signatory. It may withdraw from them should the occasion arise according to the rules of international law. Consequently, Québec will respect the agreement on the St. Lawrence Seaway and will become a full partner in the International Joint Commission. As for alliances such as NATO and NORAD, Québec will

respect its responsibilities and offer its contributions in accordance with its aims.

In order to fully play its role on the international scene and defend its interests, Québec will ask to be admitted to the United Nations and to its specialized agencies.

Finally, while developing its relations and its cooperation with Francophone countries, Québec will consider remaining a member of the British Commonwealth.

### **B. Association**

In today's world no nation, great or small, can live in isolation. Interdependence, considering the economic advantages that it brings, far from being as constraining as some seem to think, can on the contrary result in enriching forms of cooperation and interaction, and thus improve the present and future lot of the societies taking part.

Québec has never wanted to live in isolation: from the start it has accepted interdependence. However, it wishes to ensure that it will be directly involved in determining the terms of this interdependence.

To this end, the Québec government intends to offer to negotiate with the rest of Canada a treaty of community association, whose aim will be, notably, to maintain the present Canadian economic entity by ensuring continuity of exchange and by favouring, in the long run, a more rapid and better balanced development of each of the two partners.

This treaty will have an international status and will bind the parties in a manner and for a term to be determined. It will define the partners' areas of common activity and confirm the maintenance of an economic and monetary union between Québec and the rest of Canada. It will also determine the areas where agreement on goals will be considered desirable. Finally, it will establish the rules and institutions that will ensure the proper functioning of the Québec-Canada community, and determine its methods of financing.



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● ***Areas of Common Action***

*(a) The Free Circulation of Goods*

In order to ensure the free circulation of goods, the present situation in Québec and Canada will be maintained, and each party will renounce any right to customs barriers at common borders. With regard to foreign countries, the partners will jointly establish the tariff protection they deem necessary, taking into account the short and long-term interests of each of the parties, and multilateral agreements in the areas of trade and customs tariffs.

However, Québec will insist that the protection and development of its agricultural production be the object of special agreements.

Finally, the two States will take the necessary steps to guarantee free competition within their market and will abstain from any discriminatory fiscal measure towards each other's products.

*(b) Monetary Union*

The dollar will be maintained as the only currency having legal tender, and real or liquid assets as well as letters of credit will continue to be expressed in dollars. Circulation of capital will be free, but each party will be entitled to proclaim an investment code or to adopt, if need be, particular regulations applicable to certain financial institutions.

*(c) The Free Circulation of People*

In order to ensure the free circulation of people from one territory to the other, the two States will give up their right to impose a regular police control at their common border. It goes without saying that no passport will be required between Québec and Canada.

● ***Areas of Mutual Understanding***

To ensure the proper functioning of the monetary and economic community, the two parties will agree on certain goals and types of legislation. This will be the case, notably, in the area of transportation, where it will be possible to make special agreements for railways, air transportation, and inland navigation; such agreements

could also provide for joint management of public carriers such as Air Canada and Canadian National, for example.

The two States will negotiate special agreements on the regulations governing the labour market and the right to elect domicile.

The two parties will also consider of common interest policies inspired by current trends, and steps to be taken to ensure the equilibrium of the balance of payments and a stable currency. To this end, they will consult each other as well as the agencies responsible for the proper functioning of the union so as to adopt, when needed, measures provided for in the treaty of association.

Such efforts could be extended to several other areas—in particular defence—since Québec is firmly convinced not only of the advantages, but also of the necessity of an open policy of cooperation.

### **C. Community Institutions**

There will obviously have to be negotiations on the number, composition, authority, financing, operation and general nature of the community institutions that Canada and Québec will have to create for the purposes of association. Whether inspired by foreign experiences or not, there are many possibilities. It is perfectly normal that each one should be carefully evaluated, for, besides being efficient, these institutions must suit each of the partners. This is why it would be premature at this time to try to draw up once and for all, and impose on others, the final form of these new structures. There is room for discussion, open-mindedness and creative reflection.

We must not forget that these community institutions, whatever their final shape, can not actually be set up until agreement is reached not only upon the institutions themselves, but on a number of other subjects as well—for instance, the schedule for transferring resources and constitutional responsibilities from Ottawa to Québec. These institutions will have to be discussed at the same time as other subjects, but since their role will be to manage the joint areas shared by Québec and Canada, they cannot be set up before there is an agreement about these joint areas, of which they will be the culminating



point. Meanwhile, existing federal institutions will be maintained.

It cannot be ruled out, however, that certain existing federal institutions—the Bank of Canada, for instance—or other existing structures—such as certain interprovincial organizations,—may be modified, as least as far as Québec participation is concerned, so as to give them a community character.

In effect, setting up a monetary and economic union will be made easier by the fact that, within Canadian federalism, as we have mentioned, there already exists a free trade area, a common tariff towards other countries, and a single currency. From that point, the task will consist more in maintaining the union than in creating it, and from the outset it will be possible to rely on what already exists.

### ***The Legal Equality of the Partners***

However, the fact that there are only two partners, unequal demographically and economically, will certainly raise some difficulties in the course of the negotiations.

If, for the purposes of this presentation, it is taken for granted that Canada, maintaining its federal structure, is represented in the union by the Canadian central government, it is not impossible, however, that certain provinces will demand to be parties on the Canadian side of the association—to which, of course, Québec has no objection.

In an association between two partners, some fundamental subjects must naturally be subjected to parity, otherwise one of the parties would be at the mercy of the other. That does not mean, however, that in everyday practice everything will be subject to a double veto. Certain institutions of the union (the monetary authority, for instance) would, on the contrary, enjoy a large measure of autonomy of management. Their areas of action (such as customs and currency) are, in any case, subject to strong international constraints which, all told, leave little leeway. Taking into account a situation that is well established, in international trade and money matters,

the search for parity should be no obstacle to the progress of the union.

It is perfectly possible, indeed, to provide for special cases where the predominant interest of one of the parties would be recognized: Canada could have a decisive voice insofar as wheat is concerned, and Québec in the area of asbestos. Thus there is a whole range of possibilities which will be the object of studies and negotiations according to the interests of each party. The fundamental legal equality of the partners does not rule out some flexibility in the manner in which the community will function. It is the negotiation of a treaty of association which, by establishing legal equality, will make it possible to discover the mechanisms best suited to ensuring the success of the whole association.

The operation of the union and its agencies will be financed by the contributions of each partner, and the method for drawing up the union budget and sharing the load will be determined by the treaty of association.

### ***A Proposed Plan***

The Québec government believes that, in general, it will be better to avoid increasing the number of community agencies, even if the areas composing the association are both numerous and important. This is why the government proposes only four community agencies which, in certain cases, could—as we have said—originate in existing federal institutions that will be adapted for the purposes of the association (such as the monetary authority or the court of justice).

The Québec government favours the establishment of four Québec-Canada agencies:

- **A community council**
- **A commission of experts**
- **A court of justice**
- **A monetary authority**

The **COUNCIL** will be made up of ministers from Québec and Canada acting on instructions from their respective governments. The representatives of Canada may be chosen by both Ottawa and the provinces. Chaired alternately by a Canadian and a Quebecer, the Council would

meet at fixed dates, or according to need. It will have decision-making powers on matters entrusted to it by the treaty of association, and decisions pertaining to fundamental issues will require the agreement of both Québec and Canada. Negotiations after the Referendum will determine what questions are deemed to be fundamental. Some are already obvious: broadening the scope of the treaty of association or an increase in the terms of reference of community agencies for instance.

As for the **COMMISSION OF EXPERTS**, whose mandate will be defined by the treaty of association, it will be composed of Québec and Canadian specialists chosen for their competence and appointed for a limited period of time. It will act as the general secretariat of the community and will be subject to the guidelines of the council. In addition to supporting and advising the council members, it will be responsible for establishing technical liaison with the international bodies concerned in matters of customs and trade, and for negotiating the international agreements that will bind the community on those subjects. These agreements will then be approved and signed by the council of the community.

The **COURT OF JUSTICE** will comprise an equal number of judges appointed for a limited period of time by Québec and by Canada, and a chairman chosen jointly by the two States. It will have exclusive jurisdiction over the interpretation and implementation of the treaty of association; its decisions will be final and binding to both parties.

The central **MONETARY AUTHORITY** will be chaired alternately by a governor named by each government; the number of seats allocated to each party on the board of directors will be proportional to the relative size of each economy.

However the operation of this institution requires some explanation.

First, and despite the fact that Québec and Canada will have the same currency, it will be necessary to make certain changes in the central bank—which we now call the Bank of Canada—to take Québec sovereignty into account.

A central bank plays several roles, and it is important to examine them in order to distinguish between those that must remain joint and those that could be separated: its first role is the creation of money; its second is to act on the rate of exchange; the third consists in managing the placing and distribution of the public debt; the fourth, finally, whose importance varies from country to country, is to act as the government's banker, by opening an account for it through which transit all or part of government payments and deposits.

Since Canada and Québec will have a single currency, the first two functions must be joint: indeed, it is impossible to imagine that Canada would accelerate the creation of money, while Québec, fearing inflation, for example, was seeking to stabilize its money supply. The only result of such contradictory attitudes would be to cause the rate of interest to go down in Canada, and up in Québec: funds would move from Canada to Québec, so that the gap would close rapidly. For financial and money markets, in our time and in free countries, are like communicating vessels. Though it is possible to imagine certain disagreements concerning monetary policy between two countries that have a single currency, they cannot be very pronounced. In the same way, the rate of exchange for the dollar must come under a single authority, for it would be unthinkable that Canada seek to make it go down, while Québec was trying to make it go up.

The two other functions, on the other hand, can very well be distinct for each State. As a province, Québec has always had the right to manage its debt and direct its financial operations as it wished: there is no reason for it to lose these powers once it becomes sovereign.

If other formulas are equally possible, the following system can nevertheless be imagined: both Québec and Canada would have its own central bank, each one exercising the third and fourth functions of such an institution; for the exercise of the two first functions, those banks would be placed under the monetary authority, which would have decision-making powers and have a twofold jurisdiction over the two central banks: to determine the changes that each of them would make to the reserves of the chartered banks (and, if need be, savings

and credit cooperatives) and the transactions that each would have on the foreign exchange market.

In case of conflict between the two governments on the orientation to be given monetary policy or foreign exchange policy, the community council would be called upon to examine the dispute and find a way to resolve it, since it would have the power to give guidelines to the monetary authority.

It may be useful to recall that the existence of several central banks, coordinated by a body with responsibility for overseeing monetary policy and foreign exchange policy, corresponds to the American formula which, however, differs from the formula proposed here insofar as in the United States, central banks are regional and cover the territory of several states that are not sovereign. The American experience nevertheless shows the possibility of conducting the operations of central banks at two different levels.

### ***A Community Parliament?***

Within certain associations of sovereign states, either an interparliamentary assembly formed of members chosen among the deputies elected to the parliaments of the member states, or a parliament elected directly by the population are sometimes found. Nowhere, however, do such assemblies have legislative powers or powers of taxation that they can increase on their own initiative.

In Europe, after many years, a European parliament with limited responsibilities has finally been created; its members are elected directly by the populations of the participating countries. Some people have concluded, from this particular experience by the Common Market, that Europe was heading toward a federal system similar to what Canada now has. This is not the case: the similarities between the European parliament and the House of Commons in Ottawa are very few, and their respective powers are not comparable. Moreover, taking into account the increasing number of members in the European Community and the obvious desire of member states not to alienate their national sovereignty, it would be rash to claim that the Europe of tomorrow will be

federal, when there is nothing to indicate that it is entering on such a road.

In any case, the Québec government does not think it is advisable to propose establishing a parliamentary assembly, believing instead that it is preferable for the members of the Community Council to remain, politically, responsible to the parliament where they sit; this will enable the democratic control we are familiar with to be extended in this way to the functioning of the Québec-Canada community itself.

If the rest of Canada proposed an interparliamentary assembly, formed of members chosen among the members elected to the parliaments of the member states, the Québec government would have no objection to examining this proposal.

### **Sovereignty-Association: a Means**

The outline of sovereignty-association that we have just set forth does not, admittedly, answer every question this formula might pose in terms of certain specific areas. This is why we will in another chapter evoke the perspectives for the future which sovereignty-association will open to Québec in the areas of economic, cultural and social policy, as well as in its relations with the world.

For the time being, it is important to remember that if, from the government's point of view, sovereignty-association is a necessary formula for the future, its necessity comes above all from the fact that it will enable Quebecers to manage their own affairs freely and use as they wish the instruments sovereignty will give them.

Sovereignty-association, in short, is not an end in itself, but a means.