Québec’s State-Owned Enterprises: Between Economic Nationalism and the International Economy

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Abstract: This paper explores the activities and roles of two state-owned enterprises of the Québec government, Hydro-Québec and the Caisse de dépôt et placement du Québec (CDPQ), that evolved from instruments of economic nationalism to commercial enterprises with a growing focus on international trade. The first part of the paper explores how these two agencies were created in the 1960s and the ideas that governed their growth over the remaining of the 20th century. The second part looks at their commercial dimension and the intensification of their international trade activities since the end of the last century. The conclusion highlights the paradoxical situation which Hydro-Québec and the CDPQ are facing in the present days: initially carried by a wave of economic nationalism and state modernisation, they now must face elsewhere the same nationalist and protectionist environments in which they were born.

Keywords: economic nationalism, state-owned enterprises, sub-national states, international trade.

Introduction

In the 1990s, after the fall of the Berlin wall, with the increasing number of free trade agreements being proposed and signed and with production being internationalised, international trade appeared on the rise. But since then, the 2008 economic crisis has been followed by the rise of economic nationalism, populism, events such as Brexit and growing concerns with economic practices in non-democratic countries that have counterbalanced the earlier optimism about trade. Even with its closest neighbours and allies, Canada and Mexico, the United States under the Trump

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administration has raised tariffs for basic products such as steel and aluminium for reasons of national security. The Canada–United States–Mexico trade deal agreement signed in November 2018 has not eliminated these barriers, while older trade issues persist such as the softwood lumber dispute between Canada and the United States. Confrontations between China and the United States are not conducive to optimism either for free traders. Infrastructure issues have lately been of concern, illustrated by the issue of the control of 5G networks that involves large international companies. Other network industries such as electricity and transport where state-owned enterprises are involved, or the aviation industry could also be targeted. If international trade becomes more difficult for the main actors in the world economy, what could be said about sub-national states? Liberalism was an idea that has had glorious years but might be fading now compared to economic nationalism.

Are sub-national states allowed to have international relations, and should they? In theory, since the peace of Westphalia in 1648, they should not. In practice, they do. Scotland, Catalonia, both sides of the linguistic divide in Belgium, and some of the Canadian provinces do act independently. Québec has been the most active and has done so since the time Canada was still part of the British Empire, prior to its international existence. The control and development of this sub-national state, the only French speaking one in Canada has often been cast in nationalist overtones. The international activities known as para-diplomacy arose in Québec from both internal factors and international pressures. These activities have had a structuring effect on the Québec state with the creation of the first horizontal coordinating department at its very core. They also added to the constitutional debate in Canada since the 1960s when the French government, under Charles de Gaulle, helped the Québec provincial government penetrate international forums and became the first country to consider it as a national state; the federal government was hostile to these activities, which were out of its control.

But international activities were not limited to the very core of the state. State-building at the provincial level in Canada implied the use of public enterprises or was defined by it. Signing treaties has also had its symbolic importance but Canadian provinces are heavily dependent on international trade for their GDP.

dimension has always been an essential part of para-diplomacy and this trade has been with the United States. This paper suggests that since the 1960s, when Québec launched a vast nationalist attempt of catching up with development elsewhere in North America, it did so using public enterprises as they are known in Europe (or state-owned enterprises elsewhere). Since the 1960s, the Québec state has been an autonomously motivated actor that has used its most autonomous agencies for international activities. This paper is about two autonomous agencies of the Québec government that evolved from instruments of economic nationalism to commercial organisations with a growing focus on international trade.

The first part of the paper explores how these two agencies, Hydro-Québec and the Caisse de dépôt et placement du Québec (CDPQ), were created in the post-war era and the ideas that governed their growth and evolution during the second half of the 20th century. The second part looks at the intensification of Hydro-Québec’s and the CDPQ’s international trade activities in the present days. The conclusion highlights the paradoxical situation which the two organisations are facing: initially carried by a wave of economic nationalism, they now must face elsewhere the same nationalist and protectionist environments in which they were born.

Economic Nationalism in Québec and the creation of state-owned enterprises

While larger states at the centre of the international economic system can develop economic policies taking mainly into account their domestic political strategies and structures, smaller states have been far more dependent on the international economy. Sub-national governments control only a portion of the instruments available to national states and selective de-linking as done in Europe in the past is not available to them. Accordingly, they have to rely on much more autonomous instruments such as public enterprises. Economic size has been regarded as one summary indicator of openness to the pressures of the world markets. Working from Friedrich List’s ideas, Senghaas suggested that states could use tariffs and barriers to develop competitive advantage and overcome their fragility to trade. He studied how small European states provide an illustration of successful peripheral-capitalist development paths. These states have operated a “selective de-linking” for a short period of time, a prerequisite for their development. During such periods...