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John W. Sharp
Senior
Economic Counsellor

June 9, 1975

Quebec: Texas Of The North

Cheap hydropower plus an abundance of minerals and timber is making Quebec hum. With the new wealth has come another prized commodity—political stability.

GAZING thoughtfully out at Montreal's graceful and glittering skyline, a bank economist says: "Fifteen years ago, Quebec was the Georgia of the North. Industrially we were dormant. Politically far to the right. The Catholic Church dominated everything."

Unemployment was rife, close to 15% in some rural areas; capital investment minimal except for some in natural resources; and the average weekly wage was below \$75.

And yet today they are calling Quebec—"The Texas of the North." For its king-sized, multibillion-dollar projects, few places in North America can match Quebec.

Up there in 50-degree-below-zero weather, work crews are building one of the continent's last major hydroelectric power plants on the aptly named La Grande River near remote James Bay. It's costing \$12 billion. The payoff: cheap power and an abundance of jobs. In 1985 La Grande will produce enough electricity to supply New York City for a year. Quebec won't have to worry much about OPEC oil embargoes.

Outside Montreal, there's the new \$440-million Mirabel Airport. It's slated to be bigger than the massive Dallas-Fort Worth Airport, and will

operate as Canada's main transatlantic airport and the major North American terminal for European cargo.

What's more, Montreal has another billion-dollar bonanza brewing—the 1976 Summer Olympic Games. For months jackhammers and cranes have been working on an Olympic village, a covered 56,000-seat stadium and a dozen new hotels, many to be backed by U.S. firms.

Says Quebec Prime Minister Robert Bourassa: "I'm known as being favorable to U.S. investment."

The very fact that a French-Canadian politician can utter that phrase shows how far Quebec has come. It wasn't that long ago when Quebec was going to pull out of Canada, set up an independent *Québec Libre* and send all foreigners packing—after seizing their investments, of course. There was political assassination and kidnapping. Armed vehicles roared through Montreal's streets. That was the scene as recently as 1970. With real estate prices plunging 50% in a matter of months, Quebec's economic future looked dismal. Worried money was pouring out like water from a broken faucet.

Whatever happened to the separatists? It's a hopeful story: Put bread

on the kitchen table, recognize legitimate cultural aspirations, and the guns disappear, the extremists become isolated. The separatist cause isn't much of a vote catcher in Quebec today. Robert Bourassa's Liberal Party went to the polls midway through its five-year term in October 1973. The vote was overwhelming. The separatist Parti Québécois got six seats, the Liberals 102 seats in the 110-seat provincial legislature.

A Welcome Change

U.S. businessmen weren't slow in noticing the changed mood. Since 1971 a score of U.S. firms have poured in close to a billion dollars. Subsidiaries of Hercules, du Pont and Exxon have expanded Montreal's petrochemical complex, the biggest in Canada. U.S. Steel and Johns-Manville have splurged on iron ore and asbestos mines. ITT's Rayonier Quebec unit is committed to spending \$500 million on three pulp mills.

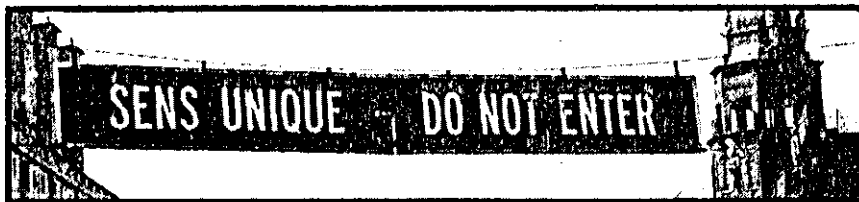
This January financial institutions like Prudential Insurance and Boston's John Hancock Mutual Life snapped up \$200 million in Hydro-Québec bonds at a competitively priced 10.25%, and there was money left over for a \$50-million issue by the Montreal Urban Community.

"Quebec," says Joseph Wilson, underwriting manager at Merrill Lynch, Pierce, Fenner & Smith, "is now almost as well known among international lenders as the World Bank."

That may be overstating things a bit. But the fact is Quebec is emerging as one of the last resource-rich and politically stable places left where there is still room to expand. And not only for the U.S. The Japanese, Germans and even the cautious Saudi Arabians are all pouring in funds.

Harvard and Oxford educated as both lawyer and economist, Bourassa, at 41, is Quebec's youngest leader ever. Thin, intense and bespectacled, he's tougher than he looks. While others wavered, Bourassa in October 1970 called in federal troops to stamp out terrorist cells. Two years later he won a crucial showdown with labor by sending three union leaders to jail when they defied a "back to work" court injunction.

Bourassa's formula for reviving Quebec is to mix generous doses of social welfare with a profits-are-good program that attracts businessmen. "He's really given confidence back to



Two Cultures. French and English side by side don't always make for harmony. "There's an internal struggle here," says Financial Institutes Minister William Teitley. "It's like Elizabethan England: violent but exciting." But blending two cultures does produce a cosmopolitan atmosphere, unrivaled in North America, that quickly shows in the gaily lit underground plazas.

